

# Oversight Report

Xhariëp District Municipality

2013/2014

## 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 2013/14 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 2013/14 financial year was tabled in the Council at its meeting held on **28<sup>th</sup> of January 2015** in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 2003.

Council resolved during its meeting held on the **28<sup>th</sup> of January 2015**:

- (a) Council notes the Xhariep District Municipality 2013/2014 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 2013/2014 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 Annual Report of the Xhariep District Municipality for the 2013/2014 financial year. The MFMA Circular 32 was used as a guiding tool or checklist to consider the Annual Report.

The issues raised by the Auditor-General South Africa (AGSA) were also thoroughly studied and the action plan to correct them.

### 2.2 Observations

#### a. Compatibility of Information

Examination of the Annual report using the checklist contained in the MFMA Circular 32 to trace information contained in the Annual Report showed that reporting was done consistent to the document, 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 06<sup>th</sup> of February 2015 until 27<sup>th</sup> of February 2015. 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 (Qualification). 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<sup>th</sup> of January 2015 which then made recommendations to the Oversight Committee to recommend to Council to adopt the 2013/2014 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 141 -178
The Auditor-General’s reports on the financial statements of the municipality and the entities	Page 109- 117
Any explanations that may be necessary to	Page 168 - 175

clarify issues in connection with the financial statements	
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 180 - 198
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	AFS were reviewed by the SAPC Committee but there is no written report.
<b><i>Allocations received and made Considerations</i></b>	<b><i>Reference/Comments</i></b>
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
<b><i>Disclosures in notes to AFS Considerations relating to section 124</i></b>	<b><i>Reference/Comment</i></b>

Information relating to benefits paid by municipality and entity to councillors, directors and officials	Information contained in the AFS
<b><i>Municipal Performance</i></b>	<b><i>Reference/Comment</i></b>
The <b>annual performance reports of the municipality</b> and entities	Page 48 - 78
Audit reports on performance	Information contained in the Report of the Auditor General (page 112-113)
Performance of municipal entities and <b>municipal service providers</b>	Appendix I( page 130-133)
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
<b><i>General information</i></b>	<b><i>Reference/Comment</i></b>
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 129)
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	Page 35
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	N/A
<b><i>Other considerations recommended</i></b>	<b><i>Reference/Comment</i></b>
Timing of reports	Annual report tabled on the 28 <sup>th</sup> of January 2015
Oversight committee or other mechanism	Oversight committee is scheduled to sit on the 16 <sup>th</sup> of March 2014 to consider the annual report

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

**3. 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 2013/2014 financial year.

**Chairperson of the Oversight Committee**

**Date Signed**

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**Councillor: S Sola**

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**Resolution by the Council**

Council having fully considered the Annual Report of the Xhariep District Municipality for 2013/2014 financial year; adopts the report without any reservations.

**Chairperson of the Council**

**Date**

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**Councillor: M.J Sehanka**

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