

**OVERSIGHT REPORT OF THE MUNICIPAL
PUBLIC ACCOUNTS COMMITTEE (MPAC)
ON THE 2022/2023 ANNUAL REPORT OF
GEORGE MUNICIPALITY**



FOREWORD BY THE CHAIRPERSON

To the community of George Municipality, it gives me great pleasure to present the Oversight Report of the Municipal Public Accounts Committee (MPAC) on the 2022/2023 Annual Report.

The Municipal Financial Management Act (MFMA) assigns specific oversight responsibilities to Council in the annual reporting process and the preparation of the Oversight Report. Given the processes required by Council to effectively undertake its oversight role, the establishment of the MPAC of Council provides the appropriate mechanism through which Council fulfils its oversight responsibilities.

The MPAC considered and evaluated the 2022/2023 Annual Report, and monitored that all submissions and calls for comments were undertaken as per Section 127(5), Section 130 and Section 132 of the MFMA. The Oversight Report was prepared taking into consideration the views and inputs of, inter alia, the public, representatives of the Auditor-General, organs of state, the Audit Committee, Councillors and Ward Committees.

The public and local communities were given reasonable means, time and assistance to participate and submit representations on the 2022/2023 Annual Report. The Annual Report was available through a variety of methods including the George Municipality's website, and hardcopies could be obtained from the main Municipal Building, public libraries and Area Offices. The Annual Report was made public by advertisement in the local newspapers on 25 January 2024. The closing date for public comments was 23 February 2024. Details of these comments are attached to this report as Annexures.

George Municipality's financial performance and position remained stable, mainly due to the proactive response by leadership to drive financially sustainable decisions, while balancing the needs of the communities and businesses in the George area. The policy choices of today strive to build a greener, more inclusive and more resilient tomorrow. There is an opportunity to chart a path that empowers everyone to face the future with confidence.

The MPAC commends management for the overall improvement in internal controls, the control environment and assurance provided by all assurance levels. These are largely attributed to strong and competent leadership by the Municipal Manager Dr M Gratz, Directors, and senior management, as well as improved consequence management. The MPAC commends the Municipality for maintaining the highest standard and much desired audit outcome for the 2022/2023 financial year: **unqualified with no material findings**, also referred to as a "Clean Audit". As noted by the Audit Committee, the attainment of a Clean Audit is in line with the George Municipality's ultimate goal to maintain clean administration characterised by good governance, financial compliance and internal controls.

The MPAC encourages the timely implementation of that matters raised in the Annual Report and Oversight Report, and the especially where matters raised in previous reports were not fully implemented yet continuous improvement of internal controls to ensure that recommendations by both internal auditors, external auditors and the Audit Committee are addressed effectively.

On behalf of the MPAC, I would also like to thank the administration for their support during the Oversight process. A word of thanks must also be given to the Office of the Auditor-General and the Audit Committee for their input in the 2022/2023 Annual Report and oversight process.

Finally, I would like to commend my fellow MPAC members for their hard work and commitment.

A handwritten signature in black ink, appearing to be 'J. Dutoit', written over a light grey rectangular background.

COUNCILLOR J DUTOIT
CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

OVERSIGHT REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE ANNUAL REPORT OF GEORGE MUNICIPALITY (2022/2023)

1. OBJECTIVE OF THE OVERSIGHT REPORT

- a) The Municipal Public Accounts Committee (MPAC) considered and consulted on the 2022/2023 Annual Report, and prepared the Oversight Report on the 2022/2023 Annual Report, for Council to adopt. This report was undertaken in compliance with Annexure 1.
- b) Having considered all representations, feedback, queries and comments submitted from various stakeholders, MPAC concluded on whether the information contained in the 2022/2023 Annual Report was a fair and reasonable record of the performance of the George Municipality, and properly accounted for the actions of the George Municipality during the 2022/2023 financial year reported upon.
- c) These conclusions support MPAC's recommendations to Council when adopting the Oversight Report on the 2022/2023 Annual Report, in line with Section 129 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA).

