

Oversight Report

Xhariëp District Municipality

2012/2013

1. INTRODUCTION

1.1 Background

Xhariep District Municipality was established on 06 December 2001 as a result of section 21 of the Local Government Demarcation Act (Act 27 of 1998) this report is thus prepared based on and in accordance with the legislative requirements.

1.2 Purpose

To consider the Xhariep District Municipality's Annual Report for the 2012/13 financial year and to compile an Oversight Report containing Council's comments on the Annual Report in terms of section 129 (1) of the Local Government :Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter referred to as the MFMA).

1.3 Regulatory Requirements

1.3.1 Section 121(1), of the MFMA stipulates the following:

Every Municipality must, for each financial year, prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

1.3.2 Section 121(2) of the MFMA states that the purpose of an annual report is:

- (a) To provide a record of the activities of the municipality during the financial year to which the report relates;
- (b) To provide a report on performance against the budget of the municipality for the financial year; and
- (c) To promote accountability to the local community for the decisions made throughout the year by the municipality.

1.3.3 Section 121(3) of the MFMA states that the annual report of a municipality must include:

- (a) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- (b) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
- (e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (f) An assessment by the municipality's Accounting Officer of the municipality's

- performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
- (g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
 - (h) Any explanations that may be necessary to clarify issues in connection with the financial statements;
 - (i) Any information as determined by the municipality;
 - (j) Any recommendations of the municipality's audit committee; and
 - (k) Any other information as may be prescribed.

1.3.4. In terms of section 127(5) of the MFMA, the Accounting Officer must immediately after the Annual Report is tabled, make public the annual report, invite the local Community to submit representations in connection with the annual report and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

1.3.5 According to section 129(1) of the MFMA, the council must consider the Annual Report by no later than two months from the date on which the Annual Report was tabled, adopt an oversight report containing the Council's comments on the annual report which must include a statement whether-

- The Council has approved the annual report with or without reservations;
- Has rejected the annual report or
- Has referred the annual report back for revision of those components that can be revised.

1.4 Submission and Tabling of the Annual Report

The Annual Report of the Municipality for the 2011/12 financial year was tabled in the Council at its meeting held on **27th of January 2014** in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 2003.

Council resolved during its meeting held on **27 January 2014**:

- (a) Council notes the Xhariep District Municipality 2012/2013 Annual Performance Report;
- (b) that the Office of the Speaker and the Municipal Manager be mandated to convene an Oversight Committee to review the report and prepare an Oversight Report thereon for approval of Council; and
- (c) that the 2012/2013 Annual Performance Report be submitted to both the offices of the MEC for Cooperative Governance, Traditional Affairs and Human Settlement, Provincial Treasury and the Auditor-General.

1.5 Appointment of the Oversight Committee

An oversight committee was established by Council resolution 12.1.3 of 25 January 2012, in terms of section 33 and 79 of the Municipal Structures Act, 117 of 1998. Council nominated 3

non – executive councilors to serve on the Oversight Committee, 1 Audit Committee and 1 community member to complete the Committee.

The committee consists of the following members:

| Initial and Surname | Designation | Position |
|----------------------------|------------------------------------|-----------------|
| Mr J.J Van Rensburg | Councilor | Member |
| Mr. S. Segalo | Chairperson of the Audit Committee | Member |
| Mr S.A Sola | Councilor | Chairperson |
| Me. M.J Mohapi | Councilor | Member |
| Mr. T.S Tseuo | Community Representative | Member |
| Me. NYAugustus | Admin Officer: Committee Service | Secretary |

2 THE APPROACH, OBSERVATION AND CONCLUSION OF THE OVERSIGHT COMMITTEE

2.1 The Approach

The approach followed by the Oversight Committee includes obtaining and inspecting the Strategic Plan, Annual Plan, Budget and the Annual Report of the Xhariep District Municipality. Items reported on in the Annual Report were traced to the Strategic Plan, Annual Plan and Budget in order to confirm that reporting was done consistent with plans, and in a complete and accurate manner.

The issues raised by the Auditor-General were thoroughly studied, along with the relevant turnaround strategies.

