



OVERSIGHT REPORT ON THE 2023/2024 ANNUAL REPORT



OVERSIGHT REPORT ON ANNUAL REPORT: 2023/2024

BACKGROUND

MFMA Circular 32 of 2006 guides the oversight process. The Circular must be read in conjunction with The Department of Cooperative Governance Guidelines for Establishment of Municipal Public Accounts Committee (MPAC), which sets out the functions of MPAC including the consideration and evaluation of the content of the annual report and the making of recommendation to council when adopting an oversight report on the annual report.

MPAC comprises the following members appointed by the Municipal Council.

Cllr. C Elgin (Chairperson)
Ald. R Brinkhuys
Cllr. U Mabulu
Mr. A Coetsee (External Member)

A special MPAC meeting was convened on 14 March 2025 to review the draft 2023/2024 Annual Report and to compile the oversight Report.

The process followed by the committee in considering the annual report was as follows:

- Consideration of legislative requirements as per MFMA Section 75, 121 and 127 and comments.
- Consideration of any representation/ comments received from the community / Auditor-General/Provincial Treasury, Department of Local Government
- An opportunity was given to management to provide input for consideration by the MPAC.
- An opportunity was given to MPAC member to ask questions and seek clarification on any matter relating to the 2023/2024 annual report.
- The formulation of recommendation to Council in respect of the 2023/2024 Draft Annual Report.

The draft Annual report was tabled to Council on 27 January 2025 and resolved as follows:

“RESOLVED: *(Proposed by Ald. H Coetzee and seconded by Ald. J Niewoudt)*

- 1) *The draft Annual Report for the 2023/2024 financial year was noted; and*
- 2) *That the Municipal Manager in terms of section 127(5) of the MFMA:-*
 - (a) Table the draft Annual Report for 2023/2024 to Council.*
 - (b) Make public the draft Annual Report for the 2023/2024 financial year;*
 - (c) Invite the local community and Councillors to submit representations in connection with the Annual Report on or before 24 February 2025.*

- (d) *Submit the draft Annual Report to the Auditor-General, Provincial Treasury, National Treasury, and the Provincial Department responsible for Local Government.*

The closing date for comments was 24 February 2025. The document was distributed to the National Treasury, Department of Local Government, and Auditor-General. The Annual Report was also discussed by the Audit and Performance Audit Committee on 17 January 2025 and submitted to the MPAC on 20 January 2025. The Auditor-General also submitted inputs before it was tabled to Council on 27 January 2025.

SECTION 121(3) OF THE MFMA DETERMINES THAT THE ANNUAL REPORT MUST INCLUDE:

| LEGISLATION: SECTION 121(3) OF THE MFMA | COMMENT |
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| (a) The Annual financial statements of the municipality, and in addition, if section 122(2) applies the consolidated annual financial statements as submitted to the Auditor-General. | The Annual Financial Statements as submitted to the Auditor General is included in the Annual report as part of the Annual Report (Volume II). |
| (b) The Auditor-General's audit report is included in the annual report in terms of section 126(3) on those financial statements | The Auditor-General's report is included in the annual report. Appendix N, pages 137 – 145. The audit outcome is unqualified with no findings. (clean audit outcome) |
| (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act | The Annual Performance report of the Municipality is included in the Annual Report, at Chapter 3: Service Delivery Performance (pages 37 - 91), Component J - Organisational Performance (pages 83 – 89), Component K – Performance Assessments of Goods and Services Providers (pages, 90 - 91) Chapter 4 : Organisational Development Performance (pages 92 – 99) and Chapter 5 : Financial Performance (pages 100 – 114) |
| (d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act | The Auditor-General's audit report is included in the Annual Report at Chapter 6 (Pages 115 – 116). Component B – Auditor-General Opinion 2023/2024. The Auditor-General's report is included in the Annual Report. Appendix N. (pages 137 – 145). |
| (e) An assessment by the municipality accounting officer of any arrears on municipal taxes and services | ODM do not deal with taxes and services, as stated in section 121(3)(e) – Services are mostly provided by B Municipalities. The service charges alluded to in the financial statements refer to municipal services and other services for the occupants at the Resorts and Fire Services rendered (Annual Financial Statements, page 79, note 27). Chapter 3, section 3.13, table 58 (page 73). The collection rate for service charges is within the parameters set by the Municipality. |
| (f) An assessment by the municipality's accounting officer of the municipalities performance against the measurable performance objectives referred to in section | The assessment referred to in this instance is included in the Annual Report at Appendix I. (Page 130). Calculations are made in terms of the National Treasury template. Calculations of variances are |