2. MANDATE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

- a) Council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution, the MFMA and Municipal Systems Act 32 of 2000 (MSA), which includes oversight over the process of considering annual reports.
- b) MPAC serves as an Oversight Committee to exercise oversight over the executive obligations of Council. One of the functions of the MPAC is to consider and evaluate the content of the Annual Report and to make recommendations to Council when adopting an Oversight Report on the Annual Report.
- c) The George Municipality has a well-functioning Audit Committee and Internal Audit Function. The establishment of the MPAC is a further link in the accountability process by ensuring objective political oversight in addition to other governance structures, such as Portfolio Committees, the Mayoral Committee and Council.

3. 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...”

4. OVERSIGHT PROCESS OVER THE 2022/2023 ANNUAL REPORT

- a) The MPAC performed its oversight activities in line with its Terms of Reference, its delegations, leading practices, relevant legislation, and National Treasury circulars and guidelines.
- b) The Annual Financial Statements and draft Annual Report for the year ended 30 June 2023 were submitted to the Auditor-General by 31 August 2023, complying fully with Section 126(1)(a) of the MFMA.
- c) After the finalisation of the Auditor-General’s Audit Report on 30 November 2023, the draft Annual Report was tabled to Council on 25 January 2024, in terms of Section 127(2) of the MFMA. Council resolved that the 2022/2023 Annual Report should be referred to the MPAC for the preparation and submission of the Oversight Report.
- d) On 25 January 2024, the public was informed by way of advertisement in the George Herald, George Municipality’s website, social media platforms(including FaceBook), in libraries, and on the municipal notice boards of the following:
1. Notice of the Council Meeting that was held on 25 January 2024 at which the Annual Report was tabled.
 2. The meeting dates of the MPAC.
 3. Invitation to the public to submit written comments on the Annual Report to the Office of the Municipal Manager by no later than 23 February 2024.
- e) The Annual Report was made public, pursuant to Section 127(5) of the MFMA and Section 21A of the Local Government: Municipal Systems Act 32 of 2000, immediately after the Annual Report was tabled at Council. From 25 January 2024, copies of the 2022/2023 Annual Report were available on the George Municipality’s website, and physical copies were available at municipal buildings including the Main Municipal Building and at all Municipal Libraries and Area Offices.
- f) The 2022/2023 Annual Report was submitted to the Auditor-General, Provincial Treasury and the Provincial Department of Local Government on 25 January 2024.

- g) In line with Section 127(5) of the MFMA and Section 21A of the Municipal Systems Act, the local communities were invited to submit written comments or representations in connection with the 2022/2023 Annual Report. The public and local communities were afforded reasonable time, to participate in the oversight activities and submit their comments or representations on the 2022/2023 Annual Report. Furthermore, assistance in compiling comments or representations was offered to people, including those who could not read nor write. Written comments or representations could be submitted through various channels including hardcopies, or via email.
- h) The MPAC considered and evaluated the 2022/2023 Annual Report through various engagements:
1. On 1 February 2024 a Special MPAC Meeting was held, during which the oversight process was discussed. The MPAC members were requested to submit written representations or queries, in preparation for the Special MPAC meeting taking place on 8 February 2024 and 12 February 2024.
 2. These meetings were attended by the administration including the Municipal Manager, Directors, the Chairperson of the Audit Committee and representatives from the Department of Local Government.

5. COMMENTS ON THE 2022/2023 ANNUAL REPORT FROM THE MPAC AND PUBLIC

- a. The comments received on the 2022/2023 Annual Report were considered by the administration and taken into account with the finalisation of the Final 2022/2023 Annual Report. The questions and inputs are attached to this report as Annexure 2.

