



CENTRAL KAROO DISTRICT MUNICIPALITY

OVERSIGHT REPORT ON THE ANNUAL REPORT 2022/23

1. INTRODUCTION

In terms of Section 129 of the MFMA, The Municipal Council, in dealing with the tabled Annual Report, is required to 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.

In addition, in terms of Section 129(3) of the MFMA the accounting officer must in accordance with Section 21 A of the Local Government Municipal Systems Act (MSA), 2000, make public the Oversight Report within seven days (7) of its adoption.

2. THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

A Municipal Public Accounts Committee (MPAC) meeting to provide oversight w.r.t the Annual Report took place on Tuesday, 26 March 2024.

3. 2022/23 ANNUAL REPORT CONSULTATION PROCESS

The Draft Annual Report was tabled to Council on 25 January 2024.

Published for Public Comment:

- (a) Municipal Website
- (b) In the Courier, a regional newspaper, on municipal notice boards, available at municipal offices and municipal libraries.

The Annual Report was also submitted to National Treasury, the Auditor-General and the Western Cape Provincial Treasury and the Western Cape Department of Local Government.

4. SUMMARY OF COMMENTS ON THE 2022/23 ANNUAL REPORT

Public Comment:

No comments received.

National Treasury

No comments received.

Western Cape Provincial Treasury Inputs

LEGISLATIVE COMPLIANCE

Conformance

The conformance assessment highlights compliance by Central Karoo District with the Municipal Finance Management Act No. 56 of 2003 is as follows:

Compliance

The Municipality submitted the draft 2022/23 Annual Performance Report/Annual Report together with the AFS to the Auditor General by the 31 August 2023, which is within the legislative guideline

The unaudited Annual report was tabled into Council at least two months after the end of the 2022/23 financial year, in accordance with MFMA Circular 63.

Compliance

If not tabled two months after the end of the financial year, the Annual Report was tabled to Council on 26 January 2024 which is within 7 months after the end of the financial year in accordance with MFMA section 127(2).

The draft Annual Report was made public on 30 January 2024 which in line with MFMA Section 75. Only the extract of the council Minutes was placed on the Municipal Website, the actual Annual Report is not placed on the website.

Format and content of the Annual Report as per MFMA Circular 63

Compliance

The relevant chapters and annexures have been included as per the requirement of Circular 63.

Audit findings Included for 2021/22; however, the 2022/23 audit findings are included as pending in the draft Annual report.

The Mayors Foreword and the Municipal Managers Overview are not included in the draft Annual Report. All the missing components of the Annual Report should be completed and included in the final Annual Report.

The Municipal Manager's foreword has been included and contains:

- Information on internal management changes in relation to section 56/57 managers.
- A statement on the previous financial year's audit opinion.
- Information related to the revenue trend by source including borrowings undertaken by the municipality.

The Annual report should include a statement on the Internal Management changes in relation to Section 56/57 Managers.

A statement on the previous year's financial audit is included.

Information relating to revenue trends by sources is also included.

The report includes a comprehensive overview of the demographics, population, growth, highlights and challenges faced in the municipal area during the 2022/23 financial year.

An overview of the Socio-economic context for the District is provided.

The Municipality disclosed information on B-BBEE compliance performance information with elements related to Management Control, Skills Development, Enterprise, Supplier Development and Socioeconomic development.

A detailed enterprise supplier development information is included in pages 18-23; this speaks to transparency in reporting to the communities.

This information also includes the number of black owned enterprises and female owned enterprises.

It is however noted that the Management control element and skills development component is not completed in the Annual Report.

The Municipality's Annual Report (page17) indicates that MSCTBEE Services is appointed to complete B-BEE verification before finalisation of the Annual Report. However, this statement was also included in the previous 2021-22 AR, the Municipality should indicate if this statement is still applicable, and progress made in this regard.

ORGANISATIONAL DEVELOPMENT AND SERVICE DELIVERY PERFORMANCE

Key Performance Areas

The Municipality overall achieved 57 per cent of the planned targets for 2022/23 indicating a variance of 43 per cent between planned and actual performance at the end of the 2022/23 financial year. The performance regressed slightly when compared to the 60.7 per cent actual achievement in the prior year 2021/22.

The reasons behind the overall performance decline and inconsistent achievements across strategic objectives need to be thoroughly investigated and communicated. This information is crucial to understand the Municipality's challenges and the steps being taken to rectify them.

Overview of performance

Organisational Overview

In terms of vacancy rates the Annual Report indicates that there were 15 vacancies and 157 people employed in the Municipality. The turnover rate on the other side improved slightly to 5.7 per cent in 2022/23 from 5.9 per cent in 2021/22.

