



MOHOKARE
LOCAL MUNICIPALITY



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OVERSIGHT REPORT ON THE REVIEW OF ANNUAL REPORT

2020/2021 FINANCIAL YEAR



TABLE OF CONTENTS

1. PURPOSE OF THE REPORT
2. BACKGROUND
 - 2.1 LEGAL REQUIREMENTS
 - 2.2 PURPOSE OF THE REPORT
 - 2.3 ANNUAL REPORT REQUIREMENTS
3. PROCESS FOLLOWED BY COUNCIL
 - 3.1 SUBMISSION AND TABLING OF THE ANNUAL REPORT
 - 3.2 MPAC COMMITTEE
4. THE OVERSIGHT REPORT: KEY COMMENTS
 - 4.1 ANNUAL REPORT COMPLIANCE ISSUES
 - 4.2 AUDIT REPORT
5. GENERAL COMMENTS AND RESERVATIONS ON THE CONTENTS OF THE ANNUAL REPORT
6. RESPONSES TO ISSUES RAISED BY AUDITOR GENERAL IN AUDIT REPORT FOR THE 2020/2021 AND ACTION PLAN
7. RECOMMEDATIONS

1. PURPOSE OF THE REPORT

To analyse Mohokare Local Municipality's Annual Report for the 2020/2021 financial year and the adoption of the `Oversight Report in terms section 129 of Municipal Financial Management Act No. 56 of 2003.

2. BACKGROUND

2.1 LEGAL REQUIREMENTS

Section 121 (1) (2) (3) of MFMA, states that "every Municipality must prepare an Annual Report each financial year. The Council must within 9 months of the financial year deal with the Annual Report of the Municipality in accordance with Section 129".

2.2 THE PURPOSE OF THE ANNUAL REPORT

The purpose of the report is:

- i. To provide a record of activities of the municipality during the financial term to which the report relates;
- ii. To provide report on performance against the budget of the municipality for the financial year and;
- iii. To promote accountability to the local community for the decisions made throughout the year by the municipality

2.3 ANNUAL REPORT REQUIREMENTS

The Annual Report of a municipality must include:

- i. The Annual Financial Statements of the municipality;
- ii. The Auditor General Audit Report in terms of section 126 (3) on those financial statements;
- iii. The Annual Performance Report of the municipality prepared by the municipality in terms of the section 46 of the Municipal Systems Act;
- iv. The Auditor General's audit report in terms of any section 45 (b) of the Municipality
- v. An assessment by the municipality's accounting officer of any arrears on municipal taxes and services charges
- vi. An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives referred to in section 17 (3) (b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
- vii. Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d);
- viii. Any explanations that may be necessary to clarify issues in connection with the financial statements;
- ix. Any information as determined by the municipality;
- x. Any recommendations as determined by the municipality;
- xi. Any other information as may be prescribed.

In terms of section 127 (5) of the MFMA, the accounting officer must immediately after the annual report is tabled, make public the annual report, invite the local community to submit representations in connection with the annual report and submit the report to the auditor general, relevant Provincial Treasury and the Provincial Departments responsible for Local Government in the Province.

According to section 129 (10) of MFMA, TE Council must consider the Annual Report by no later than two months from the date on which the annual report was tabled, adopted and oversight report containing the Council's comments on the annual report which must include a statement whether:

- The Council has approved the annual report with or without reservations; or
- Has rejected the Annual Report or;
- Has referred the Annual Report back for revision of those components that should be revised.

3. PROCESS FOLLOWED BY COUNCIL

3.1 SUBMISSION AND TABLING OF THE ANNUAL REPORT 2020/2021

The Mayor has deemed to inform council of unforeseeable reasons which eventually leads to the failure of council to adhere to abovementioned statutory compliance. Section 127 (3) requires that if the Mayor for whatever reason, is unable to table in the Council the annual report of the municipality, or the annual report of any municipal entity under the municipality's sole or shared control, within seven months after the end of the financial year to which the report relates, the Mayor must:

- a) Promptly submit to the council a written explanation referred to in section 133 (1) (a) setting out reasons for the delay, together with any components of the annual report listed in section 121 (3) or (4) that are ready; and
- b) Submit to the council the outstanding annual report or outstanding components of report.

As per legislation requires, the Annual report has to be tabled to council seven months after the beginning of the financial year under review and within nine months, the oversight report has to be tabled to Council.

