FINAL OVERSIGHT REPORT ON ANNUAL REPORT 2023/2024

9th APRIL 2025

JOHN TAOLO GAETSEWE DISTRICT MUNICIPALITY 4 Federalemynbou Street | P.O. Box 1480 KURUMAN 8460 TEL 053 712 8700 | FAX 053 712 2502

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ACRONYMS

MFMA	Municipal Finance Management Act.
MSA	Municipal Systems Act.
MPAC	Municipal Public Accounts Committee
CoGTA	Co-operative Governance and Traditional Affairs
OAG	Office of the Auditor General.
IDP	Integrated Development Plan.
SDBIP	Service Delivery and Budget Implementation Plan.
CLLR	Councillor.
PT	Provincial Treasury.
MIG	Municipal Infrastructure Grant
AFS	Annual Financial Statements.
JTGDM	John Taolo Gaetsewe District Municipality.

FOREWORD BY CHAIRPERSON

The Council of John Taolo Gaetsewe District Municipality has a responsibility to oversee the performance of the Municipality as required by the Constitution of the Republic of South Africa, 1996, the Municipal Finance Management Act 56 of 2003 and the Municipal Systems Act 32 of 2000.

The Council by fulfilling its oversight responsibility established the oversight committee in terms of section 79A (1) of the Municipal Structures Act Amendment Act 3 of 2022. Aa a result, MPAC is one of those oversight committee. One of the mandates of MPAC being to analyse the Municipality's Annual Report and development of an oversight report with appropriate recommendations to Council.

It is worthy to note that an oversight report is the major step in the annual reporting process of the Municipality. The oversight report is therefore distinguished from annual report as it follows consultations and consideration on th annual report. As MPAC, we have reached a stage of compiling the oversight report. On behalf of MPAC, I hereby present the oversight report on the Annual Report of the year 2023/24.

I would like to appreciate MPAC members, Councillors, Officials and Management for efforts made throughout the year 2023/2024.

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Cllr T Motsoare

MPAC Chairperson

1. INTRODUCTION

Section 129 (1) -(2a) of the Municipal Finance Management Act assigns specific Oversight responsibilities to Council with regards to the Annual report and the Preparation of an Oversight report thereof. Given the processes required by the Council to effectively undertake its assigned role, the establishment of an oversight committee of Council would the provide the appropriated mechanism in which Council fulfils its oversight responsibilities.

The oversight committee's paramount role will be to consider the Annual Report, receive inputs from various role players and to prepare and prepare an oversight report for consideration by Council. The oversight role of the Council is an important component of the financial report and it is achieved through the separation of role and responsibilities between Council, the Executive and Administration. Good governance, effective accountability and oversight can only be achieved if there is a clear distinction between functions performed by the different role players.

2. Legislative Framework and working documents.

Constitution of the Republic of South Africaa,1996.

Municipal Structures Amendment Act 3 of 2022

Municipal Financial Management Act 56 of 2003

Municipal Systems Act 32 of 2000

National Treasury Circular 63.

National Treasury Circular 11

National Treasury Circular 32.

Annual Report.

Audited Annual Financial Statements (AFS)

3. OFFICIALS AND MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OF JOHN TAOLO GAETSEWE DISTRICT MUNICIAPLITY- OVERSIGHT REPORT 2023/24.

OFFICIALS:

Mr. K.K Teisi	Municipal Manager.
Ms. C Sebanyoni	Chief Financial Officer
Ms. S.P Mereyotlhe	Director: Corporate Services.
Mr. M.W Molusi	Director: Basic Services & Infrastructure.
Ms. L. Gaetsewe	Director: Economic Development Department.
Mr. T.H Matlhare	Director: Community Development Services

4. Composition of oversight committee

Section 79 (1) (a) and (b) of the *Local government: Municipal Structures Act 1998* dictates that a municipality may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and appoint the members of any such committee from among Councillors.

Based on the previous exposition, Municipal Public Accounts Committee (MPAC) is established in accordance to Section 79A of *Local Government: Municipal Structures Amendment Act No.03 of 2021* and it is a committee with rights to serve and exercise oversight over the executive obligations of the Municipal Council. The MPAC assists the Municipal Council with holding the Executive Management accountable, and to ensure the efficient and effective use of municipal resources. MPAC would further assist in increasing council and public awareness of the financial and performance matters of the municipality.

