

**ITEM: MAY 01 03/2013**

**OFFICE OF THE MUNICIPAL MANAGER: MPAC COMMITTEE AND  
OVERSIGHT COMMITTEE REPORT ON THE 2011/2012 ANNUAL REPORT**

**(10/2/1/1) (GR) (MAYORAL COMMITTEE MEETING: 19 MARCH 2013)**

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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 sat 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 07<sup>th</sup> February 2013.

The MPAC Oversight Report is attached as **Annexure 1. (Pg.MP OVR 1 – Pg. MP OVR 3).**

The minutes of the MPAC meeting is also attached as **Annexure 2. (Pg. MPAC 1 – Pg. MPAC 3)**

The Oversight Committee appointed by Council to oversee the content of the Annual Report on its behalf also sat on the 06<sup>th</sup> March 2013 to consider the report.

The Oversight Report is attached as **Annexure 3. (Pg. OVR 1- Pg. OVR 5)** and minutes of the Oversight Committee meeting is attached as **Annexure 4 (Pg. OC 1 – Pg. OC 7).”**

**The Municipal Manager recommends as follows:**

**RECOMMENDATIONS**

- 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 Annual Report without reservations.**

### Issues raised

#### MPAC report

- *The Municipal Manager explained that after tabling the draft Annual report to Council the same report has to be tabled to the MPAC.*
- *The MPAC corrected misprints from the report and no content issues were raised.*

#### Oversight Committee report

- *The Municipal Manager reported that the Councillors from the Finance committee failed to attend the oversight committee meeting in February 2013 and due to their absence the meeting could not take place and was postponed to the 06<sup>th</sup> of March 2013.*
- *On 06 March 2013 the Councillors did not again pitch up and the meeting continued without them.*
- *The Oversight committee raised the following:*
  - *In future the Audit report should form part of the Annual report.*
  - *The Auditor-General should be invited to attend the next Oversight committee report.*
  - *The salary bill of Councilors and Officials' should be separated.*
  - *The decrease of property, plant and equipment from R51m to R46m was explained to the committee*
- *Non- attendance of the Councillors*
  - *The Executive Mayor reported that she will take the matter up with the Councillors.*

### RECOMMENDATIONS TO COUNCIL

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

### RESOLVED

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

***APPROVED AT COUNCIL MEETING:***

***27 MARCH 2013***

**FRANCES BAARD  
DISTRICT MUNICIPALITY**



**OVERSIGHT COMMITTEE REPORT ON THE  
2011/2012 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 2011/2012 Annual Report was tabled before Council on the 12<sup>th</sup> of December 2012 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 M van Niekerk	Retired 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 2011/2012 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 previous inputs**

No response was received by the municipality in response to the invitation for comments on the draft annual report for 2011/2012 placed in local newspapers on 16 January 2013 and the FBDM website. The Municipal Public Accounts Committee (MPAC) reviewed the draft annual report on 07 February 2013 and the corrections/inputs of this committee have been captured.

### **3.2 Audit Committee Report**

The audit committee report has not been included in the annual report. It should be included in future.

### **3.3 Revaluation of property / Impairment**

The revaluation of property has increased by almost R16m although the property, plant and equipment has decreased from R51m to R46m. Normally when revaluation is done assets go up. The main cause for this was on the impairment to the council chambers to the value of almost R18m. However, the net value reflects under property, plant and equipment inclusive of any additions, depreciation/impairment.

### **3.4 Sundry Creditors**

There was no breakdown of the sundry creditors in the financial statements. However, the breakdown of sundry creditors was captured in the working papers for the Auditor-General and all creditors were settled within the 30 days as prescribed by the MFMA.

### **3.5 Non-cash unauthorised expenditure**

As a result of the impairment on the council chambers the budget was exceeded resulting in unauthorised expenditure (as per Section 15 of the MFMA). However, through the revaluation of the council chambers this unauthorised expenditure was ratified by Council in July 2012.

### **3.7 Attendance of the oversight meeting by the Office of the Auditor-General**

The Office of the Auditor-General has not been invited to attend the oversight committee meeting and this should be rectified in future.