The Annual Report was tabled for discussions and recommendations on the Continuation of the Special Council Meeting held on the 14th of June 2022. The Mayor informed Council that the report was in line with legislations as the Audit Report was issued as part of requirement of MFMA and the Circulars.

The Annual Report was tabled as the final draft for approval by the MPAC that held its meeting on the 01st of September 2022, attendance register as **Annexure "A"** and minutes of the MPAC are attached as **Annexure "B"**.

3.2 MUNICIPAL PUBLIC ACCOUNT COMMITTEE (MPAC)

Having considered the new guidelines issued by the National Treasury on the establishment of Municipal Public Accounts Committee (MPAC) and the nature of Mohokare Local Municipality, it was decided that the following members will serve on the Committee

Name	Position
Cllr. N. Adoons	Chairperson
Cllr. P.P Mahapane	Member
Cllr. T. November	Member
Cllr. I.S Riddle	Member
Cllr. N. Mkendani	Member

One of the key responsibilities of the MPAC is to analyse and review the annual report in detail after it was tabled to Council and thereafter draft an oversight report for consideration by Council.

The committee adopted circular 32 of National Treasury as the guiding document for its oversight process.

The following documents are relevant to the committee responsibilities and should be distributed to each committee member.

- The 2020/21 Annual Report
- The 2020/21 Annual Performance Report incorporated in the Annual Report
- National Treasury’s Circular 11 – Annual Report
- National Treasury Circular 32 – Oversight Report
- Report of the Auditor General as contained in the Annual Report

The committee places a high priority on community participation in the oversight process and is going to take the following actions to gain the community’s participation:

- The community was advised through the print media of the availability of the 2020/2021 Annual Report, as per the municipal notice, and will be invited to submit representation on the report by a certain date, copy of notice attached as **Annexure “C”**;
- The Annual Report is readily available at all municipal libraries;
- The Annual Report was placed on the municipal website www.mohokare.gov.za
- The Annual Report was also submitted to the Auditor General, Provincial Treasury, National Treasury and the relevant Local Government Departments

The community in all three towns (Smithfield, Rouxville, Zastron) did not submit any comments on the 2020/2021 Annual Report, template attached as **Annexure “C”**

4. THE OVERSIGHT REPORT: KEY COMMENTS

The comments from the MPAC are in two sections reflected below:

4.1 ANNUAL REPORT COMPLIANCE ISSUES

This section contains the committee's comments on whether the 2020/2021 Annual Report included the items required by the MFMA and followed the guidelines provided by Circular 32 and Circular 64 of the National Treasury.

As reported below, the Annual Report complied with great majority of the MFMA requirements and National Treasury guidance in the content of the Annual Report.

The following MFMA requirements have been included in the tabled Annual Report:

- Heading and content recommended by circular 11;
- Annual Financial Statements;
- Auditor General's report;
- Conditional grants and assessment of compliance;
- Total payments for audit fees, taxes, levies, duties, pension and medical aid contributions, and if any amounts outstanding at year end;
- Summary of all investments;
- Particulars of material irregular fruitless or wasteful expenditure and whether recoverable, furthermore outstanding components which was raised by the Auditor General for the 2020/2021 financial year has been concluded in the Annual Report for the year under review.

4.2 THE AUDIT REPORT

The Audit Report is included in the Annual Report with clear audit findings raised by Auditor General and there was no Audit Action plan prepared for the 2020/2021 Financial Year Audit.

5. GENERAL COMMENTS AND RESERVATIONS ON THE CONTENTS OF THE ANNUAL REPORT

- The Annual Report should be circulated to all members of the committee well in advance;
- The preparation of the Annual Report should be a continuous process of reporting so that the correct information is given to the public as a final product;
- On-going communication between the Accounting Officer with the AG's office is necessary, as standards are steadily being raised to bring the municipalities into line with the requirements of the MFMA and international best practices. It is important to keep abreast of what is expected at all times
- It should be commended that progress has been made to improve the audit on predetermined objectives

ANALYSIS OF THE 2020/2021 ANNUAL REPORT ACCORDING CIRCULAR 32:

