

ITEM: COUN 01 03/2015

OFFICE OF THE MUNICIPAL MANAGER: *MPAC COMMITTEE AND OVERSIGHT COMMITTEE REPORT ON THE 2013/2014 ANNUAL REPORT*

(10/2/1/1) (GR) (COUNCIL MEETING: 23 MARCH 2015)

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.

Both the Municipal Public Accounts and oversight committees considered the annual report. The committees sat on 23 February and 25 February 2015 respectively.

The MPAC oversight report is attached under **annexure 5** and marked **MR 1 – MR 3** and the minutes are attached and marked **MP 1 – MP 9**.

The oversight report is attached under **annexure 6** marked **OR 1 – OR 7** and minutes of the oversight committee meeting are marked **OV 1 – OV 6**.

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. Subject to 1 and 2 above, Council approves the 2013/14 annual report without reservations.**

RESOLVED

1. Council having fully considered the annual report of the Frances Beard District Municipality adopted the MPAC oversight report.
2. Council having fully considered the annual report of the Frances Beard District Municipality adopted the oversight committee report.
3. Subject to 1 and 2 above, Council approved the 2013/14 annual report without reservations.



MUNICIPAL MANAGER

01 April 2015

DATE

**FRANCES BAARD
DISTRICT MUNICIPALITY**



**OVERSIGHT COMMITTEE REPORT ON THE
2013/2014 ANNUAL REPORT**

CONTENT

1. INTRODUCTION	3
2. OVERSIGHT COMMITTEE	3
3. COMMENTS ON ANNUAL REPORT	3
3.1 Review of inputs	4
3.2 Analysis of annual report.....	4
3.2.1 Inclusion of previous CFO details	4
3.2.2 Municipal Manager’s overview	4
3.2.3 Expenditure on firefighting	4
3.2.4 Full-time equivalent on vacancies.....	4
3.2.5 Observations.....	4
3.2.6 Commendations	5
3.2.7 Areas for verification	5

Annexure A: Audit Committee comments on Annual Report for 2013/14

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 2013/2014 Annual Report was tabled before Council on the 11th of December 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 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 2013/2014 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 2013/2014 placed in local newspapers on 19 January 2015 and the FBDM website. 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 Inclusion of previous CFO details

The details of the previous CFO were still captured in the annual report because he only left the employ of the municipality in January 2014 and therefore his details must still appear in the 2013/14 annual report. The new CFO's details will then appear in the 2014/15 annual report.

3.2.2 Municipal Manager's overview

The overview refers to an unqualified audit opinion with no matters of emphasis but the wording in the Auditor-General's Report could confuse the reader in thinking that there were matters raised. However, the Auditor-General indicated that the municipality received an unqualified audit report without matters of emphasis.

3.2.3 Expenditure on firefighting

No expenditure was indicated for firefighting because the municipality does not employ fire fighters but works closely with organisations such as "Working on Fire". The main focus area for the district municipality is disaster management and firefighting is a subset thereof.

3.2.4 Full-time equivalent on vacancies

The vacancy rate for a position in the Human Resource Unit showed a percentage which was higher than 100%. This is due to how the full-time equivalent formula provided by the annual report template calculates the figure. The full-time equivalent represents the total number of working days lost while a post remains vacant. This full-time equivalent is then divided by the number of posts within the same set to calculate the vacancy as a percentage of the total posts.

3.2.5 Observations

- There is no numbering scheme used in the chapters which makes it difficult to follow. A numbering structure should be implemented throughout the document.

- All time periods indicated in tables throughout the report should be verified to ensure that it is captured as “2013/14”, for the year under review.

3.2.6 Commendations

The Committee commended the municipality:

- For ensuring that it maintains its unqualified audit opinion as not many municipalities are able to achieve such.
- For despite difficult conditions in which municipalities operate and the massive challenges, the municipality kept itself accountable.
- For keeping its financial performance within the acceptable norms and that it had no adverse findings for supply chain management.
- For managing its financial matters according to the prescripts.

3.2.7 Areas for verification

- The Auditor-General’s office should be consulted to confirm that the audit report received was the final version and whether it should be signed.
- The organisational performance scorecard that will be published as part of the final version of the annual report must match exactly what was provided to the Auditor-General’s office.

