

# **PORT ST JOHNS MUNICIPALITY**



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

**PREPARED BY THE MUNICIPAL PUBLIC  
ACCOUNTS COMMITTEE (MPAC)**

**TABLE OF CONTENTS**

<b>NO</b>	<b>DETAILS</b>	<b>PG NO</b>
<b>1</b>	<b>FOREWORD AND EXECUTIVE SUMMARY BY CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNT COMMITTEE</b>	<b>3 – 5</b>
<b>2</b>	<b>PREAMBLE – ANNUAL REPORTING PROCESS AS LEGISLATED</b>	<b>6 - 7</b>
<b>3</b>	<b>REPORTING SUITE AND REPORT NAVIGATION</b>	<b>7</b>
<b>4</b>	<b>STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE OVERSIGHT REPORT</b>	<b>7</b>
<b>5</b>	<b>BACKGROUND</b>	<b>8</b>
<b>6</b>	<b>LEGISLATIVE CONSIDERATIONS</b>	<b>8</b>
<b>7</b>	<b>PURPOSE</b>	<b>9</b>
<b>8</b>	<b>ACCOUNTABILITY FRAMEWORK</b>	<b>9</b>
<b>9</b>	<b>AUTHORITY AND POWER</b>	<b>9</b>
<b>10</b>	<b>FUNCTIONS OF THE OVERSIGHT COMMITTEE</b>	<b>9</b>
<b>11</b>	<b>COMPOSITION OF OVERSIGHT COMMITTEE</b>	<b>10</b>
<b>12</b>	<b>SUBMISSION OF THE DRAFT ANNUAL REPORT</b>	<b>10</b>
<b>13</b>	<b>MEETINGS AND WORKING SESSIONS OF THE COMMITTEE</b>	<b>11 - 12</b>
<b>14</b>	<b>EXPOSITION OF FACTS</b>	<b>13 - 19</b>
<b>15</b>	<b>CHALLENGES</b>	<b>20</b>
<b>16</b>	<b>STAFF IMPLICATIONS</b>	<b>20</b>
<b>17</b>	<b>FINANCIAL IMPLICATIONS</b>	<b>20</b>
<b>18</b>	<b>OVERARCHING STATEMENT BY THE COMMITTEE</b>	<b>20</b>
<b>19</b>	<b>RECOMMENDATIONS OF THE COMMITTEE TO COUNCIL TOWARDS THE ADOPTION OF THE OVERSIGHT REPORT</b>	<b>21</b>
<b>20</b>	<b>SCHEDULE OF RECOMMENDATIONS TO SPECIFIC FINDINGS OF THE COMMITTEE</b>	<b>22 - 28</b>
<b>21</b>	<b>REPORT SIGN OFF</b>	<b>29</b>
<b>22</b>	<b>ANNEXURES</b>	<b>24</b>

# OVERSIGHT REPORT TO BE PRESENTED TO COUNCIL

ON 27 MARCH 2024

## 1. FOREWORD AND EXECUTIVE SUMMARY BY CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNT COMMITTEE

The separation of powers in Council within Local Government allows for independence of oversight by the Executive of the Municipality. In line with this, Council has delegated powers to MPAC to conduct independent evaluation and review of the Municipal Annual Reporting processes and report back to Council on its findings and recommendations, upon which Council will make a determination as to the acceptability or not of the Oversight Report as tabled. The Municipal Public Accounts Committee therefore through this process seeks to prove and lend 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.

As part of the cordial relations between the Political and Administrative arm of the Municipality, this process recognises and seeks to achieve common objective of working together to achieve the best value for the community it serves. The 2023/24 Annual Report therefore becomes the key instrument to reflect transparent governance and accountability, or the lack thereof as 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.

As a legislative requirement, the 2023/2024 Annual Report has been confirmed to be in line with MFMA Circular 63 as the approach was advised by Internal Audit and MPAC in the previous year Annual Report Oversight process. The Various Departments as Key Performance Areas have all been incorporated in the structure of the Annual Report through the 6 different Chapters thereof. The 2023/24 Oversight Report marks the 3<sup>rd</sup> generation of the Oversight Reports in this current 5-year Council term, which also puts it as a trigger to Council for a post-midterm Council Change Management process given the Annual Performance Reporting results in this year and previously.

Some of the challenges experienced at the beginning remain unresolved and still a hindrance to the intention of building a distinctive competence through a High-performance centre. It should be appreciated that the compiling of the Oversight Report has been a team effort inclusive of Administration and the Politicians.

A different approach has been used in the current Oversight Report process, based on the progress that was made in this process from 2021/22 to a very much improved Oversight Report for the 2022/23 Financial year. That strong baseline has given comfort to the Committee in the light of also improved handling of Oversight issues by the Committee through learning and auctioning.

Our approach this year has been intense interrogation of the Source documents and an environmental analysis that beyond this Oversight Report will see the Municipality starting to strengthen or put more emphasis on Good Governance and strong Political Oversight so that every other Key Performance Areas will improve through intense

monitoring to produce good outcomes including the much desired Unqualified and Clean Audits by the organisation,

The Committee also conducted the review of the Planning Documents and reconciliation or alignment thereof including a high-level analysis of the final Risk Status of the Municipality.

The overall review/scrutiny of the Annual Performance Report was done to look at those areas in the Performance Summary that are highlighted as problematic in all the Key Performance Areas. This was done so that the Committee will be able to come with better informed opinion and recommendation in the PMS as it still challenge, The above exercise was done over and above the review of the 2024/25 IDP where similar challenges were observed.

This therefore suggest there is a historical and continuing trend of failing to meet the desired performance targets due to various reasons including financial constraints.

The executive summary section of the Annual Report and the IDP were reconciled and echo the same challenge that the Municipality being Grant dependent and limited by Revenue collection is unable to meet all the issues in the IDP.

The proposal the Committee is coming up with is that the Municipality considers a long-term growth and development pan to alleviate the existing pressure on Service Delivery especially in the light of Elections and remaining Term of Council in less than 24 months.

The next IDP review SDBIP (2024/25) represent the last full financial year that Council has before the end of the term and closer to the Local Government Elections.

