

**FRANCES BAARD
DISTRICT MUNICIPALITY**



**OVERSIGHT REPORT ON THE ANNUAL REPORT
2009/2010**

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1. INTRODUCTION

Frances Baard District was categorized as a medium capacity municipality by National Treasury in terms of the implementation of the Municipal Finance Management Act, 56 of 2003 (MFMA).

The 2009/2010 Annual Report was tabled to Council on the 19th of January 2011 in compliance with the MFMA which requires under Section 127(2) that:

i) "The 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".

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

i) The annual performance report as required by section 46 of the MSA;

ii) Annual Financial Statements submitted to the Auditor-General;

iii) The Auditor-General's audit report on the financial statements in terms of Section 126 (3) of the MFMA; and

iv) The Auditor-General's audit report on performance in terms of Section 45 (b) of the MSA.

c) Section 129 of the MFMA requires the council to consider the annual report of its municipality and to adopt an Oversight Report containing the council's comments on the annual report.

2. OVERSIGHT COMMITTEE

An Oversight Committee was established by Council resolution COUN 02 07/06 in terms of sections 33 and 79 of the Municipal Structures Act, 117 of 1998. The Committee consists of:

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|-------------------|--|
| Mr G Mashope | Chairperson (former Secretary to the Legislator) |
| Mr M van Niekerk | Retired Chartered Accountant |
| Cllr K J de Kock | Finance Committee member |
| Cllr M Hattingh | Finance Committee member |
| Cllr T S Kgaladi | Finance Committee member |
| Cllr L O Mothomme | Finance Committee member |

3. COMMENTS ON ANNUAL REPORT

The Committee considered the Annual Report for 2009/2010 according to a checklist provided by National Treasury in MFMA Circular No. 32 for this purpose and reports as follows:

3.1 Comments by community and other stakeholders

No response was received by the municipality in response to the invitation for comments on the Annual Report placed in a local newspaper on the 20th January 2011.

3.2 Council bank account disclosures

Only one bank account for Council has been disclosed in the annual report. Council has only the ABSA bank account and investment accounts. The disclosure of the investment accounts is not a requirement.

3.3 Obituary – Mr T Nosi

An obituary for the late Mr T Nosi has not been included in the annual report. The “Message from the Municipal Manager” is however the last piece of material written by Mr Nosi and was captured as his contribution to the annual report.

3.4 Clarity on financial issues

Some questions on clarity were raised on the matters below:

- Issues related to the financial statements i.e.
 - The page numbers on the Auditor-General’s report were omitted
 - The capital replacement reserves was less in 2009/10 as compared to 2008/09
 - The information received from the Cape Retirement Fund stated information dating back to 2006 and is not reflecting annual information

3.5 Criteria for the allocation of funds to local municipalities

The funds allocated to local municipalities in the 2009/10 financial year were distributed equally. In previous years the amounts allocated to the local municipalities differed because the district municipality funded actual projects. In the 2009/10 financial year the district municipality co-funded on the MIG projects.

3.6 Operation and Maintenance (O&M)

The amount for O&M doubled in 2009/10 as compared to 2008/09. There is an enormous need for O&M at the local municipalities. O&M is not done on a needs or application basis but is determined by the municipalities. The allocation towards O&M started at R350,000 and has steadily increased to R10m which is used to support the O&M at the local municipalities.

3.7 Clarity on human resource related issues

Some questions on clarity were raised on the matters below:

- The popularity of the employee assistance programmes should be monitored to determine which is the most preferred by the employees
- The 2009/10 Annual Report does not include a report on employment equity, although there seem to be progress in attaining equity
- The balance in terms of gender distribution seems to be in order. However, the female representation at directors and corporate managers' level is skewed in favour of males
- Salaries and wages comprise almost 66.67% of the remuneration packages. Section 57 employees and those managers who have been appointed on a contract basis can structure their packages. The remuneration packages of permanent employees are regulated by the bargaining council agreement and legislation which is within the norm of 35% in terms of salaries versus total operational expenditure
- The report indicates that 120 employees were eligible for long service bonuses. The provision is a requirement of GRAP and is provided for under Council liability as calculated by an actuary in terms of all employees in the service of Council.

4. RESOLUTIONS AND STATEMENT REQUIRED BY MFMA s129(1)

4.1 Council having fully considered the Annual Report of the Frances Baard District Municipality for 2009/2010 adopts the Oversight Report.

4.2 Council approves the Annual Report without reservations.

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CHAIRPERSON

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DATE