

## **OVERSIGHT REPORT ON THE ANNUAL REPORT OF THE DR BEYERS NAUDE LOCAL MUNICIPALITY FOR THE 2017/18 FINANCIAL. 9/2/2**

### **INTRODUCTION**

The municipality is legally compelled to prepare an annual report reflecting its services delivery, financial and non-financial performance. The requirements for an annual report are contained in Section 46 of the Local Government: Municipal Systems Act as well as Section 121 of the Local Government: Municipal Finance Management Act. MFMA Circular 11 and the Annual Report Customised Template and Guidelines, provided by the Provincial Department of Local Government and Traditional Affairs, provide guidance to municipalities on compliance with the aforementioned legislation.

A municipal annual report includes the following key elements:

- Annual performance report, evaluating the year's performances against the performance objectives established in the IDP, Budget and Service Delivery and Budget Implementation Plans (SDBIP's);
- Annual financial statements (AFS), Auditor General's (AG) Audit Report on the AFS and management's response to address the AG's audit findings;
- Other disclosures, as required by the MFMA in Sections 121, 123, 124 and 125 (e.g. Councillor and top management compensation, grants, bank account and investment information).

The MFMA directs the annual report to be completed and tabled in Council by 31 January, for the financial year ended the previous 30 June. Council must then review the annual report and adopt an oversight report containing its comments within 60 days.

The MFMA (Section 129 (1)) and National Treasury's (NT) Circular 32 direct and guide the oversight process and the preparation of the oversight report. Circular 32 recommends that Council establish an Oversight Committee to prepare an oversight report, in order that all Councillors be provided with a more detailed and comprehensive analysis of the Annual Report than would have been practical otherwise. This assists Council in providing better oversight over municipal performance.

#### **The annual report:**

- is meant to be a backward-looking document, focusing on performance in the financial year that has just ended; and
- must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the annual report should include the following main components, each of which has an important function in promoting governance and accountability. The main components are:

**The annual performance report as required by section 46 of the MSA:**

- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

Other components required to be included in the annual report are set out in the section 121 of the MFMA and MFMA Circular No 11 issued by National Treasury on 14 January 2005.

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual report of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on each annual report.

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

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

The 2017/18 Annual Report was tabled in Council on 24 January 2019, on schedule.

**Copies of the report were also forwarded to the following as required by the MFMA:**

- Auditor-General
  - ***No comment has been received***
- Provincial Treasury
  - ***No comment has been received***
- Provincial Department of Local Government and Traditional Affairs.
  - ***No comment has been received***
- Audit Committee
  - *Quite a number of abbreviations are used in the report. I recommend that a list of abbreviations be inserted, possibly after Glossary on pg. 28.*
  - *Corrections p5 one; p14 ratio; p18 annual; p34 representative*
  - *P15; p111; p119 employee cost ratio 32% or 35%*
  - *P16 which department?*
  - *P30 few protests. P41 no unrests?*
  - *P41/2 incomplete info for ward 8,9,12,14*
  - *P98 check calculations*
  - *P102 last column; total cost only R60?*

- P111 & P123 no cash at year end/overdraft
- P114 Fire grant R926K. Appendix L (p151) amount omitted?
- P121 no SDBIP attached. see also Appendix D
- P123 consumer deposits actual omitted? Note 3 of AFS R2.9m
- P132 ward committees omitted
- P144 last resolution Y or N omitted
- P146; P164 incomplete
- P43 (T2.6.0) & P44 (T2.7.1) states municipality have Fraud and anti-corruption strategy/plan. AG management report paragraph 112 and 114 states contrary.

## **COMMENT/INPUT/REPRESENTATION**

Very little comment has been received from the public. However, the comment received focuss on service delivery issues rather than the content of the Annual Report itself. A few Councillors also contributed by pointing out errors in grammar, spelling and discrepancies with statistics.

