O.R. TAMBO
DISTRICT MUNICIPALITY

OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2023/24 FINANCIAL YEAR

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1. Introduction

The Council of O.R. Tambo District Municipality in a Council meeting held on 31 March 2016 adopted the MFMA Circular 63, in line with the provisions of Section 129 (5) of the Municipal Finance Management Act (Act No. 56 of 2003). The section provides that no guidelines issued by National Treasury are binding on a municipal council unless adopted by the council. The adoption of MFMA Circular 63 meant that the Council had to formulate the Annual Reports in line with the circular. The Circular seeks to guide the process of formulating the Annual Report and consideration of the report, with the view to table the Oversight Report on the Annual Report in Council. Indeed, the Council of O.R. Tambo District Municipality formulated the Annual Report 2023/24 of the municipality and that of the municipal entity in compliance with the circular.

MFMA Circular 63 outlines the format to be followed by municipalities in the process of formulating their Annual Reports. The circular also requires that the mayor submits the Annual Report including the Annual Financial Statements and Annual Performance Report to the Combined Audit/Performance Committee and Council by August. The Unaudited Annual Report 2023/24 including the Annual Financial Statements and Annual Performance Report of the municipality was submitted to the Audit Committee on 28 August 2024. The Draft Annual Report on the other hand was submitted to the Audit Committee on 29 January 2025. Comments of the Audit Committee on the Annual Report 2023/24 were tabled to Council on 30 August 2024 (**See Annexure A**).

The Executive Mayor of O.R. Tambo District Municipality tabled the Unaudited Annual Report including Annual Financial Statements and the Annual Performance Report of the municipality and the municipal entity in a Special Council Meeting held on 30 August 2024.

2. Composition of Municipal Public Accounts Committee (MPAC)

The Municipal Public Accounts Committee (MPAC) is a multi-party Committee composed of Councillors from political parties represented in Council, and Traditional Leaders Participating in Council.

The MPAC is composed as follows:

Name	Political Party	Designation
Cllr N. Dywili	African National Congress (ANC)	Chairperson
Cllr T. Tshikitshwa	African National Congress (ANC)	Committee Whip
Cllr C.S. Tokwana	African National Congress (ANC)	Member
Cllr N.P. Ngxamile	African National Congress (ANC)	Member
Cllr Y.V. Socikwa	African National Congress (ANC)	Member
Cllr Z. Zozi	African National Congress (ANC)	Member
Cllr M. Bunzana	United Democratic Movement (UDM)	Member
Cllr M.N. Maseko	African Transformation Movement (ATM)	Member
Cllr N. Somzana	Democratic Alliance	Member
Cllr S. Njovane	Independent	Member
Chief N. Mtirara	Traditional Leader	Member

3. Legislative Background

Section 152 (1) (a) of the Constitution of the Republic of South Africa, 1996 outlines one of the objects of local government as to provide democratic and accountable government for local communities.

Section 152 (2) of the Constitution, requires that a municipality must strive, within its financial and administrative capacity, to achieve the objects of local government as set out in subsection (1).

In terms of Section 79 (1) (a) and (b) of Local Government: Municipal Structures Act (Act No. 117 of 1998), a municipal council may establish one or more committees necessary for the effective and efficient performance of any of its powers; and appoint the members of such a committee from among its members.

Section 79A (1) of Local Government: Municipal Structures Amendment Act, 2021 provides that a municipal council must establish a committee called municipal public accounts committee.

In terms of Section 79A (2) of Local Government: Municipal Structures Amendment Act, 2021, the mayor or executive mayor, deputy mayor or executive deputy mayor,

any member of the executive committee, any member of the mayoral committee, speaker, whip and municipal officials are not allowed to be members of the municipal public accounts committee.

Section 79A (1) of Local Government: Municipal Structures Amendment Act, 2021 requires that a municipal council must determine the functions of the municipal public accounts committee, which must include the following:

a) review the Auditor-General's reports and comments of the management committee and the audit committee and make recommendations to the municipal council.