The view of the Committee and a recommendation is that the Municipality collectively consider using the IDP, Strategic Planning and the recommendations of this year's Oversight Report as a platform to trigger a Council debate on a Municipal Turnaround Strategy driven by Organisational Change and Transformation

The Committee has also looked at the Review comments of the IDP and follow up of the proposed Remedial actions by the MEC of Cogta in the previous IDP. It is still concerning that some of the matters raised have since been repeat challenges in the institution down the line. The PMS did not adequately arrest all these matters by providing for them for actioning or filtering to the SDBIP based on the revised of final IDP as adopted by Council

This Oversight Report comes at the background of the institutional Strategic Planning process which has become a fore-runner to this process by considering some of the critical issues and strategic issues that are contained in the Annual Report, having been rolled forward also through the 2024/25 Planning and Performance processes as well as the Midyear Performance as presented by Directorates. At the centre of all are the Improvement Plans that the Departments have committed to develop and implement based on departmental based planning sessions and be part of both final IDP and SDBIP.

This stance by Management becomes valuable ground for the Committee over and above the independent review to follow up these Implementation Plans of Departments through an In-Year monitoring process, working jointly with other S80 Committees including the Audit Committee.

Whilst as the Committee has noted with concern that Council has not strengthened and superficially assigned the responsibility for follow up on implementation of past Oversight recommendations as well as the Council resolutions to a Specific Oversight structure on its behalf, which has resulted in some the repeat findings, we would like to appreciate the cooperation of Management and the MPAC Support staff which has made the coordination of the process a smooth one. .

The Committee wishes to also bring comfort and reassurance to Council that the matters raised in totality will be fully responded to by the Departments through clear Implementation Plans. This replaces the Written and Oral Questioning technique used by the Committee in the previous Oversight Report given that the Auditor General is already starting its audit processes

As I present to Council this Oversight Report on behalf of the Committee as the Chairperson, I would like to sincerely thank all Councillors in the Committee who worked with me for their valuable inputs and support as well as the overwhelming support from the Office of the Municipal Manager and the Troika.

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**Hon. Cllr S.V. Mavimbela (Chairperson)**

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**Date:24 March 2024**

## **2. PREAMBLE – ANNUAL REPORTING PROCESS AS LEGISLATED**

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budget outlined in their strategic plans namely, the Integrated Development Plan (IDP). Annual reports demonstrate how the budget was implemented and the results of service delivery operations for that financial year. This is therefore a backward-looking exercise in order to report on planned versus actual initiatives or activities achieved.

As Per the MFMA Circular No. 11, “every municipality is required to prepare an annual report for each financial year in accordance with the MFMA and, during the MFMA transitional period, the Division of Revenue Act. (DORA) and MSA. The purpose of annual report is:

- to provide a record of the activities of the municipality
- to provide a report on performance in service delivery and against the budget; and
- to promote accountability to the local community for decisions made.
- to provide guidance, National Treasury has issued Circular No. 63 which prescribes a uniform template for reporting to facilitate comparison by National Treasury and users. This template forms the basis for the current Annual Report as tabled in Council.

The goals of the Annual Report format are to achieve the following:-

- standardise reporting to enable municipalities to submit comparable Annual Reports;
- align financial and non-financial reporting in the Annual Report;
- create a standardised reporting structure that will enhance comprehensive oversight, meaningful evaluation and improved understanding of service delivery outputs;
- ensure the standardisation of terminology used in Annual Reports; and
- support the internal and external audit process.”

The Oversight Report is the final step in the Annual Reporting processes. Section 129 of the MFMA requires the Council to consider the Annual Report of its municipality and municipal entities and adopt an “oversight report” containing the council’s comments on each annual report.

### **As per MFMA Circular 32:**

“The oversight report must include a statement whether the council:

- has approved the annual report, with or without reservations;
- reject the annual report; or
- has referred the annual report back for revision of those components that can be revised.”

The Annual Report is submitted to Council by the Accounting Officer and the Executive Mayor, and is part of the process for discharging accountability by the executive management and administration of the municipality for their performance in achieving the goals that have been set by Council.

There are essentially three parties / roles identifiable in the annual reporting process.

#### **The role of Management:**

Management is responsible for the preparation of the Annual Report and submitting the report to Council. The Council will thereafter refer the Annual Report to the Municipal Public Accounts Committee (MPAC) for consideration.

#### **The role of the Committee:**

MPAC is to consider that structure and content of the Annual Report to determine whether it complies with standards set by National Treasury, contains the information required in terms of Circular No 63 and if such content fairly represents the achievements of the municipality over the relevant financial year. After consideration of the Annual Report, MPAC must prepare an Oversight Report in terms of Circular 63.

#### **The role of Council:**

Council's role is to receive and consider the recommendations of the MPAC with a view of taking a final decision on the matter.

This report includes the process undertaken to examine the structure and content of the Annual Report relating to the 2019 /2020 financial year as presented to the Council by Management and incorporates the rationale for the recommendation of the MPAC.

### **3. REPORTING SUITE AND REPORT NAVIGATION**

Port St Johns Municipality MPPAC is proud to table its Annual Oversight Report for the 2023/2024 financial year to the Council. The Committee is committed working and reporting transparently, honestly and in line with the legislative prescripts pertaining to the status of the Municipality as per its review of the Annual Report.

The reporting suite comprises of the: Oversight Report, which serves as the primary reporting tool to Port St Johns Council and stakeholders, have analysed the Draft Annual Report as it recorded the activities of the Municipality in the period under review including the Annual Financial Statements, Annual Performance Report which reported on the performance of the institution against the service delivery and budget implementation plan for the financial year as well as the Auditor General's Audit Opinion.

The Legislative prescripts considered in the review include Municipal Finance Management Act 56 of 2003 (MFMA), Municipal Systems Act 32 of 2000 (MSA), King IV Report on Corporate Governance for South Africa 2016 (King IV) and the Companies Act

### **4. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE OVERSIGHT REPORT**

To the best of our knowledge and belief as the Municipal Public Accounts Committee, we confirm that information or details documented or contained in the Oversight Report is consistent with the review done in accordance to Circular 63 of the MFMA and the Analysis done against the Annual Report. We believe that the Oversight Report is complete, accurate and is free from any omissions as per the expected delivery on the Terms of Reference and Concept document. The Oversight Report has been prepared in accordance with the guidelines on the Oversight Report issued by National Treasury.

