

Oversight Report

presented to Council on 30 March 2016

Mr Mayor,

With the introduction of the Karoo Hoogland Council Oversight Committee/ MPAC Committee, an expectation has been created whereby effect would be given to section 152 (1) (a) of our Constitution, namely to provide democratic and accountable government for local communities

The relationship between the IDP, Budget and Annual Report is well documented in National Treasury's MFMA Circular no. 11, which stated, "The IDP and Budget is forward looking, they set out what the municipality intends to do and the funds it will raise and spend. The Annual Report, on the other hand, is backward-looking as it reports on actual performance at the end of the financial year.

For the purpose of transparency and to the knowledge of all councillors and the public present today, I will table this report by means of a holistic approach for clarity purposes.

1) INTRODUCTION

a) The 2014/15 Annual Report was tabled to Council on the 25 of January 2016 in compliance with the Municipal Finance Management Act (MFMA) which requires under Section 127(2) that:

i) "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".

b) When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability.

The main components are:

- i) The annual performance report as required by section 46 of the MSA;
 - ii) Annual Financial Statements submitted to the Auditor-General;
 - iii) The Auditor-General's audit report on the financial statements in terms of Section 126 (3) of the MFMA; and
 - iv) The Auditor-General's audit report on performance in terms of Section 45 (b) of the MSA.
- c) Section 129 of the MFMA requires the council to consider the annual reports of its municipality and to adopt an Oversight Report containing the council's comments on each annual report.



2) PURPOSE

- a) To submit the Oversight Report on the Annual Report of 2014/15 in terms of Section 120 of the Municipal Finance Management Act, 2003, (MFMA).

3) BACKGROUND

- a) Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the Constitution, The Municipal Finance Management Act (MFMA) and the Municipal Systems ACT (MSA). This oversight responsibility of council is particularly important for the process of considering annual reports.
- b) The MFMA and MSA recognise that council has a critical role to play to ensure better performance by municipal departments and entities. There exists an explicit linkage between the strategic goals, set by council through the IDP, which are translated into the budget, and the delivery of those goals, which is reported in the Annual Report. It is important for council to ensure that the budget gives effect or expression to priorities contained in the IDP. A good budget will lay a basis for better oversight and cement the contracts between the executive/council, the administration and the public.
- c) The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on managers and makes them more accountable for performance. Whilst, in the first instance it is left to the mayor to resolve any performance failures, ultimately the council is vested with the power and responsibility to oversee both the executive and administration.
- d) The separation of roles between the council and administration is intended to strengthen the oversight functions of councillors. Good governance and effective oversight and accountability are predicated on the separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government.
- e) Council oversees the performance of the administration through council and committee meetings.
- f) In terms of a Council Resolution dated 25 January 2016, such an Oversight Committee/MPAC Committee was established in terms of Section 79 of the Structures Act, 1998, to review the Annual Reports of the Council and prepare an Oversight report on the Annual Reports.
- g) The Council's 2014/2015 Annual Report was tabled to Council on 25 January 2016 in terms with Section 127 (2) of the MFMA, and was made public in terms of Section 127 (5) of the MFMA.
- h) The annual report of 2014/2015 was referred to the Oversight Committee for deliberation.
- i) In dealing with the tabled Annual Report, Council is required to adopt an Oversight Report by not later than two months from date of tabling, which for the 2014/2015 Annual Report, will be 31 March 2016.



- j) Mr Mayor, the oversight report is the final major step in annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its municipality and adopt an oversight report containing the council's comments on each of the following statements:
- i) Council has approved the annual report with or without reservations;
 - ii) Council has rejected the annual report; or
 - iii) Council has referred the annual report back for revision of those components that can be revised.
- k) The oversight report is thus clearly distinguished from the annual report. The annual report is submitted to the council by the **accounting officer** and the mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by council.
- l) The oversight report is a report of the **municipal council** and follows consideration and consultation on the annual report by the council itself.
- m) Thus the full accountability cycle is now completed and the separation of powers is preserved to promote effective governance and accountability.

4) OVERSIGHT REPORT INCLUDES:

Mr Mayor, included in our Oversight Report, we have attached all relative documentation, including the Minutes of the Oversight Committee, the Annual Report Checklist, as per MFMA Circular 32, the Response and Action Plan applicable to all disclaimers as defined in the Auditor-General's Report.