No	Page on AR	Question	Yes	No	Comments
1.	-	Was the annual report submitted to the Auditor-General, together with the annual financial statements by, the 31st August?		No	Due to Covid-19 pandemic restrictions, meetings were delayed and the municipality did not comply with the legislated timeframes
CHAPTER 1					
2.	6-10	Does Chapter 1 of the annual report include: <ul style="list-style-type: none"> - The Mayor's/Executive mayor's foreword, - The municipal manager's foreword, - Municipal overview? 	Yes		Complied with but it was not signed. It must be signed by the relevant parties
CHAPTER 2					
3.	26-36	Does Chapter 2 of the annual report include the Governance Structures, both Political and Administrative?	Yes		Complied with
4.	37	Does Chapter 2 of the annual report include details of Intergovernmental relations?	Yes		Complied with

No	Page on AR	Question	Yes	No	Comments
5.	38-40	Does Chapter 2 on Governance in the annual report include details on all public accountability and public participation meetings and the IDP participation & alignment?	Yes		Complied with
6.	41	Does Chapter 2 on Governance in the annual report address risk management issues?	Yes		Complied with.
7.	42	Does Chapter 2 of the annual report address anti-corruption and fraud?	Yes		Complied with.
8.	43	Does Chapter 2 on Governance in the annual report address supply chain management issues?	Yes		Complied with
9,	43	Does Chapter 2 on Governance in the annual report address By-laws?	Yes		Complied with
10.	44-45	Does Chapter 2 on Governance in the annual report address the website(s) where information is available?	Yes		Complied with

No	Page on AR	Question	Yes	No	Comments
11.	45	Does Chapter 2 on Governance in the annual report share information on public satisfaction on municipal services?	Yes		Complied with
12.	-	Does Chapter 2 in the annual report address the municipal oversight committees?		No	Not complied with
CHAPTER 3					
13.	46	Does Chapter 3 in the annual report demonstrate what service delivery has been achieved and what is outstanding?	Yes		Complied with
14.	46-145	-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 allow for easy comparisons on achievements against budget and SDBIP?	Yes		Complied with
CHAPTER 4					
15.	151-152	Does Chapter 4 of the annual report provide information pertaining to the implementation of an effective performance	Yes		Complied with

No	Page on AR	Question	Yes	No	Comments
		management system, organizational development and performance of the municipality?			
16.	147-151	Does Chapter 4 of the annual report provide information on planning, service delivery, organization, job evaluation, remuneration, benefits, personnel expenditure, affirmative action, recruitment, promotions, termination of services, performance management, skills development, injury on duty, labor relations, leave and discharge due to ill-health?	Yes		Complied with
17.	153-154	Does Chapter 4 of the annual report provide information to identify skills gaps and plans for the development of such skills?	Yes		Complied with
CHAPTER 5					
18.	158-166	Has Chapter 5 of the annual report on financial performance include information	Yes		Complied with

No	Page on AR	Question	Yes	No	Comments
		<p>divided into the following framework:</p> <p>a) Statement of financial performance</p> <p>b) Spending against Capital budget</p> <p>c) Cash flow management and investment</p> <p>d) Other financial matters?</p>			
CHAPTER 6					
19.	167	Does Chapter 6 of the annual report include the Auditor-General's Report as submitted by the Auditor-General?	Yes		Complied with
20.	168-179	Does Chapter 6 of the annual report include details on issues raised during the previous financial year by the Auditor-General?	Yes		Complied with
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?		No	Not complied with But there was no Audit Action Plan prepared for the financial year

No	Page on AR	Question	Yes	No	Comments
APPENDICES					
22.	181	Is an Appendix A on Councilors; Committee allocation and council attendance included?	Yes		Complied with
23.	182	Is an Appendix B on Committee and Committee purpose included, listing all committees of the council, the purpose of each committee and the names of councilors serving on them and the attendance of each councilor?	Yes		Complied with
24.	183	Is an Appendix C including an organogram of the administrative structure?	Yes		Complied with
25.	184	Is an Appendix D included on what constitutes a municipal function and the applicable functions of the municipality?	Yes		Complied with
26.	185	Is an Appendix E on Ward reporting included with information on the functions of ward committees, the sector of community	Yes		Complied with

