



**ANNUAL REPORT
OVERSIGHT REPORT
2022/2023**

The Oversight Report is based on the Annual Report 2022/2023 and is drafted and submitted in accordance with the Municipal Finance Management Act (MFMA), no 56 of 2003

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1. INTRODUCTION

The annual report is a key instrument of transparent governance and accountability. It is a post-financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial year, in this instance 2022/2023. The adoption of an Annual Report is a legislated requirement in terms of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA).

2. PURPOSE

The purpose of this report is to present to Council for adoption, the final Annual Report for 2022/2023 as well as the Oversight Report on the Annual Report as required in terms of Section 129 of the MFMA.

3. LEGAL FRAMEWORK

Herewith an extract from key legislative requirements as per the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) relating to the Annual Report:-

121. Preparation and adoption of annual reports.

- (1) *Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a 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.*
- (2) *The purpose of an annual report is—*
 - (a) *to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;*



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- (b) *to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
- (c) *to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.*

127. Submission and tabling of annual reports

- (3) *The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.*

129. Oversight reports on annual reports

- (1) *The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council—*
 - (a) *has approved the annual report with or without reservations;*
 - (b) *has rejected the annual report; or*
 - (c) *has referred the annual report back for revision of those components that can be revised.*

4. BACKGROUND

1. The 2022/2023 Annual Report was tabled to Council on the 31 January 2024 and was adopted. The annual Report was tabled without components (Chapter 5 Audited Financial Statements and Chapter 6 Audit Report) as per Council Resolution RB9.1.1/31-01-2024. The Annual Report RB9.1.1/31-01-2024 was published and an invitation for representation from the community was requested (Notice 07/2024). No representations were received



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from the community. The outstanding components was received and included in the Annual Report. The full annual report was tabled and adopted by council on the 28 March 2024 (RB9.1.5/28-03-2024). The report was made available to the community again for representation. Closure for community representation was on the 22 April 2024. No representations were received.

It should be noted that the above took place due to the delay in the outstanding Components. The delay was primarily due to the audit not being finalised. The audit process was finalised by the 8 of March 2024 only therefore the resubmission to council and opening of representation again to the community. For the community to have an opportunity on the full components of the Annual Report.

The process is outside the prescribe legislation, however is due to the process as described. Council and the Auditor General are aware of this.

4.1. 2022/2023 ANNUAL REPORT CONSULTATION AND ADOPTION PROCESS BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

In terms of Council Resolution, a Municipal Public Accounts Committee (MPAC) was established in terms of Section 79 of the Structures Act, 1998. In terms of the Terms of Reference of this Committee it is, inter alia, responsible to perform oversight over the process of preparing the Annual Report of Council and to produce an Oversight Report based on the Annual Report.

MPAC currently consists of the following members.

- i) Cllr M. Bergh (Chairperson)
- ii) Cllr. W. J. Farmer

4.2. OVERSIGHT REPORT

The adoption of the Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA required the Council to consider the annual reports of its municipality and to adopt an Oversight Report containing the Council's comments.

The oversight report must include a statement whether the Council:



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- 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 reviewed.

National Treasury issued Circular 32 on March 2006 on the preparation of Oversight Reports and provides guidelines on the processes to be followed in the adoption of the Oversight Reports to which this report conforms.

The Oversight Report is a separate product from the Annual Report. The Annual Report is submitted to the Council by the Accounting Officer and the Executive Mayor and is part of the process for discharging accountability by the Executive and Administration for their performance in achieving objective goals set by the municipality in the financial year under review. The Oversight Report follows consideration and consultation on the Annual Report and is considered a report of the municipal council.

4.3. ADOPTION AND PUBLIC CONSULTATION PROCESS

The Annual Report 2022/23, was submitted to council and was adopted RB9.1.1/31-01-2024. The Report was submitted in terms of 127 (3). See above. The components outstanding was chapter 5 (Audited Financial Statements) and Chapter 6 (Audit Report). These reports were only received on the 08 March 2024. The components are now included and complete in terms of Circular 63.

The draft Annual Report 2022/2023 was tabled to Council on 31 January 2024 without components in compliance with the Municipal Finance Management Act (MFMA), no 56 of 2003 which requires under Section 127(2) and (3) that:

(2) *"The Mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality."*

(3) *"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 –*



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- (a) promptly submit to the council a written explanation referred to in section 133(1)(a) setting out the 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 the outstanding components of the annual report as soon as may be possible”.