The report indicates that for 2022/23 that the Municipal Systems Act (MSA) Section 57 and 56 posts were filled. However, it is noted that the Municipality had an acting Municipal Manager and acting Chief Financial Officer during the reporting year. This should be included as such and should form part of the internal Management changes in the Executive Summary.

Governance

The Municipality received an unqualified audit opinion for 2021/22 and the audit outcome for 2022/23 is indicated as pending in the draft Annual Report.

In accordance with section 14 (4)a of the regulations, the Performance Audit Committee is entrusted with the crucial responsibility of conducting a thorough review of quarterly reports generated and submitted by the internal audit process. Table 31(Page 34) of the Annual Report provides details of the audits completed, including audits of quarter 1 to quarter 4 performance management in line with the internal Audit functions.

Since the audit outcome is pending no comment can be made on the Auditor General findings regarding performance information.

The Annual Performance Report indicates that the Risk Based Audit Plan (RBAP) was submitted to the Audit Committee for approval by 30 June 2023.

The implementation and monitoring of the audit action plan is critical to ensure that the Auditors General findings are addressed.

Financial Performance

The general Key indicators for financial viability and Management are included on page 13 of the Annual Report. A regression is observed in terms of the cash flow ratios.

The cost coverage ratio regressed from 2 months in 2021/22 to 1 month coverage in 2022/23.

In addition, the percentage of municipality's capital budget spent on capital projects identified for a particular year in terms of the Municipality's Integrated Development also regressed from 79 per cent in the prior year to 36 per cent in 2022/23.

In addition, the target for financial viability measured in terms of Municipality's ability to meet the debt payment obligation as of June 2023 was also missed as well as financial viability measured in terms of the available cash to cover fixed operating expenditure.

This signifies a need for urgent attention to alternative revenue sources, revenue collection processes, emphasizing the importance of quality credit control and revenue management.

Service Delivery Performance

The Municipality's overall performance for the 2022/23 financial year reflects a 43 per cent variance from the planned targets, reflecting a regression from the previous year's achievements.

The challenges in road maintenance and construction, particularly poor roads and the limitations of the re-gravel unit, directly impact the socio-economic development of the region. Although the report indicates that the Municipality spent 103 per cent of the total approved roads budget; the target to re-gravel 40 kilometres of roads was missed and the target to spend 95 per cent of the total blading maintenance budget was almost met at 93 per cent. The Municipality should provide reasons for the over - expenditure of the roads budget.

The unmet SDBIP indicators highlight the urgency of addressing these issues to enhance the quality of road infrastructure and, consequently, the overall well-being of the community.

Strategic Objective "Prevent and minimize the impact of possible disasters and improve public safety in the region" did not meet the targets for 2022/23. As a result, the Municipality missed the target to Spend 90% of the approved WOSA Safety Grant by 30 June 2023. Tackling of crime and violence not only through policing, but also through urban planning, infrastructure and social programmes in neighbourhoods is critical to ensure protection of livelihoods, and potential threats to human lives. The Municipality should ensure that grants are spent taking into account financial challenges in the District.

In terms of Strategic Objective "Deliver a sound and effective administrative and financial service to achieve sustainability and viability in the region", 50 per cent of the targets were not met raising questions about the financial sustainability of the Municipality.

Though Strategic Objective "Facilitate good governance and effective stakeholder participation" performed well achieving 83.3 per cent of the targets, it is noted that the Key Performance Indicator complete 70% of the audits as per the RBAP by 30 June 2023 only 35 per cent of the actual was achieved against the target of 70 percent. This necessitates the Municipality to focus on strengthening audit processes to enhance accountability.

The overall performance highlights the need for the Municipality to set SMART targets, improve indicator quality, and undertake a comprehensive review of its performance. Implementing targeted corrective measures is imperative to address the identified challenges and ensure the Municipality's effective functioning and service delivery to the community.

CONCLUSION AND RECOMMENDATIONS

The Municipality is compliant with the legislative requirements as per MFMA Section 75, 121 and 127. It is recommended that the Municipality incorporate the above-mentioned aspects (see section 2.1 and 2.2) to improve the quality of the annual report.

The Municipality has indicated reasons for underperformance and the corrective measures for all targets that were not achieved. These are noted and should serve to improve performance in the 2023/24 financial year provided that:

- targets are set at levels that are realistic and take past performance into consideration.
- the Municipality addresses the risks and challenges highlighted in section 3.2 above.

Western Cape Department of Local Government:

No comments received.

Western Cape Department of Treasury:

No comments received.

Auditor-General Report:

No comments received.

5. SUMMARY OF DISCUSSIONS BY THE COUNCIL ON THE 2022/23 ANNUAL REPORT

The Executive Mayor to present the Oversight Report to Council.