No	Page on AR	Question	Yes	No	Comments
		representation, reports submitted by each of these committees' challenges experienced and measures taken to address them?			
27.	186	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?	Yes		Complied with
28.	-	Is an Appendix G included on recommendations of the audit committee, those adopted, those that were not adopted and the meetings held?		No	Not complied with
29.	187	Is an Appendix H included on information related to the largest projects, agreements and contracts and any Public, Private Partnerships?	Yes		Complied with
30.	187	Is an Appendix I include service	Yes		Complied with

No	Page on AR	Question	Yes	No	Comments
		provider performance schedule from the top four priority indicators in the IDP?			
31.	188	Is an Appendix J included with senior managers' disclosures of financial interest?	Yes		Complied with
32.	190	Is an Appendix K included on Revenue collection by votes and by source based on prior year and current year actual collections?	Yes		Complied with
33.	192	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?	Yes		Complied with
34.	-	Is an Appendix M included on capital expenditure:? a) On new assets programme, b) On upgrade/renewal		No	Not complied with

No	Page on AR	Question	Yes	No	Comments
		programmes Showing the actual of the prior year, the adjusted budget and actual expenditure in the current year?			
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?		No	Not complied with
36.	194	Is an Appendix O included on all capital projects per ward in the current financial year and if the work was completed or not?	Yes		Complied with
37.	195	Is an Appendix P included on service connection backlogs at schools and clinics with their names and location?	Yes		Complied with
38.	195	Is an Appendix Q included with all service backlogs experienced by the community where another sphere of government is responsible for providing the service?	Yes		Complied with

No	Page on AR	Question	Yes	No	Comments
39.	196	Is an Appendix R included listing all organizations or person in receipt of loans and grants; from the municipality stating the nature of the projects funded, conditions attached and the rand value?	Yes		Complied with
40.	-	Is an Appendix S included listing all monthly MFMA S71 budget statements not submitted in time?		No	Not complied
41.	-	Is an Appendix T included for powers and functions not covered in other sections of the annual report?		No	Complied with
VOLUME 2					
42.	197	Have all components of the audited financial statements, as signed by the Auditor-General, been included in the annual report in Volume 2?	Yes		Complied with

SUMMARY OF MPAC COMMENTS AND RECOMMENDATION

- a. The executive summary to include the signature of the former Mayor and the Municipal Manager;
- b. **Risk Management:** The committee was concerned with the non-functionality of the risk management committee. Management to ensure the committee is functional, effective and it must be monitored.
- c. **Information Technology:** the committee wanted to know how often does the information is uploaded on the website of the municipality as it was not specified on the report;
- d. **Basic Service Delivery:** ????????
- e. **Skills Development:** the committee requested a progress report of the Councillors who attended Law and Administration course at Fort Hare University ;
- f. **Human Resource Management:** the committee requested the vacancy rate on the organisational structure and the percentage thereof.;
- g. **LED:** ????????????
- h. **Finance:** the committee requested a confirmation of the expenditure on the capital projects and to visit 27 KM pipeline project in Rouxville
- i. **Include Template:** ????????????

6. RESPONSES TO ISSUES RAISED BY AUDITOR GENERAL IN AUDIT REPORT FOR THE 2020/2021 FINANCIAL YEAR

The action plan was not prepared for the 2020/2021 Financial Year.

7. RECOMMENDATIONS

- The MPAC recommends that Council adopts the 2020/2022 oversight report in terms of Section 129 of the Municipal Financial Management Act;
- The MPAC recommends that the 2020/2021 Annual Report of Mohokare Local Municipality be **approved with the following reservations**, in terms of section 129 of the Municipal Financial Management Act:
 - ✚ The MPAC must monitor progress made on the implementation of the audit action plan on a quarterly basis;
 - ✚ The Committee recommends that the Audit Committee must be fully discharge its roles and responsibilities as indicated in the charter;

- ✚ The municipality takes reasonable steps to implement effective, efficient and transparent system of financial and risk management and internal control;
 - ✚ Critical Section 56 Managers' and other positions are filled urgently;
 - ✚ That MPAC must report regularly to council on any findings with recommendations which arose from its inquiry;
 - ✚ That management must ensure that MPAC findings are considered in preparation of the 2021/2022 Annual Report;
- That the 2020/2021 Oversight Report of Mohokare Local Municipality be made public and be submitted to National, Provincial and CoGTA in terms of Section 129 (3) and 132 (2) of the Municipal Finance Management Act.

Cllr. N. Adoons
Chairperson

DATE