5) THE OVERSIGHT COMMITTEE

- a) The appointment and compilation of the Council's Oversight Committee in November 2013 and again on 25 January 2016, has been done according to Section 127(3) of the Municipal Finance Management Act and in terms of section 79 of the Municipal Structures Act.
- b) The Oversight Committee comprises of the following members :
- i. Mr GW Von Mollendorf
 - ii. Mr SJ Myburgh
 - iii. Councillor JP Julies
 - iv. Councillor GM Beukes
 - v. Councillor K Koopman
 - vi. Councillor JJ van der Colff
 - vii. Councillor MM van Wyk



6) THE FUNCTIONS OF THE OVERSIGHT COMMITTEE:

- a) Undertake a review and analysis of the Annual Report.
- b) Invite, receive and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- c) Consider written comments received on the Annual Report from the public consultation process.
- d) Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- e) Preparation of the draft Oversight Report, taking into consideration the views and inputs of the public, representative(s) of the Auditor General, organs of states, Council's Audit Committee and Councillors.
- f) Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.

7) 2014/2015 ANNUAL REPORT CONSULTATION PROCESS

- a) The communities were advised, through the printed media and the Municipality website of the availability of the annual report .
- b) The annual report was available at all Municipal Libraries and identified offices. The annual report was also submitted to the Auditor General, National Treasury, Provincial Treasury and the Department of Developmental Local Government and Housing and Provincial Legislature.
- c) At the closing date for public submissions, no submissions were received and therefore no Public Hearing was held.

8) SUMMARY OF COMMENTS ON THE 2014/15 ANNUAL REPORT

- a) The Oversight Committee discussed the 2014/2015 Annual Report at the following meetings:
 - i) 25 January 2016
 - ii) 8 March 2016
- b) In these meetings, the Annual Report for 2014/2015 together with the Auditor General's basis of Qualified opinion was discussed.



- c) A Guidance report (Audit Action Plan for 2014/15) has been compiled on matters that should be considered by council to rectify the qualification and basis of disclaiming opinions of the Auditor General to prevent any recapitulated reservations and/or possible disclaimers in future refer to
- d) In order to approve the annual report without reservations, Council should be able to agree that the information contained in the report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon. Approval means the executive and administration have discharged in full, their accountability for decisions and actions and that their performance meets the criteria set by performance objectives and measures and is also acceptable to the community.
- e) To promote continuous improvement in the performance of the municipality, it is strongly recommended that council reward performance in a manner that is commensurate with achievement of policy outcomes. Therefore, the payment of performance bonuses should be measurable with the extent of outcomes achieved. Where reservations exist, the seriousness of such should be taken into account before considering any part-payment of bonuses.

9) SUMMARY OF COMPONENTS OF THE OVERSIGHT REPORT

- a) The Audited Annual Financial Statements.
- b) The Auditor General's Report on the financial statements.
- c) The Auditor General's Report on the Performance Measurement of Karoo Hoogland Municipality.
- d) Disclosures and additional information, as detailed in the annual report checklist.
- e) Copies of the audited financial statements were submitted to officials for their comments.
- f) Oversight Committee questions of clarity and responses from officials.
- g) Reservations, recommendations and action plans.

10) CONCLUSION

- a) Mr Mayor, the committee concludes that despite the significant improvement in the Annual Report, improvement is still needed in certain areas as stipulated by the Auditor-General and particular in the Risk Management area and Asset Management area of council.
- b) The Committee thanks all the committee members for their constructive input during the oversight period, the Auditor-General and the Internal Auditor for their support and co-operation in completing this Oversight process which has resulted in this Oversight Report.
- c) The committee is honoured for the opportunity to be of service to Karoo Hoogland Municipality.



11) RECOMMENDED RESOLUTION TO BE ADOPTED BY COUNCIL, IN ACCORDANCE WITH MFMA SECTION 129(1):

- a) That cognisance be taken of the Oversight Report on 2014/2015 Annual Report, as submitted by the Oversight Committee together with the recommended corrective actions as set out in the Audit Action Plan.
- b) That Council, having fully considered the annual report of the municipality for the financial year 2014/2015 representations thereon, adopts the Oversight Report.
- c) That the 2014/2015 Annual Report referred to in 2 (g) be adopted subject to the reservations and recommended corrective actions as contained in the Oversight Report.
- d) That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act, 56 of 2003.
- e) That the Oversight Report on the Annual Report 2014/15 be submitted to the provincial legislature in accordance with Section 132(2) of the Municipal Finance Management Act, 56 of 2003.

Thank You.

Councillor GM Beukes
Chairperson
Oversight Committee
Karoo Hoogland Municipality


SIGNED BY MUNICIPAL MANAGER
DATE: 31 MARCH 2016