6. COMMENTS FROM PROVINCIAL TREASURY

- a. Provincial Treasury submitted its comments on the tabled 2022/2023 Annual Report and concluded that the George Municipality **is compliant** with the legislative requirements as per MFMA Section 75,121 and 127.
- b. Provincial Treasury raised some concerns and recommendations, all of which were implemented in the final 2022/2023 Annual Report. The primary input focussed on the capital expenditure which was not met due to the late provision of the Disaster funds. This impacted on the meeting of performance targets.
- c. The inputs from Province are attached to this report as Annexure 3.

7. COMMENTS FROM AUDITOR-GENERAL

- a. The AG raised some concerns and recommendations, all of which were implemented in the final 2022/2023 Annual Report.
- b. The inputs from the AG are attached hereto as Annexure 4.

8. SUMMARY OF COMMENTS, RECOMMENDATIONS AND CONCLUSIONS ON THE ANNUAL REPORT 2022/2023

- a. The 2022/2023 Annual Report reflected a substantial and positive improvement in George Municipality's annual planning, budgeting and reporting processes.
- b. Infrastructure development is prioritised by the Municipality with a large and increasing capital budget for effective service delivery, water and energy security and enabling sustainable economic growth
- c. A number of capital expenditure related targets could not be achieved, as a reflection of late receipt of grant funding, which resulted in a increased adjustment budget and inability to spend the additional grant funds between 31 March and 30 June 2023.
- d. The Municipality received an unqualified audit opinion with no findings in 2021/2022 and maintained their clean audit in 2022/2023.
- e. The Municipality is commended for the excellent financial reporting and governance.
- f. The MPAC considered the compliance of relevant legislative requirements over the major activities relating to the annual reporting process relevant to the financial year ended 30 June 2023, and concluded that it did not identify any instances of non-compliance.
- g. The Annual Report complies with the requirements of the MFMA and National Treasury's guidelines for annual reports. It is further noted that the required information in terms of the MFMA is included. More specifically, the 2022/2023 Annual Report contains *inter alia*:
 - i. The annual financial statements.
 - ii. Auditor-General's Audit Report.
 - iii. The Annual Performance Report of the Municipality.
 - iv. Recommendations of the Audit Committee and the Audit Committee's Annual Report.
- h. The 2022/2023 Annual Report as tabled in Council on 25 January 2024 was updated in accordance with the comments made / received from various role-players during the oversight process.
- i. After evaluating the content of the Annual Report and taking into consideration all representations received from various stakeholders, comments and deliberations at the MPAC meetings, the Audit Committee's Report included in the Annual Report, and comments from the Auditor-General and Provincial Treasury, **it is recommended that the 2022/2023 Annual Report be adopted without reservations.**

9. RECOMMENDATIONS TO COUNCIL

The MPAC resolved to recommend to Council at the Council Meeting of 20 March 2024:

The Municipal Public Accounts Committee having fully considered the George Municipality's 2022/2023 Annual Report, recommends that:

- a) That it be noted that the Municipal Public Accounts Committee fully considered the George Municipality 2022/2023 Annual Report;
- b) The Oversight Report on the 2022/2023 Annual Report (Annexure A) be **BE ADOPTED**;
- c) That the 2022/2023 Annual Report (Annexure B) **BE APPROVED** without reservations;
- d) That the Annual Report and the Oversight Report on the 2022/2023 Annual Report **BE ADVERTISED** in local media within seven days in accordance with Section 129(3) of the Local Government: Municipal Finance Management Act, No.56 of 2003;
- e) That the Annual Report and the Oversight Report on the 2022/2023 Annual Report **BE SUBMITTED** to the National Treasury, the Western Cape Department of Local Government, the Western Cape Provincial Treasury, the Auditor-General and the Provincial Legislature within ten days in accordance with Section 132(2) of the Local Government: Municipal Finance Management Act, No. 56 of 2003.

