

**DC 134/03/17**

**REPORT ON THE OVERSIGHT REPORT FOR THE 2015/16 FINANCIAL YEAR / *VERSLAG RAKENDE DIE OORSIGVERSLAG VIR DIE 2015/16 FINANSIËLE JAAR* / INGXELO MALUNGE NENGXELO BANZI KUNYAKAMALI KA 2015/2016**

(10/1/1)

08 March 2017

**REPORT FROM THE CHAIRPERSON OF MPAC (CLLR V GERICKE)**

**PURPOSE OF THE REPORT**

To submit the Oversight Report to the Committee for recommendation to Council.

**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 2015/2016 Annual Report was tabled on 30 January 2017 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 V Gericke  
Cllr D Xego  
Cllr CN Lichaba  
Cllr AJ Rossouw  
Cllr RE Spies  
Cllr BN Van Wyk  
Cllr T Van Rensburg

## **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.
- A breakdown in terms of highlights per department, to avoid confusion and duplication.
- Highlights must include specific outcomes.

### **3.2 OMISSION ON THE REPORT (MPAC)**

- Concerns about comments from the public/communities after advertising and two radio talk show/interviews during February 2017.
- A critical concern that certain communities are excluded from access to the report, e.g. language, translation and strategic points in terms of accessibility. In order to reach the broader community of the region, funding must be made available.

### **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.

The Committee wishes to draw Council's attention to the Management Report that raised serious audit findings from the financial statements. Refer to **Annexure A**.

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

APAC member, Mr JRN Metelerkamp, took issue to the fact that the COMAF's are included in the Annual Report and his point of view is that only the audit report of APAC, should be included. Focus should be on the Management Report from the Auditor General. **Refer to Annexure B**.

#### **4. COMMENTS FROM PUBLIC OR OTHER ORGANS OF STATE**

None received.

#### **5. CONCERNS**

MPAC was perturbed about the slow pace of transformation and therefore have agreed to refer the following policies for review at Council workshops:

- Supply Chain Policy
- Employment Equity Policy
- Resort Policy
- Budget Related Policies (Tariff Policy; Asset Mangement Policy; Banking, Cash Management and Investment Policy; Credit Control and Debt Collection Policy; Funds and Reserve Policy; Budget Policy; Borrowing Policy; Longterm Financial Management Policy)
- Policies not in place, should be compiled/design in order to meet the current challenges and that Policies and procedures will remain and will be followed up next year. (Cllr Van Wyk)

Lack of Policy for the internal control of objectives, processes and responsibilities as identified by internal audit unit (Cllr Van Wyk)

- The issue of BEE, PPPFA, Tourism and LED has been highlighted as a serious concern to the Committee.
- The lack of an implementation plan in terms of Employment Equity.
- The Management Report of the Auditor General should have been included in the Annual Report that was submitted to Council on 30 January 2017 as well as to MPAC in order to assist the Committee in its deliberations.
- Concerns were raised with regards to access to resorts by historically disadvantage communities.
- Concerns regarding the employment of physical disabled people in Eden District Municipality.

### **UITVOERENDE OPSOMMING**

*Artikel 129 van die MFSW bepaal dat 'n munisipaliteit 'n Jaarverslag oorweeg. Artikel 127 van die Wet bepaal verder dat 'n Oorsigverslag deur die raad oorweeg moet word.*

*Die Jaarverslag het gedien by die MPRK vergaderings gehou op 17 Februarie 2017, 07 Maart 2017. Die Oorsigverslag was bespreek tydens 'n vergadering gehou op 15 Maart 2017.*

### **RECOMMENDATION**

1. That Council, after having fully considered the annual report of the municipality and representations thereon, adopts the oversight report and the 2015/2016 Annual Report without reservations, as contained in the report.
2. That concerns raised by MPAC be brought back to council.
3. 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.
4. That the Accounting Officer of a municipality must submit the Oversight Report to the provincial legislature within seven (7) days.

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.

### **AANBEVELING**

1. *Dat die raad, na voldoende oorweging, die 2015/2016 Jaarverslag van die munisipaliteit en voorleggings hierdie, die Oorsigverslag sonder voorbehoud aanvaar, soos vervat in die verslag.*
2. *Dat die rekenpligtige beampte, in gevolge die bepalings van 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 munisipale bestuurder en amptenare versoek word om kwartaalliks verslae in te dien van aksieplanne en 'n tydsraamwerk wat alle bekommernisse / aangeleenthede uitlig wat duer die Ouditeur-Generaal en MPRK geopper is.*