## 5. BACKGROUND

The 2023/24 Annual Report was tabled in Council reporting on the Municipality's performance for the period 1 July 2023 until 30 June 2024. By so doing, Council complied with Section 133 of the MFMA that stipulates that the Executive Mayor must table the Annual Report in Council within 7 months after the end of the financial year, i.e. by the end of January 2025. Council is legally compelled to engage with and finalize the Annual Report within 9 months after the end of the financial year, which is before 31 March 2025. Tabling the draft Annual Report signifies the start of the public participation period stipulated in Section 127(5) of the MFMA and Section 21 of the Systems Act.

Public comments on the 2023/2024 Annual Report were awaited from the public from 1 February to 29 February 2025. The draft Annual Report was placed on Council's website and was made available at Municipal offices and other places. The Draft Annual Report was also submitted to the offices of the Auditor-General, Provincial Treasury and the MEC for Local Government and the Audit Committee for assurance. No public input was received.

The Annual Report was referred to the MPAC as Council's Oversight Committee to prepare an Oversight Report on the Annual Report for 2023/24. The entire logistical processes are outlined on the Exposition of Facts, with necessary Supporting Documents Attached at the end of the Report as ANNEXURES.

## 6. LEGISLATIVE CONSIDERATIONS

The Legislation listed below as prescribed is relevant, and therefore applicable in the process of dealing, analysing and reviewing of the Annual Report leading to the development of the Oversight Report.

- The Constitution (1996),
- Local Government: Municipal Structures Act (1998),
- Local Government: Municipal Systems Act (2000),
- Local Government: Municipal Planning and Performance Regulations (2001),
- Local Government: Municipal Finance Management Act (2003),
- Local Government: Municipal Systems Amendment Act (2003),
- Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers(2006),
- MFMA Circular 32, MFMA Circular 63
- Municipal Public Accounts Guidelines
- King IV Report
- Public Audit Act

Section 129 of the MFMA prescribes the process that must be followed by the Committee, as delegated by Council to undertake oversight on the annual report and make proper recommendations to Council within the required period of sixty days (60). The oversight report is the final major step in the annual reporting process of the Municipality.

The Committee must also ensure that it performs a thorough analysis and review to determine whether the Annual Report reasonably and fairly represents the activities of the municipality in the year under review, over the broad range of performance areas that the municipality is measured against. In this process the role of the public in making comments and inputs must not be overlooked as the guidelines clearly emphasize their role and responsibility.



## 7. PURPOSE

The purpose of this report is to provide oversight and submit a Report to the Council on the Annual Report for the 2023/2024 financial year referred to the Municipal Public Accounts Committee as per Council decision and make appropriate recommendation thereon for adoption.

## 8. ACCOUNTABILITY FRAMEWORK

The following table illustrates the accountability framework in local government:

Entity	Responsible for:	Oversight Over	Accountable to
Council	Approving policies and Budget	Mayor and Executive Committee	Community
Mayor & Executive Committee	Policy, Budget, outcomes, management of/ oversight over the Accounting Officer	Municipal Manager	Council
Accounting Officer	Outputs and implementation	Administration	Council Mayor Executive Committee
CFO and Senior Managers	Outputs and Implementation	Financial Management and operational functions	Accounting Officer

## 9. AUTHORITY AND POWER

The Oversight Committee is delegated with the responsibility to conduct meetings and to hold public hearings, if necessary to receive and hear public submissions on the Annual Report, on behalf of Council.

Timely notice of all meetings is provided and all meetings held by the Oversight Committee is open to the public and minutes of the meetings recorded and submitted to Council meetings.

## 10. FUNCTIONS OF THE OVERSIGHT COMMITTEE

The functions of the Oversight Committee are to:

- Undertake a review and analysis of the Annual Report.
- Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- Consider written comments received on the Annual Report from the public consultation process.
- Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

## 11. COMPOSITION OF OVERSIGHT COMMITTEE

### Membership

At commencement of the 2022/2023 financial year, the Port St Johns Municipality MPAC consisted of 10 Councillors, including the chairperson.

### The members of the MPAC

Councillors	Cllr S. Mavimbela	Chairperson
	Cllr Z. Mhlabeni	Committee Whip
	Cllr S. Ncolosi	Member
	Cllr P. Ngozi	Member
	Cllr S. Ntlatywa	Member
	Cllr C. Hashibi	Member
	Cllr T. Xangayi	Member
	Cllr S. Ndabeni	Member
	Cllr A. Jamjam	Member
	Cllr Z. Pato	Member
	Cllr N. Mazaleni	Member
	Cllr B. Ndudu	Member
	Cllr V. Ndabeni	Member

## 12.SUBMISSION OF THE ANNUAL REPORT

According to the provision of the MFMA (Circular 32, Attached as Annexure A), the different drafts of the Annual Report should be considered by MPAC, and tabled and resolved at meetings of the Municipal Council on or before specified dates, after which it should be advertised for public comments. In terms of the provisions of MFMA Circular 104.

The draft of the 2023/2024 Annual Report was submitted to Council as part of the Annual Financial Statements on the 30<sup>th</sup> of August 2024 as required by the MFMA as all the other Chapters (Chapters 1 to 4 were complete as at 30 June 2024). The AFS were unaudited at that time of which the Audited AFS and the Auditor General Report both signed completed the 2023/24 Annual Report hence adopted per Council Resolution at the meeting of the Municipal Council held on 30 January 2025. MPAC is satisfied that the correct procedures and timelines were followed during the preparation and submission of the 2023/2024 Annual Report.

## **13. MEETINGS AND WORK SESSIONS OF THE COMMITTEE**

### **13.1 Pre-Planning Engagements**

The pre –planning discussions were held on the 17<sup>th</sup> of March 2024 with discussion focused on the Planning and Concept document for the Oversight Report

### **13.2 Project Planning**

Project Planning was conducted from the 19<sup>th</sup> of March to fine-tune and finalise the following documents (Oversight Process Plan, Oversight Process Project Plan).