Section 46 (1) (a) of Local Government: Municipal Systems Act (Act No. 32 of 2000) requires that a municipality must prepare for each financial year, a performance report reflecting the performance of the municipality and of each external service provider during that financial year.

Section 46 (2) of Local Government: Municipal Systems Act (Act No. 32 of 2000) provides that an annual performance report must form part of the annual report in terms of Chapter 12 of the Municipal Finance Management Act.

In terms of Section 127 (5) (a) and (b) of Local Government: Municipal Finance Management Act (Act No. 56 of 2003), immediately after an annual report is tabled in the council, the accounting officer must make public the annual report; invite the local community to submit representations in connection with the annual report; and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

Section 129 (1) of Local Government: Municipal Finance Management Act (Act No. 56 of 2003) requires that the council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, 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 of whether the council-

a) has approved the annual report with or without reservations;

b) has rejected the annual report; or

c) has referred the annual report back for revision of those components that can be revised.

In terms of section 129 (2) of the Municipal Finance Management Act (Act No. 56 of 2003), the accounting officer must:-

a) attend council and council committee meetings where the annual report is discussed, for the purpose of responding to questions concerning the report; and

b) submit copies of the minutes of those meetings to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

Section 129 (3) of Local Government: Municipal Finance Management Act requires that the accounting officer must, in accordance with section 21A of the Municipal Systems Act make public an oversight report within 7 days of its adoption.

In terms of Section 129 (4) (a) and (b) of Local Government: Municipal Finance Management Act (Act No. 56 of 2003), the National Treasury may issue guidelines on the manner in which municipal councils should consider annual reports and conduct public hearings; and the functioning and composition of any public accounts or oversight committees established by the council to assist it to consider an annual report.

Section 129 (5) of the Local Government: Municipal Finance Management Act (Act No. 56 of 2003) provides that there are no guidelines issued in terms of subsection (4) which are binding on a municipal council unless adopted by the council.

In terms of Section 132 (1) of Local Government: Municipal Finance Management Act (Act No. 56 of 2003), the following documents must be submitted to the provincial legislature-

a) the annual report of each municipality and each municipal entity in the province, or if only components of the annual report were tabled in terms of section 127 (3), those components; and

b) all oversight reports on those annual reports adopted in terms of section 129 (1);

Section 132 (2) of Local Government: Municipal Finance Management Act (Act No. 56 of 2003) provides that the accounting officer of a municipality must submit the documents referred to in subsection (1) (a) and (b) to the provincial legislature within seven days after the municipal Council has adopted the relevant oversight report in terms of section 129 (1).

In terms of MFMA Circular 63, the mayor tables the unaudited annual report to council; and that the municipality submits the Annual Report and final Annual Financial Statements and Annual Performance Report to the Auditor-General for auditing purposes by 31 August.

The MFMA Circular 63 also requires Council to submit unaudited tabled Annual Report to MPAC for vetting and verification of councils' directive on service delivery & the committee to evaluate senior managers' performance against agreement entered into.

MFMA Circular 32 stipulates that the oversight report is the final major step in the annual reporting process of a municipality.

In terms of Clause 3.2 (ii) of the Municipal Public Accounts Committee (MPAC) Terms of Reference, the primary function of MPAC is to review the municipal and any municipality entity's quarterly or annual reports and develop the oversight report on the annual report.

Clause 3.2 (iv) of the Municipal Public Accounts Committee (MPAC) Terms of Reference requires that the Committee must promote good governance, transparency and public accountability.

4. Process Followed in Considering the Annual Report 2023/24

4.1 Tabling of the Annual Performance Report (APR) 2023/24

In line with Section 46 (1) of Local Government: Municipal Systems Act (Act No. 32 of 2000), the municipality prepared an Annual Performance Report for 2023/24 financial year.

The Annual Performance Report 2023/24 of the municipality and the municipal entity were tabled by the Executive Mayor in Council, on 30 August 2024.