3.2.8 Areas to be revised:

Area	Observation / Proposal to rephrase / edit
<p><u>Page 15:</u> The first sentence starting with “According to the financial year....”, the word “efficiency” is used incorrectly.</p>	<p>The correct word that should be used is “efficient”.</p>
<p><u>Page 16:</u> The time period is incorrect in the table referring to “Total capital expenditure.</p>	<p>The time period should read: “2011/12 – 2013/14”.</p>
<p><u>Page 17:</u> The first sentence starting with “The thrust of this focus area is....”, the word “meeting” is used incorrectly.</p> <p>In the first sentence of the second last paragraph, the word “quite” is spelled incorrectly and should be corrected.</p>	<p>The correct word is “meet”.</p>

Area	Observation / Proposal to rephrase / edit
<p><u>Page 61:</u> The date was captured incorrectly in the table referring to “Special projects expenditure”.</p>	<p>The heading of the table must read as follows: “Special projects expenditure 2013/14: Programme & Advisory Services”.</p>
<p><u>Page 62:</u> Under the heading “Procurement of refuse truck”, the sentence starting with “One 21cm³ 12,5 to truck...” has grammatical errors.</p>	<p>The sentence should be revised to read as follows: “One 16m³ 12,5 ton truck was procured and delivered to Dikgatlong Municipality in April 2014 at a total cost of R1,984,090.”</p>
<p><u>Page 63:</u> Under the heading “Procurement of sanitation trucks”, the first monetary value in the sentence that starts with “Two 8000 litres sanitation trucks.....” has been captured incorrectly.</p>	<p>The monetary value should be captured as “R1,570,408”</p>
<p><u>Page 64:</u> The heading, “Challenges” should move to the next page.</p>	
<p><u>Page 83:</u> The table referring to “<i>Employees: ICT Services</i>” indicates a percentage of 112% on one of the posts. This could be an error.</p>	<p>The formula and figures in the table must be verified to ensure that it is correct.</p>
<p><u>Page 103:</u> The graph which refers to the skills development budget does not indicate the comparison between what was budgeted and what was spent.</p>	<p>The graph will be adjusted to indicate only the actual expenditure per section.</p>
<p><u>Page 110:</u></p> <ul style="list-style-type: none"> • In the table referring to “Grant Performance”, the errors shown for the original budget and the adjustment of the District Aids Council. • The “Total Operating Transfers and Grants” in the same table, the percentage figure for the original budget and the adjustment. 	<ul style="list-style-type: none"> • The error will be fixed to read as “0.00%” for both. • The percentage figure “-0.000944” for both should read as “-0.001” for both.
<p><u>Page 116:</u> In the sentence starting with “<i>Council’s cash and investments.....</i>”, the monetary figures R92,334m and R4,970m are difficult to interpret by reader.</p>	<p>The monetary figures should be captured as follows: “R92,3m and R4,9m”.</p>

Area	Observation / Proposal to rephrase / edit
<p><u>Page 117:</u></p> <ul style="list-style-type: none"> • The dates in the headings of the table referring to “<i>Cash flow outcomes</i>” are not correct. • Under the heading “Acquisition management” in the first bullet: <ul style="list-style-type: none"> ○ the word “<i>capture</i>” is used incorrectly ○ the phrase “<i>municipal entity</i>” is not applicable. • Under the heading “Demand management”, the word “<i>acting</i>” is not applicable. 	<ul style="list-style-type: none"> • The dates in the table should read as “<i>2012/13 and 2013/14</i>”. ○ The correct spelling of the word should be “<i>captured</i>” ○ The phrase “<i>municipal entity</i>” should be removed. • The word “<i>acting</i>” should be removed.
<p><u>Page 118:</u></p> <p>The sentence starting with “<i>No councillors of any committee....</i>”, the word “<i>handles</i>” is used incorrectly.</p>	<p>The correct use of the word is “<i>handle</i>”.</p>
<p><u>Page 123:</u></p> <p>The information under the table referring to the “<i>Auditor-General Report on financial performance 2013/14</i>”, is incomplete.</p>	<p>The audit report status for 2013/14 must be completed.</p>
<p><u>Page 144:</u></p> <p>The reference to the “<i>Minister of Provincial and Local Government</i>” under the heading “Approval of financial statements”, is incorrect.</p>	<p>The correct reference is the “<i>Minister of Cooperative Governance and Traditional Affairs</i>”</p>