### **13.3 Analysis of the Documents for Oversight Report Preparation**

The Analysis was commenced from the 20<sup>th</sup> of March based on the following input documents received from the MPAC Support Office: -

- 2022/23 MPAC Oversight Report
- 2023/24 IDP
- 2023/24 SDBIP
- 2024 MPAC Minutes
- 2023/24 Annual Performance Report
- 2023/24 Auditor General Report
- 2023/24 Draft Annual Report
- 2024 Audit Improvement Plan
- 2025 Strategy Review

### **13.4 Site Visits**

Site visits were deferred due to the Meeting of the Executive which was held on the 20<sup>th</sup> of March coinciding with the planned period of the visit for the day as advised by the MPAC Advisor and Coordinator of the Oversight Report.

Week 1 of April has since been scheduled to bolster the procedural requirements , there is a level of comfort to some extent due to the in-year site visits that have been done and some of the deliberations in the Strategic Planning.

### **13.5 Drafting of Questions to the Departments**

Based on the completion of the Analysis work, draft Questions were developed and finalised on the 20<sup>th</sup> of March 2025. The Questions were sent to the Departmental Heads, MMC and the Municipal Manager as from the 25<sup>th</sup> of March 2025

**(Attached as Annexure XX)**

### **13.6 Evaluation of Written Responses from the Departments**

Due to the decision that was taken to follow up on the Departmental Implementation Plans committed by Departments, in order to ensure that matters are followed holistically, the Questions raised and their Responses will form part of the Updated Service Delivery Improvement Plans. These must form part of the Draft and Final SDBIP and IDP documents for adoption to Council by 30th April 2024.

Another inherent Limitation in the Process of Departmental Accountability was that the Municipality is currently operating with an Acting Municipal Manager who has dual responsibility as well of Organisational Strategy and Risk Management, Acting Corporate Services Director and the CFO's resignation which has made Accountability and Ownership a very high risk which the Committee did not take light.

The Committee could not adopt a routine malicious compliance stance as it is the advisory to Council, hence the recommendation upon stability that these Departments use a more effective different approach to integrate this work in the 2025/26 SDBIPs so that there will be more accountability through the PMS system, which was not there previously.

The MPAC has examined the Draft Oversight Report on its sitting scheduled on the 25<sup>th</sup> of March 2025, considering all other inputs and matters that members collectively raised.

**(Attached : Draft Oversight Report and Minutes of the MPAC Meeting — Annexure)**

## **14. EXPOSITION OF FACTS**

### **14.1 COMMITTEE METHODOLOGY AND APPROACH IN THE ANALYSIS OF THE DARFT ANNUAL REPORT CHAPTERS**

Review of the Planning Documents and reconciliation or alignment thereof including a high level analysis of the final Risk Status of the Municipality. The Risk Report status was compared to both the APR and the Annual Report as these should be moving in a non-contradictory manner

The Committee has also looked at the Review comments of the IDP and follow up of the proposed Remedial actions by the MEC of Cogta in the previous IDP. It is still concerning that some of the matters raised have since been repeat challenges in the institution down the line.

The PMS did not adequately arrest all these matters by providing for their implementation and thus filtering to the SDBIP based on the revised of final IDP as adopted by Council

Review of areas of concern by the AG and the key matters that still stand on the way of the Municipality towards achieving improved audit outcomes by 2027 from the consecutive Qualified Audit Opinions over the past 3 years. The Committee wishes to reiterate the urgent need for the Municipality to develop an Integrated Audit Improvement Strategy and that Audit improvement be lifted as a stand alone Strategic Objective under Good Governance for the remaining 2 financial years towards the end of the Term of Council.

As per the Reports of Risk and Assurance Providers, we have also noted that the Risk profile of the Municipality is not in sync with the actual status of Performance by the overall organisations. The disjuncture between the Quarterly Risk Assessment Reports and the Quarterly SDBIP-based Performance Reports also shows the gap the Committee noted that the Risk assessment is a subsequent even or process to the Planning phase of the Draft IDP, Strategic Planning and ultimately the SDBIP to be implemented .

Although the assessment of the IDP done by the Department of Co-operative Governance & Traditional Affairs on the IDP 2022/23 - 2026/27, whose results indicate that the municipality obtained an overall high rating, which indicates the credibility of the Integrated Development Plan submitted, the Service Delivery KPA being the core function of the Municipality was rated Medium.

The Committee on analysis of subsequent Annual Performance and the Report, feels there is a need for the Service Delivery Improvement Plan which should have been triggered by Council own assessment or evaluation of its progress through the previous 3 Annual Reports from 2022.

Review of the 2023/24 Annual Performance Report revealed the following in line with Organisational performance, which is finally a picture reflected in the 2023/24 Annual Report which he Committee reviewed

## 2023/24 Institutional Performance Summary

- The municipality had a total of SDBIP 69 indicators for 2023/2024 financial year and achieved 34 indicators which accounts for 51% of the total annual performance. This reflects poor performance for PSJ municipality.
- Basic Service delivery accounts for 11 indicators and a number of 7 indicators were achieved which is a total of 64%.
- Local Economic Development and Spatial Planning achieved 33% of all indicators, the total number of indicators were 12 and the total achieved was 4.
- Municipal Transformation and organisational development achieved 9% of its total indicators.
- Financial viability and management achieved 67% of its indicators, out of 15 indicators, 10 indicators were achieved.
- Good governance and public participation achieved 83% of all its planned indicators with community services section achieving 38% of its indicators.

**The Committee has a concern that the Council needs to note as the entire organisation overall / on average has achieved less than 100% of the targets it set in the 2023/24 Planning.**

Individually none of the KPAs through the respective Departments have achieved above 90%. It is the Committee's recommend action that all the shortfalls noted in the Annual Performance Report be factored into the Draft SDBIP 2025/26 as the opportunity to adjust the SDBIP for the 204/25 has gone past in January. This should be done considering the latest outcomes of the Midyear Performance Report of the 2024/25 Financial Period on such areas that are repeat weakness areas or areas of challenges.