ANNEXURES:

1. Checklist for considering the annual report in terms of MFMA Circular No 32
2. Comments from Public and Ward Committees
3. Comments from Provincial Government: Western Cape
4. Comments from the Auditor-General

ANNEXURE 1: Checklist for considering the annual report in terms of MFMA Circular No 32

Information required to be included in annual reports	MPAC Response
Financial Matters Financial reporting matters to be considered	<p>The 2022/2023 AFS for the George Municipality were presented in time to the AGSA for Audit purposes.</p> <p>The George Municipality does not have a Municipal Entity and therefore no AFS for this purpose is required.</p> <p>The AFS have been presented in the prescribed form as required by the applicable accounting standards as per MFMA Circular 18 with annexures, 23 June 2005.</p>
<p>The Auditor-General’s reports on the financial statements of the municipality and the entities</p>	<p>The Audit Report has been included in the AR as tabled. The MPAC express it appreciation to the Management for the clean audit received.</p>
<p>Any explanations that may be necessary to clarify issues in connection with the financial statements</p>	<p>The explanatory notes in terms of the accounting standards as required did accompany the statements and has provided clear and understandable explanations of issues and matters reported. It is sufficient and has served the purpose.</p>
<p>An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities</p>	<p>An adequate assessment has been included and there is sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation.</p> <p>No other action is required</p>
<p>Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports</p>	<p>The George Municipality received an unqualified audit opinion with no findings (Clean Audit).</p> <p>An Audit Action Plan has been presented to the Audit Committee with corrective action to be taken. The AFS are acceptable.</p> <p>The Audit Report has been submitted to National- and Provincial Treasury.</p>
<p>An assessment by the municipality’s accounting officer of the municipality’s performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget</p>	<p>The budget of the municipality contains measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA Section 17(3) (b)). The accounting officer has included these objectives in the annual report and report on performance accordingly.</p>

Information required to be included in annual reports	MPAC Response
	An audited performance report has been included in the Annual report. The performance is satisfactorily.
An assessment by the municipal entity’s accounting officer of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the municipality	Municipal Entity not applicable.
Any information as determined by the municipality, the entity or its parent municipality	No other information has been included in regard to the AFS.
Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities	<p>AFS: The audit committee evaluated the AFS of the George Municipality for the period 1 July 2022 to 30 June 2023, using various financial ratios and the High-Level Internal Audit Review, the APAC is in a position to give an authoritative and credible view of the financial position of the municipality, its effectiveness and efficiency, and its overall level of compliance with relevant legislation.</p> <p>The committee’s view is that in general the financial position of the municipality is relatively positive and that the municipality has also complied with the required audit procedures and applicable legislation.</p> <p>Audit Report: George municipality has maintained its Unqualified audit opinion with no findings (Clean Audit) for the 2022/2023 financial year. The committee wishes to congratulate the George Municipal Council and Administration on achieving a “Clean Audit” Opinion from the Office of the Auditor General for the 2022/2023 Financial Year. This is truly a remarkable achievement for the municipality and it confirms the accuracy and transparency with which finances of the municipality have been handled and reported. This is due to effective leadership and the positive commitment of senior management and officials. The Committee is also satisfied with the independence and objectivity of the Auditor-General.</p>
<i>Allocations received and made</i>	<i>Considerations</i>
Allocations received by and made to the municipality	The AR disclose:

Information required to be included in annual reports	MPAC Response
	<ul style="list-style-type: none"> • Details of allocations received from another organ of state in the national or provincial sphere. • Allocation made to the municipality under Section 214(1) (c) of the Constitution. • <i>The allocations have been received and made and the Annual report confirms the correctness of the allocations received in terms of DORA and provincial budgets.</i> <p>The audit committee noted the AR.</p> <p>Council is satisfied with the information provided in the AR and explanations provided.</p>
Allocations received by and made to the municipal entity	Not applicable
Information in relation to the use of allocations received	<p>In terms of Section 123 of the MFMA and MFMA guidance circular 11, the information has been provided per vote and include:</p> <ul style="list-style-type: none"> • The current year and details of spending on all previous conditional grants, for the previous financial year. Information is provided per vote. • The information states that the municipality has complied with the conditions of the grants/ allocations in terms of section 214(1) (c) of the Constitution. <p>Council is satisfied that:</p> <ul style="list-style-type: none"> • the information has been properly disclosed; • conditions of allocations have been met; and • that any explanations provided are acceptable.
Information in relation to outstanding debtors and creditors of the municipality and entities	<p>The AFS include amounts owed to the Municipality.</p> <p>Council is satisfied that:</p> <ul style="list-style-type: none"> • the information has been properly disclosed; • conditions of allocations have been met; and • also that any explanations provided are acceptable.
Disclosures in notes to AFS	Considerations relating to section 124

