

DC 1025/03/16

REPORT ON THE OVERSIGHT REPORT FOR THE 2014/15 FINANCIAL YEAR / *VERSLAG RAKENDE DIE OORSIGVERSLAG VIR DIE 2014/15 FINANSIële JAAR* / INGXELO MALUNGE NENGXELO BANZI KUNYAKAMALI KA 2014/2015

(10/1/1)

17 March 2016

REPORT FROM THE CHAIRPERSON OF MPAC (CLLR D XEGO)

PURPOSE OF THE REPORT

To submit the oversight report to Council for consideration.

BACKGROUND

The MFMA requires in Section 129 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 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.*

It further states in Section 130 that:"

The meetings of a municipal council at which an annual report is to be discussed or at which decisions concerning an annual report are to be taken, must be open to the public and any organs of state, and a reasonable time must be allowed—

- a) for the discussion of any written submissions received from the local community or organs of state on the annual report; and*
- b) for members of the local community or any organs of state to address the council.*

- c) *Representatives of the Auditor-General are entitled to attend, and to speak at, any Council meeting referred to in subsection (1).*

The 2014/2015 Annual Report was tabled on 26 January 2016 in compliance with the Municipal Finance Management Act which requires in Section 127 that:

“The Executive 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”

1. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The Municipal Public Accounts Committee (MPAC) of the Eden Council is responsible according to The Terms of Reference of MPAC in Section 5.3:

To review the Municipality’s Annual Report, including the Auditor-General’s report on the financial statements and responses thereto with a view to ensuring satisfactory responses and corrective action, where necessary (in terms of the Municipal Finance Management Act, No 56 of 2003, section 129 (4)(a) and (b). Specific to the Auditor General Report and the Annual Financial Statements, the Committee shall –

- 1.1 examine the reports of the Auditor-General on the accounts for the preceding financial year;*
- 1.2 review the specific reports of the Auditor-General; and*
- 1.3 review the Auditor-General reports in question, supplemented by a number of preliminary questions based on the audit report and to which the accounting officer is required to respond in writing.*

Members of Committee:

Cllr D Xego

Cllr P van der Hoven

Cllr LN Qupe replaced by Cllr JJ Gerber on 28 July 2014

Cllr HJ Floors replaced by Cllr GC Niehaus on 4 December 2014

Cllr JG Janse van Rensburg

Cllr D van Rensburg(Resigned during Nov/Dec 2015 as member of ACDP)

Cllr WP Meshoa

2. ANNUAL REPORT CONSULTATIONS PROCESS

The draft annual report was advertised and no comments were received from the public/communities.

3. SUMMARY OF COMMENTS

The purpose of the annual report is:

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and against the budget;
- to provide information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions made.

The annual report of a municipality must include—

- a) the annual financial statements of the municipality, and in addition, if Section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of Section 126(1);
- b) the Auditor-General's audit report in terms of Section 126(3) on those financial statements;
- c) the annual performance report of the municipality prepared by the municipality in terms of Section 46 of the Municipal Systems Act;
- d) the Auditor-General's report in terms of Section 45(b) of the Municipal Systems Act;
- e) an assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;
- f) an assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in Section 17(3) (b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year;
- g) particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
- h) any explanations that may be necessary to clarify issues in connection with the financial statements;
- i) any information as determined by the municipality;
- j) any recommendations of the municipality's audit committee; and

3.1 COMMENTS ON FORMAT OF REPORT

The content of the Annual Report, as tabled, comply in general with the guidelines contained in MFMA Circular 63, but are not in the following sequence, as prescribed by the said circular, which format for the annual report are based on five key Chapters:

Chapter 1: Introduction and Overview

Chapter 2: Performance Highlights

Chapter 3: Human Resource and other Organisational Management

Chapter 4: Audited Statements and Related Financial Information

Chapter 5: Functional Area Service Delivery Reporting

The Committee commended the administration for the overall improvement with the Annual Report.

3.2 OMISSION ON THE REPORT (MPAC)

- Concerns about comments from the public/communities after advertising and two radio talk show/interviews since September 2015 and February 2016.

3.3 PREDETERMINE OBJECTIVES

None

Section 46 of the Municipal System Act states that:

- (1) A municipality must prepare for each financial year a performance report reflecting—
 - a) the performance of the municipality and of each external service provider during that financial year;
 - b) a comparison of the performance referred to in paragraph (a) with targets set for and performances in the previous financial year; and
 - c) measures taken to improve performance.
- (2) An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act.

3.4 COMMENTS ON THE AUDITOR-GENERAL REPORT

Council has received a clean audit.

3.5 COMMENTS ON THE AUDIT & PERFORMANCE AUDIT COMMITTEE (APAC) REPORT

The Committee draws the attention to the following recommendations of the Audit and Performance Audit Committee which require special attention from management:

- The development of short term financial and operational strategies to mitigate the severe impact of adverse economic conditions. Particular attention should be given to the optimal utilisation of the municipality's property assets.
- Ongoing monitoring of and support for disaster areas in the Greater Eden District, particular disaster caused by the severe drought. The development of preventative strategies should also be stepped up if possible.
- The creation of more training opportunities for deserving staff members;
- Ongoing focus on effective execution of core functions;
- Improvement of the accuracy of in-year financial- and performance reporting and the effectiveness of related monitoring process.

