



THE OVERSIGHT COMMITTEE MEETING ON 29 MAY 2025

OVERSIGHT REPORT ON THE ANNUAL REPORT OF DR BEYERS NAUDE LOCAL MUNICIPALITY FOR THE 2023/24 FINANCIAL YEAR 9/2/2

PURPOSE

The purpose of the report is to inform Council about the work done by the Oversight Committee in analysing the Annual Report and to make recommendations to Council as required in terms of Section 129 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

BACKGROUND

The Annual Report content will assist municipal councillors, municipalities, municipal entities, residents, oversight institutions and other users of Annual Reports to assess progress made on service delivery. It must align with the Integrated Development Plan (IDP), Budget, Service Delivery and Budget Implementation Plan (SDBIP) and in year reports. The contents will also assist with the annual audits.

This report should be used as a decision-making tool by the municipalities.

Every municipality and municipal entity must prepare an annual performance report which must form part of the Annual Report for each financial year in accordance with the Municipal Systems Act 2000 (MSA) section 46, and the Municipal Finance Management Act 2003 (MFMA) section 121.

The purpose of the Annual Report is:

- * To provide a record of the activities of the municipality or entity during the financial year to which the report relates;
- * To provide a report on performance in service delivery and budget implementation for the financial year;
- * To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity; and
- * To reduce the additional reporting requirements that will otherwise arise from Government Departments, monitoring agencies and financial institutions.

The 2023/24 draft Annual Report was tabled during a Special Council Meeting and thereafter published for public comment by the Municipal Manager, in accordance with Section 21(A) of the Local Government: Municipal Systems Act.

OVERSIGHT COMMITTEE

Council, for purposes of exercising oversight over the executive obligations of Council, has established the Municipal Public Accounts Committee and also tasked the Committee to analyse and review the draft Annual Report and produce an Oversight Report to Council for consideration.

SEPARATION OF ROLES

The separation of roles between the council and administration is intended to strengthen the oversight function of councillors. Good governance and effective oversight and accountability are predicated on there being this separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government. Council oversees the performance of the administration through council and committee meetings. The mayor provides the link between the council and administration and is responsible for regular monitoring and for tabling reports before the council. Therefore, the administration is responsible for the day-to-day operations. This separation avoids conflict of interest and a “referee/player” situation arising and is similar to the role played by Parliament.

The MFMA further assumes a separation between councillors serving on the executive (i.e. mayor or executive committee) and non-executive councillors. This separation is vital to ensure council maintains oversight for the performance of specific responsibilities and delegated powers to the mayor or executive committee.

The MFMA gives council a number of financial management tasks to fulfil its oversight role. The adoption of an “Oversight Report” is one such task. The diagram below illustrates the various oversight intervention points from the adoption of the Integrated Development plan (IDP), Budget, Annual Report and Oversight Report.

CONTENT

Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of council is particularly important for the process of considering annual reports.

The MFMA and MSA recognise that council has a critical role to play to ensure better performance by municipal departments and entities. There now exists an explicit linkage between the strategic goals, set by council through the IDP, which are translated into the budget, and the delivery of those goals, which is reported in the Annual Report. It is important for council to ensure that the budget gives effect or expression to priorities contained in the IDP. A good budget will lay a basis for better oversight and cement the contracts between the executive/council, the administration and the public.

The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on managers and makes them more accountable for performance. Whilst, in the first instance it is left to the mayor or the Executive Committee to resolve any performance failures, council is ultimately vested with the power and responsibility to oversee both the executive and administration. Oversight occurs at various levels in a municipality and is explained in the following table:

FINANCIAL GOVERNANCE FRAMEWORK APPLICABLE TO LOCAL GOVERNMENT

	Responsible for	Oversight over	Accountable to
Council	Approving policy and budget	Mayor or Committee	Community
Mayor or Committee	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Mayor or Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

The annual report:

- is meant to be a backward-looking document, focusing on performance in the financial year that has just ended; and
- must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the annual report should include the following main components, each of which has an important function in promoting governance and accountability. The main components are:

The annual performance report as required by section 46 of the MSA:

- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

Other components required to be included in the annual report are set out in the section 121 of the MFMA and MFMA Circular No 11 issued by National Treasury on 14 January 2005.

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 its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on each annual 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; or
- has referred the annual report back for revision of those components that can be revised.

The oversight report is thus clearly distinguished from the annual report. The annual report is submitted to the council by the accounting officer and the mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by council.

