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# Municipal Public Accounts Committee Oversight Report on Draft Annual Report 2023/2024

**DATE: 19 March 2025**

*DATE OF MEETING: 04 & 18 March 2025*

**MEMBERS OF THE THABO-MOFUTSANYANA DISTRICT MUNICIPALITY PUBLIC ACCOUNTS COMMITTEE:**

CLLR S. CHABELI- Chairperson (ANC)

CLLR E MOTLOUNG (DA)

CLLR M J LEBESA (DPSA)

CLLR H D DLAMINI (ANC)

CLLR M B BOHLALE (ANC)

**SUPPORT SERVICES:**

INTERNAL AUDIT MANAGER: Mr. W NHLAPHO

ACTING RISK MANAGER: Mr. T RAMOUBANE

ADMINISTRATOR – Ms. M MOSIA Secretariat- Committee Minutes

MPAC RESEARCHER: Ms. T MONARENG

**MANAGEMENT TEAM AND STANDINING INVITEES**

MUNICIPAL MANAGER: Ms. T P M LEBENYA

CHIEF FINANCIAL OFFICER: Mr. M D MHLAHLO

MANAGER IDP & PMS – Ms. M MOKOENA

## 1. PURPOSE OF REPORT

To consider the Municipality's Draft Annual Report for the 2023/2024 financial year and to adopt an Oversight Report containing Council's comments on the Annual Report in terms of section 129 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter indicated as MFMA).

The annual reporting procedure is monitored by an oversight report, which is in the municipality case the report of Council on the 2023/24 Annual Report of the Municipality. In the Thabo Mofutsanaya District Municipality, the process of oversight is referred to the Municipal Public Accounts Committee, which acts as the Oversight Committee of Council. This Oversight Report is a product of the Municipal Public Accounts Committee's deliberations on the 2023/24 Annual Report.

The Oversight Report is approved by Council after MPAC has fulfilled the following duties:

- Review and analysis of the Annual Report.
- Receive and consider inputs from councilors and supporting committees.
- Consider written comments received on the Annual Report from the local community or any organs of state to make representations on the Annual Report.
- Receive and consider Councils' Audit Committee views and comments on the annual financial statements and the performance report.
- Prepare the Oversight Report to be tabled before Council for consideration.

It is requested that the council, with respect to **annual report**:

- Approves the 2023/24 Annual Report without reservations: in terms of section 129 (1) (a) of the Municipal Finance Management Act.

That management follows provisions of Circular 63 in terms of reporting timelines of the Annual Report.

It is requested that the council, with respect to **oversight report**:

- **Adopts** 2023/2024 Oversight Report of the Thabo Mofutsanyana District Municipality and representations thereof in terms of section 129 of the Municipal Finance Management Act.
- The MPAC Oversight Report be made public in accordance with terms of Section 129 (3) of the Municipal Finance Management Act and be submitted to Free State Provincial Legislature, Provincial Treasury, COGTA and AGSA.

## **2. BACKGROUND**

### **(a) Legal Requirements**

Section 121(1) (2) and (3) of the MFMA determines as follows:

Every Municipality must for each financial year prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129 of MFMA.

### **(b) The purpose of an annual report is:-**

- (i) To provide a record of the activities of the municipality during the financial year to which the report relates;
- (ii) To provide a 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.

### **(c) The annual report of a municipality includes the following-**

- (i) The audited annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- (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 section 46 of the Municipal Systems Act;
- (iv) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
- (v) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (vi) An assessment by the municipality's Accounting Officer of the municipality's performance against the 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 reports 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 recommendation as determined by the municipality; and
- (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 annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

In terms of section 129(1) of the MFMA, the council must consider the Annual Report by no later than two months from the date on which the annual report was tabled, adopt an 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.*
- *The Council has rejected the Annual Report or*
- *The Council has referred the Annual Report back for revision of those components that can be revised.*

### **3. PROCESS**

#### **a) SUBMISSION AND TABLING OF THE ANNUAL REPORT**

The Annual Report of the Municipality for the 2023/2024 financial year was tabled at the Ordinary Council Meeting, on the 31 January 2025 in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

Council resolved at its meeting held on 31 January 2025.