-- END --

ANNEXURE A

AUDIT COMMITTEE COMMENTS ON ANNUAL REPORT FOR 2013/14

1. Observations

- The draft annual report should be considered by the Audit Committee before it is tabled to Council.
- The recommendations from the Audit Committee should be considered by the External Oversight Committee and MPAC.
- The Auditor-General should be consulted about the fact that the audit report was not signed.
- The municipality should explain the context of the relationship with local municipalities to clarify what role the district municipality plays and what support is provided to local municipalities and why.
- Verify that formulae are correct throughout the tables with calculations
- Insert footnotes under tables where formulae are used, to clarify to the reader

2. Consistency

- Some headings followed by full stop, others not
- Spacing of bullets – some have a line in between, others not
- Some bullets are followed by full stops, others not
- Percentages – either use a dash or zero's
- Not all acronyms are included in list of acronyms
- Use of financial years should be corrected to ensure that the document refers to year -1, year 0 and year 1 correctly
- The use of brackets, and question marks
- A sentence cannot not start with a number, it must be written out in words

3. Additional corrections identified:

Page 16:

Consider rephrasing the sentence under the graph that starts with “Actual expenditure incurred...”; this can be misinterpreted by the reader.

Page 18:

The page numbers in the Auditor-General's report that was omitted should be filled in to indicate where in the report the annual financial statements and the performance report are located. This requires that the report be returned to the Auditor-General's office for them to confirm that these page numbers were captured correctly.

Page 24:

The sentence that starts with “The Audit Committee met...”; the year ended should be changed to 2014.

Page 26:

The review of the annual financial statements by the Audit Committee should be summarised.

Page 27:

Consider revising the first sentence under the heading “Risk Management”. This sentence may lead the reader to assume that risk management processes of the municipality were inadequate. The second sentence under the heading “Governance processes” can also mislead and should be removed or revised.

Page 47:

Under the heading “Anti-corruption and fraud” the use of the word irregular in the first sentence is unclear, as this word has nothing to do with fraud and corruption. The sentence should be revised to focus on fraudulent activities.

Page 51 & 52:

Anti-corruption and fraud is repeated. It is a duplication of what was captured for anti-corruption and fraud on page 47.

Page 65:

The table on land use development should be removed if it is not applicable to the work done by the district municipality for the year under review.

Page 68:

In the table with the heading “Financial Performance 2013/14: Geographic Information System Services”, the variance to budget for employees is 100%. This should be verified for correctness.

Page 73:

Under the heading “Challenges” the sub-headings that follows should be bulleted to indicate that they fall under this main heading.

Page 74:

In the second table “Financial Performance 2013/14: Environmental Health Services” the 100% variance to budget for employees does not seem correct.

Page 76:

The heading “Other activities for 2014/15”; this report deals with 2013/14 so the heading cannot be correct.

Page 83:

The table with the heading “Employees: ICT Services”, the vacancy as a percentage column should be verified as the figures seem incorrect.

Page 95:

In the table the figures for Local Economic Development employees does not make sense.

Page 100:

In the table on the skills matrix the target for learnerships is indicated as a percentage and not as figures as all the other columns.

Page 101:

The column for “consolidated: total number of officials that meet prescribed competency levels”, the final total column should be verified whether it must present an aggregate of the previous totals.

Page 104:

In the table, replace the word “Level” with “Task” for the column on “highly skilled supervision”.

Page 110:

The 0% for MIG for both the original and adjustment budget does not make sense.

Page 122:

The introduction should be revised as it could lead the reader to assume that 2013/14 was not a clean audit. The sentence under the heading “Auditor-General opinion of financial statements 2012/13” is not reading correctly and should be revised as it refers to predetermined objectives that was not included in the audit opinion.

Page 130:

In appendix D the meetings of August and October 2013 is not included. The audit committee meeting of 19 June 2014 indicates that two recommendations are “still in progress”. This should be verified.

The Audit Committee advises as follows:

1. That the annual report is recommended with the adjustments to the Oversight Committee
2. The committee commends on financial performance of the municipality to the Oversight Committee.