MAKHUDUTHAMAGA

LOCAL MUNICIPALITY

OVERSIGHT REPORT

Oversight Report on 2018/2019 FY Annual Report

SC/09.1/05/2020

Mmogo re šomela diphetogo!

1. PURPOSE

The annual report is a key instrument of transparent governance and accountability. It is a post –financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial period, in this case 2018/2019 financial year. The adoption of an Annual Report is legislated requirement in terms of the Local Government: Municipal Financial Management Act 56 of 2003 (MFAMA).

The purpose of this report is to present to Council for adoption of the Oversight Report on the draft Annual Report as required in terms of Section 129 of the MFMA, Act 56 of 2003. It is important to have some understanding on the accountability framework for municipalities in order to correctly comprehend the role of the Oversight Report as distinct from that of the Annual Report and any other reports required from the municipality by the Constitution, Acts, regulations or Circulars

2. BACKGROUND

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Finance Management Act 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.

The 2018/2019 Annual Report was tabled in the Special Council on the 11th March 2020 by the Accounting Officer and the Mayor as per MFMA section 127 (2), and that is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the 2018/2019 financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the municipal council to the community disclosing the level of success or otherwise, obtained with meeting the priority needs and stated desires of the community as contained in the IDP.

The purpose of the report is to:

- Provide a record of the activities of the municipality.
- Provide report on performance in service delivery and against the budget.
- Provide information to support the revenue and expenditure decisions made.
- Promote accountability to local community for decision made.

Section 121(3) and (4) of the MFMA sets out the framework relating to the content of the annual report for both municipalities and entities. These include:

- The annual financial statements of the municipality and consolidated annual financial statements as submitted to the Auditor General for audit.
- The audit report of the Auditor General in terms of both sections 126(3) of the MFMA and section 45(b) of the MSA
- Municipal annual performance report as per section 46 of the MSA
- Assessment of any arrears on municipal taxes and service charges
- Assessment of municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality's approved budget
- Particulars of corrective action taken or to be taken on issues raised in audit report
- Explanations to clarify issues on financial statements

3. PROCESS IN DEVELOPING OVERSGHT REPORT

The 2018/2019 draft Annual Report in line with chapter 12 of MFMA Act no.56 of 2003 was noted by council on the 31st January 2020. Council referred the draft annual report to MPAC for consideration as per council resolution 83 of 2019/2020 financial year.

Makhuduthamaga Municipal Public Account Committee held its working session on 10th to 14th of February 2020, to consider, analyse and review the annual report in aspect and did oversight visits to municipal projects on the 06 March 2020 while public participation was conducted on the 23rd March 2020.

Public hearing was conducted very late as per timeframe requires due to national lockdown initiated by the government of South Africa because of the disaster Management Regulation (Covid-19). We all had to pause every activity and stay at home. Therefore unusual Public hearing was held on the 19th May 2020 in the absence of other stakeholders. The Municipal Public Account Committee has had pleasure of witnessing efforts being put in by the municipal officials and head of departments led by both Mayor and Municipal Manager in providing service delivery and ensuring compliance is maintained.

4. LEGISLATIVE MANDATE FOR THE OVERSIGHT REPORT

Section 129(1) of the Municipal Finance Management Act No.56 of 2003 states that council of the municipality must consider annual report of the municipality and no later than two months from the date on which the Annual Report was tabled in council, adopt an oversight report containing council's comments on the Annual Report, which must include a statement whether the council has:

- Approved the Annual Report with or without reservations.
- Rejected the annual report, or

- Referred the annual report back for revision of those components that can be solved.

