

## COUNCIL RESOLUTION

### ITEM: COUN 01 03/2018

**OFFICE OF THE MUNICIPAL MANAGER:** *AUDIT PERFORMANCE AND RISK AND OVERSIGHT COMMITTEE REPORTS ON THE ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017*

**(10/2/1/1) (GR) (COUNCIL: 28 MARCH 2018 )**

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#### **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 and the audit and risk committee.

Thus, the two 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 15 February 2018 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 external oversight committee.

The *Audit, Performance and Risk Committee oversight report* is attached as **annexure 16 (Pg. AC. 1 - AC. 3)**.

The oversight committee appointed by Council to oversee the content of the annual report on its behalf also sat on 20 February 2018 to consider the report.

*The Oversight Committee report; Annexure 17 (Pg. 1 - 7) and minutes of the meeting* are attached as **annexure 18 (Pg. OC. 1 – OC. 6)**.

#### **The Municipal Manager recommends as follows:**

### RECOMMENDATION

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 oversight committee report.
3. Council approves the 2016/17 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 oversight committee report.
3. Council approved the 2016/17 annual report without reservations.



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MUNICIPAL MANAGER

23 Apr/2018  
.....  
DATE

# **REPORT OF THE AUDIT, PERFORMANCE AND RISK COMMITTEE TO THE FRANCES BAARD DISTRICT OVERSIGHT COMMITTEE ON THE DRAFT ANNUAL REPORT FOR THE YEAR ENDING 30 JUNE 2017**

## **1. PURPOSE**

The purpose of the report is to recommend to the oversight committee on any issues to be corrected in the draft annual report as required by section 166(2) of the Municipal Finance Management Act (MFMA) of 2003.

## **2. BACKGROUND**

Section 166(2) of the MFMA read with the Charter, King III and IV clarifies the roles and responsibilities of the Audit Committee.

The audit committee must respond to Council on any matters to be corrected in the annual report. A meeting was held with management on the 15 February 2018 to review the draft annual report. The minutes of the Audit Committee will be tabled to Council ensuring oversight and reporting to Council.

Although these processes will continue in the future, it appears appropriate that the Audit Committee reports in terms of section 166(2) as soon as possible after discussion of the report.

## **3. REVIEW OF DRAFT ANNUAL REPORT 2016/17**

Chapter 1 – Mayor's foreword and executive summary

Mayor's foreword

The Mayor to consider revising the paragraph that highlights that the municipality has six consecutive clean audits considering the current audit outcome by the municipality on paragraph six from the top of page 7 of the draft annual report.

Auditor-General Report

It appears that the signed report of the Auditor General is duplicated in the draft annual report and the municipality must decide as to which chapter they want to include the Auditor General's report. The page numbers and referencing of pages of the Auditor-General's report should follow numbering sequence of the annual report.

Page 11 on the table on socio economic status of 11% referring to illiterate people older than 14 years, the caption should change from excluding to including. The proportion of households in low-skilled employment should reflect excluding as well as including Sol Plaatje municipality.

The surplus actual for the year indicated in the financial statements, Appendix A, is indicated as 14.215 whilst in the financial overview table the surplus is indicated as 15.441 on page 14. All figures should be checked for correlation to ensure integral cross tabulation.

## Chapter 2 – Political & Administrative Governance

The tables containing the council resolutions on page 34 are not complete.

## Chapter 3 – Service Delivery Performance

### 3.4.5 Organisational performance scorecard

The committee considered the draft annual performance report submitted to us on 28 August 2017. A review of the draft performance report reflected performance reported and targets not achieved at 20% and that this put the municipality at risk looking at the external point of view and noting that this has been addressed in the past audit committee meetings. We have also noted that for the targets that were not achieved it was because the municipality did not have total control over that, and that improvement plans were developed to address them.

## Chapter 4 – Organisational development performance

There is an inconsistency with the figures in the tables for number of employees on page 83 and this should correlate with the number recorded on the introduction.

The municipality must be careful when reporting that no financial misconduct was reported as this will be perceived non- response to consequence management, on page 87.

## Chapter 5 – Financial Performance

To ensure that all figures on the financial tables tie back to the figures in the audited annual financial statements.

To revise sentences on page 100 under graphs as they do not read correctly; there are words missing. The explanation for the employee cost graph is very narrowly written and more explanation is required. Consider including the potential increase of expenditure versus the slower increase in revenue and the challenges that causes the escalation of employee cost beyond the 35% norm.

## Chapter 6 - Auditor General Audit findings

The audit committee noted the draft audit report on 23 November 2017 and were concerned with regression to controls in the SCM functions.

## Volume II

### Annual financial statements

The draft financial statements were considered by the Audit Committee on 28 August 2017.

The audit committee concluded that the draft annual financial statements submitted to the committee required more attention and in some instances reconsideration of the underlying recognition principles. Various adjustments were still required to the draft financial statements prior to the final product being submitted to the Auditor-General. We can place reliance on the financial information presented in the audited financial statements.

We recommend that Council continue to monitor and strengthen the existing internal control measures and policies to maintain an entity able to report that it will remain a going concern for the immediate future. Care should be taken with a balanced view between maintaining a viable entity and meeting the continued demand for assistance by the local authorities and the mandate of the district municipality.

### General comments

- All tables throughout the report should be checked for consistency and correlation when cross referencing figures
- Graphs and tables throughout the report should be explained to give a reader a clear understanding of the information shared.
- Grammar must be correctly used throughout the report.

## 3 RECOMMENDATION

- The APRC recommends the 2016/17 draft annual report with the adjustments and corrections to the oversight committee and MPAC committee for finalisation.
- The committee is satisfied with the overall improvement of the municipality and efforts by management in putting together the report.
- The committee further commends the municipality for a much better product produced.

Yours sincerely

WMS Calitz

Chairperson of the Frances Baard District Municipality Audit, Performance and Risk Committee

22 February 2018