



# **OVERSIGHT REPORT: 30 JUNE 2023**

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**TABLE OF CONTENTS**

GLOSSARY	3
1. FOREWORD BY THE CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	4
2. MEMBERS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE	6
3. INTRODUCTION	7
4. BACKGROUND	8
5. FUNCTIONS OF MPAC	8
6. COMPOSITION OF THE OVERSIGHT COMMITTEE	9
7. REVIEW OF THE ANNUAL REPORT	10
8. PROCESS FOLLOWED	10
9. ANNUAL REPORT 2022/23 CONTENTS IN SUMMARY	16
10. GENERAL OBSERVATIONS BY MPAC	27
11. RECOMMENDATIONS	29

**GLOSSARY**

<b>AFS</b>	- Annual Financial Statements
<b>AGSA</b>	- Auditor General of South Africa
<b>APR</b>	- Annual Performance Report
<b>Cllr</b>	- Councillor
<b>EM</b>	- Executive Mayor
<b>FDDM</b>	- Fezile Dabi District Municipality
<b>PMS</b>	- Performance Management System
<b>IDP</b>	- Integrated Development Plan
<b>MEC</b>	- Member of Executive Council
<b>MMC</b>	- Member of Mayoral Committee
<b>MFMA</b>	- Municipal Finance Management Act
<b>MPAC</b>	- Municipal Public Accounts Committee
<b>MSA</b>	- Municipal Systems Act
<b>PMU</b>	- Project Management Unit
<b>SALGA</b>	- South African Local Government Association
<b>SDBIP</b>	- Service Delivery Budget Implementation Plan

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

Honorable Speaker, it is my privilege and honor to present the Fezile Dabi District Municipality Oversight Report on the contents of the Annual Report for the period ending 30 June 2023. This report has been prepared subsequently after my election as the chairperson of Fezile Dabi District Municipality in 2023. Let me take this opportunity to acknowledge and appreciate dearly from the bottom of my heart the trust council has bestowed unto me as the first democratically elected women chairperson of MPAC in our municipality. All I can say is that ***“malibongwe igama la makhosikasi”***.

Speaker, in a constitutional democracy, one of the fundamental premises is the doctrine of separation of powers. The authority of the government is divided into three interdependent entities, the Executive, the Legislature, and the Judiciary. Local government, and in particular, its municipal council, has both legislative and executive powers. It therefore requires that to reinforce the doctrine of separation of powers in council, the Municipal Public Accounts Committee is created to exercise oversight:

In its simplest definition, oversight means making sure something is done correctly. In this context, MPAC is not a watchdog, nor does it police the municipality. It should however not be underestimated or underappreciated. It serves to, inter alia, identify weaknesses, inaccuracies, and ambiguity, laud achievements, and report these directly to council. This provides additional credibility and confidence to council and the community of the exercise of executive and administrative functions, and to assist in achieving and maintaining good governance in the municipality.

It also enforces accountability by making recommendations to remedy anomalies and improve the municipality to the benefit of the community it serves. Of equal importance is the recognition of the higher common objective of working with the administration to achieve the best value for the community it serves.

## FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023

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An Annual Report is one of the key instruments reflecting transparent governance and accountability, or the lack thereof. 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 case the 2022-2023 financial year.

The format of the 2022/2023 Annual Report was derived from the MFMA Circular 63. In the instance of Fezile Dabi District Municipality, the Annual Report is arranged per department to allow an easier oversight process.

This is the second year of this MPAC Committee's term. Most of the challenges experienced during the previous term relevant to the Annual Reporting and Institutional Performance were resolved, but some of them remain despite several attempts to rectify them.

It should be appreciated that the compiling of the Draft Annual Report is a team effort, where all the different entities of the municipality had to make a definite contribution. To coordinate all the contributions MPAC needs to convene several meetings to ensure that the contents of the Annual Report is acceptable and correct.

Every Director, and eventually the Municipal Manager and Council, should take responsibility for, and pride in presenting their submission for inclusion in the Annual Report. The Municipal Managers and Directors reacted on this call in that the quality of the Annual Report improved dramatically this year and MPAC had the joy to scrutinise such a proudly presented Annual Report in compiling our Oversight Report.

The Annual Report is not only a document to satisfy the prescriptions of the Municipal Finance Management Act No.56 of 2003, but it is also the document where the proud achievements of the Municipality should be highlighted.

