



## **OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024**

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024**

**TABLE OF CONTENTS**

<b>GLOSSARY</b>	<b>3</b>
<b>1. FOREWORD BY THE CHAIRPERSON OF THE MUNICIPL ACCOUNTS COMMITTEE</b>	<b>4</b>
<b>2. MEMBERS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE</b>	<b>6</b>
<b>3. INTRODUCTION</b>	
<b>4. BACKGROUND AND DISCUSSION</b>	<b>7</b>
4.1. POLICY AND LEGISLATION FRAMEWORKS ON THE ANNUAL REPORT AND OVERSIGHT REPORT	7
4.2. PROCESS PLAN FOR THE DEVELOPMENT OF THE OVERSIGHT REPORT	8
4.3. MUICIPAL PUBLIC ACCOUNTS COMMITTEE	9
4.4. OFFICE OF THE AUDITOR GENERAL AUDIT REPORT	9
4.5. ANNUAL REPORT OF FDDM	10
4.6. COMMETS OF THE AUDITOR GENERAL FDDM ANNUAL REPORT	11
4.7. MPAC OBSERVATIONS, COMMETS AND RECCOMMANDATIONS ON ON THE FEZILE DABI ANNUAL REPORT	12
<b>5. RECOMMENDATION</b>	<b>13</b>

## **GLOSSARY**

<b>AFS</b>	Annual Financial Statements
<b>AGSA</b>	Auditor General of South Africa
<b>Cllr</b>	Councillor
<b>EM</b>	Executive Mayor
<b>FDDM</b>	Fezile Dabi District Municipality
<b>IDP</b>	Integrated Development Plan
<b>MEC</b>	Member of Executive Council
<b>MFMA</b>	Municipal Finance Management Act
<b>MSA</b>	Municipal Systems Act
<b>SDBIP</b>	Service Delivery Budget Implementation Plan

# **FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024**

## **1. FOREWORD BY THE CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

Honourable Speaker, it is my privilege and honour to present before this august house the Fezile Dabi District Municipality Oversight Report on the Annual Report for the period ending 30 June 2024.

Let me take this opportunity to acknowledge the trust bestowed onto myself and other Members of MPAC by Council to discharge the responsibility of processing the annual Report and consequently advising Council thereon.

Honourable Speaker the basic tenet of our democracy is based on the premise of the doctrine of the separation of powers. The authority of government is divided into three interdependent entities, the Executive, the Legislature and the Judiciary.

In Local Government, the Constitution of the Republic of South Africa vests both executive and legislative powers and functions onto municipal councils. In practicalising the mentioned doctrine of separation of powers, the Municipal Public Accounts Committees have been created to exercise oversight.

Honourable Speaker, MPAC is tasked with playing a robust oversight over the municipal executive. Let us remind ourselves that MPAC is tasked with ensuring that finite resources of Council are spend effectively and efficiently to provide effective and equitable services to the communities that we have been elected to serve.

Furthermore, MPAC is tasked with ensuring that all findings raised by the Auditor-General are attended to and appropriate corrective measures thereon are developed and implemented promptly by management as informed by the Audit Action Plan.

We will be closely monitoring the implementation of the said Audit Action Plan by management to ensure that the mentioned corrective measures are implemented when due. We are advising that a project management based approach be adopted and used in pursued of key milestones entailed in the Audit Action Plan. We are recommending to Council that monthly, detailed progress report be developed and submitted to MPAC, Council Committees and Council for further scrutiny and engagement.

Honourable Speaker, we are encouraged that management has begun the implementation of the Audit Action Plan in earnest and has expended efforts in the implementation of the said Audit Action. It is pleasing to note that the audited deviations for the year under audit (30 June 2024) were seventeen (17) and as at *the 28 February 2025 the deviation register has five (5) deviations.*

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024**

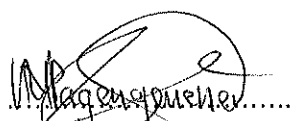
In instances where there is observed tardiness from the side of management, appropriate consequences management measures should be implemented forthwith.