The intervention needs to be undertaken simultaneously with the Risk status assessment in the affected areas or the new challenges be considered as Emerging Risk in consultation with Risk Management. The review conducted by the Committee included checking the text and tables within the Annual Report, however, it should be noted that this was not done for 100% of the draft Annual Report.

The Committee considered the initial report that was submitted to the Council, and adopted by the Council on the 30 January 2025,

Target areas included areas where there are still challenges as reported in each section, strategic issues that align to some issues lifted during the Strategic Planning, Governance matters, Oversight challenges, Performance related matters, areas where the Municipality has improved for sustainability. The Annual Report on the Municipal Entity (Port St Johns Development Agency) was compiled in terms of the Circular 63 and the Committee felt the Agency understated its reporting potential since it is also governed by other pieces of Legislations such as the Companies Act and the King Code on Corporate Governance besides the MFMA was unable to analyse the report submitted in accordance with the Circular.

Majority of valuable information has been included in the report. It should be noted that although certain Chapters may appear to relate to one specific department, the information contained in each Chapter should not be seen in isolation but rather as inter- departmental reporting

#### 14.2 INTERNAL AUDIT COMPLIANCE - Analysis of the Circular 63 Compliance issues

Based on the revised approach of integrating the Oversight outcomes to PMS from this year onwards, the Committee proposes that apart from the procedural stance on Circular 63 which could have been done by Internal Audit ahead of adoption, since there is a high risk, that Oversight Report be subjected to the assurance of both the Internal Audit and the Audi Committee.

**This is to be over and above the Internal Audit Review on the Annual Report as highlighted below: -**

Total No of Issues Raised	Department affected	No of Issues per Department
	IPD/PMS	
	MM's Office	
	Corporate Services	
	Community Services	
	BTO	
	Public Participation	
	Risk Management	
	Office of the Speaker	

### **14.3 FINDINGS OF THE COMMITTEE BASED ON THE ANALYSIS**

Without attempting to set out all the issues/ findings within the report, the following noticeable issues are recorded.

#### **(a) Non-Implementation and Monitoring of Council Resolutions and Oversight Recommendations**

The Council has not strengthened and specifically assigned the responsibility for follow up on implementation of past Oversight recommendations as well as the Council resolutions which has resulted in some the repeat findings. This has resulted in some areas coming up as repeat findings even in this year's review:

#### **(b) Lack of Progression In Audit Opinion**

The overall audit opinion on the Institutional performance has not improved over the past three (3) years. As the Committee we also feel the gap of integration in dealing with institutional audit also warrants close attention through the Integrated Audit Strategy

#### **(c) Implementation and Monitoring of the Audit Action Plan**

There has been lack of adequately implementation of the audit intervention plan including addressing the root causes of prior year audit findings. Inadequate monitoring of the implementation of the audit improvement plan remains a challenge.

The Auditor General indicated that in developing the Audit Improvement Plan, Management had tended to look at the finding and develop actions around the finding as opposed to looking at the underlying cause of the finding. This compromised the quality of the remedial actions, giving rise to repeat findings of a similar nature.

#### **(d) Functionality and Capacity of Internal Audit**

Internal Audit Unit still not adequately resourced and capacitated as it should be including technical trainings and audit software it should be having. There is some improvement in the functionality of the Internal Audit and has contributed to the Assurance regardless of the challenges as compared to no functional Internal Audit Unit in 2022/23 as the unit was only set up after the reporting period.

#### **(e) Functionality and Capacity of Risk Management**

The Municipality still remains with no Chief Risk Officer, thus placing reliance on Internal Audit. This situation conflicts Internal Audit and places a limitation on their assurance work on Risk Management. Currently the risk management position reports to the Strategic Manager.

The Committee appreciates the efforts and work done collectively on Risk Management during the year under review, despite limited staff and also the intention to fill the position after the organogram was reviewed



#### **(f) Functionality of the Risk Management Committee**

The Municipality appointed a Risk Management Committee during 2022/23 financial period, however it was subsequently dysfunctional hence no major contribution in its first year.

Based on the independent assessment from Internal Audit on risk, some of the challenges cited during the 2023 period still remain not fully sorted or resolved :-

- The Strategies that were developed or raised did not consider the capacity or the resource to mitigate the risks.
- Also risks were not aligned to specific projects
- Risk assessment was not yielding desired results as it showed that risk were not moving.
- Appointed Risk Champions were at a junior level in terms of the decision making hierarchy and therefore needed understanding, thus warranting their replacement by Managers in the 2023/24 financial period.

Also the Audit Committee has been concerned about the timeframe for intervention or mitigation on the Strategic Risks (high-risk areas) as it has not been urgent, this suggesting these should be short term oriented, with a minimum of review every quarter.

#### **(g) Functionality and Capacity of Institutional Monitoring and Evaluation**

The Municipality does not have an independent resource or unit for institutional performance monitoring and evaluation. The function is currently performed within the PMS unit, thus limiting its independence as expected

#### **(h) Full Cascading of the Performance Management System**

The Committee has noted upon review the challenge above still remains, as the cascading of the PMS has not yet been fully done at all the levels of the institutions.

#### **(i) Full Realisation of the Economic Development Agenda**

The Municipality still faces a challenge that has a serious potential and existing pace of the Development of the Area which is caused by the Development Agency not able to fully carry its Mandate.

#### **(j) Long-term Financial Sustainability of the Municipality**

Currently the Municipality does not have Investments or Reserves built. The Municipality is heavily Grant dependent for both Service Delivery Projects being the core function and the Operations. For both the core and other operational status the Municipality is high supported by Conditional Grants and the Equitable Share.

There is currently no Long-term Financial Sustainability Plan whilst noting the absence of a Resource Mobilization drive which could ensure fully funded Long-term Growth and Development of the organisation.

#### **(k) Revenue Management**

The Municipality remains with a high debt book with historical balances as shown by the Age Analysis and the Comparative balances in the Financial Statements.