This report would have not been completed without the support and inputs received from all stakeholders. Let me therefore take this opportunity to express my gratitude to the community of Fezile Dabi District Municipality, members of MPAC for your hard work and commitment which has gone unnoticed during the compilation of this report as mandated by council in terms of section 129 of the Local Government: Municipal Finance Management Act No. 56 of 2003.

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**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

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In conclusion let me also take this opportunity to acknowledge the unconditional support this committee has been accorded by the office of the Auditor General, the Executive Mayor, the Speaker, Councillors, the Municipal Manager, Senior Managers and officials of the municipality for their sterling work during the compilation of this report.

I hereby present this oversight report in which MPAC recommend to council to adopt the Annual Report for the period ending 30 June 2023 without reservations.

.....  
**Cllr. N Mokodutlo**  
**Chairperson MPAC**

.....  
**Date**

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

The MPAC is established in terms of Section 79 of the Municipal Structures Act and performs an oversight function on behalf of council and is not a duplication of other committees of council, such as the Finance Committee or that of the Audit Committee. Council is vested with the responsibility to oversee the performance of their municipality, as required by the constitution, the Municipal Finance Management Act and Municipal Structures Act.

The Municipal Public Accounts Committee was elected on the 28 January 2022. The following Councillors serve as members of the Municipal Public Accounts Committee:

<b>INITIAL &amp; SURNAME</b>	<b>PARTY</b>
<b>Cllr Nthabiseng Mokodutlo</b>	<b>ANC</b>
Cllr L Nhlapo	<b>EFF</b>
Cllr M Makhanda	<b>EFF</b>
Cllr E Masiteng	<b>ANC</b>
Cllr M Magashule	<b>ANC</b>
Cllr Malherbe	<b>FF Plus</b>
Cllr F Scholtz	<b>DA</b>

### **3. INTRODUCTION**

The Local Government: Municipal Finance Management Act, 56 of 2004 (MFMA), assigns specific oversight responsibilities to council with regard to the Annual Report and the preparation of an Oversight Report. The Municipal Public Accounts Committee was established for ensuring that the executive implements programmes and plans in a way consistent with policy, legislation and the dictates of the constitution. Given the processes required by council to effectively undertake its oversight role, the establishment of an Oversight Committee of council would provide the appropriate mechanism in which council could fulfil its oversight responsibilities. In the case of the Fezile Dabi District Municipality the Municipal Public Accounts Committee (MPAC) fulfils the role of performing Oversight Committee in the annual report processes.

The Oversight Committee's primary role is to consider the Annual Report, receive inputs from the various role players and to prepare a draft Oversight Report for consideration by council. MPAC was further established for monitoring the service delivery and the levels of performance of the municipality. It should also assess effectiveness, efficiency, service quality and municipal productivity and provide reports on service delivery and budget implementation plan. Such implementation should assess whether promised service delivery targets have been delivered. MPAC plays an important role in scrutinizing the spending of the municipal budget at the end of the financial year, which mirrors the work done by the finance department before the beginning of the financial year.

It is emphasized that the oversight committee of a municipality cannot be a once off event which is confined to scrutinizing the financial statements, but must be on-going and aim at continuous improvement in the manner in which the municipality performs its functions and delivers its services to the community. MPAC would on a continuous basis assess the implementation of programs in the Integrated Development Plan in terms of the Service Delivery and Budget Implementation Plan; as well as oversee the financial performance of the municipality as reflected in the Annual Report and the Audit Report. Section 129 of the

## FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023

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MFMA requires the municipality to prepare an oversight report on the annual report and to publicise it.

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### 4. BACKGROUND

In an attempt to address the challenges of audit queries in a sustainable way and improve service delivery the municipality should deal with causes of a qualified opinion which are reflected on its audit report. The oversight role of council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between Council, the Executive (Executive Mayor and MMC Councillors) and Administration. Good governance, effective accountability and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players.

Non-executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive. In other words, in exchange for the powers in which Council have delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality. The MFMA vests in Council specific powers of approval and oversight.

The South African Local Government Association (SALGA) defines the concept of oversight as related to the idea of accountability: Accountability is the extent to which decision-making is responsive to the needs of the people in a municipality, is transparent, consultative and has systems in place to detect and punish wrong-doing or work not being done. Accountability is also both a condition and a process. As such, citizens can ask serious questions and assess the degree to which the municipality and its professional staff and officials, as well elected councillors, are accountable.