Municipal Public Account Committee Members:

Mr. T Motsoare- Chairperson

Mr. Mathibe O D

Mr. Valela M E

Ms. Filipo P

Ms. Tswere K. N

Ms. Ngesi N

Mr. Ohentswe P

Ms. Setlhodi K

5. Authority, Power and Functions

The MPAC is vested with an oversight role of reviewing the Annual Report of John Taolo Gaetsewe District Municipality and compile an Oversight Report with specific focus on the financial aspects as contained in the Auditor-General's Report on the Annual Financial Statements of the Municipality.

An oversight report as envisaged in Section 129 of the *Municipal Finance Management Act 56 of 2003*. On behalf of Council, MPAC is delegated amongst others, with the following responsibilities:

- To undertake a review and analysis of the annual report;
- To invite, receive and consider inputs from Councillors and Portfolio committees on the annual report;
- To consider written comments received on the annual report;
- To receive and consider Council audit committee view and comments on the annual financial statements and performance report; and
- Finally, to prepare an oversight report taking into consideration, the views and inputs of the public, representatives of the Auditor general, organs of state, Council Audit committee and councillors.

6. TABLING OF THE ANNUAL REPORT TO COUNCIL

in terms of Section 121 (1) of *Municipal Financial Management Act*, every Municipality must for each financial year prepare an Annual report and be tabled to Council within a specified time. The Council must within 9 months after the end of financial year deal with the annual report of the municipality in accordance with section 129, that is to adopt an Oversight Report containing the Council's comments on the Annual Report not later than two months from the date on which the Annual Report was tabled in Council as per the prescripts of section 127 of the MFMA. An oversight report has to specify whether council:

- Has approved the Annual Report with or without reservations
- Has rejected the Annual Report
- Has referred the Annual Report back for revision of those components that can be revised.

Purpose of the report is to*:*

- Provide a record of the activities of the Municipality during the financial yar to which the report relates;
- To provide a report on performance against budget of the municipality for the financial year; and
- To promote accountability to the local community for the decision made throughout the year by the municipality.

The office of the Municipal Manager coordinated the process of developing the 2023/2024 Annual Report. This report was submitted to the Audit committee for inputs, it was then tabled to the Council on the **27th of February 2025**. In that meeting, Council referred the report to MPAC to perform an oversight role with reference number **F03.27/02/2025**.

The Office of the Municipal Manager coordinated th process of publicising the Annual Report. The community members within the jurisdiction of John Taolo Gaetsewe District were advised through media print of the availability of the report and were invited to submit inputs, comments and representation on the report. The Annual report was made available for inspection at the Municipality offices and it was submitted to the office of Auditor-general, Provincial Treasury and the Department of Co-operative Governance and Traditional Affairs.

The Annual Report was therefore subjected to public process for a legally prescribed period. At the closing date of public submission process, no comments were received from the community.

7. EVALUATION OF ANNUAL REPORT

The evaluation of the Annual Report by MPAC is presented in two sections as reflected below:

- MFMA and MSA Annual Report requirements. This section contains committees' comments on whether the 2023/2024 Annual Report is inclusive of items required by MFMA and guidance provided by National treasury Circulars.
- Other Annual Report issues. This section contains MPAC substantive comments on the Annual Report and issues raised by Committee.

MFMA and MSA Annual Report requirements/ Annual Report Checklist

John Taolo Gaetsewe District Municipality

ANNUAL REPORT CHECKLIST

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual report of the municipality and adopt an oversight report. The oversight report must include a statement whether the council:

- Has approved the annual report, with or without reservations
- Has rejected the annual report
- Has referred the annual report back for revision of those components that can be revised

Key Questions posed:

No	Question	Yes	No	Comments
1.	Was the annual report submitted to the Auditor-General, together with the annual financial statements by, the 31st August?	√		
CHAPTER 1				
2.	Does Chapter 1 of the annual report include: – The Mayor's/Executive mayor's foreword, – The municipal manager's foreword, – Municipal overview? –	√		
CHAPTER 2				
3.	Does Chapter 2 of the annual report include the Governance Structures, both Political and Administrative?	√		
4.	Does Chapter 2 of the annual report include details of Intergovernmental relations?	√		
5.	Does Chapter 2 on Governance in the annual report include details on all public accountability and public participation meetings and the IDP participation & alignment?	√		
6.	Does Chapter 2 on Governance in the annual report address risk management issues?	√		

No	Question	Yes	No	Comments
7.	Does Chapter 2 of the annual report address anti-corruption and fraud?	√		
8.	Does Chapter 2 on Governance in the annual report address supply chain management issues?	√		Pg 40 to Pg 45
9,	Does Chapter 2 on Governance in the annual report address By-laws?	√		
10.	Does Chapter 2 on Governance in the annual report address the website(s) where information is available?	√		
11.	Does Chapter 2 on Governance in the annual report share information on public satisfaction on municipal services?	√		
12.	Does Chapter 2 in the annual report address the municipal oversight committees?	√		
CHAPTER 3				
13.	Does Chapter 3 in the annual report demonstrate what service delivery has been achieved and what is outstanding?	√		
14.	In Chapter 3 of the annual report, are the service delivery issues structured, captured and reflected under each priority as contained in the IDP to	√		

No	Question	Yes	No	Comments
	allow for easy comparisons on achievements against budget and SDBIP?			
CHAPTER 4				
15.	Does Chapter 4 of the annual report provide information pertaining to the implementation of an effective performance management system, organisational development and performance of the municipality?	√		
16.	Does Chapter 4 of the annual report provide information on planning, service delivery, organisation, job evaluation, remuneration, benefits, personnel expenditure, affirmative action, recruitment, promotions, termination of services, performance management, skills development, injury on duty, labour relations, leave and discharge due to ill-health?	√		
17.	Does Chapter 4 of the annual report provide information to identify skills gaps and plans for the development of such skills?	√		
CHAPTER 5				
18.	Has Chapter 5 of the annual report on financial performance include	√		Pg 40 to P45

No	Question	Yes	No	Comments
	information divided into the following framework: a) Statement of financial performance b) Spending against Capital budget c) Cash flow management and investment d) Other financial matters?			
CHAPTER 6				
19.	Does Chapter 6 of the annual report include the Auditor-General's Report as submitted by the Auditor-General?	√		
20.	Does Chapter 6 of the annual report include details on issues raised during the previous financial year by the Auditor-General?	√		
21.	Does Chapter 6 of the annual report include remedial action taken to address issues raised during the previous financial year by the Auditor-General and preventative measures?	√		
APPENDICES				
22.	Is an **Appendix A** on Councillors; Committee allocation and council attendance included?	√		
23.	Is an **Appendix B** on Committee and Committee purpose included, listing all	√		

No	Question	Yes	No	Comments
	committees of the council, the purpose of each committee and the names of councillors serving on them and the attendance of each councillor?			
24.	Is an **Appendix C** including an organogram of the administrative structure?	√		
25.	Is an **Appendix D** included on what constitutes a municipal function and the applicable functions of the municipality?	√		
26.	Is an **Appendix E** on Ward reporting included with information on the functions of ward committees, the sector of community representation, reports submitted by each of these committees' challenges experienced and measures taken to address them?		x	Not applicable to JTG District Municipality
27.	Is an **Appendix F** on Ward information included outlining the name/number of the ward, listing the seven largest projects in each ward with start & end dates, their total value, progress and information on the top four delivery priorities per ward?		x	Not applicable to JTG District Municipality
28.	Is an **Appendix G** included on	√		Pg 130

No	Question	Yes	No	Comments
	recommendations of the audit committee, those adopted, those that were not adopted and the meetings held?			
29.	Is an **Appendix H** included on information related to the largest projects, agreements and contracts and any Public Private Partnerships?		x	There are no public private partnerships
30.	Is an **Appendix I** including service provider performance schedule from the top four priority indicators in the IDP?	√		
31.	Is an **Appendix J** included with senior managers' disclosures of financial interest?	√		Pg 138
32.	Is an **Appendix K** included on Revenue collection by votes and by source based on prior year and current year actual collections?	√		Included in AFS: Note 20 to 21 and in the statement of comparison on budget and actuals
33.	Is an **Appendix L** included on Conditional Grants received (excluding MIG) received during the year indicating adjustments budget and the actual, showing percentage variances and any major conditions applied by donors on each grant?	√		Included in the AFS: Note 22