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| 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year. | based on the original budget and the adjustment budget. |
| (g) Particulars of any corrective actions taken or to be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d) | It is noted that all COMAF'S received during the audit are dealt with separately in the Operation Clean Audit Report (OPCAR) as included in the management report. The OPCAR included corrective actions and in cases where the corrections affected the Annual Financial Statements and Performance Report, this was rectified and submitted to the Auditor-General. No material findings or any material irregularities were raised in the Auditor-General report. Reference to Chapter 6, Component B - The Auditor-General Opinion and findings for 2023/2024 are included on page 116. |
| (h) Any explanation that may be necessary to clarify issues in connection with the financial statements | None. |
| (i) Any information as determined by the municipality | The Auditor-General raised the VAT matter on the Road Agency function as an emerging risk for the next financial year. |
| (j) Any recommendations on the municipality's audit committee report | These comments are included in the Annual Report at Appendix E (pages 124 - 126) and Appendix F (page 127). |
| (k) Any other information as may be prescribed | <p>The external audit done by the Auditor-General resulted in an unqualified opinion, with no findings.</p> <p>Comments were received from Provincial Treasury indicating that all formal legal requirements were met pertaining to the tabling and advertising of the Annual Report. The report of Provincial Treasury is attached as an Annexure to the Oversight Report.</p> <p>With regards to the report, the following should be noted:</p> <ul style="list-style-type: none"> • Paragraph 2.1 - The unaudited Annual Report was tabled into Council at least two months after the end of the 2023/24 financial year, was not tabled to Council in accordance with MFMA Circular 63. – In terms Regulation 129(4 & 5) of the MFMA that guidelines issued, is only binding on a Municipal Council if Council adopted such circular. Overberg District Municipality did not adopt the circular. • The Municipality once again did well to receive a clean audit opinion (unqualified audit with no findings) for the 2023/24 financial year. There were also no material findings on the reported performance information for the selected strategic goal |

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| | <p>(Strategic Goal 1). This is a reflection of good governance and credible performance reporting.</p> <p>No further inputs were received, with participation closing date 24 February 2025.</p> |
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RECOMMENDATION TO COUNCIL: (Proposed by Ald. R Brinkhuys and seconded by Cllr. U Mabulu)

- 1) That Council fully considered the Annual Report of the municipality and representations thereon, adopts the Oversight Report; and
- 2) That Council approves the Annual Report for the 2023/2024 financial year, in terms of section 129(1)(a) of the Local Government Municipal Finance Management Act, 2003 without reservations.

CHAIRPERSON

DATE

Reference: PTR 13/5/2

The Municipal Manager
Overberg District Municipality
Private Bag X22
BREDASDORP
7280

For attention: Mr R Bosman

PROVINCIAL TREASURY COMMENTS ON THE TABLED 2023/24 ANNUAL REPORT

1. INTRODUCTION

- MFMA section 121(1) states that every municipality and every municipal entity must for each financial year prepare an annual report. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.
- MFMA sections 121(3) and (4) sets out the framework relating to the content of the annual reports for both municipalities and municipal entities.
- National Treasury has further introduced the annual report template and MFMA Circular No. 63 which aims to provide guidance to municipalities and municipal entities on the Annual Report format and its contents.
- The municipal council is then obliged to consider any views of the local community; the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the Annual Report.

2. LEGISLATIVE COMPLIANCE

2.1 Conformance

The conformance assessment highlights compliance by Overberg District Municipality with the Municipal Finance Management Act No. 56 of 2003 is as follows:

| Compliance | Yes/No |
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| The Municipality submitted the draft 2023/24 Annual Performance Report/Annual Report together with the AFS to the Auditor General by the 31 August 2024, which is within the legislative guideline. | Yes |
| The unaudited Annual report was tabled into Council at least two months after the end of the 2023/24 financial year, in accordance with MFMA Circular 63. | No |
| If not tabled two months after the end of the financial year, the Annual Report was tabled to Council on 27 January 2025 which is within 7 months after the end of the financial year in accordance with MFMA section 127(2). | Yes |
| The draft Annual Report was made public on 31 January 2025 which is in line with MFMA Section 75, and the public invited was invited to comment by 24 February 2025 . | Yes |

2.2 Format and content of the Annual Report as per MFMA Circular 63

| Compliance | Yes/No | Gaps identified/Areas for improvement |
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| The relevant chapters and annexures have been included. | Yes | All chapters have been included. Relevant appendices have been included, however Appendix I on Service Provider Performance is not included as an appendix but is included in Chapter 3: Service Delivery Performance, Component K: Performance assessment of goods and service providers (pages 90-91). |
| The 2022/23 and 2023/24 audit findings have been included. | Yes | The findings have been included and shows a sustained clean audit (unqualified audit outcome with no findings) status for 2023/24. |
| The Mayor's foreword has been included and contains all the relevant components. | Yes | Contains relevant information. |
| The Municipal Manager's foreword has been included. | Yes | Relevant information is included in this section and within other parts of the report. |
| The report includes a comprehensive overview of the demographics, population, growth, highlights and challenges faced in the municipal area during the 2023/24 financial year. | Yes | Socio-economic information has been included upfront. The section on Local Economic Development includes further information on the economy and tourism. |
| The Municipality disclosed information on B-BBEE compliance performance information with elements related to Management Control, Skills Development, Enterprise, Supplier Development and Socioeconomic development. | Yes | B-BBEE Compliance Performance Information is included under section 2.8 (SCM) which shows the total contracts awarded by B-BBEE status level. The Municipality can consult the B-BBEE Commission Explanatory Notice (02 of 2021) for detail of what should be included and progressively include the required information in the Annual Report. |

