

**DC 638/03/14**

**REPORT ON THE OVERSIGHT REPORT / *VERSLAG RAKENDE DIE OORSIGVERSLAG / INGXELO YOGONYAMELO***

(10/1/1)

26 March 2014

**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 2012/2013 Annual Report was tabled on 28 January 2014 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. 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;
- 1.1 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

Cllr HJ Floors

Cllr JG Janse van Rensburg

Cllr D van Rensburg

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 Annual Report as tabled comply in general with the guidelines contained in MFMA Circular 63, with exception of Chapter one (1), which proposes the following format for the annual report, 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 2012/13 Annual Report, however, there is still room for improvement.

### **3.2 Omission on the Report (MPAC)**

- 3.2.1 The Municipal overview: Relationship between political structures, office bearers, community and management.

### 3.2.2 Predetermine Objectives

Paragraph 20 of the Auditor General Report: Reliability of Information

*“The information presented with respect to Development priority 2, Development priority 3, Development priority 5, Development priority 6, Development priority 9 was not reliable when compared to the source information and/or evidence provided. This was due to the lack of monitoring of the completeness of source documentation in support of actual achievements.”*

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

### 3.2.3 Comments on the Auditor-General Report:

Council has received an unqualified report.

The Committee draws special attention to the emphasis of matters which were raised in the Auditor General’s Report.

Mention should be made about the challenges namely asset management and expenditure management in terms of paragraph 22 and 23 of the 2012/13 report.

### 3.2.4 Comments on the Audit & Performance Audit Committee Report

The Committee extends its congratulations to Council, Management and Service Providers for their efforts and achievements under difficult circumstances. The Auditor-General has again acknowledged that significant progress has been made since 2011.

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

None received.

## 5. **RESERVATIONS**

- ❖ Action plans drawn up by Management in response to the matters of emphasis raised by the Auditor General in the 2012/13 management letter is currently regarded as work in progress, and the executive mayor is requested to perform a monitoring role and provide overall leadership.

## 6. **RECOMMENDATION**

1. That Council, after having fully considered the annual report of the municipality and representations thereon, adopts the oversight report and the annual report with reservations, and that management be requested to ensure that the action plans are duly implemented.
2. That the Accounting Officer, in accordance with Section 21 (a) of the Municipal Systems Act, make the oversight report public within seven days of its adoption.
3. That the Accounting Officer of a municipality must submit the Oversight Report to the provincial legislature within seven days.
4. That Council approves the format for the compilation of the Annual Report ,and that management adheres to the requirements of MFMA Circular 63.
5. That the Executive Mayor must provide political leadership during the preparation of the Annual Report in terms of oversight and input before the report is tabled before Council, and that the process of the political engagement be spelt out by the Executive Mayor and attached hereto.

6. That the Chairperson of MPAC prepares a schedule of future MPAC meetings until the end of the year, in consultation with the Office of the Speaker, for submission to the next Council meeting for approval and the overall objective is to ensure that the platform is created for MPAC to fulfill its roles and functions, as outlined in the Terms of Reference.
7. That the quality of the Annual Report be included as a Key Performance Indicator in the performance agreements of the Municipal Manager and the Heads of Departments in order to ensure the production of a top class document.

### **AANBEVELING**

1. *Dat die Raad na voldoende oorweging, die Jaarverslag van die munisipaliteit en voorleggings hierin, die oorsig verslag met voorbehoud aanvaar en dat bestuur versoek word om te verseker dat die aksie planne dienooreenkomstig geïmplementeer word.*
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 Raad die formaat van die samestelling van die Jaarverslag goedkeur en dat bestuur voldoen aan die vereistes soos vervat in die MBFBW Omsendbrief 63.*
5. *Dat die Uitvoerende Burgemeester politieke leierskap voorsien gedurende die voorbereiding van die jaarverslag ten opsigte van oorsig en insette alvorens die verslag aan die Raad voorgelê word en dat die proses van politieke samewerking uitgespel word deur die Uitvoerende Burgemeester en hierby aangeheg word.*
6. *Dat die Voorsitter van MPRK 'n skedule van toekomstige MPRK vergaderings voorberei tot die einde van die jaar in samewerking met die Kantoor van die Speaker, vir voorlegging aan die volgende Raadsvergadering vir goedkeuring en die algehele objektief is om te verseker dat die fondasie gestig is vir die MPRK om hul rol en funksies na te kom in soos uiteengesit in die Terme van Verwysing.*

7. *Dat die kwaliteit van die Jaarverslag as 'n Sleutel Prestasie Indikator vervat word in die Prestasie Ooreenkomste van die Munisipale Bestuurder en die Hoofde van Departemente ten einde 'n gehalte produk dokument te verseker.*

## **ISINDULULO**

1. Sesokuba I Bhunga emveni kokuqwalasela ngokupheleleyo ingxelo yonyaka yomasipala kunye nonikezelo lwayo, yamkele ingxelo yoqwalaselo oluphangaleleyo kunye nengxelo yonyaka ngeliso elibukhali, kwaye kucelwe abaphathi ukuba baqinisekise ukuba amanyathelo acetyiweyo amiselwe ngokufanelekileyo.
2. Sesokuba Igosa Elinoxanduva, ngokubikwe kuMhlathi 21(a)woMthetho Wenkqubo zoMasipala, lenze ingxelo yoqwalaselonzulu yaziwe luluntu kwisithuba sentsuku ezisixhenxe yamkeliwe.
3. Sesokuba Igosa Elinoxanduva lomasipala kufuneka linikezele Ngengxelo Yoqwalaselo kwabasemagunyeni ephondweni kwisithuba sentsuku ezisixhenxe.
4. Sesokuba I Bhunga liphumeze indlela equlungqwe ngayo ingxelo yonyaka, kwaye abalawuli bathobeke imiqathango ye MFMA iSazinge 63.
5. Sesokuba u Sdolophu Obekekileyo kufuneka abonakaliso ulawulo ngokwezopolitiko ngethuba kusenziwa inkqubo yoqulunqo lweNgxelo Yonyaka ngokwemiqathango yoqwalaselonzulu kwaye uluvo lwwaphambi kokuba lengxelo ithiwe thaca kwi Bhunga, nokokuba inkqubo yokubandakanywa kwezopolitiko idandalaziswe ngu Sdolophu Obekekileyo kwaye idityaniswe.
6. Sesokuba uSihlalo we MPAC aqulunqe uluhlu lwentlangano zelixa elizayo zonyaka wonke, ngokuqhagamshelana ne Ofisi ka Somlomo, ukuze zinikezelwe kwintlangano elandelayo yeBhunga ukuze liphunyezwe kwaye izimvo ezithile zenziwe ukuqinisekisa kunendlela emiselweyo ukuze I MPAC ifezekise indima kunye nemisebenzi yayo ngokudandalaziswe Yimigaqo Efanelekileyo.
7. Sesokuba umgangatho Wengxelo Yonyaka ubandakanywe njengoyena Ndoqo Obalulekileyo Womsebenzi kwizivumelwano zomsebenzi zoMpathi Masipala kunye Nentloko Zamasebe ngelinge lokuqinisekisa ukuba kuveliswe olonaxwebhu luphambili.