1. *That Council takes note of the Draft Annual Report for the 2023/2024 financial year as presented,*
2. *That the Draft Annual Report be subjected to the Municipal Public Accounts Committee and public comment*
3. *That the final draft Annual Report and Municipal Public Accounts Committee report be presented to Council within the legislated time frame for adoption.*

## **b) THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

The Municipal Public Accounts Committee was established in terms of the National Treasury: MFMA Circular Nr 32 and in terms of section 79 of the Municipal Structures Act 17 of 1998 as amended. The purpose is that this Committee amongst others will play an oversight role on analyse and review the Draft Annual Report submitted to Council for adoption.

The Committee comprises of members from the following political parties, Democratic Alliance, Economic Freedom Fighter, African National Congress, and DPSA represented in Council. The Chairperson of the Committee is **Cllr S Chabeli** from African National Congress.

## **c) STATUTORY COMPLIANCE**

The process for the finalisation and approval of the 2023/24 Annual Report was conducted as per the table below:

<b>ACTIVITY DESCRIPTION</b>	<b>PROVISION</b>
Preparation of annual financial statements of the municipality and submission to the Auditor-General	Municipal Finance Management Act section 122(1)(2)
Receipt of final audit report from Auditor-General	Municipal Finance Management Act section 126(3)(b)
Tabling of Final Draft Annual Report in Council by Mayor	Municipal Finance Management Act section 127(2)
Allowing for comment by community and relevant state organs	Municipal Finance Management Act section 127(5)(a) & (b)
Corrective actions to AG's opinion formulated and tabled in Council	Municipal Finance Management Act section 121(3)(g)
Submission of Annual Report and Oversight Report to AG, Provincial Treasury and MEC: Local Government	Municipal Finance Management Act section 129(2)(b)

Communication of final Annual Report / Oversight Report (Website, hard copies and other mediums)	Municipal Finance Management Act section 129(3)
Submit Annual Report / Oversight Report to the provincial legislature	Municipal Finance Management Act section 132 (1) (2)

#### d) PUBLIC PARTICIPATION IN THE OVERSIGHT PROCESS

Section 130 of the MFMA specifies that public participation must be a central element of all processes relating to an Annual Report. In so doing, the aforementioned section instructs that, the meetings of a municipal council or committee established by Council at which an Annual Report is to be discussed or at which decisions concerning an Annual Report are to be taken, must be open to the public and any organs of state.

As part of promoting public participation in the oversight process, municipalities are obliged to undertake the following additional actions:

- Invite written submissions from the local community or organs of state on the Annual Report.
- Make public all meetings at which the Annual Report will be discussed.
- Representatives of the Auditor-General are entitled to attend and to speak at any meeting that deals with the Annual Report.
- Engage in a process of public participation on the Annual Report.

In this regard, the Municipality undertook the following initiatives to promote public participation in the oversight process:

MECHANISM TO PROMOTE PUBLIC PARTICIPATION	STATUS	COMMENTS
Invitation to public to submit comments on the Annual Report	<b>Done</b>	Members of the Public were invited to submit their comments on the Annual Report to the Municipality through the Office of the Mayor. Advert placed on the notice board

MECHANISM TO PROMOTE PUBLIC PARTICIPATION	STATUS	COMMENTS
		calling for comments on the draft Annual Report.
Invitation to public to submit comments on the Annual Report	<b>In progress</b>	Draft Annual Report will be tabled to the public by Mayor through Road shows.
Make public all meetings of Council's Oversight Committee that will consider the Annual Report	<b>In progress</b>	All MPAC meetings convened to consider the Annual Report were advertised in the local media.
Annual Report printed and distributed to municipal offices for access by local communities & Stakeholders	<b>Done</b>	Copies of the Annual Report lie open for inspection at the municipal library and are also published on the Thabo Mofutsanayana District municipal website



## **4. DISCUSSIONS OF DETAILED PRESENTATION OF AUDIT OUTCOMES 2023-2024 AND THE DRAFT ANNUAL REPORT TOGETHER WITH ITS CONTENTS 2023-2024**

### **4.1 ANNUAL REPORT**

MPAC Chairperson requested the Chief Financial Officer to present the audit outcomes for financial year 2023-2024 with emphasis on the final management letter and Auditor's report for the year under review the objective was to clarify matters raised by Auditor General for the year ended 30 June 2024 in order to enable MPAC for oversight and to enable them to make recommendations to Management and Council regarding the control measures to be put in place for improvement of audit outcomes.