2.2 Observations

a. Compatibility of Information

Examination of the Strategic Plan, Annual Plan and the Budget and tracing of information contained in these documents to the Annual Report showed that reporting was done consistent to these planning documents, and that there was an acceptable level of accuracy and completeness in the information reported on, based on comparisons made.

b. Comments / objections received

The committee found that the local community was invited via the press to submit comments and/or objections on the Annual Report. The period allowed for comments and/or objections was from the 05th of February 2014 until 25th of February 2014. However, no response was received at all.

c. Implementation of the Action Plan to address issues raised by the Auditor General

The committee considered all contents of the Annual Report and the Auditor-General’s view and conclusions on reports included therein. Based on the findings of the Auditor-General, the remedial actions provided by management in the action plan developed to address deficiencies identified by the Auditor-General, the committee sought to determine the extent to which action plans have been implemented.

The committee found that there is positive progress regarding implementation of the action plan because the Municipality maintained its Audit opinion (unqualified with matters of emphasis). Implementation of corrective measures to address all the issues included in this document is in progress. The template is updated monthly and quarterly reports are submitted to Council.

d. MFMA Circular No.32: Checklist on considering the annual Report of a Municipality

The Annual Report of the municipality was evaluated in the Shared Audit and Performance Committee meeting that sat on the 26 February 2014 which then made recommendations to the Oversight Committee to recommend to Council to adopt the 2012/2013 Annual Report without any reservations.

The criteria that was used by the Shared Audit and Performance Committee was as per the following check-list as prescribed by the MFMA circular No.32.

| <i>Information required to be included in annual reports</i> | <i>REFERENCE/COMMENTS</i> |
|--|---------------------------|
| <i>Financial Matters</i> | <i>Reference/Comments</i> |
| The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General | Page 167 -241 |
| The Auditor-General’s reports on the financial statements of the municipality and the entities | Page 128 - 134 |
| Any explanations that may be necessary to clarify issues in connection with the financial statements | Page 205 - 235 |

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| An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities | N/A |
| Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports | Page 242 - 273 |
| An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget | Information contained in the AFS |
| An assessment by the municipal entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the municipality | N/A |
| Any information as determined by the municipality, the entity or its parent municipality | N/A |
| Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities | 145-147(See also Annexure A as an attachment) |
| <i>Allocations received and made Considerations</i> | <i>Reference/Comments</i> |
| Allocations received by and made to the municipality | Information contained in the AFS |
| Allocations received by and made to the municipal entity | N/A |
| Information in relation to the use of allocations received | Information contained in the AFS |
| Information in relation to outstanding debtors and creditors of the municipality and entities | Information contained in the AFS |
| <i>Disclosures in notes to AFS Considerations relating to section 124</i> | <i>Reference/Comment</i> |

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| Information relating to benefits paid by municipality and entity to councillors, directors and officials | Information contained in the AFS |
| <i>Municipal Performance</i> | <i>Reference/Comment</i> |
| The annual performance reports of the municipality and entities | Page 58 - 85 |
| Audit reports on performance | Information contained in the Report of the Auditor General |
| Performance of municipal entities and municipal service providers | Appendix I(page 149) |
| For municipal entities – an assessment of the entity’s performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality | N/A |
| <i>General information</i> | <i>Reference/Comment</i> |
| Relevant information on municipal entities | N/A |
| The use of any donor funding support | N/A |
| Agreements, contracts and projects under Private-Public-Partnerships | N/A |
| Service delivery performance on key services provided | N/A |
| Information on long-term contracts | Appendix H(page 148) |
| Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations | Page 55-56 |
| Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework | N/A |
| <i>Other considerations recommended</i> | <i>Reference/Comment</i> |
| Timing of reports | Annual report tabled on the 27 th of January 2014 |
| Oversight committee or other mechanism | Oversight committee sat on the 07 th of March 2014 to consider the annual report of the |

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| | municipality |
| Payment of performance bonuses to municipal officials | No performance bonuses were paid to municipal officials in the year under review |

2 RECOMMENDATION

The committee recommends the following:

- Pursuant to section 129 (1) of the Municipal Finance Management Act, the Committee recommends to Council to adopt the annual report of the municipality without any reservations

4. CONCLUSION

The Oversight Committee accepts the Annual Report for the 2012/2013 financial year.

Chairperson of the Oversight Committee

Date Signed

Councillor: S Sola

Resolution by the Council

Council having fully considered the Annual Report of the Xhariep District Municipality for 2012/2013 financial year; adopts the report without any reservations.

Chairperson of the Council

Date

Councillor: M.J Sehanka