The oversight report is a report of the municipal council and follows consideration and consultation on the annual report by the council itself.

Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

PROCESS OF ASSESSMENT OF THE ANNUAL REPORTS

The draft Annual Report for 2023/24 was tabled at a Special Council meeting during which Council resolved as follows:

- a) That the draft 2023/24 Annual Report, of Dr. Beyers Naudè Local Municipality be noted.

- b) That the Annual Report in (a) above be advertised for public comment and input and the Municipal Public Accounts Committee (MPAC) be delegated the responsibility to engage with the draft 2023/24 Annual Report on behalf of Council;
- c) That copies of the draft 2023/24 Annual Report in (a) above be sent to the Audit Committee, Internal Audit, Treasury, Department of Co-operative Governance and Traditional Affairs and the Auditor-General;
- d) That the reviews of the Oversight bodies, when available, be captured in the draft 2023/24 Annual Report and Management be tasked to take the necessary corrective measures accordingly;
- e) That the Municipal Public Accounts Committee (MPAC), be appointed by Council to interact with the draft 2023/24 Annual Report in (a) above before final approval by Council.

ADVERTISING PROCESS

Following the above mentioned resolutions, the draft Annual Report for 2023/24 was made public in terms of section 127(2) of the MFMA and the local community was invited to submit representations/inputs/comments in this regard.

Official notices advising where the annual reports could be viewed and inviting representations from the public were placed in the local newspaper and on the Municipal website. Copies of the annual reports were placed in the offices of the Dr Beyers Naudé Local Municipality's administration as well as all libraries.

Copies of the reports were also forwarded to the following as required by the MFMA:

- Auditor-General
- Provincial Treasury
- Provincial Department of Co-operative Governance and Traditional Affairs.
- Audit Committee and
- Internal Audit Unit

RESPONSES RECEIVED

Attached are copies of written responses received from the following:

- Provincial Treasury EC
- Audit Committee
- A member from the public

SUMMARY OF COMMENTS OF THE OVERSIGHT COMMITTEE ON THE ANNUAL REPORT OF 2023/24

This will be captured and included after the MPAC Meeting scheduled for 15 May 2024.

LEGAL FRAMEWORK

- The Constitution (1996);
- Local Government: Municipal Structures Act (1998) (MSA);
- Local Government: Municipal Planning and Performance Regulations (2001);
- Local Government: Municipal Finance Management Act (2003) (MFMA);
- Local Government: Municipal Systems Amendment Act (2003);

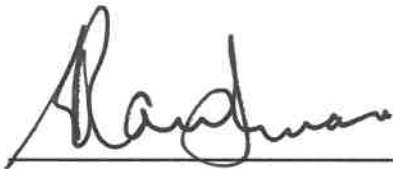
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers (2006);
- MFMA Circular 11 (Annual Report Guidelines);
- MFMA Circular 13 (SDBIP);
- MFMA Circular 31 (Oversight Report);
- Municipal Public Accounts Committee Guidelines.

CONCLUSION

The Oversight Report could not be presented to Council for consideration by end of March 2025 and was therefore also not published timeously.

RESOLVED BY COUNCIL ON 30 JUNE 2025

- (a) That the 2023/24 Oversight Report together with the 2023/24 Annual Report of Dr Beyers Naude Local Municipality be adopted without reservations;
- (b) That the Oversight Report 2023/24 in (a) above be made public in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003); and
- (c) That the Oversight Report 2023/24 and Annual Report 2023/24 be submitted to the Provincial Legislature in accordance with Section 132 (2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).



DR. E.M. RANKWANA
MUNICIPAL MANAGER

DATE: 03-07-2025



CLLR A KOEBERG
CHAIRPERSON OF MPAC

DATE: 03-07-2025

“Annexure B”

Checklist to make determinations regarding the 2023/24 Annual Report – Dr Beyers Naude Local Municipality.