4.2 Tabling of the Unaudited Annual Report of O.R. Tambo District Municipality and Ntinga O.R. Tambo Development Agency SOC (Ltd) 2023/24

MFMA Circular 63 requires that the Mayor tables the Unaudited Annual Report in Council, and the municipality submits the annual report including annual financial statements and annual performance report to the Auditor-General for auditing purposes by 31 August.

The Executive Mayor tabled the Unaudited Annual Report 2023/24 of the municipality and the municipal entity in a Special Council Meeting held on 30 August 2024.

4.3 Meetings of MPAC to consider the Annual Report 2023/24

In the process of considering the Annual Report 2023/24, the MPAC convened meetings to strategize on the approach to be followed in considering the report, and for engagements with departments within the Institution and the municipal entity on the report. Records of minutes of all meetings of MPAC to consider the Annual Report 2023/24 were taken (**See Annexure B**).

The meetings of MPAC to consider the Annual Report 2023/24 were held as follows:

Date	Time	Venue
19-20 November 2024	12h00	Speaker's Boardroom
17-18 February 2025	08h00	Speaker's Boardroom
10-11 March 2025	15h00	Microsoft Teams
12 March 2025	08h30	Speaker's Boardroom
17 March 2025	14h00	Speaker's Boardroom
18 March 2025	08h30	Council Chamber
19 March 2025	08h30	Speaker's Boardroom
25 March 2025	17h00	Microsoft Teams

4.4 Projects Verification

Following the tabling of the Unaudited Annual Report and Draft Annual Report 2023/24 of the municipality and the municipal entity, the Municipal Public Accounts Committee

(MPAC) embarked on a Projects Verification Programme. The purpose of projects verification was to verify what was reported by departments in the Annual Report with what has been delivered on the ground.

Projects Verification Programme was conducted as follows:

Project	**Municipality**	**Ward/Village**	**Affected Department**	**Date**
Bhala Borehole	Ingquza Hill LM	KwaBhala	IWS	21 Jan 2025
Ingquza Ward 5 Sanitation	Ingquza Hill LM	Ward 5	IWS	21 Jan 2025
Ingquza Ward 7 Sanitation	Ingquza Hill LM	Ward 7	IWS	21 Jan 2025
Ingquza Ward 20 Sanitation	Ingquza Hill LM	Ward 20	IWS	21 Jan 2025
Ingquza 500 Housing	Ingquza Hill LM	Wards 26, 27 & 28	Human Settlements	21 Jan 2025
PSJ Ward 4 Sanitation	PSJ Local Municipality	Ward 4	IWS	22 Jan 2025
PSJ Ward 19 Sanitation	PSJ Local Municipality	Ward 19	IWS	22 Jan 2025
PSJ Ward 20 Sanitation	PSJ Local Municipality	Ward 20	IWS	22 Jan 2025
Jambeni Water Supply	PSJ Local Municipality	Ward 19	IWS	22 Jan 2025
Mdlankala WTW	PSJ Local Municipality	Ward 15	IWS	22 Jan 2025
Cwele Bandla Borehole	Nyandeni LM	Ward 19	IWS	23 Jan 2025
Nomadolo Borehole	Nyandeni LM	Ward 23	IWS	23 Jan 2025
Ward 12 Sanitation	Nyandeni LM	Ward 12	IWS	23 Jan 2025
Ngolo Borehole	Nyandeni LM	Ward 11	IWS	23 Jan 2025
Ward 10 Sanitation	Nyandeni LM	Ward 10	IWS	23 Jan 2025
Ward 1 Sanitation	Nyandeni LM	Ward 1	IWS	23 Jan 2025