The CFO noted the Unqualified audit opinion with matters and made emphasis amongst others related to supply chain processes. The CFO made emphasis to the 106 findings which he then indicated that are part of the Audit Action Plan.

The MPAC after discussion of audit outcomes 2023-2024 took note of the presentation and clear explanation of the shortcomings identified in the final management letter which will result in providing an informed recommendations to management and Council.

MPAC Chairperson thanked CFO, Municipal Manager and IDPS/PMS Manager for the presentation and promised that the MPAC will perform its duties to the best of their abilities to ensure municipality is improving in terms of audit outcome and service delivery.

### **Chapter 1**

The Municipal Public Accounts Committee would like to extend its appreciation on the work done by IDP/PMS office in combining the Annual Report for the Municipality.

The 2023/2024 Annual Report of Thabo Mofutsanyana District Municipality has been prepared in line with the provisions of various pieces of legislations like the Local Government Municipal Systems Act, 2000 read together with the provisions of the Local Government Municipal Finance Management Act 56 of 2003.

The CFO requested Manager IDP and PMS to present the process followed to date and contents of Draft Annual Report 2023/2024 to the Committee, and Manager IDP and PMS indicated that this report tabled before Council on 31 January 2025 in line with legislation.

Manager IDP and PMS indicated that draft annual report 2023/2024 complied with MFMA requirement (section 127), and the contents are in line with legislations and circular 63 of MFMA and was immediately thereafter tabled before Council and advertised for 21 days for public comments on the website and local newspaper however there were no inputs or objections from various organization and stakeholders, only one (1) clarity seeking phone call was received from Phumelella Local Municipality.

## **Chapter 2**

MPAC requires that more details be included in the report with the correct use of terminology in the Annual report.

MPAC requires that in 2.2.2 the use of language to be corrected to:

The Thabo Mofutsanya District Municipality has 32 Councilors which are from the following parties: DA, ANC, EFF, DPSA, SETSOTO SERVICE DELIVERY FORUM, FREEDOM FRONT PLUS and MAP16, 13 of which have been elected and are directly employed to the district Municipality and 19 of which have been seconded from local municipalities within the ambit of Thabo Mofutsanayana. In line with electoral Act No.73 of 1998 there are six mayoral committees which are: Corporate Services; finance; Infrastructure; IDP, Performance, Agriculture & Rural Development and Disaster management & Municipal Health.

MPAC requires more detailed information on point 2.6 on the Annual report. The information should be in relation to the type of ICT systems put in the place for End-users, VPN, in terms of Licensing, Backup systems, Policy on ICT security and request IT to submit their ICT governance framework.

## **Chapter 3**

The Local Economic Development projects were noted by MPAC. The Municipality needs to continue to support the exploitation of opportunities within Thabo Mofutsanyana.

## **Chapter 4**

The report on Institutional Development and organisational performance is noted by MPAC.

The overall performance of the municipality has been noted, and employee should continue to work with commitment towards the achievement of 100%.

## **Chapter 5**

MPAC notes the financial statements in the Annual report and comments on financial performance are below

The CFO should set targets and dates on the Audit Action plan as is currently the municipality remains stagnant and there have not been any improvements.

MPAC notes that there are challenges with historical outstanding debt that cannot be recovered due lack of record management systems.

## Chapter 6

The committee lifted several issues as raised in the Auditor General's Report. The Committee notes the unqualified audit outcome for the 2023/24 financial year which remain unchanged from the 2022/23 financial year. The municipality is coming from a point of having had a qualified audit opinion in the 2020/21 financial year.