INFORMATION REQUIRED TO BE INCLUDED IN THE ANNUAL REPORT	ISSUES FOR CONSIDERATION/ POSSIBLE QUESTIONS	ANSWER	WHO IS ANSWER- ABLE	DETERMINATION BY OVERSIGHT COMMITTEE	RESPONSE OFFERED BY PERSON ACCOUNTABLE
1. Is the Annual Report in a presentable format	• Properly titled; • Referenced to the year under review; • Contains misrepresentations;	Yes Yes No	MM MM MM	Agree Agree Agree	

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2. Is the Annual Report properly “organized”	• Index; • Page numbering; • Chapters follow proper sequence. • Annexure relevant to year under review	Yes Yes Yes Yes	MM MM MM MM	Agree Agree Agree Agree	Page 3-5 Page 3-5 Chapter 1: Page 9, Chapter 2: Page 31, Chapter 3: Page 49, Chapter 4: Page 147, Chapter 5: Page 166, Chapter 6: Page 187. Annexures: From page 224

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3. Are the minimum requirements for content as prescribed by s.121.3 of the MFMA and s.46 of the MSA met.	In terms of the MFMA the following documents must be included in the Annual Report:				
	• Annual Financial Statements for the year under review;	Yes	MM	Agree	Annexure 1 In Annual Report
	• The Auditor-General's report for the year under review;	Yes	MM	Agree	Annexure 2 in Annual Report
	• The annual performance report of the municipality required in terms of s. 46 of the MSA;	Yes	MM	Agree	Annexure 4 in Annual Report
	• The Auditor-General's report in terms of s.45(b) of the MSA on the performance of the municipality;	Yes	MM	Agree	Annexure 2 in Annual Report
	• Assessment of the MM on the collectability of the debtors outstanding at the end of the financial year under review;	Yes	MM		Page 255
	• Assessment by the MM of performance against the measurable performance objectives relating to revenue collection for each revenue source and each vote in the approved budget;	Yes	MM	Agree	Monthly via the S71 report and quarterly via the SDBIP performance report, and section 52d report.

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	Particulars of any corrective actions taken or to be taken relating to issues contained in both audit reports of the Auditor-General;	Yes	MM	Agree-	Annexure 3 in Annual Report (Audit Action Plan)
	Any information to clarify issues in connection with the financial statements;	No	MM	Agree	Refer Annexure 2: Basis of unqualified opinion.
	Any information determined by the municipality;	No	MM	Agree	
	Any information as may be prescribed by other legislation (DOR Act)	None	MM	Agree	
4. Annual Financial	Does the AFS contain a fair representation of the financial	Yes	MM	Agree	Annexure 1: Page 224

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Statements (AFS)	performance of the municipality?				
	Do the notes to the AFS contain adequate explanations/ information/ disclosures? (Refer item 11 further down)	Yes	CFO	Agree	Annexure 1: Page 224
5. The Auditor-General's Report	Is the finding of the Auditor-General (A-G) relating to performance and financial governance justified under the circumstances;	Yes	MM	Agree	Annexure 2: Page 302
	Did management respond to management letters issued by the A-G;	Yes	MM	Agree	All RFI's were attended to and findings issued in management letter is included in the Municipal Audit Action Plan.
	Did management sign management representation letters to signify that good financial governance practices were adhered to during the year under review;	Yes	MM	Agree	This document does not form part of the annual report.

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	How many issues contained in the A-G's report relates to previous years;	10	CFO	Agree	Annexure 2: Page 302
	To what extent does the A-G's report contain serious inferences of financial mismanagement;	None	CFO	Agree	N/A
	Did management and the Council respond to recommendations by the Audit Committee?	Yes	MM/ MAYOR	Agree	A resolution register has been developed and is updated and reported on at audit committee meetings on a quarterly basis.
6. The Annual Performance Report of the Municipality	Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality				

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	and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are – • Was the performance report included in the Annual Report? • Have all the performance targets set in the budgets, SDBIP, service agreements, etc, been included in the report? • Does the performance evaluation in the Annual Performance Report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?	Yes Yes Yes	MM MM MM	Agree Agree Agree	The Annual Performance Report is included in the Annual report as Annexure 4, on Page 323. All targets included in the SDBIP, derived from the IDP and Budget, have been reported on in the Annual Performance Report. The performance report compares actual outputs with the targets expressed in the SDBIP.

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	• In terms of key functions or services, how has each performed? E.g. Have backlogs for water, sanitation and electricity been reduced?	Yes	DIS	Agree	All communities within the municipal/town boundaries have services according to RDP standards. Although Bulk Water Supply was a challenge due to the drought conditions, water carting took place to affected areas. Informal settlements have RDP standard services but require upgraded services. Capital projects for water and sanitation services have been implemented. Water losses have not been reduced, yet electricity losses have decreased.
	• What are the refuse collection volumes, library usage statistics, etc?	No	DCOMS	Agree	Waste Volumes: No waste volumes recorded due to non-compliant landfill sites. Library usage statistics: Library usage statistics are being recorded and are reported on to DSRAC regularly.
	• To what extent has performance achieved targets set by council?	Satisfactory	MM	Agree	62% of the Targets set in the SDBIP has been achieved.