### **3.8 Banking Services**

A long term contract has been entered into with Standard Bank for the banking services required by the municipality.

This was done because it is a requirement by legislation and the policy of the municipality that after six months of the advent of the term of office of the new council the municipality must go out on tender to acquire banking services. The contract entered into with Standard Bank was for more than three years and therefore had to be disclosed accordingly.

### **3.9 Repairs and maintenance on the Executive and Council vote**

Although the repairs and maintenance of the executive and council indicated a variance of - 119% the expenditure is based on actual needs which cannot be predicted. However, the cost involved did not have a significant impact.

### **3.10 HR policies and plans**

The HR policies and plans indicated in the annual report are all reflected as being in draft stage. However, the district municipality does have approved policies in place as per the prescriptions of the bargaining council and the report should indicate which policies are up for review and which are waiting for approval by Council.

### **3.11 Remuneration of councillors and officials**

Although the remuneration of councillors and officials is reflected together, it is regulated by the National Treasury Guidelines which specified the 35% threshold norm and does not differentiate between councillors and officials.

## **COMMENDATIONS:**

- The municipality produced a quality report with regard to the financial statements
- The municipality showed a gradual decline in staff turnover rates as it has dropped from 66.67% in 2009/10 to 22.58% in 2011/12
- The municipality showed a drop in the total outstanding service debtors. *(This however was due to the fact that the DMA property rates and services have been transferred to the local municipalities. A footnote explaining the drop must be included on the graph depicting this information)*
- The municipality has improved on gender representation at senior management level with the appointment of a female municipal manager

## AREAS TO BE REVISED:

Area	Observation / Proposal to rephrase
<p><u>Page 45:</u></p> <ul style="list-style-type: none"> <li>Under the heading “housing”. The second paragraph, the second sentence that starts with, “Within a short space of time.....”</li> </ul>	<p>Remove statement - The statement is too general and does not say anything of value.</p>
<p><u>Page 65:</u> The graph indicating the disaster management support expenditure.</p>	<p>Elaborate more on what the graph represents. Explain the spending patterns.</p>
<p><u>Page 71:</u> The table “<i>Financial Performance 2011/12: The Executive and Council</i>” a section for “<i>Other</i>” is indicated.</p>	<p>This could be put in as a footnote to explain what “Other” is. In all tables where the “Other” section appears it could be moved to the footnote, with details on what it includes.</p>
<p><u>Page 95:</u> The table “Number of days and cost of sick leave”.</p>	<p>The figures are not making sense. Revisit the table and verify the figures in the following columns:</p> <ul style="list-style-type: none"> <li>“<i>Employees using sick leave</i>” - the table indicates that all staff have been sick and has used sick leave in the year.</li> <li>“<i>Estimated cost</i>” – the table indicates costs as R,000. The figures have been captured as actual and not rounded off. <b>Note:</b> check all tables in terms of the capture of amounts according to the abbreviation “<i>R,000</i>”</li> </ul>

## CORRECTIONS:

- On page 94 the 36.23% indicated is incorrect and should read as 1.23%
- On page 94 the sentence starting with “During 2011/2012...” should read as follows: “During 2011/2012, FBDM had exceeded the norm by 1.23%”
- On page 94 verify the amount of R 31,783,065
- Insert cross reference to page 236 – 238 of the financial statements (notes) to further explain the remuneration of councillors and officials
- The breakdown on the graph “*Total Outstanding Service Debtors*” on page 112 in terms of the percentages should be checked for correctness
- The breakdown on the graph “*Employee Costs*” on page 114 must be verified as to whether it should not have been reflected as rand value instead of percentage
- “*Appendix A - Councillors; Committee Allocation & Council Attendance*” on page 130 must be completed in full. The percentage for attendance and non-attendance has been calculated incorrectly. The figures have not been expressed as a percentage. The full time and part time column has been left blank and should be populated.

- Appendix J on page 143 has not been completed and should be removed if the information for this table is not available.

**-- END --**