## **PROCESS FOLLOWED**

On 24 January 2019, Council referred the 2017/18 Annual Report to the Municipal Public Accounts Committee (MPAC), which performs the function of an Oversight Committee. The Committee is made up as follows:

- Cllr W Safers – Chairperson of MPAC
- Cllr A Booysen
- Cllr E Carolus
- Cllr D Bezuidenhout
- Cllr L Langeveldt

**The Committee based its work on the following documents:**

- 2017/18 Annual Report
- 2017/18 Service Delivery and Budget Implementation Plan (SDBIP), incorporated in the Annual Report
- MFMA
- NT's Circular 32 – The Oversight Report
- NT's Circulars 11 and 63 – The Annual Report

The Municipal Public Accounts Committee values community participation in the oversight process. In this regard, the following initiatives were made:

- An invitation to the public to submit comments on the Annual Report was advertised in the local printed media on 7 February 2019 (*Mid-Karoo Express*) and posted (late) on the municipal website. Notices were placed on notice boards at all libraries and municipal offices. See Annexure A
- A schedule of the 2017/18 Annual Report Public Participation meetings that took place from 4 March 2019 to 8 March 2019. See Annexure B
- The meetings of the Municipal Public Accounts Committee were open to the public and the media.

## SUMMARY OF COMMENTS OF THE OVERSIGHT COMMITTEE ON THE ANNUAL REPORT OF 2017/18

Management has provided a checklist which enabled the Committee to make determinations regarding the 2017/18 Annual Report. The determinations made by the Oversight Committee are included in the check list attached as ANNEXURE C.

### CONCLUSIONS AND RECOMMENDATIONS

The conclusions and recommendations of the Municipal Public Accounts Committee are presented in two sections, as reflected below:

- **Compliance issues** – This section contains the Committee's comments on whether the 2017/18 Annual Report included the items required by the MFMA and followed the guidance provided by NT Circular 32.
- **Other Annual Report issues** – This section contains the Committee's substantive comments on the Annual Report and other issues raised by the Committee.

#### Compliance Issues

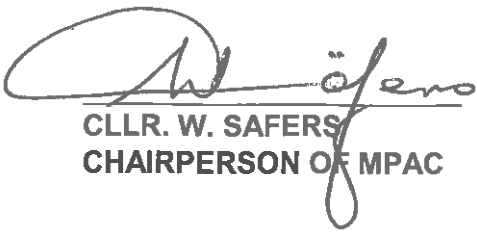
The Annual Report complies with the requirements of the Municipal Systems Act and the Municipal Finance Management Act (MFMA), National Treasury guidance on the content of annual reports, as well as the *Customised Template and Guidelines for Annual Reports* provided by the Provincial Government.

#### Other Annual Report issues

The Committee expressed concern at the huge amount for irregular expenditure dating from the 2016/17 financial year and which will have a severe impact on the municipality's finances unless being dealt with decisively. The Committee further noted with concern that some Councillors, who attended the public hearings, questioned the processes approved by Council regarding the Annual Report. The efforts of Management towards the Annual Report process is much appreciated. Management is requested to do more advocacy in future around the Annual Report which will ensure that areas such as Waterford, Rietbron and Baviaans Kloof are also included with the public hearings. Attached as Annexure D is a copy of the minutes of the Committee held on 20 March 2019 during which the Oversight Report was produced.

### RESOLVED

- (a) That the 2017/18 Oversight Report together with the 2017/18 Annual Report of the Dr Beyers Naude Local Municipality be adopted with reservations.
- (b) That the reservations referred to in (a) above be forwarded to Council, in a separate report, for discussion and consideration.
- (c) That the Oversight Report in (a) above be made public in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003
- (d) That the Oversight Report and 2017/18 Annual Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Local Government: Municipal Finance Management Act, 2003.

  
CLLR. W. SAFERS  
CHAIRPERSON OF MPAC

30-04-2019  
DATE