



# **CENTRAL KAROO DISTRICT MUNICIPALITY**

## **OVERSIGHT REPORT ON THE ANNUAL REPORT 2023/24**

### **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 Wednesday, 19 March 2024.

### **3. 2023/24 ANNUAL REPORT CONSULTATION PROCESS**

The Draft Annual Report was tabled to Council on 22 January 2025.

#### **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, as well as the receptions areas of Local Municipalities, including Beaufort West, Laingsburg and Prince Albert Municipalities; and
- (c) 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 2023/24 ANNUAL REPORT**

#### **4.1 Public Comment:**

No comments received.

#### **4.2 National Treasury**

No comments received.

### 4.3 Western Cape Provincial Treasury

#### 4.3.1 LEGISLATIVE COMPLIANCE

##### 4.3.1.1 Conformance

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

COMPLIANCE	YES/NO
The Municipality submitted the draft 2023/24 Annual Performance Report together with the AFS to the Auditor General by the 31 August 2024, which is within the legislative guideline	Yes
The unaudited Annual report was tabled into Council at least two months after the end of the 2023/24 financial year, in accordance with MFMA Circular 63.	No
If not tabled two months after the end of the financial year, the Annual Report was tabled to Council on <b>22 January 2025</b> which is within 7 months after the end of the financial year in accordance with MFMA section 127(2).	Yes
The draft Annual Report was made public on <b>22 January 2025</b> which in line with MFMA Section 75.	Yes

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

COMPLIANCE	YES/NO	GAPS IDENTIFIED/AREAS FOR IMPROVEMENT
The relevant chapters and annexures have been included.	Yes	The relevant chapters and annexures have been included as per the requirement of Circular 63.
The 2022/23 and 2023/24 Audit findings have been included.	Yes	Audit findings included for 2022/23 financial years; the Municipality received unqualified, with findings audit opinion. The 2023/24 audit findings are indicated as pending in the draft Annual report (page 29), however the AG report is included as Appendix K. The Municipality has again achieved an unqualified, with findings audit opinion in 2023/24.
The Mayor's foreword has been included and contains all the relevant components.	No	The Mayors Executive Summary is not included in Chapter 1. All the missing information should be completed before the approval of the Final Annual Report.
The Municipal Manager's foreword has been included and contains: <ul style="list-style-type: none"> <li>- Information on internal management changes in relation to section 56/57 managers.</li> <li>- A statement on the previous financial year's audit opinion.</li> <li>- Information related to the revenue trend by source including borrowings undertaken by the municipality.</li> </ul>		The Municipal Managers Overview is not included in Chapter 1. However, elsewhere in the document there is: - <ul style="list-style-type: none"> <li>A statement on the Internal Management changes in relation to Section 56/57 Managers has been included.</li> <li>A statement on the previous year's financial audit is included.</li> <li>Information relating to revenue trends by sources is also included.</li> </ul>

COMPLIANCE	YES/NO	GAPS IDENTIFIED/AREAS FOR IMPROVEMENT
The report includes a comprehensive overview of the demographics, population, growth, highlights and challenges faced in the municipal area during the 2023/24 financial	Yes	An overview of the Socio-economic context for the District is provided.

#### 4.3.2 ORGANISATIONAL DEVELOPMENT AND SERVICE DELIVERY PERFORMANCE

##### 4.3.2.1 Key Performance Areas

STRATEGIC OBJECTIVES	NUMBER OF TARGETS IN SDBP	NUMBER OF TARGETS ACHIEVED	NUMBER OF TARGETS NOT ACHIEVED	PERCENTAGE OF TARGETS ACHIEVED
Build a well capacitated workforce, skilled youth and communities	4	4	0	100%
Deliver a sound and effective administrative and financial service to achieve sustainability and viability in the region	7	4	3	57%
Facilitate good governance and effective stakeholder participation	6	4	2	67%
Improve and maintain District Roads and promote safe roads transport	3	2	1	67%
Prevent and minimize the impact of possible disasters and improve public safety in the region	1	0	1	0%
Promote regional, economic development, tourism and growth opportunities	1	1	0	100%
Promote safe, healthy and socially stable communities through the provision of a sustainable environmental health service	4	4	0	100%
<b>TOTAL</b>	<b>26</b>	<b>19</b>	<b>7</b>	<b>73%</b>