The above is therefore an indication of moving towards strengthening the implementation of the current Revenue Enhancement Strategy, whilst equally adhering to the Cost Containment measures. At the moment the Municipality is unable to realise noticeable material savings out of the Cost Containment measures, whilst also carefully threading on the matter of the threshold of the Cost of Employees.

The Budget and Treasury Department is in the process of developing a demonstrable Grant Dependency Reduction Plan in its goal of Revenue adequacy.

The inability of the projected Collection of Revenue to sustain itself throughout the year has posed threats of budget cuts as downward adjustments during the Midyear performance review, whilst place a risk of the 2024/25 Budget Revenue baseline,

#### **(l) Implementation of the UIFWE (Irregular Expenditure Fruitless and Wasteful Expenditure) Strategy**

The Municipality is currently sitting with a historical balance of investigated Irregular Expenditure, thus showing the UIFWE Reduction Strategy implementation rate is still low, given the deadline set by National Treasury

#### **(m) Customer Satisfaction Survey**

The Municipality last conducted a Customer Satisfaction Survey five years ago and during the year under review it has still not been conducted. The recommendations of the Survey would assist the Municipality as a stakeholder engagement tool ahead and beyond elections towards an inclusive Service Delivery improvement drive together with the Communities

#### **(n) Employee Engagement and Staff Retention**

The Municipality has not conducted an Employee Satisfaction Survey. The Survey would assist the Municipality as an internal stakeholder engagement tool including dealing with such issues as increasing staff turnover which might be attributed to Municipal working conditions and other matters not addressed,

#### **(o) Business Continuity**

The Municipality only has a Disaster Recovery Plan from an ICT perspective, however has not yet considered the plight of the high risk on total business shut down that can occur if both the ICT-related and Environmental catastrophies can materialise resulting in losses suffered including loss of information. At this stage no Business Continuity Plan has been developed which will further necessitate an Organisational Business Impact Analysis and a total overhaul of the Risk Strategy, key risks and priority policies affected by the reassessed risks.

#### **(p) Compromised Impartiality of the MPAC Committee and Resourcing**

The dual participation of members of the MPAC as a S79 Committee in several S80 Committees as raised during the 2022/23 Oversight Report still handicaps independence of MPAC and conflicted interest. The Municipality has not yet considered a critical position of the Researcher for the effective and efficient functioning and support of the Committee.

## **(q) Change Management**

The Council is in its 4<sup>th</sup> of the 5-year Service Delivery mandate, with one full financial period (2025/26) in the remaining IDP that runs up to 2027 remaining. It is envisaged that the upcoming National Elections may trigger potential Policy and Strategic Reprioritisation from a PESTEL Analysis point of view. The Municipality has not started a dialogue on the Midterm Review. This would include very critical discussions in the following areas that still remains a concern and beyond the election period.

- Stakeholder Engagement
- Public Participation unresolved issues the midst of an under-capacitated unit and backlog of matters from the public and rising petitions
- Service Delivery Backlogs
- Lack of adequate Funding for Service Delivery
- Shrinkage in the Government Grants
- Absence of a Long-term Development and Growth Strategy
- Funding Mechanisms to ensure that all the IDP Priorities are fulfilled by the end of the terms of Council
- Service Delivery Audit which has not been conducted by taking stock of the success, progress to date and failures at this point in time.
- Land Audit and the implementation of its Recommendations
- Land Claim issues that directly the future investment areas as well as the implementation of SPLUMA based on an undisputed Land Audit.

### **14.4 INDEPENDENT EVALUATION OF THE DEPARTMENTAL RESPONSES BY THE COMMITTEE**

After the submitted written replies to the Committee as well as oral responses entertained during the Departmental Engagements, the Committee evaluated the departmental responses based on the collective of the criteria listed below. This was meant to enable the Committee to arrive at a fair decision as to whether the questions were adequately addressed, partially addresses or not addressed, to ensure that follow up and remedial measures are taken by the Departments:

- Adequacy and Relevance of the responses to initial questions.
- Completeness of the information submitted as per request of the Committee.
- Resubmission of Information to the Committee where such request was made during the engagements for the purpose of the compilation of the Oversight Report.
- Plan on questions responded to but findings remaining and a clear plan of action to deal with the issues even not 100% unresolved.
- Committee's assessment of departmental responses.

### **14.5 INDEPENDENT CONSULTATION WITH INTERNAL AUDIT AND THE CHAIRPERSON OF THE AUDIT COMMITTEE**

A Consultation session with the Chairperson per was scheduled for the 26<sup>th</sup> of March 2024. The purpose of the session was to solicit the independent assurance of the Committee on the work already done in the form of the Draft Oversight Report. The meeting also sought to gain conformation from the Audit Committee Chairperson on the following matters ahead of the scheduled Council meeting

## **15. CHALLENGES**

This section of the report deals with the challenges that the MPAC faced whilst dealing with the review of the Annual Report including some institutional structural matters that may stifle the effectiveness and independent oversight of the Committee.

It should be noted that some of the challenges highlighted below were also raised in the previous year thus are repetitive. Below are some of the matters for the attention of Council: -

15.1 No action taken on some of the recommendations made by the Committee last year, as Departments did not make clear commitments in the form of Action Plans to subsequently deal with matters beyond the tabling of the Oversight Report to Council.

15.2 There has been no strict monitoring of the implementation of the Council resolutions flowing from the Oversight Report, as this specific delegation was not explicitly assigned to MPAC

15.3 Due to time constraints, the Committee had to visit a very limited number of Service Delivery project, the sampling basis being non-MIG funded projects as six MIG projects were initially verified.

15.4 The Conflict of interest caused by the dual participation of the S79 (MPAC) members in some of the S80 Committee Oversight work has been a serious limitation on the impartial Oversight by the affected members.

Because the member had formed part of the Reports in the respective S80 Committees, this limited the allocation of Questions to them in such areas as they would be overseeing the reports they had initially made decisions or recommendations on.

## **16. STAFF IMPLICATIONS**

The Committee made use of the Council support staff throughout this processes, however it is to be noted that two critical permanent staff positions remain critical to the efficiency of the Committee in the form of a Researcher and Officer as echoed in the findings above.

