

Council (S): 2015-03-30

A35 OVERSIGHT REPORT ON THE 2013/2014 ANNUAL REPORT (11/1/1; 14/1/1/10)

Report: Municipal Public Accounts Committee (MPAC): 2015-03-24

1. PURPOSE

The purpose of the report is for Council to consider the 2013/2014 Oversight Report in terms of section 129 of the Municipal Finance Management Act, 56 of 2003, and in line with Council Resolution A5 dated 2015-01-29 wherein Council referred the draft 2013/2014 Annual Report to the Municipal Public Accounts Committee (MPAC) to deal with as part of exercising its oversight responsibilities.

2. LEGISLATIVE BACKGROUND

2.1 The 2013/2014 Draft Annual Report was tabled at a Council meeting held on 29 January 2015 in compliance with the Municipal Finance Management Act, Act No 56 of 2003, (MFMA), which requires under Section 127(2) that:

“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.”

2.2 When tabled, the annual report should include four main components, each of which has an important function in promoting good governance and accountability. The main 4 components are:

- (i) The annual performance report as required in terms of Section 46 of the Municipal System (MSA) Act, Act 32 of 2000;
- (ii) The Annual Financial Statements as submitted to the Auditor-General and audited;
- (iii) The Auditor-General’s audit report on the financial statements in terms of Section 123(3) of the Municipal Finance Management Act, Act No 56 of 2003; and
- (iv) The Auditor-General’s audit report on performance in terms of Section 45 (b) of the Local Government: Municipal Systems Act, Act No 32 of 2000.

2.3 In dealing with the tabled Annual Report, Council is required to adopt an Oversight Report by no later than two months from the date of tabling, which for the 2013/2014 report will be 30 March 2015;

2.4 An Oversight Report should contain Council’s comments on the annual report and must include in terms of Section 129 (1) of the Municipal Finance Management Act, Act No 56 of 2003, a statement as to whether the council: -

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

2.5 In addition, in terms of Section 129 (3) of the MFMA the accounting officer must in accordance with Section 21A of the Local Government: Municipal Systems Act, No.32 of 2000 make public the Oversight Report within seven days of its adoption.

### 3. DISCUSSIONS

3.1 Council resolved as follows per Resolution A5 dated 2015-01-29:

- “(1) That the report of the Executive Mayor (Municipal Manager) BE NOTED regarding the Annual Report for the 2013/2014 financial year;
- (2) That cognisance BE TAKEN of the following:
- (a) The Audit Report for 2013/2014 financial year (**Annexure “A”**) submitted to Council in terms of Auditor General Act, Act 12 of 1995 and section 127 of the Municipal Finance Management Act, 56 of 2003;
  - (b) The 1<sup>st</sup> Draft Annual report (**Annexure “B”**) for the 2013/2014 financial year as circulated under separate cover, to the report, to be table to Council in terms of section 127 of the Municipal Finance Management Act, Act 56 of 2003;
- (3) That the Draft 2013/2014 Annual Report BE REFERRED to the Municipal Public Accounts Committee (MPAC) to handle the report in terms of Section 129 of the Municipal Finance Management Act, Act 56 of 2003, during which sitting the Municipal Manager and Heads of departments and their representatives per division may be summoned to represent their departments and divisions.
- (4) That an invitation BE EXTENDED by MPAC to the Office of the Auditor-General to attend meeting where the Annual Report is to be discussed;
- (5) That the Municipal Manager BE MANDATED to publicise and submit the annual report to the relevant stakeholders as legislatively required.”

3.2 Council, having requested the Municipal Public Accounts Committee (MPAC) to act as the Oversight Committee to consider the Draft Annual Report as per Council Resolution A5 dated 2015-01-29, was required to do the following as part of its function as Oversight Committee:

- Undertake a review and analysis of the Annual Report;
- Invite, receive and consider inputs on the Annual Report;
- Consider written comments received on the Annual Report from the public;
- Receive and consider Council’s Audit Committee views and comments on the annual financial statements and the performance report and
- Prepare the Oversight Report taking into consideration the views and inputs of the public, representatives of the Auditor-General, organs of state, Council’s Audit Committee and Councillors.