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	•Is the council satisfied with the performance levels achieved?	Yes	MM	Agree	Performance was satisfactory. The intention is to achieve 100% of the targets set. Where targets are lagging, plans of action to achieve targets have been included in the Annual Performance Report.
	•Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents?	N/A	MM	Agree	No community satisfaction survey has been conducted. However, the annual performance report has been included in the draft annual report that was publicized for public inspection.
	•What were the outcomes of public consultation and public hearings?	Yes	MM	Agree	The annual performance report has been included in the draft annual report that was publicized for public inspection. All comments/inputs documented, and amendments made in Annual Report where required.
	•What actions have been taken and planned to improve performance?	Yes	MM	Agree	Performance agreements and performance plans have been entered into with S56 & 57 managers, performance is monitored and reported on quarterly, and in-year

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					evaluations are conducted to ensure underperformance is identified early, and corrective measure are put in place. Where targets are lagging, plans of action to achieve targets have been included in the Annual Performance Report for implementation.
	•Is the council satisfied with actions to improve performance?	Yes	MM	Agree	Quarterly performance reports were tabled before council with actions to improve performance in cases where targets were not achieved.
	•Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?	Yes	MM	Agree	Targets set in the SDBIP agree with performance agreements entered into. All Targets contained in the Performance Agreements of Senior Managers are included in the SDBIP and reported on in the Annual Performance Report.
	•Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?	Yes	MM	Agree	Business operating processes have been developed for each indicator. The process mechanism applied to deliver the performance output is

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					recorded and submitted to the Office of the Auditor General South Africa, for auditing purposes.
	• Taking into account the audit report and opinion and the views of the Audit Committee, is performance considered to be efficient and effective?	Yes	CFO	Agree	Unqualified audit opinion for the audit of pre-determined objectives. No material findings have been identified on the audit of predetermined objectives.
	• To what extent have actions planned for the previous year been carried over to the financial year reported upon?	Yes	CFO		Page 255 No capital project roll-overs occurred.
	• Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations being provided by the municipal manager and are these satisfactory?	Yes	MM		Page 255
	• Was Council provided with regular performance reports relating to service providers?	Yes	MM	Agree	On a quarterly basis via the Supply Chain Management quarterly reports.

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					On a quarterly basis contract management reports are tabled to standing committee, EXCO and Council, and service provider performance reported in the Annual Performance Report.
7. The Auditor-General's report on the performance of the municipality	Section 45 of the MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes annually. Was the A-G provided with the information required to perform the required audit?	Yes	CFO	Agree	Audit on predetermined objectives was conducted by Auditor General. An unqualified audit opinion was determined for the audit of predetermined objectives. (Refer to Annexure 2)

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	Were recommendations by the A-G included in action plans to improve performance in the following year?	Yes	CFO	Agree	An audit action plan has been developed to improve performance in the following year. The audit action plan contains findings that are material, yet all performance related findings recommendations have been implemented.
8. Assessment by the MM on the collectability of the debtors outstanding at the end of the financial year.	Is such an assessment included in the report?	Yes	MM	Agree	Monthly section 71 reports
	How regularly was the assessment performed during the year?	Yes	CFO	Agree	Monthly section 71 reports
	Were any corrective steps taken where collection performance did not meet targets?	Yes	CFO	Agree	Implementation of the Credit Control Policy. Defaulters are blocked and disconnected.
	Did the mayor execute his/her oversight responsibility relating to collection of revenue?	Yes	CFO	Agree	Minutes of EXCO Meetings
	How acceptable is the current situation relating to debtors outstanding?	Not satisfactory	CFO	Agree	The intention is to improve to above 100%

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9. Assessment by the MM of performance against the measurable performance objectives for collection for each revenue source and each vote in the approved budget.	• Were measurable performance objectives for revenue collection set at the beginning of the year?	Yes	CFO	Agree	In the SDBIP annually and reported on in the annual performance report.
	• What actions were taken to address any areas of under-performance?	Yes	CFO	Agree	State of the Municipality report was developed with recommendations to be implemented to improve areas of underperformance.
	• Were revenue collection policies (disconnection, indigence, deposits, arrangements) in operation during the year under review?	Yes	CFO	Agree	Page 255
	• Were regular reviews of the budgeted revenue per serve compared to actual revenue done and reported to the Mayor/ Council?	Yes	CFO	Agree	Page 248

