

LAINGSBURG MUNICIPALITY

Navrae: Enquiries:	PD Post
Vergadering Datum: Meeting Date:	20 March 2018
Aan: To:	MUNICIPAL COUNCIL
Van: From:	Internal Audit Activity
Insake: Regarding:	Municipal Public Accounts Committee [MPAC]

March 20, 2018

OVERSIGHT REPORT

OVERSIGHT REPORT ON ANNUAL REPORT: 2016/2017 FINANCIAL YEAR

1. PURPOSE OF REPORT

To consider the municipality's Annual Report for the 2016/2017 financial year and to adopt 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 indicated as MFMA)

2. BACKGROUND

A. Legal Requirements

Section 121(1) (2) and (3) of the MFMA determines as follows:

121 (1) 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.

The purpose of the annual report is:-

- (a) To provide a record of the activities of the municipality during the financial year to which 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.

The annual report of municipality includes the following:-

- (i) 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);
- (ii) The Auditor-General audit report in terms of section 126(3) on those financial

- statements;
- (iii) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
 - (iv) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
 - (v) An assessment of the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
 - (vi) An assessment of 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;
 - (vii) 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);
 - (viii) Any explanations that may be necessary to clarify issues in connection with the financial statements;
 - (ix) Any information as determined by the municipality;
 - (x) Any recommendation as determined by the municipality; and
 - (xi) Any other information as may be prescribed;

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, relevant provincial treasury and the provincial department responsible for local government in the province.

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;

3. PROCESS

a) Submission and tabling of the Annual Report

The Annual Report of the Municipality for the 2016/2017 financial year is tabled on 25 January 2018 in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

Council resolved at item 6.4 at the minutes of the meeting of the Council held on 25 January 2018:

1. *That the Draft Annual Report for the 2016/2017 financial year be approved; and*
2. *That the Draft Annual Report 2016/2017 be advertised for public comment;*

b) The Oversight Committee

Laingsburg Municipality's Audit Committee and Municipal Public Accounts Committee (MPAC) formed the Oversight Committee on **20 March 2018** in terms of National Treasury: MFMA Circular

No. 32 and assumed such oversight role to analyse and review the annual reports in detail before tabling the Annual Report to Council for consideration.

The Committee comprises of Municipal Public Accounts Committee Councillors, Audit Committee Members, and administratively the Internal Auditor in the absence of the Planning and Development Official and Acting Municipal Manager.

In terms of the resolution by Council regarding the advertisement of the Draft Annual Report:

- The local community was invited via the Community Notices No. 6/2018 to submit comments/ objections received in connection with the Annual Report from 25 January 2018 to 27 February 2018; **No comments and objections were received**
- The Draft Annual Report has been placed on the municipal website, www.laingsburg.gov.za
- The Draft Annual Report has been submitted to the relevant government departments.

At the closing date for public comments on 27 February 2018, no representations were received. However, Provincial Department comments were received.

No representation were received, however, the Auditor-General comments were received.

4. OVERSIGHT COMMITTEE COMMENTS

Provinsiale Tesourier het 'n volwaardige evaluering gedoen om sodoende toe te sien dat wetiese vereistes toegepas word. [Aanhengsel A]

Alle veranderinge moet só deur administrasie behartig word soos versoek deur Provinsiale Tesourier. [Aanhegsel B]

Die verwys na die MPAC Jaarsverslag Gespreksessie Verslag vir regstelling deur administrasie.

Kommentaar vir toekomstige oorweging deur die Raad en Administrasie: -

- a) Raadslid L Potgieter verwys na die Provinsiale Tesourier kommentare nommer 2.2 (a) "The Annual Report partially complies with the Annual Report Template as described by MFMA Circular 63. However, the required Appendices A to T (refer to MFMA Circular 63) are not included", en noem dat Omsendbrief 63 slegs 'n leidingsdokument is en dat dit nie toepassings vereistes het nie.
Mnr PD Post noem in teenstryding dat Omsendbrief 63 die nodige leiding verskaf om toe te sien dat wetstoepassing handhaaf word en verwys na bogenoemde uittreksel "The Annual Report partially complies" ter ondersteuning. Mnr PD Post noem verder dat die Jaarsverslag ook nie Appendix A tot T insluit nie, soos versoek deur Omsendbrief. Maar dat hy seker is dat die inligting wat versoek word verspreid is binne die Jaarsverslag en tabelle. Dus versoek versoek mnr PD Post dat die verantwoordelike persoon in die toekoms die inligting versien soos wat dit vereis word vanuit Omsendbrief 63 om dit so verbruikers vriendelik as moontlik te maak vir verskeie Jaarsverslag verbruikers insluitende Staatsdepartemente.
- b) Raadslid L Potgieter verwys na die Burgemeester se Voorwoord (c) "Corrective actions taken to ensure that the strategic objectives as stipulated in the IDP were achieved" en noem dat mev G Harding die nodige sinsverband verander het.
Mnr PD Post noem teenstrydig dat die korrektiewe aksie nie heeltemaal

uitspel wat en hoe verbeter sal word nie – met verwysing na bladsy 44. Mnr PD Post is van mening dat die Ontwikkelings Departement meer pro-aktief moet wees in terme van ekonomiese ontwikkeling en versoek dat werksinkels gehou moet word per wyk om sodoende belangstelling te wakker binne die gemeenskap as om te wag dat mense self die kantoor nader.