3.3 In respect of the consultation process on the Draft 2013/2014 Annual Report, the following must be noted:

- (a) The community was informed through the local newspaper of record regarding the availability of the Draft Annual Report and were invited to submit representations on the report by no later than 19 February 2015;

- (b) The Annual Report was available at all Municipal offices, libraries and Thusong Centres from the 5<sup>th</sup> February 2015 and was also placed on the Lekwa Municipal website. The Annual Report was also submitted to the offices of Auditor-General, the Provincial Treasury and the Office of the Mpumalanga Department responsible for Co-operative Governance and Traditional Affairs;
  - (c) At the closing of the timeframe for the submissions of comments and inputs, which was on 2015-02-19, a submission was only received from the Auditor-General’s Office.
- 3.4 The following is a summary of MPAC’s comments and findings in respect of the Draft 2013/2014 Annual Report:
- (a) The Annual Report as tabled to Council at its meeting on 2015-01-29, was complete in respect of all the components in line with National Treasury MFMA Circular 63;
  - (b) In line with Council Resolution A5 dated 2015-01-29, MPAC, as the Oversight Committee met on 2015-03-02, and 2015-03-17 to consider the Draft Annual Report;
  - (c) The major deficiencies in the original report were that not all the important reporting requirements and information were complete. This has now been rectified in order for the revised Draft 2013/2014 Annual Report to be considered;
  - (d) It must however be noted that as at the time of the MPAC meeting on 2015-03-17 during which meeting the revised Annual Report was considered, it was noted that the following components were still outstanding:
    - (i) Cemeteries and crematoriums
    - (ii) Fire and Disaster Services
    - (iii) Sports and Recreation
  - (e) MPAC noted with serious concern that for the 2011/2012 and 2012/2013 Annual Reports the same above divisions, once again had not submitted complete information and neither did they comply with the timeframes given to ensure the submission of requested outstanding information;
  - (f) Information on the following components were also not fully completed:
    - (i) Complete information on public participation and public satisfaction survey levels
    - (ii) Libraries
    - (iii) Traffic Law Enforcement
    - (iv) Corporate policy offices and other services
- 3.5 Comments were received from the Office of the Auditor-General and have been incorporated into the final report.
- 3.6 Accompanying the report, under separate cover, is the revised 2013/2014 Annual Report.

RECOMMENDATIONS BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

- (1) That the report of the Municipal Public Accounts Committee in respect of the Oversight Report on the 2013/2014 Annual Report BE NOTED;
- (2) That the Oversight Report on the 2013/2014 Annual Report as prepared and considered by the Municipal Public Accounts Committee (MPAC) during its meetings held on 2015-03-02 and 2015-03-17, including the following BE NOTED:

## ANNEXURE “B”

- (a) The Annual Report as tabled to Council at its meeting on 2015-01-29, was complete in respect of all the components in line with National Treasury MFMA Circular 63;
  - (b) that up until the MPAC meeting on 2015-03-17 during which meeting the final revised Annual Report was considered, it was noted that the following components were still outstanding:
    - (i) Cemeteries and crematoriums;
    - (ii) Fire and Disaster Services;
    - (iii) Sports and Recreation
  - (c) MPAC noted with serious concern that for the 2011/2012 and 2012/2013 Annual Reports the same above divisions, once again had not submitted complete information and neither did they comply with the timeframes given to ensure the submission of requested outstanding information;
  - (d) Information in respect of the following components is not complete in all respects:
    - (i) Public participation and public satisfaction survey levels
    - (ii) Libraries
    - (iii) Traffic Law Enforcement
    - (iv) Corporate policy offices and other services
- (3) That Council, having fully considered the revised Annual Report of Lekwa Local Municipality for the 2013/2014 financial year and representations thereon and the Oversight Report for the 2013/2014 financial year, the 2013/2014 Annual Report BE APPROVED with reservation due to the reasons as stated in 2 (a) – (d) above;
- (4) That the Oversight Report BE MADE PUBLIC in accordance with Section 129 (3) of the Municipal Finance Management Act, Act No 56 of 2003;
- (5) That the Oversight Report BE SUBMITTED to the Mpumalanga Provincial Legislature in accordance with Section 132 (2) of the Municipal Finance Management Act, Act No 56 of 2003;
- (6) That the Municipal Public Accounts Committee continue to MONITOR AND EVALUATE as part of its oversight role, every Department in respect of service delivery issues and other internal processes cited by the Auditor-General.