3. ORGANISATIONAL DEVELOPMENT AND SERVICE DELIVERY PERFORMANCE

3.1 Key Performance Areas

| Strategic Objectives | Number of targets in SDBIP | Number of targets achieved | Number of targets not achieved | Percentage of targets achieved |
|--|----------------------------|----------------------------|--------------------------------|--------------------------------|
| SO1: To ensure the well-being of all in the Overberg through the provision of efficient basic services and infrastructure | 16 | 16 | 0 | 100% |
| SO2: To promote regional economic development by supporting initiatives in the District for the development of a sustainable district economy | 5 | 5 | 0 | 100% |
| SO3: To ensure municipal transformation and institutional development by creating a staff structure that would adhere to the principles of employment equity and promote skills development | 5 | 4 | 1 | 80% |
| SO4: To attain and maintain financial viability and sustainability by executing accounting services in accordance with National policy and guidelines | 6 | 6 | 0 | 100% |
| SO5: To ensure good governance practices by providing a democratic and pro-active accountable government and ensuring community participation through IGR structures | 16 | 16 | 0 | 100% |
| Total | 48 | 47 | 1 | 98% |

- Overberg District Municipality has achieved 47 (98 per cent) of its total 48 targets for the 2023/24 financial year. The performance improved from that of the 2022/23 financial year where there was an 89 per cent success rate.
- Where the target (1) was not met, comments/corrective measures have been provided to provide a better understanding for why the targets have not been achieved and how it will be dealt with in the future to ensure that this target is met.

3.2 Overview of performance

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| Service Delivery Performance | <ul style="list-style-type: none"> The Municipality had excellent overall performance (98 per cent). Only one target was missed under SO3, namely, 'Quarterly implementation of HR Roadmap to keep staff informed of HR policies and processes', measured by the 'Number of staff engagements held per annum. Corrective measures have been indicated. In terms of SO4 relating to financial viability and sustainability, it is noted that the Municipality has performed well in terms of its financial viability indicators. It is also positive to note that the Municipality is continuing to make a positive contribution towards job creation in a constrained economic environment with 135 temporary work opportunities created through the Expanded Public Works Programme, against a target of 131 in 2023/24. |
| Financial Performance | <ul style="list-style-type: none"> In 2023/24 the Municipality's overall Ratings Afrika Financial Sustainability Index stood at 73, reflecting a high level of sustainability, underpinned by a strong liquidity position and low debt burden. The scores have been improving |

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| | <p>reflecting a strengthening of the financial management practices of the Municipality.</p> <ul style="list-style-type: none"> As noted above, the Municipality has performed well in terms of its financial viability indicators (cost coverage, debt coverage, service debtors). The liquidity ratio, improved from 2.21 in 2022/23 to 2.75 in 2023/24 after a slight dip in the previous year, but remaining above the norm. In terms of revenue, the Municipality is grant dependent with limited own revenue sources. Capital performance has improved significantly from the previous year, exceeding the performance target of 80 per cent to reach 85.12 per cent for the 2023/24 financial year. The Municipality must continue to build on this improved result and aim for further improvement towards the National Treasury norm of 95 per cent in the next financial year. |
| Organisational Overview | <ul style="list-style-type: none"> The Municipality employed a total of 383 employees, against a total of 490 approved posts (107 vacancies) as of 30 June 2024. The number of employees increased from 363 in 2022/23, with the total approved posts remaining at 490; this resulted in the vacancy rate decreasing from 26 per cent to 22 per cent at the end of the 2023/24 financial year. The turnover rate has increased slightly compared to the previous financial year, from 3.86 per cent for 2022/23, to 4.44 per cent for the 2023/24 financial year. The Director: Community Services (that become vacant in 2022/23) was appointed with effect 1 February 2024. A few of departments reported challenges of personnel shortages/not being full capacitated, including health services and disaster management. The Municipality should ensure that this does not negatively impact service delivery performance. |
| Governance | <ul style="list-style-type: none"> The Municipality once again did well to receive a clean audit opinion (unqualified audit with no findings) for the 2023/24 financial year. There were also no material findings on the reported performance information for the selected strategic goal (Strategic Goal 1). This is a reflection of good governance and credible performance reporting. |

4. CONCLUSION AND RECOMMENDATIONS

- The Municipality is compliant with the legislative requirements as per MFMA Section 75, 121 and 127.
- The Municipality has indicated reasons for underperformance and the corrective measures for the KPI target that was not achieved. These are noted and should serve to improve performance in the 2024/25 financial year. The Municipality should address any risks / challenges as indicated in the sections above, including its own stated corrective measure and commitments hereto, in order to improve performance in the future.

Kind regards



SHANNON ENGEL

DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (ACTING)

DATE: 24 February 2025