The Municipal Public Accounts Committee notes the following matters of emphasis in the audit:

- I. The number deviations done and the reasons for such deviations
- II. Supply chain processes followed to source quotations
- III. Lack of consequence management
- IV. Non-compliance
- V. Inconsistency in the payment of Councilors as per the Gazette
- VI. Naming of assets on the Asset register
- VII. The spending of conditional grants.

### **RECOMMENDATIONS TO COUNCIL ON THE DRAFT ANNUAL REPORT 2023/2024.**

5.1 That the Oversight report by the Committee on the draft annual report 2023/2024 should be approved in terms of section 129 (1) of the MFMA act no 56 of 2003.

5.2 The Council should approve the draft annual report 2023/2024 **without** reservation in terms of section 129(1)(a) of the MFMA Act No 56 of 2003 as the draft annual report 2023/2024 tabled before Council within legislated timeframe, its contents are in terms of section 121-127 of Municipal Finance Management Act, Act No. 56 of 2003 and advertised for legislated timeframe for public comments/objections.

5.3 That the 2023/2024 oversight report of Thabo-Mofutsanyana District Municipality should be made public in terms of section 129(3) of the MFMA, after approval by Council.

5.4 That the oversight report should be submitted to the provincial legislature within a legislated timeframe in terms of section 132(2) of the MFMA together with Council resolutions.

## **ADDITIONAL RECOMMENDATIONS TO COUNCIL ON THE OPERATIONS OF THE MUNICIPALITY**

5.5 The MPAC after took note of audit action plan in the draft annual report 2023/2024 recommended that progress on action plan should be submitted and fully presented to MPAC to oversee that all matters raised by Auditor General for the year ended 30 June 2024 are being addressed by management where possible intervention be made before the commencement of audit process for the next financial year (2024/2025).

5.6 The MPAC recommends to Council that the municipality should establish proper Performance management system that is in line with Chapter 6 of Municipal Systems Act, Act No 32 of 2000 to ensure that all key performance indicators (KPIs) in the approved service delivery and budget implementation plan (SDBIP) are specific, measurable, accurate, reliable and timebound (SMART).

5.7 The MPAC recommends to Council that through head of administration the system of proper record keeping should be maintained to ensure adherence to timeframe indicated by both Internal Audit and Auditor General on submission of the requested information and responses to audit findings.

5.8 The MPAC recommends to Council that draft annual financial statements should be submitted on time by management to Audit Committee for proper review before submitted to Auditor General for audit purposes.

5.9 The MPAC recommends to Council that the systems of proper internal controls should be developed and maintained in all areas the municipality and the implementations of these controls should be assigned to the responsible official/s for accountability.

5.10 The MPAC recommends that there is a visible contract management put in place which clear indications of who is responsible for such roles.

5.11 The MPAC recommends to Council that the municipality should comply with supply chain management policy of the municipality to ensure adherence to contract management, the required number of quotations, timeframe of advertisement of tenders in terms of their thresholds to avoid and or eliminate unauthorized, irregular fruitless and wasteful expenditure (UIF&W)

5.12 The MPAC recommends that for compliance when sourcing Radio Stations for interviews all Radio Station should be invited to submit their quotations and be added to a pool of suppliers that proper SCM process can be followed when appointing such services.

5.13 The MPAC recommends that Councilors be invited to the Municipality's Policy Review Committees and workshops.

5.14 The MPAC recommends that the structure of the Annual Report be corrected and that the document be edited to be more presentable and well-structured with correct page numbering, paragraph alignment and that the quality of the photography, tables and any other graphs be improved.

5.15 The MPAC recommends that deviations be approved by the Municipal Manager before ANY procurement is done and that the accounting officer must record the reasons for any deviations as per Sec 36 sub regulation (1)(a) and (b) of MFMA Act 56 of 2003 and as per Regulations and must report such at the next Council meeting and this must be included as a note to the annual financial statements.

5.16 The MPAC recommends that sessions be held between Councilors and Finance to explain, Councilor's remunerations packages in terms of the Government Gazette dated 18 August 2003 of Remunerations of Public Office Bearers ACT 20 of 1998.

5.17 It was further recommended that Consequence management be applied

**Submitted to Council for approval and decision by:**



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**CLLR S CHABELI**

**CHAIRPERSON: SHARED MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