### 5. FUNCTIONS OF MPAC

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MPAC's functions are to:

- Report to the Council on its activities;
- Review municipal quarterly and annual reports and report on such reviews to Council and shall develop a comprehensive oversight report on the annual report;
- Monitor the implementation of the IDP and SDBIP and submit reports thereto;
- Oversee policy formulation and implementation;
- Ensure that Council comply with external reporting requirements;
- Examine the financial statements and audit reports of the municipality and consider improvements from previous statements and reports and must evaluate the extent to which recommendations from the AG and Audit Committee has been implemented;
- Promote good governance, transparency and accountability;
- Examine the midyear review in line with the IDP;
- Consider SDBIP reports;
- Recommend any investigation in its area of competence to the Council;
- Request information from Councillors through the Office of the Speaker and from employees through the Office of the Municipal Manager and the relevant MMC Councillor be informed accordingly; and
- Perform any other function assigned to it by the Council.

## **6. COMPOSITION OF THE OVERSIGHT COMMITTEE**

### **Membership**

The Oversight Committee is a Committee of Council established under section 79 of the Municipal Structures Act, 1998. In the Fezile Dabi District Municipality MPAC fulfills the role of the Oversight Committee. Due to the separation of roles and responsibilities, between Council and the Executive it is not appropriate that members of the Executive be members of the Oversight Committee.

### **Meeting Schedule**

The 2022/2023 Annual Report was submitted to council at its meeting on 30 January 2024, and was referred to the MPAC to carry out the necessary oversight. After the Council

## FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023

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meeting of the 30 January 2024, and in response to the Council resolution taken at that meeting, the municipality's Annual Report for 2022/2023 was made public in terms of Section 127(2) of the MFMA and the community was invited to submit representations and comments. The community was advised through the municipality website and advert on the Sowetan Newspaper dated 14 February 2024 of the availability of the Annual Report and was invited to submit representations on the report. Copies of the annual report were placed at the municipal administration buildings and libraries, as well as the website. The Annual Report was also submitted to the Auditor-General, Provincial Treasury and the Department of Local Government & Traditional Affairs. No written submissions were received on the 2022/2023 Annual Report.

### 7. REVIEW OF THE ANNUAL REPORT

#### **PURPOSE:**

To table before Council the oversight report of the Municipal Public Accounts (MPAC) in respect of the Fezile Dabi Annual Report for the period ending 30 June 2023 as required in terms of section 129 of the MFMA and Circular No.32 of the MFMA.

#### **EXECUTIVE SUMMARY:**

MFMA Circular No. 32 recommends the establishment of an Oversight Committee for the detailed analysis and review of the annual report, following its tabling in council and then drafting an oversight report that may be taken to council for discussion.

MPAC is required to perform the responsibilities of the Oversight Committee as envisaged in MFMA Circular No. 32 and Section 129. MPAC considered the 2022/2023 Annual Report of the Fezile Dabi District Municipality during its meeting held on the .... March 2024. The minutes meeting are contained herewith in **Annexure 'A'**.

### 8. PROCESS FOLLOWED

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**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

The Fezile Dabi District Municipality Draft Audited Annual Report for the period ending 30 June 2023 was tabled in council on the 30 January 2024 by the Executive Mayor, Honorable Cllr D Khasudi as per section 127 (2) of the Local Government: Municipal Finance Management Act no.56 of 2003.

During the council meeting of the 30 January 2024 where the annual report was tabled, a representative from the Office of the Auditor General of South Africa was also present as per the requirement of section 130 (2) of the MFMA.