4. COMMENTS FROM PUBLIC OR OTHER ORGANS OF STATE

None received.

5. RESERVATIONS

- The sequence of MFMA Circular 63 was not followed.
- Concerns about the none-comments from the public/communities after radio talk shows/interview attempts since November 2015.

6. RECOMMENDATION

1. That Council, after having fully considered the annual report of the municipality and representations thereon, adopts the oversight report and the 2014/2015 Annual Report with reservations, as contained in paragraph five (5) of the report.

2. That the Accounting Officer, in accordance with Section 21 (a) of the Municipal Systems Act, make the oversight report public within seven (7) days of its adoption.
3. That the Accounting Officer of a municipality must submit the Oversight Report to the provincial legislature within seven (7) days.
4. That the following concerns be address by Management and Council:
 - Effective prevention and detection monitoring controls be implemented to ensure compliances with the prescribed supply chain management laws, regulation and policies.
 - Council give priority attention to significant uncertainties such as to the law suits of Lefatshe and Uniondale Correctional Facility as recommended by the Auditor General.
 - Council takes note of the APAC's concerns of the constantly embroilment in forensic audits, litigation and suspension of employees by Eden.
5. That the Municipal Manager and officials be requested to submit quarterly reports with action plans and timeframes which addresses all concerns/issues raised by the Auditor-General and APAC to MPAC.

AANBEVELING

1. *Dat die Raad, na voldoende oorweging, die 2014/15 Jaarverslag van die munisipaliteit en voorleggings hierin, die oorsig verslag met voorbehoud aanvaar, soos vervat in paragraaf vyf (5) van die verslag.*
2. *Dat die Rekenpligtige Beampte, in gevolge Artikel 21 (a) van die Munisipale Stelselwet, die oorsigverslag publiseer binne sewe (7) dae na aanvaarding daarvan.*
3. *Dat die Rekenpligtige Beampte van die munisipaliteit die oorsigverslag binne sewe (7) dae aan die Provinsiale Wetgewer voorsien.*
4. *Dat die volgende bekommernisse deur Bestuur en die Raad aangespreek word:*
 - *Effektiewe voorkoming en opsporings kontrole geïmplementeer word om te verseker dat die vereistes soos voorgeskryf deur verkrygskanaalbestuur, wette regulasies en beleide.*

- *Dat die Raad voorkeur aandag gee aan merkbare onsekerhede soos byvoorbeeld die regsak van Lefatshe en Uniondale Korrektiewe Fasiliteite, aanbeveel deur die Ouditeur-Generaal.*
 - *Dat die Raad kennis neem van die OPOK se bekommernisse ten opsigte van voortdurende verwickelings in forensiese ouditering, litigasie en skors van personeel deur Eden.*
5. *Dat die Munisipale Bestuurder en amptenare versoek word om kwartaalverslae met aksie planne en tydsraamwerke wat die bekommernisse/aangeleenthede aanspreek, soos deur die Ouditeur-Generaal en Oudit & Prestasie Ouditkomitee uitgewys, aan MPRK voorlê.*

ISINDULULO

1. Sesokuba iBhunga, emveni kokuba liqwalasele ngokubanzi ingxelo yonyaka yomasipala kunye nonikezelo lwengxelo ngayo, lamkele ingxelobanzi kunye Nengxelo Yonyaka ka 2014/2015 ngobunono.
2. Sesokuba Igosa Elisegunyeni, ngokulandelwa ngoMhlathi 21(a) womThetho Wenkqubo zoMasipala, wenze ingxelo banzi nezokunikezelwa eluntwini kwintsuku ezisixhenxe yabe yamkele.
3. Sesokuba Igosa Elisegunyeni kumasipala kufuneka linikezele Ngengxelo Ebanzi ephondweni kwintsuku esizixhenxe.
4. Sesokuba ezinxalabo zilandelayo zilunguswe ngabaphathi:
 - Ulawulo olufanelekileyo noluphawulekayo kulawulo lokumiselwan nasekuqinisekiseni ukuthotyelwa kwemithetho ebekiweyo kulawulo lwezencitho, imiqathango kunye nemimiselo.
 - I Bhunga linike ingqwalasela ngakumbi ekungaqinisekini ngemithetho ethile nefana namabango amatyala e Lefatshe kunye Nendawo Yezoluleko yase Uniondale njengoko kundululwe Ngumphocothi Jikelele.
 - Sesokuba I Bhunga lithathe ingqalelo ebanzi inxalabo ze APAC ngokusoloko kungenwa kuphicotho nzulu, ukutyholwa kunye nokunqunyanyiswa kwabasebenzi be Eden.
5. Sesokuba uMphathi Masipala kunye namagiosa bacelwe ukuba banikezele ngengxelo zabo zekota kunye nezicwangciso zamanyathelo kunye namaxesha amisiweyo okukhawulelalana nalemicemlimngeni/ezingxaki neziye zaphakanyiswa kuMphicothi Jikelele kunye ne APAC kwi MPAC.