Honorable Speaker let me take this opportunity to acknowledge the commitment and dedication of MPAC members in discharging the responsibility vested onto us by Council of processing the Annual Report and advising Council through the developed Oversight Report.

MPAC has been working collaboratively with management and this will put the municipality in good stead of obtaining a better and improved Audit Outcome in the immediate future.

The Oversight Report on the Annual Report for the period ending the 30 June 2024, would not have been completed without the support and inputs received from councilors, Office of the Auditor-General and management under the administrative stewardship of the Municipal Manager. Let me take this opportunity to express my gratitude to honorable councilors and management.

In conclusion let me take this opportunity to acknowledge the support this committee has been accorded by the office of the Auditor General, the Executive Mayor, the Speaker, councilors, the Municipal Manager, senior managers and officials for their sterling work of supporting the Committee during the compilation of this report



**Cllr. Nthabiseng Magengenene**

**Chairperson MPAC**

...20 March 2025...

**Date**

## **FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024**

### **2. MEMBERS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

The MPAC is established in terms of Section 79 of the Local Government Municipal Structures Act to perform an oversight function on behalf of council and is not a duplication of other Committees of Council

The following Councillors serve as members of the Municipal Public Accounts Committee

<b>INITIAL AND SURNAME</b>	<b>PARTY</b>
Cllr N Magengenene	ANC
Cllr K Mbikolo	EFF
Cllr M Makhandla	EFF
Cllr Radebe	EFF
Cllr M Magashule	ANC
Cllr NE. Masiteng	ANC
Cllr M Mnaba	DA
Cllr GS Malherbe	Freedom Front Plus

### **3. INTRODUCTION**

The MPAC has been established for ensuring that the executive implements Integrated Development Plan, the Service Delivery Budget Implementation Plan (SDBIP) and the Medium Term Revenue and Expenditure Framework (MTREF) consistent with the applicable policy and legislative framework.

MPAC primary responsibility is to consider the Annual Report, solicit inputs thereon from various role players and prepare an Oversight Report thereon for the consideration of Council. Furthermore, MPAC has been established for assessing effectiveness, efficiency and service quality and municipal productivity and ascertain the implementation of IDP, SDBIP and MTREF.

## FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024

### 4. BACKGROUND AND DISCUSSION

#### *4.1. Policy and Legislative framework on annual and oversight reports*

Section 46 of the *Local Government: Municipal Systems Act*, Act 32 of 2000 (and as amended) read together with section 121 of the *Local Government: Municipal Finance Management Act*, Act 56 of 2003 (*MFMA*) (and as amended) places an injunction on the municipality to prepare and Annual Performance Report for Council

The mentioned MFMA, Circular No. 63 is instructive as it provides detailed advice on the format to be used in the development of the APR and provide further guidelines on what chapters should entail.

The Council of Fezile Dabi District Municipality has duly endorsed the said Circular. The 2023/2024 Annual Performance Report of Fezile Dabi District Municipality has been developed in the accordance with the said Circular.

In terms of section 129 of the MFMA, Council *must* adopt an oversight report of the municipality, which must include comments on the Annual Report.

MPAC was tasked by Council on the 27<sup>th</sup> of January 2025 to develop the oversight report within the next 60 days.

MPAC understood that it would be imperative in pursuing the assignment of developing an oversight report that the dictates of the MFMA Circular 32 that describes the oversight report as the “*final major step in the annual reporting process of the municipality*” is followed.

The said Circular 32 indicate that 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.

## FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024

### 4.2. Process Plan for the development of the Oversight Report

There was an MPAC meeting held on 28 January 2025 where the Draft Oversight Report Process Plan as discussed.

