



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

OVERSIGHT OVER THE ANNUAL REPORT OF THE 2023-2024 FINANCIAL YEAR

OVERSIGHT REPORT 2023/2024

INTRODUCTION

THE OVERSIGHT REPORT:

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the Council to consider the annual reports of its municipality and municipal entities and to adopt an “oversight” report containing the council’s comments on each annual report.

The oversight report is thus clearly distinguished from the annual report. The annual report is submitted to the council by the accounting officer and the mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by council. The oversight report is a report of the municipal council and follows consideration and consultation on the annual report by the council itself. Thus, the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

MANAGING THE STRUCTURE AND CONTENTS OF THE OVERSIGHT REPORT-

The Oversight Report contains:

1. Title and reference to the year under review
2. Resolutions and statement required by MFMA Section 129(1)
3. Summaries of comments and conclusions on the annual report including actions to be taken by the executive and administration to resolve issues.

The Kannaland Municipality does not have any entities.

Legislation

a) In terms of Section 127(2) of MFMA

“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...”

b) In terms of Section 129(1) and (2) of the MFMA

“The council of a municipality must consider the annual report of the municipality ..., 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.

The accounting officer must—

Attend council and council committee meetings where the annual report is discussed, for the purpose of responding to questions concerning the report...”

Resolutions and Statement

That In terms of Section 129(1) of the MFMA, Council has approved the 2023-2024 Annual Report without reservations.

RECOMMENDATION TO COUNCIL:

Council resolves that;

1. The Council having fully considered the 2023/2024 Annual Report and representations thereon, adopts the 2023/2024 Oversight Report; and Council approves the 2023/2024 Annual Report without reservations.
2. That the minutes of the meetings where the 2023/2024 Annual Report was discussed, in the presence of the accounting officer (Municipal Manager) be submitted to the Auditor-General, the Provincial Treasury and the Western Cape Department of Local Government, in terms of Section 129(2) of the MFMA;
3. That the 2023/2024 Oversight Report of Kannaland Municipality be made public in terms of Section 129(3) of the MFMA and be submitted to the Western Cape Legislature in terms of Section 132(1) of the MFMA.
4. That a detailed report on the status of the organogram as at 30/06/2024 per department, from Human Resource Management be submitted to MPAC.
5. That the payments to the accounting firm for Quarter 1 and Quarter 2 of the 2024/2025 be re-visited by MPAC to determine if it was wasteful expenditure and if value for money was received.

ABBREVIATIONS:

APAC	Audit and Performance Audit Committee
OR	Oversight Report
AFS	Annual Financial Statements
AR	Annual Report
MR	Management Report
CFO	Chief Financial Officer
MFMA	Municipal Financial Management Act
MPAC	Municipal Public Accounts Committee
AGSA	Auditor General of South Africa
OPCAR	Operation Clean Audit Report
APR	Annual Performance Report
SDBIP	Service Delivery and Budget Implementation Plan
IAU	Internal Audit unit
PPP	Public Private Partnerships
IT	Information Technology
OR	Oversight Report
PAAP	Post Audit Action Plan

FOCUS AREA	MANAGEMENT RESPONSE
Financial Matters	Financial reporting matters to be considered
Property plant and equipment	Request the submission of all supporting documentation for the other transfers and financial assets, such as

	agreements, transaction records, and relevant documentation.
Employee Related Costs	Reconcile the employee-related costs stated in financial statements with the supporting documents to ensure all employee costs are fully supported by the necessary evidence.
Expenditure	Conduct a verification of operational costs expenditure with the available financial documents to confirm their accuracy and validity
Misstatements	Conduct a detailed review of the statement of comparison of budget and actual amounts to identify specific misstatements, errors, or omissions in the presented figures.
Budget and Actual amounts: Cash flow Statements	Review the cash flow statement and supporting documentation to identify and isolate misstatements that may have affected the reported cash.
Accounting Policies	Study GRAP 109 to understand the necessary disclosure for principle-agent arrangement, including description of resources held on behalf of the principle. Review Prior audit findings to ensure full understanding of omitted information
Irregular, Unauthorised, Fruitless and Wasteful expenditure	Review and reconcile all records supporting irregular expenditure in the current and prior years. Identify any gaps or missing information in the accounting records.
Report on the Audit of the Annual Performance Report	Introduce an Automated system where Proof of evidence can be uploaded and reviewed with direct access with the municipality's internal Auditor.
Report on compliance with legislation	Conduct monthly reports on progress made with financial and performance reports to executive managers.
Asset Management	Request the submission of all supporting documentation for the other transfers and financial assets, such as agreements, transaction records, and relevant documentation.
Consequence management	Conduct a Detailed Expenditure Verification of operational costs expenditure with the available financial documents to confirm their accuracy and validity.
Expenditure Management	Perform a detailed review of the operational costs expenditure, comparing it with the available financial records. Reconcile the amounts in the financial statements with supporting documentation.
Human Resource management	The municipality is working in collaboration with the GRDM to finalise job descriptions for all personnel.
Procurements and Contract management	Request and obtain all missing employment contracts, appointment letters, and supporting documents for all employees. These documents must cover all periods of employment relevant to the audit. Review and update the municipality's policies and procedures regarding the recognition and documentation of transfers and subsidies to ensure compliance with accounting standards and proper internal controls.
Revenue Management	Adjust the financial statements for the misstatements in service charges, interest, dividends, rent on land earned, rental from fixed assets, and gain on disposal.

	Investigate other means of verifying the revenue from non-exchange transactions, such as direct communication with funders or reviewing external sources of information.
Internal Control Deficiencies	<p>1. Implement controls over daily and monthly processing and reconciling of transactions to ensure complete, relevant and accurate information is available and accessible to support financial reporting.</p> <p>2. Ensure that the necessary policies and procedures are implemented to prevent material non-compliance with the laws and regulations.</p> <p>3. Strengthen review processes on the reported performance information disclosed in the annual performance report together with the supporting documentation to ensure that the reported information disclosed in the annual performance report is valid and accurate.</p> <p>4. Implement adequate processes for the quality review of the financial statements to ensure misstatements are detected and corrected during the preparation and finalisation of the financial statements.</p>

OVERSIGHT COMMITTEE OR OTHER MECHANISMS

The draft AR was tabled to Council on 31 January 2025. The report was noted by Council. Council adopted a timeframe for public comment and resolved that the MPAC must submit the Oversight report to council for consideration. The annual report was advertised for public comment with closing 21 February 2025. The AFS and AG report was received on 5 December 2024. The MPAC met on 18 February 2025 to comment on the AR. A draft oversight report with guidelines was submitted to MPAC for oversight purposes. The MPAC considered the AR, the draft OR and the comments of the APAC. No comments have been received from the public. The MPAC resolved to recommend that the Council having fully considered the 2023/2024 OR and Council approves the 2023/2024 Annual Report without reservations.

KEY COMMENTS PUBLIC:

The AR was received positively by the public at ward committee level through public participation and no comments were received.

KEY COMMENTS AGSA:

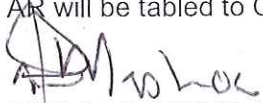
AGSA reported material non-compliance as per Management report of 2023/2024.

KEY COMMENTS MPAC:

To be included. MPAC Questionnaire as per Annexure (1)

KEY COMMENTS COUNCIL:

The AR will be tabled to Council on 27 March 2025.


COUNCILLOR W MESHOA
MPAC CHAIRPERSON

DATE: 26/03/2025