#### 4.3.2.2 Overview of performance

<p><b>Organisational Overview</b></p>	<p>In terms of the Municipal Systems Act (MSA) Section 57 and 56 posts; the Municipal Managers position was the only filled post; the other 3 Directors were acting including the Chief Financial Officer. This poses challenges with accountability and continuity in the Municipality. The Municipality should prioritize filling these key positions with permanent appointments. This will provide stability and ensure that the Municipality can effectively deliver on its service delivery and budget implementation plan.</p> <p>In terms of the population, the District should take note of the downward revision of the population due to revision in the Beaufort West population numbers as per the Stats SA mid-year population estimates.</p>
<p><b>Governance</b></p>	<p>The Municipality received an Unqualified Audit Opinion with findings for 2022/23 as well as for 2023/24.</p> <p>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 29 (page 44) 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.</p> <p>The Annual Performance Report indicates that the Risk Based Audit Plan (RBAP) was submitted to the Audit Committee for approval by 30 June 2024.</p> <p>However, the Municipality achieved 67 per cent of the planned audits as per the RBAP. The implementation and monitoring of the Risk Based Audit Plan is critical to ensure that the Auditor General’s findings are addressed.</p>
<p><b>Financial Performance</b></p>	<p>The Municipality did not meet the financial viability ratio for available cash to cover fixed operating expenditure at the end of the 2023/24 financial year.</p> <p>In addition, the target for financial viability measured in terms of Municipality’s ability to meet the debt payment obligation as of June 2024 was also missed reflecting an actual of 0.29 per cent versus the planned 5 per cent.</p> <p>Challenges are also noted in capital expenditure as the Municipality spent 51 per cent of the capital expenditure budget versus the planned target of 90 per cent.</p>

**Service Delivery Performance**

**Overall Performance**

The Municipality seems to be reporting on the Departmental SDBIP rather than the Top Layer SDBIP tabled in council.

Noted misalignment between the summary and the detailed departmental SDBIP report imposes challenges in determining the actual performance of the Municipality. Overall, the Municipality should establish a system of checks and balances to ensure that future reports are accurately aligned.

**Strategic Objectives SO2: Deliver a sound and effective administrative and financial service to achieve sustainability and viability in the region**

For Strategic Objective 2; 57 per cent of the targets were achieved during the 2023/24 financial year.

Recurring performance issues include not achieving the target to spend 90 per cent of the capital budget by June 2024 indicating challenges in procurement planning. The report indicates that Municipality did not meet the legislative deadline of 31 August 2023 for the submission of Financial statements to the Auditor General.

However, the performance comment indicates that this KPI was met but was not updated on the performance system.

The Municipality should put processes in place to identify how this oversight occurred. Should also implement improvements to prevent similar issues in the future, such as enhancing data verification procedures or improving the performance tracking system.

**Strategic Objective 3: Facilitate good governance principles and effective stakeholder participation.**

The detailed Annual Performance Report indicates that 4 of 6 Key Performance Indicators were met reflecting 67 per cent targets achieved. However, there are some discrepancies between the detailed and summary reports. To ensure accuracy and clarity, the Municipality should take the following steps to rectify these misalignments:

Conduct a review of both the Annual Performance Report and the Summary Report. Identify the specific areas where discrepancies occur, particularly focusing on the reporting of the SDBIP. Ensure consistency in reporting; reporting on the top layer SDBIP in both the detailed and summary reports to maintain consistency and accuracy.

**Strategic Objective 4: Improve and maintain District Roads and promote safe roads transport.**

There appears to be a discrepancy between the actual performance and the reported achievement for Strategic Objective 4. The key issue here is that while only 22.19 kilometres of roads were regavelled against a performance target of 40 kilometres (indicating the target was not met), the summary report inaccurately states a 100 per cent achievement for Strategic Objective 4.

The Municipality should identify the source of the error to understand where and why the error occurred in the reporting process. The Municipality should update the summary report to reflect the accurate performance data.

**Strategic Objective 5: Prevent and minimize the impact of possible disasters and improve public safety in the region.**

The planned targets for SO5 were not achieved as a result the disaster Management plan was not reviewed; the Annual Report indicates capacity constraints due to vacant posts (67 per cent vacancy rate for Disaster Management and Fire Services).

#### **4.3.4 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 4.3.1.1 and 4.3.1.2) 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:

- the Municipality addresses the risks and challenges highlighted in section 4.3.2.2 above.

#### **4.4 Western Cape Department of Local Government:**

No comments received.

#### **4.5 Western Cape Department of Treasury:**

No comments received.

#### **4.6 Auditor-General Report:**

No comments received.

### **5. SUMMARY OF DISCUSSIONS BY THE COUNCIL ON THE 2023/24 ANNUAL REPORT**

The Chairperson of the Municipal Public Accounts Committee (MPAC) to present the Oversight Report to Council.