The copy of the draft annual report for the period ending 30 June 2023 was also submitted to the Auditor General of South Africa, Provincial Treasury and CoGTA to perform consistency check on the contents of the annual report as per the requirements of section 127 (5) (b). Upon received Auditor General made the following comments and were all subsequently corrected and addressed:

Page No	Heading	Comments	Corrected Yes/No
1	Table of contents - CHAPTER 6: AUDITOR-GENERAL'S FINDINGS (2019/20)	Should it not be findings for prior year 2021-22?	yes
5	1.2 Municipal Manager's Executive Summary - District Development Model	Delete duplicate as quoted below " Our existence <i>as the district as the district</i> depends on"	yes
6-7	1.3 Municipal Overview Table 1.2: Main Economic Sectors in Fezile Dabi District Municipality Graph 1: Main Economic Sector	Difference identified between the %, in table 1.2 and graph 1 – Trade 22% and 23%; Community services 20% and 21%  these should add up to 100% as in graph 1	yes
9	CHAPTER 2: GOVERNANCE - A1: Political Governance Structure	Should it not be <b>his</b> instead of her as per quoted phrase below? "The Executive Mayor is assisted by the Mayoral Committee in the execution of <b>her</b> duties"	yes
		Should it not be 32 instead of 31 as per table 2.1? "The council consists of <b>31</b> councillors coming from different political parties as detailed on the table below" Should 2022-23 not be 1 <sup>st</sup> tab on the table as is current year?	yes
		Should it not be comparing 2023 and prior year 2022? The table has 2020-21 and 2022-23,	yes
		Again should current year not be first column on the tables? Political Office-Bearers and Mayoral Committee Members	

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

		Composition of council graph – percentages are not correct, please current year figures, i.e ANC 15/32 = 47% not 58% as in the graph, DA 8/32 = 25% not 23% as in the graph, EFF 8/32 = 25% not 16% as in the graph, FF 1/32 = 3% not in the graph	yes
10		Table 2.2 - Key council resolutions taken – First Ordinary Council Meeting - 25 July 2022 - duplicated phrases identified in the entire table – as per example below - “ Financial indicators for the month ending 31 May 2022 Financial indicators for the month ending 31 May 2022 Financial indicators for the month ending 31 May 2022 Monthly report – SCM Awards April & May 2022 Monthly report – SCM Awards April & May 2022 Deviation for April & May 2022 Deviation for April & May 2022 MFMA Compliance calendar for the year 2022/2023 MFMA Compliance calendar for the year 2022/2023  Show status at 30 June 2023 for all activities listed in the table	yes
27	<b>Table 2.3: Administrative governance structure</b>	Chief Financial Officer – was Mdaka in service for part of the current financial year ending 30 June 2023? Her contract did not end 30 June 2022? Email addresses – please ensure same format for all	yes
27	<b>Performance Agreement Status</b>	Did L Molibeli, Mdaka, Baleni and Motingoe sign performance agreements for financial year 2023? The signed agreement for Molibeli was not provided to the audit team They should have been signed by 31 July 2022 for 2022-23 financial year	yes
32	<b>Table 2.8: Key focus areas and strategic risks</b>	Make space between the table and heading <b>D 2: Anti-Fraud and Corruption</b>	yes
36	<b>Table 2.11: Activities performed by the Audit &amp; Performance Committee</b>	“External Assessment of IA by Institute of Internal Auditors – date 02 June 2023” <i><b>This was not done as evidence could not be provided to audit team and issue was raised, please confirm with Mr Mdaka</b></i>	yes
53	<b>B 5: LOCAL ECONOMIC</b>	Please ensure consistent spacing between new headings	yes