No	Question	Yes	No	Comments
34.	Is an **Appendix M** included on capital expenditure: a) On new assets programme, b) On upgrade/renewal programmes Showing the actual of the prior year, the adjusted budget and actual expenditure in the current year?	√		Included in chapter 5 is narrative of capital assets, purchased and the actual amounts thereof
35.	Is an **Appendix N** on all capital projects in the current financial year, indicating the adjusted budget, actual in the current year and the variance?	√		Info included in the AFS
36.	Is an **Appendix O** included on all capital projects per ward in the current financial year and if the work was completed or not?	√		Info included in the AFS
37.	Is an **Appendix P** included on service connection backlogs at schools and clinics with their names and location?		x	Function is performed by local municipalities
38.	Is an **Appendix Q** included with all service backlogs experienced by the community where another sphere of government is responsible for providing the service?	√		

No	Question	Yes	No	Comments
39.	Is an **Appendix R** included listing all organisations or person in receipt of loans and grants; from the municipality stating the nature of the projects funded, conditions attached and the rand value?	√		
40.	Is an **Appendix S** included listing all monthly MFMA S71 budget statements not submitted in time?	√		Pg 146
41.	Is an **Appendix T** included for powers and functions not covered in other sections of the annual report?		x	N/A
VOLUME 2				
42.	Have all components of the audited financial statements, as signed by the Auditor-General, been included in the annual report in Volume 2?	√		
VOLUME 3				
1.	Has the target(s) for the period under review been reached?	√		Some targets were achieved as indicated in the APR, take note of the ACHIEVED/NOT ACHIEVED column.
2.	If not, what are the reasons for not achieving the targets?	√		Some targets were not achieved as indicated in the APR, take note of the REASONS FOR NOT ACHIEVING column.

No	Question	Yes	No	Comments
3.	If the target(s) has been reached what is the backlog that still requires elimination?			N/A, specific basic services backlogs are a function of the LMs. In addition, although the DM is accredited to address housing needs, it does not have any funding to address the housing backlog.
4.	How has the municipality arrived at the figures for backlogs?			N/A
5.	At the current pace of delivery and funding, when could we expect to eliminate the backlog?			N/A
6.	If the rate of delivery of the basic service is too slow to eliminate backlogs, then what do we need to do to accelerate delivery?	√		Funding, this will allow the District Municipality not only to focus on its catalytic projects but assist in the implementation of feasible Local Municipalities' projects.
7.	Are conditional grants used effectively and what was the spending levels?	√		Conditional grants were 99% spent, this excludes the Municipal Housing Emergency Grant and HIV/AIDS. Still awaiting a response for the roll-over applications submitted.
9.	If there was underspending on grants provided for service delivery, what is the reasons for the underspending and what recommendations have been provided to improve performance?			N/A

Improving Compliance with Laws and Regulations

In order to improve compliance with laws and regulations John Taolo Gaetsewe District municipality have a series of strategies, plans and policies to deal with non-compliance with laws and regulations, fraud and corruption, however, implementation and follow through may be weak. Attending to such matters in the administration and council on a timely basis would assist in improving compliance with laws and regulations and in reducing fraud and corruption or allegations thereof, and sending the key message that public funds must be utilised correctly.

Key questions posed:

1.	Which policies and strategies are in place to deal with compliance with laws and regulations, fraud and corruption?	√		Fraud and Corruption Policy
2.	Does the municipality have historical / baseline information regarding the extent of non- compliance, fraud and corruption in the organization?		x	N/A
3.	Are the strategies and plans to prevent non-compliance, fraud and corruption implemented and do we measure their outcomes?	√		Risk Management and Ethic Management is being implemented by the Municipality
4.	If no, then how do we know they are effective?			N/A
5.	If yes, then have we seen a decrease in the instances of non-compliance, fraud and corruption?	√		Yes, we currently have not obtained any non-compliance findings in the year under review. Also, no confirmed case of fraud and corruption has been offered during the year under review.