## **17. FINANCIAL IMPLICATIONS**

All the financial implications or costs relating the Annual Report Oversight Process have been budgeted for under the MPAC Operational Expenditure Budget

## **18. OVERARCHING STATEMENT BY THE COMMITTEE**

The Municipal Public Accounts Committee wished to take Council into confidence that the work done on the Oversight confirms that the Annual Report reasonably and fairly represents the activities of the municipality in the year under review, over the broad range of performance areas that the municipality is measured against. In this process the role of the public in making comments and inputs must not be overlooked as the guidelines clearly emphasize their role and

## **19. RECOMMENDATIONS OF THE COMMITTEE TO COUNCIL TOWARDS THE ADOPTION OF THE OVERSIGHT REPORT**

### **It is recommended**

19.1 That Council, having fully considered the Annual Report of the Municipality and representation thereon, adopts the Oversight Report of the MPAC with reservations as required in terms of Section 129 of the Municipal Finance Management Act No 56 of 2003 (MFMA).

19.2 That Council approves the Annual Report with reservations as the Committee has not completed evaluation of the Adequacy, Completeness, Relevance and Satisfactory nature of the Responses from the Departments. Over and above this sentiment, A Resolution has been reached that Clear Action Plans will be developed and actioned through the 2024/25 SDBIP for certain matters of emphasis from the Oversight Reporting processes.

19.3 That the Acting Municipal Manager as Accounting Officer ensures that all outstanding amendments, corrections and information not contained in the 2022/23 Annual Report as recommended by Internal Audit form part of the Final Annual Report.

19.4 That the Acting Municipal Manager as Accounting Officer make public the Oversight Report within seven (7) days of adoption of the report, as required in terms of Section 129(3) of the MFMA.

19.5 That the Office of the Acting Municipal Manager as Accounting Officer submit the Final Annual Report and the Oversight Report relating to the 2023/2024 to the Provincial Legislature, Auditor General South Africa, the relevant provincial treasury and the provincial department responsible for local government in the province.

19.6 That all the Oversight Process Recommendations to the Findings of the Committee be adopted as resolutions of the Council.

19.7 That Council assigns specific Delegations as a passed Resolution of Council that MPAC be given the Responsibility of Playing the In-Year Oversight on the Tracking of the Implementation of the Resolutions of Council as adopted by this Council.

19.8 That all these Resolutions be a standing item at Management meetings including all the affected Standing Committees as led by the various Chairpersons thereof as well as in all EXCO meetings ahead of Council sittings.

19.9 That the Council considers what steps should be taken to improve the adequacy of oversight over the rectification of the findings contained in the Auditor General's Report in accordance with the provisions of Section 131 of the MFMA

19.10 That the office of the Mayor and the Acting Municipal Manager as Accounting Officer consider the development of a Turn-around Plan to action the recommendations made in this report and report to Council within 60 days (31 May 2025), and thereafter quarterly. This will have considered all Budget Implication and therefore implemented through the 2025 SDBIP.

## 20. SCHEDULE OF COMPARATIVE ANALYSIS OF RECOMMENDATIONS TO SPECIFIC FINDINGS OF THE COMMITTEE

Finding	Recommendation (2023 Oversight)	Comment based on 2023/24 Oversight
Non-Implementation and Monitoring of Council Resolutions and Oversight Recommendations	Implementation and Monitoring of Council Resolutions and Oversight Recommendations by Management, with MPAC and 79 Committees tracking monthly implementation	Repeat Finding
Inadequate Implementation and Monitoring of the Audit Action Plan	Ensure close monitoring of the implementation and monitoring of the Audit Action Plan	Repeat Finding
Functionality and Capacity of Internal Audit	Ensure that the Capacity within the Internal Audit is beefed up	Repeat Finding
Functionality and Capacity of Risk Management	Ensure that the Risk Management resources are increased and Risk Management segregated from Internal Audit	Repeat Finding
Functionality of The Risk Management Committee	Ensure the resuscitation of the Risk Management Committee	Repeat Finding
Functionality and Capacity of Institutional Monitoring and Evaluation	Ensure that Monitoring and Evaluation is segregated from PMS and enough personnel be assigned the responsibility within the office of the Municipal Manager.	Repeat Finding
Cascading Of The Performance Management System	To accelerate the full cascading of the Performance Management System below Senior Management level	Repeat Finding
Skills Audit	To ensure that the institution conducts a fully-fledged Skills Audit also to assist the process of the Organogram based on Organisational Needs analysis to ensure a fully informed Organogram and a fit for purpose Organogram to achieve the Strategic Objectives of the Municipality.	Repeat Finding

Full Realisation of the Economic Development Agenda	<p>The Entity's Board in collaboration with the Council needs to drastically resolve the following:-</p> <ul style="list-style-type: none"> <li>• Dealing with Going Concern</li> <li>• Funding of the Business Plan</li> <li>• Organogram issues</li> </ul>	Repeat Finding
Long-term Financial Sustainability of the Municipality	<ul style="list-style-type: none"> <li>• Municipality to develop a Financial Sustainability Plan</li> <li>• Municipality to develop a Resource Mobilization and embark on Resource Mobilization at Risk</li> </ul>	Repeat Finding
<p>Revenue Management - The municipality has a low revenue base and low collection due to its rural nature however there are plans in place including expanding the revenue base and implementation of strategies to improve collection.(Repeat – extract from Executive Summary)</p>	<ul style="list-style-type: none"> <li>• Strengthening the implementation of the current Revenue Enhancement Strategy, whilst equally adhering to the Cost Containment measures.</li> <li>• To develop a demonstrable Grant Dependency Reduction Plan in its goal of Revenue adequacy.</li> </ul>	Repeat Finding
UIFWE not fully reduced as per UIFWE Strategy	<ul style="list-style-type: none"> <li>• Investigation and write off of the UIFWE</li> <li>• Implementation of the UIWE (Irregular Expenditure Fruitless And Wasteful Expenditure Strategy</li> </ul>	Repeat Finding
Service Delivery	<ul style="list-style-type: none"> <li>• Municipality to quantify the Service Delivery Backlogs and develop a Service Delivery Backlog Eradication Plan</li> <li>• Municipality to embark on Resource Mobilization to fund</li> </ul>	Repeat Finding