The draft Annual Report 2022/2023 was made public on the municipal website within five (days) and within seven (7) days notified the local community after it was approved by Council.

Members of the community and other stakeholders were invited to submit written comments/inputs into the Draft Annual Report during February 2024 and April 2024. In addition, the Draft Annual Report 2022/2023 was also made available at all municipal offices, libraries and municipal website.

The Annual Report was furthermore also submitted in terms of Section 127(5)(b) to the Auditor General of South Africa, Provincial Treasury (Western Cape) and the Department of Local Government (Western Cape).

The closing date for public comments was on 8 March 2024 and 22 April 2024. No submissions from the public or other institutions were received.

The process of the finalization and approval of the 2022/2023 Annual Report is set out in the table below:

ACTIVITY DESCRIPTION	PROVIDE FOR BY
Preparation of annual financial statements of the municipality and submission to the Auditor General	MFMA Section 122(1)(2)
Receipt of final report from Auditor General	MFMA Section 126(3)(b)
Tabling of Annual Report in Council by Executive Mayor	MFMA Section 127(2)
Allowing for comment by Community and relevant state organs	MFMA Section 127(5)(a) & (b)
Corrective actions to AG's opinion formulated and tabled in	MFMA Section 121(3)(g)

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Council	
Consideration and adoption of Annual Report and Oversight Report	MFMA Section 129(1)
Submission of Annual Report and Oversight Report to AG, Provincial Treasury and MEC: Local Government	MFMA Section 129(2)(b)
Communication of final Annual Report and Oversight Report (website, hard copies and other mediums)	MFMA Section 129(3)

4.4. MATTERS DISCUSSED BY MPAC ON 29 April ~~MAY~~ 2024

MPAC met on 29 April 2024 to discuss and consider the adoption of the 2022/2023 Annual Report. The Committee discussed the following aspects of the report.

4.4.1. Annual Report

The annual report was presented to MPAC with the focus on the 2022/2023 annual performance.

4.4.2. Annual Financial Statements

The Annual Financial Statements were presented to MPAC. The financial statements of Cederberg Municipality which comprise of the statement of financial position, statement of financial performance, statement of changes in net assets, cash flow statement fairly present the position of the municipality as at 30 June 2023.

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4.4.3. Audit Report

The following paragraphs are extracted from the Audit Report of 2022/2023:

Opinion

Paragraph 2:

In my opinion the financial statements present fairly, in all material respects, the financial position of the Cederberg Municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with The Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 9 of 2022 (DoRA).

Report on the audit of the annual performance report

Paragraph 19:

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

Paragraph 20:

I selected the following strategic objective presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected a strategic objective that measures the municipality's performance on its primary mandated functions and that is of significant national, community and public interest.

Strategic Objective	Pages in the annual performance report
Strategic Objective 1: Improve and sustain basic service delivery and infrastructure development.	11 – 16

Paragraph 24:



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The material findings on the reported performance information for the strategic objective:

- Strategic objective 1: Improve and sustain basic service delivery and infrastructure development.

Report on the audit of compliance with legislation:

Paragraph 25:

Based on evidence, the actual achievements for three (3) indicators did not agree to what was reported. I could not determine the actual achievements, but I estimated them to be materially less. Consequently the targets were not achieved, under achievement on the targets were more than reported and the achievements against the targets were lower than reported.

Indicator	Target	Reported achievement
TL 19- Provide free basic water to indigent households as per the requirements in the indigent policy as at 30 June 2023	2 302	1 675
TL 20- Provide free basic electricity to indigent households as per the requirements in the indigent policy as at 30 June 2023	2 264	1546
TL 21- Provide free basic sanitation to indigent households as per the requirements in the indigent policy as at 30 June 2023	2 226	1 640



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Paragraph 32:

The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Expenditure Management

Paragraph 33:

Reasonable steps were not taken to prevent irregular expenditure amounting to R29 890 589 as disclosed in note 49.2 to the annual financial statements, as required by section 62(1)(d) of the MFMA. The majority of the irregular expenditure was caused by the municipality not following a competitive bidding process to appoint a service provider for the implementation of housing projects. Irregular expenditure amounting to R16 054 072 were incurred on two housing projects.