A notice on the Annual Report inviting stakeholder to participate in the unfolding Annual Report review process was advertised in the regional newspaper. Central news on the *3<sup>rd</sup> of February 2025 (the said notice is hereto attached as Annexure A*

Critically the said advert highlighted the following milestones that are integral to the Annual Report review process and the development of an oversight report thereon:

- a) Written and submissions from stakeholders and parties to be submitted by the 21<sup>st</sup> of February 2025;
- b) Copies of Annual Reports were printed and distributed at Public Libraries and Municipal Offices from the 5<sup>th</sup> of February 2025 and an electronic copy was published onto the website of the municipality;
- c) Public hearings on the Annual Report were convened on a virtual platform from the 24<sup>th</sup> to the 27<sup>th</sup> of February 2025;
- d) MPAC meeting was scheduled on the 10<sup>th</sup> of March 2025 to enable the Accounting Officer (AO) to response to questions on the Annual Report posed by members of MPAC

A workshop of MPAC on the Annual Report was held on the 13<sup>th</sup> of February 2025, where presentations were made on the Audit Report 2023/2024, the Annual Report and on what “Constitute an Oversight Report” by representatives from the Auditor-General of South Africa and management of Fezile Dabi respectively.

It is unfortunate despite the efforts expended in inviting stakeholders to make oral and written submission, there were no submissions made.

Furthermore, public hearing through the mentioned virtual platforms failed as the attendance of stakeholders was poor.

The Chairperson of MPAC, with the assistance of the Office of the Speaker appealed to councillors to made written comments and point of clarity on the Annual Report to prepare for the planned session with the Accounting Officer for the 10<sup>th</sup> of March 2025 as afore-mentioned and assisting with the further processing and review of the Annual Report. Unfortunately, honourable councillors did not provide comments and points of clarity as requested on the Annual Report of Fezile Dabi for the year ending the 30 June 2024



## FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024

### 4.3. Municipal Public Accounts Committee

MPAC is responsible, amongst other functions:

- a) To consider and evaluate the Annual Report as tabled in Council, and thereafter make recommendations to Council in that regard.
- b) To compile an Oversight Report and table in Council and make recommendations for Council's consideration.

MPAC met twice on the 13 February 2025 and the 20 March 2025 to discuss the Annual Report, the Audit Report and for compilation and approval of this report.

MPAC MEMBER	13 February 2025	20 March 2025
Cllr Nthabiseng Magengenene	Present	Present
Cllr K Mbikolo	Present	Present
Cllr M Makhanda	Apology	Present
Cllr Radebe	Present	Present
Cllr M Magashule	Present	Present
Cllr NE. Masiteng	Present	Present
Cllr M Mnaba	Present	Present
Cllr GS Malherbe	Present	Present

### 4.4. AGSA Audit Report

The Committee notes that the municipality audit outcome is a qualification and this represent a stagnation in respect of the audit outcome of attaining a qualification over a five year period.

Although this is worrying, we are encouraged that the qualification findings has reduced in the 2023/2024 audit period from **75 to 41**.

Furthermore, the Committee notes the following issues raised by the Auditor-General:

- Weakness in performance planning and reporting especially as the indicators in the annual performance report differed from those committed to in the approved SDBIP;
- Achievement of sampled indicators indicated an achievement of 50% of planned targets
- An increase in the number of non-compliance areas from 14 in (2022/22) FY to 19 in 2023/24 FY;
- Concern raised on the pace of investigating and finalizing the Unauthorised, Irregular and Fruitless and Wasteful Expenditure.

## FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024

The Committee is encouraged that the municipal administration has promptly dealt with concerns and findings of the Auditor General and have taken the following corrective measures:

- Developed a draft audit action plan covering financial and Audit of the Predetermined Objectives (AOPO) that was workshopped with critical stakeholders, the National and Provincial Treasuries, DCoG and COGTAFS and SALGA;
- Report on the implementation of the said Audit Action Plan have been developed and processed through the Portfolio and MAYCO Committees *en-route* to Council;
- Municipal Administration has amended and adjusted the reviewed IDP for 2024/2025 FY and SDBIP for 2024/2025 FY respectively as a corrective measure on the highlighted finding of AG of *Weakness in performance planning and reporting. The said amended and adjustments were approved by Council on the 24<sup>th</sup> of February 2025*
- Concerning the slow pace of processing UIFW, my Committee will be developing and implementing an action plan including Annual Calendar of meetings to deal with the UIFW and the backlogs

### 4.5. Annual Report of FDDM

- For the year under review the municipality set itself 83 performance targets and 48 (57.83%) of these targets were achieved and the remaining 35 (42.16%) were not achieved;
- Successful hosting of environmental health activities – *Cholera Awareness, Environmental Health, Hepatitis A, Food Safety Awareness and Programmes;*
- *Compliance monitoring of landfills sites across the districts;*
- *Identification and verification of industrial pollutions sources;*
- *Effective provision of fire and emergency services (Mafube LM)*
- *Hosting of public fire safety awareness campaigns;*
- *>100% expenditure rate in respect to capital expenditure*
- *Provision of information to communities on risk avoidance and management;*
- *Implementation of mitigation and risk reduction measures/ plans emanating from prior risk assessment process*
- Robust and functional IGR Institutional arrangements, the District Coordination Forum, Speakers Forum and Technical IGR meetings coordinated the work of the district and its local municipalities;
- Series of public meetings were successfully convened for the year under review dealing with varied issues viz *Smart ID Awareness Campaigns, Know Your Rights, Anti-Crime and Human Traffic Awareness Campaigns, and Speakers izimbizos; Ward Committee Training* and 1285 community members participated
- Functional MPAC and Audit and Performance Committees;
- Three agricultural cooperatives support at three local municipalities;
- Seventeen SMMEs supported across the district;
- Convened a series of Tourism awareness campaigns;
- 725 SMMEs were trained through SEDA;
- *Two community based organisation in Tumahole and Maokeng were assisted with equipments, gas stove, laptop, pots, table, chairs and 3 sewing machines;*

## **FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024**

- *Two Early Childhood Centers at Qalabotjha and Sasolburg assisted with equipments 3 Piece Kitchen unit (Steel), Bounce Tech 10 Ft Trampoline with safety net, KIC Fridge, Soccer Kit set, 4 Burner gas stove, Kids slide; Tables, Chairs, Stainless Steel Pots, Bowls, Cups and Swings;*
- *Three performance artists assisted;*
- *Top management stability*
- *Completed a focused roads conditions assessment on 1552 km road networks and 60 traffic counts in the district in line with Rural Roads Asset Management System (RRAMS) Grant conditions;*
- *80 jobs created through two Expanded Public Works Programme*
- *Conducted quarterly inspections at moderate to low risk premises in areas across Mafube LM;*
- *Compiled quarterly municipal services, environmental management and disaster management reports in various towns across the District;*
- *Ensured compliance with Budget circulars and reviewed Budget Related Policies;*
- *Funded budget;*
- *Prepared and sign-off 4 audit files;*
- *Submitted AFS within the legislated timeframe*
- *12 Monthly bank reconciliation done;*
- *IDP and SDBIP drafted and approved within the legislated timelines*
- *Compliance reports such as section 71, 72 and 52 (d) developed and processed through Portfolio Committees, MAYCO and Council ;*
- *A series of district IGR fora convened;*
- *35 HR Policies and plans were reviewed;*

### **4.6. Comments of the Auditor General on the Fezile Dabi Annual Report for the period ending 30 June 2025**

Following the adoption by Council of the said Annual Report, the Office of the Auditor –General of South Africa provided further comments that revolved on the following:

- *Misstatements of financial figures in the Annual Report not consistent with those in the Adjusted Annual Financial Statements (AFS);*
- *Misstatements and discrepancies highlighted in respect of Audit of Pre-determined Objectives for incorrect financial year; incorrect unit of measurement, incorrect baseline, and strategies;*
- *Completeness of reporting in respect to actual performance for 2022/2023 FY;*
- *Misstatements on some of the KPIs in the SDBIP not reported in the Annual Report (An extract of the said comments are hereto attached to this report);*

These misstatements have since been corrected and the revised report has been compiled and will be submitted together with the Oversight Report that will be serving before Council on the 25<sup>th</sup> of March 2025.