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10. Particulars of any corrective actions taken or to be taken relating to issues contained in both audit reports of the Auditor-General for the year under review;	Has Council adopted an action plan to address the issues contained in the report of the A-G?	Yes	MM	Agree	An Audit Action Plan was developed to address all findings contained in the audit report. Strategic and operational risk registers have also been developed per directorate/unit, to ensure controls are in place to mitigate risk, and possible findings. Page 307 – 322
	Will the action plan adequately address the issues contained in the A-G's report?	Yes	MM	Agree	
	What progress has been made with execution of the action plan?	Progress	CFO	Agree	Audit Action plan activities are being implemented as per targets set.
	Are due dates being met?	No	CFO	Agree	Being discussed at Management meetings
	Will any items contained in the A-G's report be carried into the next financial year?	No	CFO	Agree	Audit Action plan is designed to address that
		Yes			

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	What controls are in place to ensure no items are carried forward into the next financial year?		CFO	Agree	Daily monitoring of the audit action plan. Frequently reporting on it at management and Audit Committee meetings
11. Any information to clarify issues in connection with the financial statements	The notes to the AFS are required to contain the following further disclosures; were they disclosed in the AFS for 2022/2023?	Yes	CFO	Agree	Page 224 – 301
	Details of allocations received from other organs of state (national and provincial);	Yes	CFO	Agree	Page 173 - 176
	Details of any allocations made to any other organs of state or institution/municipal entity.	n/a	CFO	Agree	n/a
	Allocations received in terms of the DORA Act and provincial budgets.	Yes	CFO	Agree	n/a
	Details on how certain of the above allocations were spent per vote.	Yes	CFO	Agree	Page 173 -176

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	Information stating whether the municipality has complied with the conditions of certain grants and if not the reasons for not complying;	Yes	CFO	Agree	Page 173 - 176
	A statement whether any funds destined for the municipality in terms of the DOR Act were delayed or withheld and the reasons advanced for the delay or withholding;	n/a	CFO	Agree	n/a
	The salaries, allowances and benefits of political office bearers and councilors;	Yes	CFO	Agree	Page 287 - 288
	A statement by the accounting officer whether or not the remuneration is within the prescribed upper limits;	Yes	CFO	Agree	Page 288
	Particulars of any arrears older than 90 days owed by individual councilors to the municipality;	Yes	CFO	Agree	Page 298 - 299

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	Details of the salaries, allowances and benefits of the MM, CFO and every senior manager and such other positions as may be prescribed per individual;	Yes	CFO	Agree	Page 286 - 287
	A list of municipal entities under the control of the municipality;	n/a	CFO	Agree	n/a
	the total amount of contributions to organized local government;	Yes	CFO		Page 289
	the amount of any outstanding contributions to organized local government;	Yes	CFO		Page 289
	the total amounts paid in audit fees/ taxes /levies/ duties/ pension fund contributions/ medical aid contributions;	Yes	CFO		Page 298
	details of any amounts outstanding relating to the aforementioned.	Yes	CFO		
	In respect of each bank account the name of the bank,	Yes	CFO		Page 274

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	type of account, year opening and year end balances; • A summary of all investments as at end of the financial year;	Yes	CFO		n/a
	• Particulars of any material losses;	Yes	CFO		Page 294 – 295
	• Particulars of any material irregular, wasteful or fruitless expenditure;	Yes	CFO		Page 294 – 295
	• Particulars of any material unauthorized expenditure;	n/a	CFO		n/a
	• A statement whether the aforementioned expenditures are recoverable;	n/a	CFO		n/a
	• Any criminal or disciplinary steps taken as a result of any of the aforementioned expenditures;	Yes	CFO		Page 294 – 295
	• Any material losses recovered/ written off;	n/a	CFO		n/a
		n/a	CFO		n/a

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	• Particulars of non-compliance with the MFMA. • Details of loans and advances to staff or councilors;	n/a	CFO		n/a
12. Key issues raised by members of the community	Attach input/issues raised by the Graaff-Reinet Rate Payers Association on the Draft Annual Report.	Yes	MM	Agree	Input circulated to all directors.
13. Key issues raised by the Audit Committee	Audit Committee input has been included in the Draft Annual Report (Appendix G)	Yes	MM	Agree	Appendix G of Annual Report