	backlog and future projects in the IDP in the light of limited Grant funding.	
Customer Satisfaction Survey	<ul style="list-style-type: none"> <li>• To conduct a Customer Satisfaction Survey.</li> <li>• The recommendations of the Survey would assist the Municipality as a stakeholder engagement tool ahead and beyond elections towards an inclusive Service Delivery improvement drive together with the Communities</li> </ul>	Repeat Finding
Employee Engagement	<ul style="list-style-type: none"> <li>• To conduct the Employee Satisfaction Survey. The Survey would assist the Municipality as an internal stakeholder engagement tool including dealing with such issues as increasing staff turnover which might be attributed to Municipal working conditions and other matters not addressed</li> </ul>	Repeat Finding
Staff Or Employee Retention	<ul style="list-style-type: none"> <li>• Staff Turnover mitigations to include review of its Staff Attraction and Retention Policy, review of its Talent Management Policy in order to avoid further brain drain that cripples Institutional Memory</li> </ul>	Repeat Finding



Business Continuity		Develop a Business Continuity Plan which will further necessitate an Organisational Business Impact Analysis and a total overhaul of the Risk Strategy, key risks and priority policies affected by the reassessed risks	Repeat Finding
MPAC Resourcing	Committee	The Committee needs to have critical permanent staff position of the Committee Researcher filled to enhance Oversight Efficiency.	Repeat Finding
Functionality of Impartiality Committee	and The	Council should consider the redeployment and Reconfiguration in the present Committees to allow an MPAC that is fully functional and independent of S80 duties	Repeat Finding
Change Management		<p>The Office of the Executive Mayor and the Acting Municipal Manager to champion the Municipal Turnaround and develop a Change Management Plan which must focus on the following: -</p> <ul style="list-style-type: none"> <li>• Public Participation unresolved issues the midst of an under-capacitated unit and backlog of matters from the public and rising petitions</li> <li>• Service Delivery Backlogs</li> <li>• Lack of adequate Funding for Service Delivery</li> <li>• Shrinkage in the Government Grants</li> <li>• Absence of a Long-term Development and Growth Strategy</li> <li>• Funding Mechanisms to ensure that all the IDP Priorities are fulfilled by the end of the terms of Council</li> <li>• Service Delivery</li> </ul>	Repeat Finding

	<p>Audit which has not been conducted by taking stock of the success, progress to date and failures at this point in time.</p> <ul style="list-style-type: none"> <li>• Land Audit and the implementation of its Recommendations</li> <li>• Land Claim issues that directly the future investment areas as well as the implementation of SPLUMA based on an undisputed Land Audit</li> </ul>	
Reprioritization towards end of Council	<ul style="list-style-type: none"> <li>• Institutional Transformation using Change Management to achieve a realistic Municipal Turnaround.</li> <li>• Long-term Growth and Development Plan</li> <li>• Long-term Financial Sustainability of the Organisations</li> <li>• Isolation of Human Capital as a Stand – alone Objective</li> </ul>	Repeat Finding
Business Continuity Plan Development and	<ul style="list-style-type: none"> <li>• The development and implementation of the Business Continuity Plan is a very urgent and critical issue for consideration by Council based on the threats and risks faced by organisation which can be catastrophic. The recurring flooding that affects the Municipal area in all fronts and its impact on Business, Tourism , Infrastructure, Transport Sector, Safety of people and ultimate risk of shut down of municipal operations at such</li> </ul>	Repeat Finding

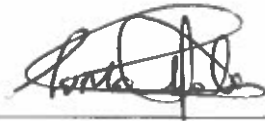
	times.	
Structured Functionality of Oversight Committees	<ul style="list-style-type: none"> <li>The review also has revealed that in the space of Committee Oversight in the absence of an Oversight Framework, some of the S80 Committees are still operating without Terms of Reference and approved Annual Work Plans. The Committee proposes that there be urgent attention to the development and adoption for implementation of the Terms of Reference for the affected Committees</li> </ul>	Repeat Finding
Organisational Performance	<p>The Committee has a concern that the Council needs to note as the entire organisation overall / on average has achieved less than 100% of the targets it set in the 2023/24 Planning. Individually none of the KPAs through the respective Departments have achieved above 90%.</p> <ul style="list-style-type: none"> <li>It is the Committee's recommendations that all the shortfalls noted in the Annual Performance Report be factored into the Draft SDBIP 2025/26 as the opportunity to adjust the SDBIP for the 2024/25 has gone past in January.</li> <li>This should be done considering the attest outcomes of the Midyear Performance Report of the 2024/25 Financial Period on such areas that are repeat weakness</li> </ul>	Repeat Finding

	<p>areas or areas of challenges.</p> <ul style="list-style-type: none"> <li>• The intervention needs to be undertaken simultaneously with the Risk status assessment in the affected areas.</li> <li>• New challenges be considered as Emerging Risk in consultation with Risk Management.</li> </ul>	
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## **21. REPORT SIGN OFF**

This being to confirm that the report presented by the Committee to the Council is a true reflection of the independent review undertaken by the Committee on the Annual Report of the Port St John's Municipality for the 2023/24 Financial Year activities as contained therein.

**Yours Truly,**



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**Hon. Councillor S.V. Mavimbela**  
**(Chairperson: Municipal Public Accounts Committee)**

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**Date: 27/03/2025**

## **ANNEXURES**

**ANNEXURE A: OVERSIGHT PROCESS PROJECT IMPLEMENTATION PLAN**

**ANNEXURE B: OVERSIGHT REPORT PROCESS PLAN**

**ANNEXURE C: MPAC OVERSIGHT PROCESS REVIEW TOOL**

**ANNEXURE D: ANALYSIS AND QUESTIONS TEMPLATE FOR DEPARTMENTS**

**ANNEXURE E: INDEPENDENT COMMENTS FROM THE COORDINATOR ON THE 2023/24 OVERSIGHT PROCESS**

**ANNEXURE F: MINUTES ON THE OVERSIGHT PROCESS PRESENTATION MEETING**