Procurement and Contract Management

Paragraph 34:

Some of the goods and services of a transaction value above R 200 000 were procured without inviting competitive bids, as required by the Municipal Supply Chain Regulations 2005 (SCM), regulation 19(a). Similar non-compliance was also reported in the prior year.

4.4.4. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

The following items with regards to unauthorised, irregular, fruitless and wasteful expenditure were discussed.



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2021-2022		2023-2023	
Unauthorised Expenditure:		Unauthorised Expenditure:	
Opening Balance	R1 749 171.00	Opening Balance	R0.00
Incurred in current year	R0.00	Incurred in current year	R2 369 206.00
Written off	-R1 749 171.00	Written off	R0.00
Balance awaiting further action	<u><u>R0.00</u></u>	Balance awaiting further action	<u><u>R2 369 206.00</u></u>
Irregular Expenditure		Irregular Expenditure	
Opening Balance	R14 398 811.00	Opening Balance	R35 203 795.00
Written off	-R12 753 616.00	Written off	R0.00
Amount to be recovered by Council	-R40 000.00	Amount to be recovered by Council	R0.00
Current year	R33 598 600.00	Current year	R36 233 137.00
Balance awaiting further action	<u><u>R35 203 795.00</u></u>	Balance awaiting further action	<u><u>R71 436 932.00</u></u>
Fruitless and Wasteful		Fruitless and Wasteful	
Opening Balance	R4 792 858.00	Opening Balance	R8 199 226.00
Incurred in current year	R3 406 368.00	Incurred in current year	R3 911 555.00
Written off	R0.00	Written off	R0.00
Balance awaiting further action	<u><u>R8 199 226.00</u></u>	Balance awaiting further action	<u><u>R12 110 781.00</u></u>

Having fully considered all the facts and circumstances regarding the Unauthorised, irregular fruitless and wasteful expenditure, MPAC recommends the following to Council:

- a) To write off unauthorised expenditure to the amount of R 2 369 206 to 2022-23 financial year
- b) To write off Irregular expenditure of R 1 605 195 relating to 2020-21 financial year
- c) To write off Irregular expenditure of R 35 203 795 relating to 2021-22 financial year
- d) To write off Irregular expenditure of R 36 233 137 relating to 2022-23 financial year
- e) To write off Fruitless and wasteful expenditure amounting to R 1 281 604 relating to 2019-20 financial year
- f) To write off Fruitless and wasteful expenditure amounting to R 3 511 254 relating to 2020-21 financial year
- g) To write off Fruitless and wasteful expenditure amounting to R 3 406 368 relating to 2021-22 financial year
- h) To write off Fruitless and wasteful expenditure amounting to R 3 911 555 relating to 2022-23 financial year



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4.4.5. OPCAR (OPERATION CLEAN AUDIT REPORT)

Attached OPCAR which was presented to the Audit Committee. That the MPAC take note of the OPCAR. Feedback should be provided to MPAC on a quarterly basis.

5. GENERAL COMMENTS ON THE ANNUAL REPORT 2022/2023

Audit & Performance Audit Committee

- The 2022/2023 Annual Report has been prepared in compliance with the provisions of the Municipal Systems Act and the Municipal Finance Management Act, and conforms to the guidelines in Circular 32 issued by National Treasury.

Community and Organs of State

- No comments were received from any community member or from Treasury.

6. CONCLUSION

MPAC is satisfied that the 2022/2023 Annual Report provides an overview of the process of financial and non-financial performance during the period under review and therefore would like to recommend the adoption thereof.

7. RECOMMENDED RESOLUTION TO BE ADOPTED BY COUNCIL

In accordance with Section 129(1) of the MFMA it is **RECOMMENDED** to Council:-

1. That Council, having fully considered the Oversight Report from MPAC on the Annual Report 2022/2023 of Cederberg Municipality, **ADOPTS** the Oversight Report.
2. That Council, having fully considered the Final Annual Report 2022/2023, attached hereto, **ADOPTS** the Annual Report 2022/2023 without reservations / with reservations;
3. That the Oversight Report 2022/2023 be made public in accordance with Section 129(3) of the MFMA, and;



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4. That the Oversight Report on the Annual Report 2022/2023 be submitted to the Provincial Legislature in accordance with Section 132(2) of the MFMA.



CLLR. Cllr M. Bergh

CHAIRPERSON:

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

ANNEXURE

Annexure A: Final Annual Report 2022/2023