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

	DEVELOPMENT		
74	KPA 2	2.1 the reported actual performance is not correct, metsimaholo is omitted, this affect the audit report as correction was allowed but incorrect annual report has been submitted for review	yes
79		2.5(b) comes after 2.6(a), I think it should 2.6(b) to be consistent with SDBIP numbering	yes
81		2.7(a) - Four (4) EPWP Progress reports indicating created Fulltime Equivalent (FTE's) and Work Opportunities (WO) as per the Protocol Agreement – unit of measurement, Baseline 2021-22 and annual target are not consistent with the SDBIP	yes
67	KPA 1	the indicators, baselines, reported information, source of evidence are not consistent with the SDBIP, indicator, 1.3(g) and (h) – 2022-23 Actual annual performance refers to 2019/20 and 2021-22 but the target date is June 2023	yes
69		1.3(l) - Annual Leave Plan for 2022/23 was submitted as at 30 September 2020. – should it not be 2022 –	yes
71		1.4(b) - <b>Achieved:</b> The municipality IDP assessment score did not reach 80% target set for the period under review. – reported information was not achieved but indicated as achieved	yes
71		1.4 (c)- Two (2) out of Four (4) District IDP Managers Forums Meetings and one (1) IDP Steering Committee meeting were held as at 30 June 2021. - should it be <b>2021</b> and not 2023?	yes
86	KPA 3	3.2(a)-(b) numbering in the SDBIP – there is no numbering in the Annual report	yes
91	KPA 4	4.1(a) - 022-23 Annual Actual Performance - <b>Achieved:</b> Budget and policies approved on 30/05/023 - See Council Item 199 recommendations for policies – please correct date, 2023	yes
92		4.1(b) copy and paste of the above achievement but the indicator is about Financial Management and / or Accounting policies	yes
86		<b>4.1(h) Achieved:</b> Twelve (12) monthly bank reconciliations done on all Three (3) bank accounts of the municipality as at 30 June 2021.	yes
86		4.1(i) - <b>Achieved:</b> All payment vouchers were 100% filed as at 30 June 2021.	yes
97		4.1(k) - 2 biannual assets verification performed and asset registers updated with all assets movements, and report any damaged / missing items by 30 June 2023. Is 4.1(j) in the SDBIP	yes
97		4.1(l) - Nil / Zero amount of unauthorised, irregular and fruitless & wasteful expenditure incurred due to non-compliance to the municipality's Supply Chain Management Policy, Supply Chain Management Regulations, 2005 and the MFMA by 30 June 2023 – is 4.1(k) in the SDBIP	yes
		KPA 5	5.1(b)-(c) – were performance agreements signed by senior managers by 31 July 2022? – were performance assessment conducted? We raised a finding as we could not obtain evidence – pages 100-101

## FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023

107	5.4(e) - Two (2) CFO Forum meetings convened by 30 June 2023. – is 5.4(h) in the SDBIP – Please ensure consistency	yes
107	5.4(f) - Four (4) Communications Forum meetings convened by 30 June 2023. is 5.4(i) in the SDBIP – Please ensure consistency	yes
108	5.4(j) - Two (2) Energy Forum meetings convened by 30 June 2021. is 5.4(j) in the SDBIP – Please ensure consistency – unit of measurement, baseline, annual target and actual performance not consistent with SDBIP, they refer to 2021 and 2020	yes
108	5.4(h) - Four (4) Corporate Support Services Forum meetings convened by 30 June 2023. is 5.4(k) in the SDBIP4 – Please ensure consistency	yes
109	5.4(l) - <b>Achieved:</b> One (1) out of four (4) District PMS as held 30 June 2023	yes
109	5.4(m) - Two (2) Water Sector Forum meetings convened by 30 June 2023. is 5.4(m) in the SDBIP – Please ensure consistency	yes
110	5.7(n) - Four (4) Disaster Management Forum meetings convened by 30 June 2023. - should it not be 5.4? is 5.4(n) in the SDBIP – Please ensure consistency – page 110	yes
	5.4(l) to (n) not included in the annual report but are in the SDBIP	yes
116	table 4.9 – 4.13;4.14 and next page table 4.10 – correct sequence numbering and headings are bold, table 4.13 and 4.14 are duplicated on pages 118-119 as they also appear on page 116	yes
125	<b>3.1.2 Actual Revenue versus Budgeted Revenue -</b> Actual Revenue - 184 163 659 – how did you determine the amount, it does not agree with the statement of financial performance	yes

NB: Comments by AGSA in line with the above made corrections subject to quality assurance performed by the office is as follows:

- Draft Audited Annual report for the period ending 30 June 2023 - remaining errors not corrected- Please provide AFS

Good evening,

Kindly note that I have followed up on the corrected errors, no errors are remaining uncorrected, ~~except I am unable to confirm consistency between the AFS to be included~~ in the AR and the audited adjusted AFS.

Kindly provide the AFS that you are going to attach to the AR to avoid further audit cost.

Kind regards,

Ntebaleng Joyce Makoae

AGSA

Date 19 February 2024

Immediately after tabling the annual report in council, the report was advertised on the Sowetan newspaper for a period of 21 days to invite public and local communities to make both written and oral representations on the contents of the annual report as per section 127 (5) (a) of the MFMA and Section 21A and B of the Local Government: Municipal Systems Act no.32 of 2000.

MPAC considered and analyzed the report during its meeting held on the 19 March 2024 as per section 129 of the MFMA and Circular no. 32 of the MFMA.