Sinenjongo Project for the Disabled	Nyandeni LM	Ward 14	Executive Mayor's Office	23 Jan 2025
Mabomvini Bull Loaning	Nyandeni LM	Ward 24	Ntinga O.R. Tambo Dev. Agency SOC Ltd	23 Jan 2025
Coffee Bay WTW	KSD Municipality	Ward 24	IWS	24 Jan 2025
Mqanduli WTW	KSD Municipality	Ward 29	IWS	24 Jan 2025
Kotishini Borehole	KSD Municipality	Ward 32	IWS	24 Jan 2025
Ngqwala Borehole	KSD Municipality	Ward 29	IWS	24 Jan 2025
Qweqwe Housing	KSD Municipality	Ward 33	IWS	24 Jan 2025
Bull Loaning	KSD Municipality	Ward 29	Ntinga O.R. Tambo Dev. Agency SOC Ltd	24 Jan 2025
Tsolo Pipeline Replacement	Mhlontlo LM	Ward 6	IWS	28 Jan 2025
Upper Chulunca River Crossing	Mhlontlo LM	Ward 15	IWS	28 Jan 2025
Qumbu Borehole	Mhlontlo LM	Ward 15	IWS	28 Jan 2025
Lower Mjika Spring	Mhlontlo LM	Ward 5	IWS	28 Jan 2025
Matyeba Borehole	Mhlontlo LM	Ward 5	IWS	28 Jan 2025
Ward 23 Sanitation	Mhlontlo LM	Ward 23	IWS	28 Jan 2025
Mhlontlo Ward 10 Sanitation	Mhlontlo LM	Ward 10	IWS	28 Jan 2025
Mhlontlo Ward 13 Sanitation	Mhlontlo LM	Ward 13	IWS	28 Jan 2025

A report on Projects Verification with clear pictures/photos was developed to give a clear picture of what transpired on sites (**See Annexure C**).

4.5 Engagements on the Annual Performance Report, Unaudited Annual Report and Draft Annual Report 2023/24

Following the tabling of the Annual Performance Report, Unaudited Annual Report of the municipality and municipal entity in Council on 30 August 2024 and Draft Annual

Report 2023/24 of the municipality and the municipal entity on 30 January 2025, the reports were analysed, and Research Analysis Reports were developed (**See Annexure D**). Research Analysis Reports were presented to the Municipal Public Accounts (MPAC) Committee on 19-20 November 2024, for consideration. The Reports lifted issues which needed responses and portfolio of evidence (PoE) by departments and the municipal entity. Research Analysis Reports were later forwarded to Portfolio Heads of departments within the municipality and municipal entity on 02 December 2024, in preparation for engagements on the Annual Performance Report 2023/24.

The purpose of furnishing departments and the municipal entity with Research Analysis Reports was to get written and authentic responses with the portfolio of evidence (PoE) for further scrutiny before engagements.

Departments and the municipal entity were given a deadline of 11 December 2024 to submit responses and the relevant PoE. Departments and the municipal entity submitted responses and the relevant PoE as follows:

Department/Entity	**Submission Date**
Community Services	11 December 2024
Legislature	13 December 2024
Office of the Municipal Manager	09 January 2025
Executive Mayoral Services	09 January 2025
Ntinga O.R. Tambo Development. Agency SOC Ltd	04 February 2025
Budget & Treasury Office (BTO)	05 February 2025
Internal Audit	05 February 2025
Corporate Services	05 February 2025
Human Settlements	07 February 2025
Technical Services	07 February 2025
Rural, Economic & Development Planning	13 February 2025
Water & Sanitation Services	13 February 2025

Engagements on the Annual Performance Report, Unaudited Annual Report and Draft Annual Report 2023/24 of the municipality and municipal entity were held as follows:

Department	Venue	Date
Community Services	Speaker's Boardroom	12 March 2025
Technical Services	Speaker's Boardroom	12 March 2025
Water & Sanitation Services	Speaker's Boardroom	12 March 2025
Corporate Services	Council Chamber	18 March 2025
Budget & Treasury Office (BTO)	Council Chamber	18 March 2025
Internal Audit	Council Chamber	18 March 2025
Rural, Economic & Development Planning (REDP)	Council Chamber	18 March 2025
Ntinga O.R. Tambo Development Agency SOC Ltd	Council Chamber	18 March 2025
Office of the Municipal Manager	Speaker's Boardroom	19 March 2025
Legislature	Speaker's Boardroom	19 March 2025
Executive Mayoral Services	Speaker's Boardroom	19 March 2025

4.6 Tabling of the Draft Annual Report and Auditor-General's Report on the Annual Report 2023/24

The Auditor-General tabled the Auditor-General's Report with the Audited/Draft Annual Reports 2023/24 and Consolidated Financial Statements of the municipality and the municipal entity In a Special Council Meeting held on 30 January 2025.