6.	Has the Disciplinary Board provided recommendations on all investigations and these reported to Council, provincial and national government as required by the MFMA regulations on Financial Misconduct?		x	N/A
7.	During the year under review, have there been any disciplinary measures and/or criminal prosecutions for instances of fraud and corruption relating to the municipality involving either, municipal councillors, officials and/or private individuals or companies?		x	N/A
9.	What has been disclosed in the AFS and Annual Report and is it adequate?	√		N/A
10.	What was the outcome of the processes listed above?			N/A
11	What has the municipality done to recover losses resulting from fraudulent and corrupt activities?			N/A
12	Have these recoveries and/or losses been recorded in the AFS?			N/A

Auditor-General Reports: Report on the Financial Statements: Preceding Year

This part of the Annual Report refers to findings made by the Auditor-General during the previous year. These are important in that they seek to assess the extent to which the municipality has addressed findings from previous years so that ultimately the findings do not recur.

The Auditor-General also comments on the validity of performance information. The Auditor-General therefore also make findings on the veracity of performance information. The progress made on addressing the Auditor-General previous findings can be addressed by monitoring the implementation of the previous year Audit Action Plan and the progress thereof, to which the questions below would be useful.

Key questions posed:

No	Question	Yes	No	Comments
1.	Has the municipality conducted an in-depth analysis of the previous findings with a view to establish the root causes of the findings?	√		
2.	What role has Internal Audit played in monitoring same?	√		
3.	Has the municipality developed a plan to address all the root causes of findings of the Auditor-General?	√		
4.	How has the municipality implemented and monitored the plan?	√		
5.	Has the municipality ensured that the issue of dealing with Auditor-General findings are reflected and assessed in the performance agreements of managers?	√		

6.	Is the municipality confident that its measures to address root causes will result in the resolution of the findings and that the findings will not recur?	√		
7.	Is there any consequence management that has been applied to any officials who have failed in their duties to remedy previous findings of the Auditor-General?		X	N/A

Auditor-General Reports: Report on the Financial Statements: Current Year

The Municipal Public Account committee used the Audit Opinion issued by the Office of the Auditor-General to assist the committee in addressing issues relating to the financial governance of the municipality. Central to the MPAC oversight are the matters to be dealt with when there was unauthorised, irregular, fruitless and wasteful expenditure identified.

This report was read in conjunction with the Audit Committee Report. The committee also took note of the Audit opinion in the current-year report of the Auditor-General which reflected as an Unqualified Audit opinion with findings for 2023/24 financial year which were not recurring from as the municipality previously had clean Audit opinion.

Key questions posed:

No	Question	Yes	No	Comments
1.	Have all the issues raised in the Management Report been attended to?	√		
2.	Is the municipality confident that it has properly analysed and determined the root causes of the recurrent findings?	√		
3.	Has the municipality developed a proper and detailed plan and activities	√		

No	Question	Yes	No	Comments
	to address the root causes?			
4.	Has additional internal or external expertise (e.g. Provincial Treasury, National Treasury) been sought to assist in the development of the plan?	√		
5.	How has the Financial Management Grant received from National Government been used?	√		**1.** The municipality appointed 5 interns and pay stipend from FMG. **2.** Acquisition, upgrade and maintenance of financial management system. **3.** Accounting and Auditing **4.** Valuer and Assessors.
6.	What steps have been taken to ensure full implementation?	√		Monthly monitoring of grants.
7.	What could have been done better?			N/A
9.	Was there any consequence management applied to any officials who had failed in performing their duties to remedy previous findings of the Auditor-General?		X	N/A

The objectives of Annual Financial Statements in the Annual Report are:

- To Demonstrates whether resources were obtained and used in accordance with the municipality adopted budget, and in compliance with other finance-related legal or contractual requirements
- Assists users to assess service efforts, costs, and accomplishments of the municipality or entity.
- Shows whether current year revenues were sufficient to meet the cost of providing current year services
- To assist the municipality to be publicly accountable
- To assist users to evaluate the operating results by presenting information about
- How the municipality finances activities and meets cash flow requirements

The Committee considered the following AFS components:

1. **Statement of Financial Position which is a statement that reports on:**
   (i) Assets -what the municipality owns or controls
   (ii) Liabilities -what the municipality owes
   (iii) net financial assets/net debt- liabilities minus financial assets
   (iv) accumulated surplus - what remains after the assets have been used to meet the liabilities? These remaining assets will be available to provide services to future periods.
2. **Statement of Financial Performance is a statement that reports on:**
   (i) revenues
   (ii) expenses
   (iii) results for a fiscal year or reporting period.