This report was prepared by MPAC in a form of oversight report for the purpose of tabling it to Council for approval as per section 129 of the MFMA.

**9. ANNUAL REPORT 2022/23 CONTENTS IN SUMMARY**

When evaluating the Annual report of the municipality for the period ending 30 June 2023, MPAC took into consideration and validate the existence of the following key components of the reports as required in terms of section 121 of the MFMA and Circular 32 of the MFMA:

Following the Municipal Public Accounts Committee (MPAC) that sat on Thursday, 19 March 2024, it was resolved that a list of questions be submitted and responded to in writing by the Acting Municipal Manager. Kindly find the questions listed below:

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2023	Management Response to questions Raised	Final Comments by MPAC
1	<p><b>Chapter 1:</b> Executive Mayor's Foreword and Executive Summary</p>	<p>Upon reviewing the Annual Report this section was found to be adequately covered in the report. Included in this section of the report is a section of the report is statements of account in a from Executive Mayor's Foreword, Executive Summary by the Municipal Manager and Municipal Overview linked to the council approved integrated development plan for the current term of council.</p> <p><b>Refer to pages: 3 – 8 of the Annual Report</b></p>	<p>The committee did not raise any questions in respect of Chapter 1 of the Annual Report</p>	<p>None</p>	<p>None</p>
2	<p><b>Chapter 2:</b> Governance</p>	<p>Upon review of the Annual Report governance section of the report was accounted for highlighting the following:</p> <ul style="list-style-type: none"> <li>• Composition of Council, Political Office Bearers and Mayoral Committee;</li> <li>• Key Decision in a form of council resolutions taken during the period under review;</li> <li>• Administrative governance</li> </ul>	<p>The committee needed to be provided with clarity on reported information relating to Top Ten Risks.</p>	<p>Accounting Officer responded that each year in line with Risk Management Framework, organisational risks are identified with mitigating factors and regular reporting to Risk Committee and Audit Committee as being executed.</p>	<p>None</p>

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

	<ul style="list-style-type: none"> <li>• structure outlining details of senior management team;</li> <li>• Intergovernmental Relations</li> <li>• Structure of the municipality focusing on meeting conducted during the period under review;</li> <li>• IDP Public participation meetings which were successfully convened in all local municipalities for the review of the 2023/24 IDP;</li> <li>• Corporate Governance with specific focus on Risk Management issues, including activities performed during the 2022/23 financial year;</li> <li>• Anti-Fraud and Supply Chain Management was also covered under this section of the report;</li> <li>• This section of the report also covers summary report on functionality of the municipal website including publication of information on the website;</li> <li>• This section of the report covers the activities performed by MPAC in fulfilment of its oversight responsibilities, this</li> </ul>			
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**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

3	<p><b>Chapter 3: Service Delivery Performance (Performance Report Part I)</b></p>	<p>also includes activities performed by the Audit Committee of the municipality.</p> <p><b>Refer to pages:</b> 9 – 29 of the report</p> <p>This section of the report accounted for the work performed by the departments of the municipality responsible for service delivery that is Environmental Health and Emergency and Local Economic Development covering activities relating to:</p> <ul style="list-style-type: none"> <li>• Environmental Health Service;</li> <li>• Environmental Management;</li> <li>• Disaster Management;</li> <li>• Agricultural Development and Support;</li> <li>• Koppies Greenhouse;</li> <li>• Agricultural Cooperatives Supported;</li> <li>• SMMEs supported;</li> <li>• Tourism development;</li> <li>• Community and Social Development; and</li> <li>• Sports Development.</li> </ul> <p><b>Refer to pages:</b> 30 – 51 of the</p>	<p>The committee need to be provided with clarity on the status of performance reporting regarding the Fezile Dabi Stadium and Koppies Green House.</p>	<p>The Accounting Officer responded making reference to previous council resolution upon which a decision was taken for the municipality to facilitate the return of this assets (Fezile Dabi Stadium) to its rightful owners and further informed the meeting that, funding to Koppies Greenhouse has since been stopped as resolved by council.</p>	None
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**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