4.7 Notice on the Draft Annual Report 2023/24

Following the tabling and noting of the Draft Annual Report of the municipality and municipal entity with consolidated Annual Financial Statements and the Auditor General's Report on the Annual Report 2023/24 in a Special Council Meeting held on 30 January 2025, the municipality issued a Notice on the Draft Annual Report in the Daily Dispatch dated 05 February 2025, and in the Municipal Website on 11 March 2025, in compliance with Section 127 (5) (a) (i) and (ii) of the Municipal Finance Management Act (Act No. 56 of 2003) and Section 21A of Local Government: Municipal Systems Act (Act No. 32 of 2000) (**See Annexure E**).

The purpose of the Notice was to inform and/or sensitize communities within the district of the availability of the Draft Annual Reports with the Annual Financial

Statements of the municipality and the municipal entity, and for inviting comments on the reports.

4.8 Delivery of O.R. Tambo District Municipality and Ntinga O.R. Tambo Development Agency SOC (Ltd) Annual Reports 2023/24

Following the tabling of the Draft Annual Report 2023/24, the Consolidated Annual Financial Statements and the Auditor-General's Report in a Special Council Meeting held on 30 January 2025, the municipality delivered copies of the reports to local municipal Offices and Community Libraries within the district on 04-06 February 2025 (**See Annexure F**). Copies of the Annual Report and Annual Financial Statements of the municipality and the municipal entity were also submitted to Cooperative Governance and Traditional Affairs (EC-COGTA); Auditor-General on 05 February 2025; Provincial Treasury and Eastern Cape Provincial Legislature (ECPL) on 06 February 2025; in line with Section 127 (5) (a) and (b) and Section 132 (1) (a) and (b) of the Municipal Finance Management Act (Act No. 56 of 2003) (**See Annexure G**).

4.9 MPAC Road Shows on the Draft Annual Reports 2023/24 of the Municipality and the Municipal Entity

Following the tabling of the Auditor General's Report and Draft Annual Reports 2023/24 of the municipality and the municipal entity in a Special Council Meeting held on 30 January 2025, MPAC conducted Road Shows on the reports in local municipalities within the district, except King Sabata Dalindyebo Local Municipality, as the Road Show was postponed twice due to competing Programmes. The purpose of the Road shows was to test and confirm what is claimed to have been achieved in the reports with the actual services delivered on the ground, and to solicit public comments on the reports. A Public Notice on MPAC Roadshows was issued in the Daily Dispatch on 25 February 2025. Loud hailing in local municipalities within the district was conducted to mobilise communities to participate in MPAC Roadshows. MPAC Roadshows on the Annual Reports 2023/24 were conducted as follows:

Municipality	Venue	Date	Time
Ingquza Hill LM	Nongoma Hall	24 February 2025	11h00
Nyandeni LM	Corana Community Hall	25 February 2025	11h00

Mhlontlo LM	Tsolo Town Hall	27 February 2025	11h00
PSJ LM	Tombo Community Hall	04 March 2025	11h00

4.10 Public Comments on the Annual Report 2023/24

Members of the Public were afforded an opportunity to make comments on the Draft Annual Report 2023/24 and Consolidated Financial Statements in Roadshows conducted by MPAC in local municipalities within the district on 24 February – 04 March 2025 (**See Annexure H**).