Information required to be included in annual reports	MPAC Response
<p>Information relating to benefits paid by municipality and entity to councilors, directors and officials</p>	<p>The following information is included in the notes to the AR and AFS:</p> <ul style="list-style-type: none"> • salaries, allowances and benefits of political office bearers and councilors; • salaries allowances and benefits of the municipal manager, CFO and every senior manager; • contributions for pensions and medical aid; • travel, motor car, accommodation, subsistence and other allowances; • housing benefits and allowances; • overtime payments; • loans and advances, and; • any other type of benefit or allowance related to staff. <p>There are no arrears by individual councilors to the municipality. Council is satisfied that:</p> <ul style="list-style-type: none"> • the information has been properly disclosed; • conditions of allocations have been met; and • that any explanations provided are acceptable.
<p><i>Municipal Performance</i></p>	<p><i>Considerations</i></p>
<p>The annual performance reports of the municipality and entities</p>	<p>The APR was submitted in terms of Section 46 of the Systems Act reflecting the performance of the municipality and each service provider and comparison of the performance with targets set for the previous year and measures taken to improve performance. The APR has been included in the AR. Performance targets were set in the budgets, SDBIP, and service agreements. The SDBIP were approved in time for the year under review.</p>
<p>Audit reports on performance</p>	<p>Internal Audit conducted quarterly performance reviews, as part of the internal auditing processes. An audited APR in terms of Section 45 of the Systems Act was provided. The AG also audited the results of performance measurements and no significant findings were noted.</p>
<p>Performance of municipal entities and municipal service providers</p>	<p>Not applicable as far as entities are concerned. A system to assess the performance of the contracted service providers was implemented during the financial year.</p>

Information required to be included in annual reports	MPAC Response
For municipal entities – an assessment of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality	Not applicable
General information	The following general information is required to be disclosed in the annual report.
Relevant information on municipal entities	Not applicable
The use of any donor funding support	No donor funding was received.
Agreements, contracts and projects under Private-Public-Partnerships	No PPP’s in place.
Service Delivery Performance on key services provided	Service delivery performance on key services provided, such as water; electricity; sanitation and refuse removal, was achieved satisfactorily. Detailed information is available in the executive summary and performance sections of the AR.
Information on long-term contracts	Included in the AR
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	There should be a more exact focus on IT systems and procedures and a budget linked to it. The municipality currently has a co-sourced function that resulted in more effective and efficient IT processes.
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	The long-term financial plan was approved by council. The plan has been implemented as far as possible. Amendments are also currently being made on the long-term financial plan.
Other considerations recommended	
Timing of reports	The report was tabled in time.
Oversight committee or other mechanism	<p>The AR was tabled to council on 25 January 2024. The report was noted by Council. Council also adopted a timeframe for public comment and resolved that the MPAC must submit the Oversight report to Council for consideration on 20 March 2024. The Annual report was advertised for public comment with closing date 23 February 2024.</p> <p>The Audit Committee met on 1 March 2024 to comment on the Annual report.</p> <p>The MPAC met on 1 and 8 February 2024. The MPAC resolved to recommend that the Council having fully considered the 2022/2023 Annual Report and representations thereon, adopts the 2022/2023 Oversight Report; and Council approves the 2022/2023 Annual Report without reservations.</p>
Payment of performance bonuses to municipal officials	Performance bonuses have been dealt with in terms of the legislative requirements.

GEORGE MUNICIPALITY
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
OVERSIGHT REPORT ON THE ANNUAL REPORT 2022/2023