

**ITEM: COUN 02 03/2014**

**OFFICE OF THE MUNICIPAL MANAGER: *MPAC AND OVERSIGHT COMMITTEE REPORT ON THE 2012/2013 ANNUAL REPORT***

(10/2/1/1) (GR) (COUNCIL MEETING: 25 MARCH 2014)

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**The Municipal Manager reports as follows:**

“The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Finance Management Act, 56 of 2003 (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.

Thus the two committees as appointed by Council as follows:

The Municipal Public Accounts Committee (MPAC) appointed by Council to amongst others oversee the content of the Annual Report on its behalf sat on the 25<sup>th</sup> February 2014. The MPAC Oversight Report is attached as **Annexure 12. (MR 1 – MR 3)** The minutes of the MPAC meeting are attached as **Page MP 1 – Page MP 6.**

The Oversight Committee appointed by Council to oversee the content of the Annual Report on its behalf also sat on the 25<sup>th</sup> February 2014 to consider the report. The Oversight Report is attached as **Annexure 13. (OR 1 – OR 2)** and minutes of the Oversight Committee meeting are attached as **Page OV 1 – Page OV 7.”**

**The Municipal Manager recommends as follows:**

**RECOMMENDATIONS TO COUNCIL**

- 1. Council having fully considered the Annual Report of the Frances Baard District Municipality adopts the MPAC Oversight Report.**
- 2. Council having fully considered the Annual Report of the Frances Baard District Municipality adopts the Oversight Committee Report.**
- 3. Council approves the 2012/13 Annual Report without reservations**

**COUNCIL MEETING:**

**25 March 2014**

**RESOLVED**

1. Council fully considered the Annual Report of the Frances Baard District Municipality adopted the MPAC Oversight Report.
2. Council fully considered the Annual Report of the Frances Baard District Municipality and adopted the Oversight Committee Report.
3. Council approved the 2012/13 Annual Report without reservations



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**SIGNED BY MUNICIPAL MANAGER**

27 March 2014

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**DATE**

**FRANCES BAARD  
DISTRICT MUNICIPALITY**



**OVERSIGHT COMMITTEE REPORT ON THE  
2012/2013 ANNUAL REPORT**

## **1. INTRODUCTION**

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

The 2012/2013 Annual Report was tabled before Council on the 22<sup>nd</sup> of January 2014 in compliance with the MFMA which requires under section 127(2) that:

- a) "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 (the 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 as amended. In February 2012 the Council resolved (MAY 01 02/12) that the new members of the Finance Committee should continue the roles and responsibilities of the Oversight Committee as contained in the National Treasury Guidelines. The Committee consists of:

Mr G Mashope	Chairperson (former Secretary to the NC Provincial Legislature)
Mr T Mabotsa	Chartered Accountant
Councillor J Smit	Finance Committee member
Councillor S Witkoei	Finance Committee member
Councillor B Springbok	Finance Committee member
Councillor DJP van der Merwe	Finance Committee member

## **3. COMMENTS ON ANNUAL REPORT**

The Committee considered the annual report for 2012/2013 according to a checklist provided by National Treasury in MFMA Circular No. 32 and Circular No. 63 for this purpose and reports as follows:

### **3.1 Review of inputs**

No inputs were received by the municipality in response to the invitation for comments on the draft annual report for 2012/2013 placed in local newspapers on 28 January 2014 and the FBDM website. No members of the public or the Office of the Auditor-General were invited to the oversight meeting. However, the draft annual report was sent to the Office of the Auditor-General.

### **3.2 Funding and support to local municipalities**

The support given to local municipalities in terms of housing projects excludes Sol Plaatje municipality. This municipality has level 2 accreditation and is therefore able to implement its own housing projects. Although slow spending of funds allocated to local municipalities is a concern, monies allocated to municipalities cannot be recalled as this could hamper service delivery to affected communities. Phokwane municipality has however improved and is spending the money allocated to them as expected.

### **3.3 Audit action plan**

The remedial action plan did not include remedial actions for points 22 & 23 of the Auditor-General's report, which refer to the lack of approved policies and procedures with regard to recording, processing and reporting on predetermined objectives. Performance information in auditing is a new concept and the completeness and reliability of information currently relies on the judgement of the auditor as to the materiality of issues.