Annual Report					
4	<p><b>Chapter 3: Service Delivery Performance (Performance Report Part I) - Component C</b></p>	<p>Upon reviewing the report it was evident that this section of the report was accounted as required in terms of section 46 of the Municipal Systems Act. During the period under review the Auditor General performed on performance information and focus was placed on KPA 2: Basic Service Delivery and Infrastructure Development.</p> <p>For detailed information in this regard refer to pages 52 – 103 of the Annual Report.</p>	<p>The committee raised questions relating non achieved and partially key performance indicators for the following Key Performance Areas:</p> <ol style="list-style-type: none"> <li>1. Institutional Transformation and Organisational Development</li> <li>2. Basic Service Delivery and Infrastructure Development</li> <li>3. Local Economic Development and Tourism</li> <li>4. Financial Viability and Management</li> <li>5. Good Governance and Public Participation</li> </ol>	<p>The Accounting Officer responded by clarifying to the committee that, yes some of the KPIs were not achieved during the financial year under reporting. For the purpose of accountability such indicators are reported as such as internally and externally audited with clear corrective measures to be put into place during the next reporting cycle.</p>	<p>None</p>
5	<p><b>Chapter 4: Organisational Development Performance (Performance Report Part II)</b></p>	<p>Upon review the following key organisational development areas were disclosed and reported on in order to measure the outcome of effective organisational development against the municipality's strategic plans:</p> <ul style="list-style-type: none"> <li>• Municipal Human Resource;</li> <li>• Capacitating the municipal workforce;</li> <li>• Managing the municipal workforce expenditure;</li> </ul>	<p>The committee did not raise any questions in respect of Chapter 4 of the Annual Report</p>	<p>None</p>	<p>None</p>

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

		<ul style="list-style-type: none"> <li>Organisational structure enhancement;</li> <li>Increased accountability;</li> <li>Increased participation in problem solving, goal setting and new ideas; and</li> <li>Identifying and development of skills needed to perform</li> </ul> <p><b>Refer to pages 104 – 109 of the report</b></p>			
6	<p><b>Chapter 5:</b> Financial Performance</p>	<p>Upon review the of this section of the report the following areas were adequately covered in the report:</p> <ul style="list-style-type: none"> <li>Supply Chain Management including its bid committees;</li> <li>Expenditure and Creditor analysis;</li> <li>Component A with focus on the statement of financial performance;</li> <li>Component B with focus of spending against capital budget;</li> <li>Component C with focus on cash flow management and investments;</li> <li>Component with focus on other financial matters focusing</li> </ul>	<p>The committee did not raise any questions in respect of Chapter 5 of the Annual Report</p>	<p>None</p>	<p>None</p>

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

		Auditor General Report, plans to enhance financial viability, financial ratios based on Key Performance Indicators;  <b>Refer to pages 110 – 116 of the Annual Report</b>			
7	<b>Chapter 6:</b> Auditor General Findings prior year report (2021/22)	<p>Upon review this chapter provides an overview of the Auditor-General Report of the previous financial year (2021/22) with specific focus on the following:</p> <ul style="list-style-type: none"> <li>• Matters raised during the previous financial year's audit; and</li> <li>• Remedial action taken to address those issues and preventative measures taken.</li> </ul> <p>This section of the report also includes the Auditor General report for current audit period namely 2022/23.</p> <p><b>Refer to pages 117 - 143 of the Annual Report</b></p>	The committee need to be clarified on why some of the prior year findings (2021-22) were not fully addressed as per the audit action presented.	Accounting Officer responded that, failure to implement and correct prior year audit findings was a great concern for management. In the current financial year measures has been put into place to ensure that action plan 100%.	None
8	<b>Appendixes</b>	Circular 32 of the MFMA place a	The committee did not raise any	None	None

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

<p>requirement that a credible annual report should provide information in relation various appendixes as provided for by the circular. Therefore information relating to the following appendixes was proved for in the report:</p> <ul style="list-style-type: none"> <li>• <b>Appendix A:</b> Councillors; Committee Allocation and Council Attendance;</li> <li>• <b>Appendix B:</b> Committee of Council and Committee Purpose;</li> <li>• <b>Appendix C:</b> Third tier Administrative Structure;</li> <li>• <b>Appendix D:</b> Powers and Functions of Municipality;</li> <li>• <b>Appendix E:</b> Ward Reporting;</li> <li>• <b>Appendix F:</b> Ward Information;</li> <li>• <b>Appendix G:</b> Recommendations of the Municipal Audit Committee;</li> <li>• <b>Appendix H:</b> Long term Contracts and Public Private Partnership;</li> <li>• <b>Appendix I:</b> Municipal Provider Entity/Service</li> </ul>	<p>questions in respect of appendix of the Annual Report</p>
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**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