- c) Mnr PD Post reageer op mnr R Walters se vraag, aangevande die nie kommentaar lewering van die gemeenskap, en noem dat die Jaarverslag geplaas word by verskillende punte soos biblioteek en Thusong Centre.
- d) Mnr PD Post reageer op mnr R Walters se stelling, dat die gemeenskap miskien nie verstaan wat vervat is in die dokument nie, deur te noem dat die Ontwikkelings Departement nie 'n Jaarsverslag "Roadshow" per wyk hou nie soos met verwysing na die Begrotings "Roadshow". Mnr PD Post glo dat die gemeenskap beter sal weet en verstaan wat in die Jaarverslag vervat is en moontlik só reageer op kommentaar en insae.
- e) Mnr R Walters verwys na punt 3 (d) vanuit die kommentaar deur Provinsiale Tesourier en vra oor die moontlikheid dat meer EPWP werkers aangestel kan word nie. Rdl. L Potgieter reageer op die vraag deur te noem dat munisipaliteit nie meer werkers aan kan stel nie weens ons eintlik oorspandeer het deur meer mense aan te stel.
Rdl L Potgieter noem verder dat sy onseker is oor wanneer die aanstelling van die "Data Capturer" sal plaasvind weens die vakature nou al lank vakant is en dat dit 'n begrote pos was.

Mnr R Walters noem dat terugvoering gegee moet word aangevande die huidige staand van EPWP.

- f) Rdl L Potgieter verwys na punt 3 (e) vanuit die kommentaar deur Provinsiale Tesourier en noem dat die munisipaliteit 'n Gekwalifiseerde Oudit Opinie gekry het. Rdl Potgieter noem verder dat dit as gevolg van Voorsieningskanaal Bestuur aktiwiteite, onder andere kontrakte wat nie in orde is nie.
Mnr R Walters noem dat dit baie kommerwekend is in terme van Inventaris bestuur en die risiko's daaraan verbode. Mnr R Walters noem verder dat vakatures gevul word maar nie gekyk word om Inventaris beampte aan te stel nie wat net so 'n kritiese pos is. Mnr Walter noem verder dat huidiglik geen kontrole is nie en dat die Inventarisse bloot gestel word aan alle risiko's soos byvoorbeeld diefstal, ens.
Mnr R Walters noem dat kontrakte soos onder andere Van Eeden Elektries in vergelyking met 'n permanente persoon wat aangestel kan word deur die Raad.
Mnr PD Post noem ter verduideliking dat die Gekwalifiseerde Oudit Opinie as gevolg van Voorsieningskanaal Bestuur, Inventarisse, en BTW. Mnr Post noem verder dat die munisipaliteit in proses is om alle kontrakte te staak met behulp van mnr PA Williams se aksie plan. Mnr Post noem verder dat kommunikasies uitgereik sal word na verskeie Voorsieners om hulle sodoende in te lig voor kontrakte gestaak gaan word.

Mnr R Walters noem dat terugvoering gegee moet word aangevande hoekom sekere vakature gevul word en ander nie.



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RECOMMENDATION TO COUNCIL:

- **THAT THE OVERSIGHT REPORT ON THE ANNUAL REPORT 2016/2017 BE APPROVED IN TERMS OF SECTION 129 (1) OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE ACT (MFMA ACT NO.56 OF 2003);**
- **THAT THE ANNUAL REPORT 2016/2017 BE APPROVED IN TERMS OF SECTION 129 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT (MFMA ACT NO.56 OF 2003) WITH OR WITHOUT RESERVATIONS**
- **THAT THE 2016/2017 OVERSIGHT REPORT OF LAINGSBURG MUNICIPALITY BE MADE PUBLIC IN TERMS OF 129(3) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, NO.56 OF 2003, AND**
- **THAT THE OVERSIGHT REPORT BE SUBMITTED TO THE PROVINCIAL LEGISLATURE IN TERMS OF SECTION 132(2) OF THE MUNICIPAL FINANCE MANAGEMENT ACT.**

On behalf of the Municipal Public Accounts Committee

Chairperson: Municipal Public Accounts Committee

22/03/2018

Date

Internal Auditor

22/03/2018

Date