### **3.4 Housing backlog as a proportion of the current demand**

The accuracy of the figures used to determine the housing backlog as a proportion of the current demand is questionable and should be reviewed. Housing backlog figures as provided by Statistics SA will always differ from the current actual demand as the actual demand changes and does not remain static as compared to the backlog.

### **3.5 *Diamonds and Dorings Festival***

The contribution to the *Diamonds and Dorings Festival* is seen as assisting towards the enhancement of the economic viability of the Sol Plaatje municipality. Budgetary provision has been made to the municipality for three financial year that commenced in 2012/13 and will be given in the 2014/15 financial year; with Council to decide on the contribution for the third outer year (2015/16).

### **3.7 By-laws**

Although a global picture of how many by-laws the current Council has developed to date would be ideal, the annual report format prescribed by National Treasury was used. This format confines the municipality to report only on by-laws that were passed in the financial year under review.

### 3.8 Commendations:

- The municipality achieved 90% of its target set for 2012/13 for delivering housing units in Magareng

### 3.9 Areas for verification

- **Households with access to basic housing (pg. 74)**
  - Figures acquired from the Department of Cooperative Governance, Human Settlements and Traditional Affairs for 2009/10 – 2012/13 regarding the percentage of households with access to basic housing, should be verified to ensure that the correct figures are shown in the final report.
- **Special projects expenditure 2012/13: Programme management & advisory services (pg. 78)**
  - The way figures are presented in the table can be confusing to the reader and a footnote should be inserted to explain how the breakdown of figures should be interpreted.

### 3.10 Areas to be revised:

Area	Observation / Proposal to rephrase
Totals in tables throughout the report are misleading. The way it is captured is confusing the reader.	Check all tables in terms of the capture of amounts according to the abbreviation “R,000”
The alignment of financial figures in tables throughout the report.	The alignment of financial figures in tables throughout the report should be rectified i.e. if the figures in the first table is right aligned then all tables following should be formatted the same.
<u>Page 40:</u> Next to the heading: Recovering and / or writing off irregular expenditure”, the first bullet point starting with “Council notes the report on irregular expenditure .....”	The first bullet point should be combined with the second bullet point so that it reads as follows: “Council notes the report on irregular expenditure for the period July 2005 till the end of June 2012 to the total amount of R11,173,359-14 the recovery or certification is irrecoverable and written off”.
<u>Page 73:</u> The heading “job creation” does not correlate with the way the job opportunities have been presented.	The heading should be revised to read as follows: “Number of people employed” as the table indicates the number of people that were employed.

<p><u>Page 75 &amp; 78:</u> The word “Other” appears with an asterisk indicating a footnote should appear on the page.</p>	<p>The footnote should be moved from page 76 to be on the same page as where the indication of a footnote appears. Should there be more than one footnote on a page, it should be noted with a numbering starting at 1.</p>
<p><u>Page 173:</u> The phrase “<i>Net surplus for the year – before discontinued operations</i>” as well as the phrase “<i>Net surplus for the year – after discontinued operations</i>”.</p>	<p>The phrases should be revised to read as follows: “<i>Net surplus/(deficit) for the year – before discontinued</i>” and “<i>Net surplus/(deficit) for the year – after discontinued</i>”.</p>
<p><u>Page 175:</u> The phrase “<i>Net increase in cash and cash equivalents</i>”</p>	<p>The phrase should be revised to read as follows: “<i>Net (decrease)/increase in cash and cash equivalent</i>”.</p>
<p><u>Page 214:</u> Under the heading “Post retirement benefits: Frances Baard” as well as “Post retirement benefits: Roads, the phrase “<i>Transfer of current portion – note</i>”</p>	<p>The phrases should be revised to read as follows: “<i>Transfer of current portion – note 5</i>”</p>
<p><u>Page 217:</u> The columns containing totals at the bottom of the page</p>	<p>The columns containing the totals should be aligned to the rest of the columns above.</p>

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