	<p>Performance Schedule;</p> <ul style="list-style-type: none"> <li>• <b>Appendix J:</b> Disclosure of Financial Interest;</li> <li>• <b>Appendix K:</b> Revenue Collection Performance (Not Applicable);</li> <li>• <b>Appendix L:</b> Conditional Grants Received: Excluding MIG;</li> <li>• <b>Appendix M:</b> Capital Expenditure – New &amp; Upgrade/Renewal Programmes: Including MIG;</li> <li>• <b>Appendix N:</b> Capital Programme by Project current year;</li> </ul>			
<p><b>Volume II – Annual Financial Statements</b></p>	<p><b>Refer to pages 144 – 170</b> of the report</p> <p>The report also contained detailed information of the Audited 2021/22 financial year financial statements as required by section 121 of the MFMA.</p> <p><b>Refer to pages 171 – of the Annual Report.</b> The comprehensive AFS shall be incorporated into the Final Annual Report once it goes out for printing. We are unable to include</p>	<p>The committee raised the following status on the following:</p> <ol style="list-style-type: none"> <li>1. Status on implementation of EPWP projects</li> <li>2. Payment of service with 30 days</li> <li>3. Unspent grants</li> </ol>	<p>The Chief Financial Officer responded that EPWP and conditional Grants are strictly monitored and all service providers are paid within 30 days as required by the MIFMA.</p>	<p>None</p>

**FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023**

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	them in this report due computer graphic configurations the municipality does not have in place.		
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## **10. GENERAL OBSERVATIONS BY MPAC**

The following are general observations by MPAC: Internal Controls

### **10.1. Internal Controls**

The Auditor General identified shortcomings in the internal controls of SCM that require management interventions. The following unsatisfactory performance areas were identified, and recommendations were made to Council to improve such performance:

- (a) The financial viability of the municipality has deteriorated and has been raised by the Auditor-General as a concern.
- (b) The Municipality achieved qualified audit outcome with findings, the same outcome since the 2021/22 financial year.
- (c) Several financial indicators have deteriorated and fall outside the guidelines of the MFMA Circular 71.
- (d) The Auditor General identified: number of areas that need to be improvement.
- (e) Past audit findings relating to financial management has not been addressed.
- (f) Management failed to monitor the plan to address audit findings.
- (g) The municipality failed to spend its capital budget.
- (h) There was irregular spending reported.

### **10.2. MPAC RECOMMENDATION REGARDING THE ANNUAL REPORT**

Council resolves that: After having fully considered the 2022/23 Annual Report of the Fezile Dabi District Municipality and representations thereon, adopts the Annual Report without any reservations:

- (a) That measures be put in place to turn around the decline in the financial health of the municipality.
- ~~(b) That the irregular expenditure incurred in the prior financial year be investigated, and a detailed report be submitted to MPAC.~~

- (c) That processes be put in place to enhance financial statement reviews.
- (d) That management is held to account for not addressing audit findings and that these measurements be incorporated into management performance compacts.
- (e) That Supply Chain Management expedite the approval of contracts (BSC, BEC and BAC) for implementation of projects, because it delays service delivery and give rise to fruitless and wasteful expenditure.
- (f) That a Repair and Maintenance Plan be drafted to ensure the realistic spending of the budget.
- (g) That the Disaster Management Plan be updated and improved.
- (h) That all the Draft Policies be updated and finalized.
- (i) That the increased expenditure on Employee Related Cost, Impairment Losses and Contracted Services be curtailed and that where possible, the entire Capital Budget be spent.
- (j) That Council be alerted to the escalating personnel expansion and cost.
- (k) That the KPI's for 2024/25 Financial year be reconsidered.

## **11. RECOMMENDATIONS**

Recommend to council that:

- 11.1. Council adopts the Annual Report for the period ending 30 June 2023 without reservations; and
- 11.2. The contents of the oversight report be made public.

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2023

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MPAC CHAIRPERSON  
N. MOKODUTLO

SIGNATURE

A handwritten signature in black ink, appearing to read 'N. Mokodutlo', with a horizontal line extending to the right from the end of the signature.