5. COMMENTS ON THE ANNUAL REPORT

The requirements for the Annual report as set out in the various acts, together with an indication of the level of the compliance are set out below:

5.1 MFMA

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE
a) The annual financial statements (AFS) are with the Generally Recognised Accounting Practise (GRAP).	Complied
b) The Auditor General's report be included in the Annual Report.	Complied
c) Explanations to be included that are necessary to clarify issues in connection with the financial statements	Complied
d) An assessment on arrears on municipal taxes and service charges to be included	Complied
e) Corrective action taken or to be taken in response to issues raised in the audit report	Complied

5.2 DIVISION OF THE REVENUE ACT

LEGISLATIVE REQUIREMENTS	LEVEL OF COMPLIANCE
a) The annual report to disclose the following: • Details of the conditional grants received from National and provincial spheres. • Details of conditional grants received from other municipalities: and • Details of grants made to any organs of state.	Complied

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b) The extent to which the conditions of the grants were met.	Complied
c) Information relating to the conditions of the grants were met.	Complied
d) Information relating to the outstanding debtors and creditors of the municipality.	Complied

5.3 MUNICIPAL SYSTEMS ACT

a) Has the performance report included in the annual report	Complied
b) Have the performance target included in the annual report	Complied
c) Does the performance evaluation in the annual report compare actual with the planned performance	Moderately Complied
d) In terms of key functions or services , how has each performed	Moderately Complied
e) To what extend have targets been achieved	Moderately Complied
f) Actions that have been taken and planned to improve performance	Complied
g) Is there correlation with the targets for the municipality and the target set for the municipal manager and heads of departments	Complied
h) Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes	Complied
i) Taking in to account the audit report and opinions and the views of the Audit Committee, is performance considered to be efficient and effective	Complied
j) To what extent tha action been planned for the previous year and carried over to the financial year report upon	Complied

6. OTHER FINDINGS ON ANNUAL REPORT

- MFMA circular no. 63 of 2012 was not exactly adhered to, since management have somehow applied their discretion to give more information
- Proof reading not done and this is also re-occurring as compared to the previous financial years.
- Inconsistences measurement of original annual targets and revised annual targets
- Targets achieved without spending the allocated budgets
- Missing information it the columns
- Municipality did not include Irregular expenditure in the notes to the financial statements as required by 125(2)(a) of the MFMA
- Unauthorised expenditure amounting to R60 197 372
- The provided Proof Of Evidence (POEs) does not correspond with the targets achieved
- Other appendices are not included in AR as per MFMA circular 63
- Supply Chain Management policies and regulations were never adhered to during the appointment of some service providers.

7. PUBLIC CONSULTATION MEETINGS

The public consultation meetings on annual report were held on the 23 March 2020

8. GENERAL DISCUSSION

Understandings of municipal operations and processes have improved

9. RECOMMENDATIONS

The committee having fully considered the Annual Report of the municipality, recommends to Council to:

9.1 Approve the 2018/2019 FY Annual Report with or without reservations.
9.2 Council adopts MPAC Oversight Report 2018/2019 Annual Report

SIGNATURE.................................. 19/05/20..........

MPAC CHAIRPERSON: CLLR DIKETANE SP **DATE**

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COUNCIL PROCEEDINGS

REF: 3/2/1/4

AGENDA ITEM: SC/9.1/05/2020: MPAC OVERSIGHT REPORT ON 2018/2019 ANNUAL REPORT

RESOLUTION No. 102 OF 2019/2020 FINANCIAL YEAR

RESOLUTION ON MPAC OVERSIGHT REPORT ON 2018/2019 ANNUAL REPORT

NOTING THAT:

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Finance Management Act 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.

The 2018/2019 Annual Report was tabled in the Special Council on the 11th March 2020 by the Accounting Officer and the Mayor as per MFMA section 127 (2), and that is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the 2018/2019 financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the municipal council to the community disclosing the level of success or otherwise, obtained with meeting the priority needs and stated desires of the community as contained in the IDP.

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- Assessment of any arrears on municipal taxes and service charges

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COUNCIL PROCEEDINGS

SC/9.1/05/2020

- Assessment of municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality's approved budget
- Particulars of corrective action taken or to be taken on issues raised in audit report
- Explanations to clarify issues on financial statements

Makhuduthamaga at its Special Council Virtual Meeting of the 21st May 2020.

RESOLVED THAT:

1. Council approved the 2018/2019 FY Annual Report with or without reservations.
2. Council adopted MPAC Oversight Report 2018/2019 Annual Report

Mover: Cllr. Diketane S.P
Speaker: Cllr.Tala M.A
Signature:
Date: 21/05/2020

Seconder: Cllr. Thokwane M.J
Municipal Manager: Rampedi M.N
Signature:
Date: 21/05/2020

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