5. Summary of Comments and Conclusions on the Annual Report of O.R. Tambo District Municipality

After engaging departments on the Unaudited and Audited Annual Reports of the municipality with Consolidated Annual Financial Statements, the MPAC was able to make conclusions on the Annual Report for 2023/24 financial year. Findings and recommendations are as follows:

5.1 Findings:

5.1.1 Departments except Community Services submitted information requested on the Annual Performance Report 2023/24 later than the prescribed date (i.e. **11 December 2024**);

5.1.2 There is a suspected inflation of prices for hiring of Tent, Sound System, VIP Toilets etc.;

5.1.3 Ramps on VIP Toilets constructed for disabled persons are not built;

5.1.4 Delays by departments in processing invoices for payment by Budget & Treasury Office results to non-compliance in paying Service Providers within 30 days upon submission of a valid invoice;

5.1.5 The municipality is not collecting revenue as expected;

5.1.6 The slow payment of invoices by the Provincial Department of Human Settlements for value created has caused delays on building of houses at Lutshaya;

5.2 Recommendations:

5.2.1 Departments must submit information requested by the Committee on time, for effective oversight;

5.2.2 Budget & Treasury Office must expedite the process of developing a Price Index to curb inflation of prices for services such as hiring of Tents, PA System, VIP Toilets etc.;

5.2.3 Department of Infrastructure Water & Sanitation Services must ensure that Ramps are built in VIP Toilets constructed for disabled persons;

5.2.4 The Accounting Officer must ensure that processing of invoices is included in Performance Contracts of all Heads of Departments (HoD's) and consequence management must apply in cases of any delays caused;

5.2.5 Budget & Treasury Office (BTO) must intensify the implementation of Credit Control and Debt Management Policy;

5.2.6 The department of Human Settlements must follow-up on the application for a Developer Status so that the budget to build houses on behalf of the Provincial Department of Human Settlements can be transferred to the municipality to avoid delays on payment of invoices;

6. Summary of Comments and Conclusions on the Annual Report of Ntinga O.R. Tambo Development Agency SOC (Ltd)

After engaging the municipal entity on the Annual Report with Consolidated Financial Statements; Auditor-General's Report and Management Audit Action Plan, the Committee was able to make conclusions on the Annual Report. Findings and recommendations are as follows:

6.1 Findings:

6.1.1 Community members in communities where Local Farmers have been loaned Bulls for a period of 4 years have a perception that the Bulls have been donated by the municipal entity;

6.2 Recommendations

6.2.1 The municipal entity must raise awareness in communities where Bulls have been loaned to Local Farmers so that they have an understanding that Bulls have been loaned and not donated;

7. Annexures

- Audit Committee Comments on the Unaudited Annual Report 2023/24 – **Annexure A**;
- MPAC Notices, Attendance Registers and Confirmed Minutes of MPAC – **Annexure B**;
- Projects Verification Report with Pictures/Photos – **Annexure C**;
- Research Analysis Reports in the Annual Performance Report 2023/24 – **Annexure D**;
- Public Notice on the Draft Annual Report 2023/24 – **Annexure E**;
- Delivery Notes to Local Municipalities and Community Libraries – **Annexure F**;
- Delivery Notes to COGTA, Provincial Treasury, Auditor-General and Eastern Cape Provincial Legislature (ECPL) – **Annexure G**;
- Public Comments on the Annual Report 2023/24 – **Annexure H**;

8. Recommendations

It is hereby recommended that:

1. Council adopts the Annual Reports of O.R. Tambo District Municipality and its entity (Ntinga O.R. Tambo development Agency SOC (Ltd) 2023/24 financial year without reservations;
2. Council adopts the Oversight Report on the Annual Report 2023/24 financial year;
3. The Oversight Report on the Annual Report 2023/24 must be publicised within 7 days after its adoption and copies be submitted to relevant institutions (Auditor-General, Provincial Treasury, Cooperative Governance & Traditional Affairs (EC-COGTA) and Eastern Cape Provincial Legislature (ECPL), as required by MFMA Circular 63 and Section 132 (2) of Local Government: Municipal Finance Management Act (Act No. 56 of 2003);