

ITEM: COUN 01 03/2016

OFFICE OF THE MUNICIPAL MANAGER: *AUDIT PERFORMANCE AND RISK, MPAC AND OVERSIGHT COMMITTEE REPORTS ON THE 2014/2015 ANNUAL REPORT*

(10/2/1/1) (GR) (COUNCIL MEETING: 23 MARCH 2016)

The Municipal Manager reports as follows:

Section 129 of the Municipal Finance Management Act, 56 of 2003 (MFMA) requires the council to consider the annual report and to adopt an oversight report compiled by its oversight committee; the municipal public accounts committee (MPAC) and the audit and risk committee.

Thus the three committees as appointed by Council sat as follows:

The Audit Performance and Risk Committee, appointed by Council with the primary purpose of advising Council, political office bearers and the accounting officer on matters relating to Section 166 (2) – (3) of Municipal Finance Management Act and other applicable laws and regulations, sat on 03 February 2016 to consider the report. As part of its functions the committee has to assess the annual report of the municipality and make recommendations to the MPAC and external oversight committees. The Audit Committee oversight report is attached as ***annexure 8 (AR 1 – AR 4)***.

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 15 February 2015. The MPAC oversight report and minutes the meeting are attached as ***annexure 9***.

The oversight committee appointed by Council to oversee the content of the annual report on its behalf also sat on the 11 February 2015 to consider the report. The oversight report and minutes of the meeting are attached as ***annexure 10***.

The Municipal Manager recommends as follows:

RECOMMENDATIONS

- 1. Council having fully considered the annual report of the Frances Baard District Municipality adopts the Audit Performance and Risk Committee oversight report.**
- 2. Council having fully considered the annual report of the Frances Baard District Municipality adopts the MPAC oversight report.**
- 3. Council having fully considered the annual report of the Frances Baard District Municipality adopts the oversight committee report.**
- 4. Council approves the 2014/15 annual report without reservations.**

RESOLVED

- 1. Council having fully considered the annual report of the Frances Baard District Municipality adopted the Audit Performance and Risk Committee oversight report
- 2. Council having fully considered the annual report of the Frances Baard District Municipality adopted the MPAC oversight report.
- 3. Council having fully considered the annual report of the Frances Baard District Municipality adopted the oversight committee report.
- 4. Council approved the 2014/15 annual report without reservations.


.....
MUNICIPAL MANAGER

31 March 2016
.....
DATE

**FRANCES BAARD
DISTRICT MUNICIPALITY**



**OVERSIGHT COMMITTEE REPORT ON THE
2014/2015 ANNUAL REPORT**

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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 2014/2015 draft annual report was tabled before Council on 9 December 2015 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 T Mabotsa | Chartered Accountant |
| Ms R van Rensburg | Teacher / Lecturer |
| 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 2014/2015 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 2014/2015 placed in local newspapers on 18 January 2016 and the FBDM website. The draft annual report was reviewed by the audit, performance and risk committee. The Office of the Auditor-General was invited but did not attend. However, the draft annual report was submitted to the Auditor-General's office. No members of the public were invited to the oversight meeting.

3.2 Analysis of annual report

3.2.1 Audit report of the Auditor-General

The version of the Auditor-General's audit report included in the draft annual report has discrepancies. The signed audit report as received from the Auditor-General must be used.

3.2.2 Inclusion of previous Director: Corporate & Community Services' details

The details of the previous Director: Corporate & Community Services were still captured in the annual report because she was still employed by the municipality during 2014/15 and therefore her details must still appear in the annual report.

3.2.3 Housing

Only 5 housing units were completed in Bufferzone 220 even though R13,320,306 was spent in this area. This figure is correct as the amount included infrastructure services such as water and sanitation.

3.2.4 Master plan for roads infrastructure and maintenance plan for Phokwane local municipality

The FBDM assisted Phokwane local municipality with the compilation of a master plan for roads infrastructure and a maintenance plan. The plan requires a detailed assessment of the condition of roads to ensure that accurate guidelines for development and maintenance are included and that is the reason why the project value is R1,200,000.

3.2.5 Receipts from ratepayers

Receipts from ratepayers have decreased from R 1,204,829 at the end of June 2014 to R 39,198 at the end of June 2015 because it relates to the hiring out of facilities of the municipality for meetings. This also relates to the hiring of the grader by the local municipalities. In the year under review the facilities were not available due to maintenance for a period and a decrease in actuarial gains.

3.2.6 Annual financial statements (AFS)

The AFS contain items with zero figures; which have been clarified with the office of the Auditor-General for exclusion in future reports.

3.2.7 Workforce expenditure

The exact amount by how much the 35% norm was exceeded for workforce expenditure is not indicated consistently in all instances where it is referred to in the report.

3.2.8 Chapter 5 introduction

To ensure reader understanding and correct interpretation of facts, more explanation should be added in paragraph 2 of the introduction for chapter 5 and to show the comparison of the previous year with the year under review.

3.2.9 Areas to be revised:

| Area | Observation / Proposal to rephrase / edit |
|---|---|
| <u>Page 9:</u> In the table the sentence describing the priority area for Magareng municipal area has grammatical errors. | The sentence should read as follows: “Housing and land is rated highest, followed by water and youth development.” |
| <u>Page 14:</u> Third paragraph, the sentence starting with “All these provisions...”. | The word “is” should be “are”. |
| <u>Page 71</u> The value for the procurement of a 10liter water tanker is written incorrectly. | The value should be written as “2 714” |
| <u>Page 86</u> Under the heading “Managing the municipal workforce”, the last sentence of paragraph 2 that starts with “This was done to address....”; is incorrect. | The sent ence should read as follows: “This was done to address the challenge of shortage of scarce skills / expertise such as engineers, IDP professionals, internal auditors, housing, finance related personnel, etc. as well as the annual increase (6.79%) that was implemented on 1 July 2014 for the 2014/2015 financial year.” |
| <u>Page 88</u> The rand value abbreviation (R’000) on page 88 is incorrect as it reflects amounts in millions. | The correct abbreviation that should be used is “(R)” |

3.2.10 Observations

- No reference is made to the role played by the district municipality in terms of activities related to the Sol Plaatje University as the municipality make allocations to Sol Plaatje local municipality in terms of the local municipality's integrated development plan projects.
- The annual financial statements (AFS) are audited by external auditors and not reviewed as indicated on page 131.
- The report of the Auditor-General is listed in the index of the AFS but is included in chapter 1 of the annual report only. In terms of readability the report should be included in the AFS.
- The amounts indicated for cash and investments on page 104 are a reflection of the 2013/14 financial year and should be corrected to indicate the figures for the year under review.
- The financial ratio graphs should include commentary on key drivers of movement on the graphs to improve reader understanding.

3.2.11 Commendations

The Committee commended the municipality for managing to maintain the status quo from the previous year by receiving an unqualified audit outcome with no findings from the Auditor-General for the 2014/15 financial year.

-- END --