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024**

***4.7. MPAC Observations, comments and recommendations on the Fezile Dabi Annual Report for the period ending 30 June 2024***

*MPAC after engaging the audit report, the annual report and representations made by managements in these engagement advises council after deliberations to approve the Annual Report without reservations:*

- a) That one of the milestones of the audit action plan being implemented relate to the compilation of interim Financial Statement for a period of nine months (31<sup>st</sup> of March 2025) that will assist with timely quality assurance of the AFS by the Internal Audit and Audit and Performance Committee and this will potentially reduce material misstatements in relation to the compilation of the Annual Financial Statements (AFS);*
- b) The matter of the waiver for section 54A and section 56 managers who were remunerated in violation of the provision of the Local Government Municipal Systems Act: Upper Limits of Total Remuneration Packages Payable to Municipal Manager and Managers directly accountable to municipal manager has served before Council and Council resolutions thereon are being implemented;*
- c) Consequence management should be implemented as expeditiously as possible in instance that cost of UIFWs would attribute to officials negligence and dishonesty*
- d) Processing and investigations of UIFW should be pursued using the principles of project management and particularly the setting of timeframes;*
- e) The Lack of Information Communication Infrastructure (ICT) at remote work-stations should be attended to;*
- f) The high employee cost recorded at 73% is too high and mitigation measures to reduce the mentioned cost should be implemented forthwith;*
- g) Lack of internal control should be attended to within the realm of the Audit Action Plan*
- h) UIFWs should be avoided in the immediate future and all non-compliance matters related to laws and regulation especially supply chain management should be dealt with;*
- i) The implementation of Audit Action Plan will be closely monitored so that the implementation of the said plan should gain traction;*
- j) The matter of lack of supporting documentation should be dealt with by implementation of support measures that no payment should be effected within the supporting documentation;*
- k) There is a need to develop and approve policies related compensation of employees in respect or payment of allowances*

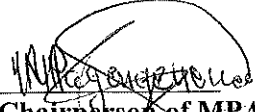
**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT ON THE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2024**

- l) The Special Investigation Unit (SIU) investigations are seemingly taking too long and it will be imperative that the SIU is engaged on this matter as it has a bearing on the conclusion of some UIFW matters before MPAC*

**5. RECOMMENDATIONS**

It is recommended that the Council;

- a) To approve the annual report, without reservations as the *information presented contained therein is fair and reasonably account for performance of the municipality;*
- b) Notes the reported performance of attained **57.83% (48) against the set 83 performance indicators;**
- c) Note that municipal administration has developed and is implementing an audit action plans and we will be robustly monitoring the implementation of the said audit action plan as quarterly progress report thereon are developed and presented;
- d) Resolve that Audit Action Plan progress report should be developed and processes through MPAC, Finance Portfolio and MAYCO Committees *en-route* to Council
- e) Note the slow pace of processing and investigating UIFWs is receiving attention. To this end, MPAC will be developing an annual calendar with planned two MPAC meetings per month to deal effectively with UIFW and thus contribute towards the efforts of improving our Audit Outcome; ;
- f) Note that a compiled annual report following the dictates of section 46 of the Local Government Municipal Systems Act is attached to the Oversight Report;
- g) Note that the approved oversight report will be dispatched to the MECs for Treasury and for Cooperative Governance and Traditional Affairs;
- h) The approved oversight report will be published on the municipal website and made public

  
**Chairperson of MPAC**  
**Cllr: Nthabiseng Magengenene**  
**21 March 2025**