3. **Statement of Change in Net Financial Assets (Net Debt) is a statement that:**
   (i) explains the difference between the annual surplus or deficit and the change in net financial assets (net debt)
   (ii) reports spending to acquire tangible capital assets and inventories of supplies reports disposal of tangible capital assets and the use of inventory.
4. **Statement of Cash Flow**

The statement that provides details on changes in cash and cash equivalents since the previous reporting period by:

(i) Identifying where cash came from

(ii) Showing how cash was used.

5. **The Variances between budgeted and actual amounts in the above statements provides:**

(i) Details of budgets and actual amounts

(ii)The reasons for variations, should those variations be material

Key questions posed:

No	Question	Yes	No	Comments
1.	Councillors should review the disclosures to the AFS as these contain much detail that underpin and explain what is in the AFS.	√		
2.	Councillors should review the audit opinion as provided by the Auditor-General.	√		
3.	Councillors should request from the administration any comments received by the Audit Committee, Provincial or National Government.	√		
4.	How adequate are the municipalities internal controls [in general/over the Income, Expenditure and Cash Flow area?	√		
5.	Is there adequate segregation of duties?	√		

No	Question	Yes	No	Comments
6.	Have the auditors made any recommendations for improvements in controls?	√		
7.	What were they? Why were these problems not discovered and fixed before the auditors noticed them?			
9.	Have these recommendations been implemented? If not, why not?	√		
10.	Why did Income or Revenue [increase/decrease] so much from last year?			Decrease in Revenue.
11	Are our key sources of revenue rising or falling (either in Rand terms or as a percentage of the total), and why? Same for types of expenses -especially personnel costs.			1. There has been a decrease due to dispute of interest accounts. One local municipality established their own internal audit. 2. District Municipal Planning Tribunal contract ended.
12	Are our key sources of expenditure rising or falling (either in Rand terms or as a percentage of the total), and why?			Increased due to annual escalations in: 1. Employee related cost and Contracted services
13.	Do we use the budget as a management tool for early warning of impending problems and action required, evaluation of management performance, identification of opportunities, etc.?	√		

No	Question	Yes	No	Comments
	adequate? If not, what are we doing about it?			
21.	Are we better or worse off financially than we were a year ago? Why?			Better because cash flow improved over the past three years.
22.	Are there any concentrations of credit / debit risk?		x	Credit risk consists only of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.
23.	The AFS shows several variances. Does this not indicate a lack of cohesive planning or lack of proper risk management?		x	
24.	What steps have been taken to ensure adequate ICT security in the organization? (This is especially important where organizations conduct all of most of its transactions via the Internet)			Firewall in place to ensure incoming and outgoing connections are monitored.
25.	How has the municipality managed improved austerity measures?			Municipality has adopted the cost containment policy which limits the following: • extensive travelling, • meetings on zoom, • limited advertisement on newspapers, • Catering limited to meetings and workshops held more than 5 hours
26.	Was the municipality able to realise savings as a result of austerity measures?	√		
27.	If yes, where were those savings utilized?	√		

- **Utilisation of Conditional Grants** – MPAC notes that performance in respect of programmes funded by Infrastructure Skills Development Grant and Rural Roads Assets Management were not evaluated in two months after the end of financial year as required by section 12(5) of Division of Revenue Act.

9. RECOMMENDATIONS

Municipal Public Accounts Committee has resolved to recommend to Council that:

- Oversight Report be adopted and approved with no reservation.
- There must be consequence management for non-compliance with legislation.
- Council must advise administration to strengthen internal control measures as highlighted on AG's report.

MPAC Chairperson

Councillor T Motsoare