

ITEM: COUN 01 03/12

OFFICE OF THE MUNICIPAL MANAGER: MPAC COMMITTEE AND OVERSIGHT COMMITTEE REPORT ON THE 2010/2011 ANNUAL REPORT

(10/2/1/1) (GR) (COUNCIL MEETING: 28 MARCH 2012)

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 09th February and the 13th February 2012 respectively. The MPAC Oversight Report is attached as **Annexure 1. (MPC 1 – MPC 5)** The minutes of the MPAC meeting is also attached as **Page 1 – Page 7”**

The Oversight Committee appointed by Council to oversee the content of the Annual Report on its behalf also sat on the 14th March 2012 to consider the report. The Oversight Report is attached as **Annexure 2. (OV 1 – OV 5)** and minutes of the Oversight Committee meeting is attached **Page 1 – Page 9”**.”

The Acting 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 discussed

- **Explanation of wording “without reservation”**
 - *It is the requirement of National Treasury that the annual report is approved without reservation*

RESOLVED

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.**

APPROVED AT COUNCIL MEETING:

28 MARCH 2012

**FRANCES BAARD
DISTRICT MUNICIPALITY**



**OVERSIGHT COMMITTEE REPORT ON THE
ANNUAL REPORT
2010/2011**

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 2010/2011 Annual Report was tabled before Council on the 14th of December 2011 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 2010/2011 according to a checklist provided by National Treasury in MFMA Circular No. 32 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 Annual Report placed in a local newspaper on 19 January 2012. The newly established MPAC Committee reviewed the 2010/2011 Annual Report on 09 February and 13 February 2012 respectively and the corrections/inputs of this committee have been captured. The editorial errors highlighted at the Council meeting of 14 December 2011 have also been corrected.

3.2 Qualified Audit Opinion

The qualified audit opinion based on the cash flow statement and irregular expenditure issued to the FBDM was a surprise, especially based on the record of the municipality in previous years.

3.3 Steady increase in budget

Every year there was an increase in the budget of the municipality but the grants that were spent was less. The increase however is due to the surplus from the previous year as well as other statutory obligations with regard to the reserves that the district municipality has to comply with

3.4 Turn-over of Internal Auditors

The quick turn-over of internal auditors hampers the performance of the internal audit function. However it is noted that auditing is a scarce skill and there is a huge demand for internal auditors, making it very difficult to obtain and keep these skills.

3.5 Deviations from Supply Chain Management (SCM) processes

There were a number of transactions listed in the financial statements as deviations from the SCM processes but sufficient motivations for the deviations were submitted to the Municipal Manager and Council. The deviations were also reflected in the financial statements per the MFMA requirements.

3.6 SCM Preferred Supplier Database

Not all suppliers on the SCM preferred supplier database of the municipality were Northern Cape based. This only occurs when the local suppliers (Kimberley and the Northern Cape) are not able to provide a certain service, skill or expertise where then the municipality will look for service providers outside of the province.

3.7 Refuse removal backlogs

The FBDM did not budget for refuse removal backlogs in 2010/2011 although it is indicated in the annual report that the access to refuse removal services stands at 78.2% in the district. The district municipality however only provided services to the community at Koopmansfontein in the District Management Area (DMA) and in terms of this community there were no backlogs in the 2010/2011 financial year.

3.8 Rewarding system for non-section 57 managers

The municipality does have a system in place where the managers up to supervisory level are reviewed. However no provisions in terms of reward to support this have been made thus far.

3.9 Community Services

The district municipality does not employ people in the area of community services because these areas are applicable to local municipalities only.

3.10 Apprentices

The district municipality does not provide direct services to the community therefore there is no need to employ apprentices. The district municipality supports the local municipalities through funding and training to be able to deliver these services.

3.11 Community Development Officer (CDO)

The CDO position was not filled due to the fact that the DMA was being re-demarcated and included into some of the local municipalities. The position of community development officer was to be abolished with the re-demarcation of the DMA. An official was seconded from the Housing Unit to act in the position until the end of May 2011 when the DMA no longer formed part of the district.

3.12 Capital expenditure for 2011

In 2011 the capital expenditure budget for council and executive almost doubled. This could be interpreted as gross under budgeting. The reason for this however was that the new council requested equipment that was not budgeted for. The deviation to cover the unforeseen expenses was referred to council for approval.

3.13 Fraud prevention

It is important to have measures in place to prevent fraudulent activities from re-occurring. The municipality has segregated duties and authorities to perform certain functions. The municipality does have an anti-fraud and corruption policy in place which is up for review and an implementation strategy will be developed to put the policy into action.