



OVERSIGHT REPORT PRESENTED TO COUNCIL ON 27 MARCH 2013

FORWARD BY CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Mr Speaker, Executive Mayor, Councillors and Officials

It is with privilege that I present to Council today the Oversight Report on the Annual Report of the inaugural year of the current serving Council. I can affirm that the Annual Report of CACADU District Municipality was assessed with due diligence, from each member of the MPAC, and found to be a true reflection of the status and performance of the District Municipality for the financial year of 2011/2012 and furthermore, complies with the lawful framework as prescribed by the MFMA. Thus, the MPAC has fulfilled its duties in terms of the provisions of the Local Government Municipal Structures Act no. 117 of 1998 and the Municipal Finance Management Act no. 56 of 2003 regarding the exercise of oversight.

The MPAC has now been in operation for over 15 months, and is progressively improving in its functionality. In saying so, I believe we are growing a commanding presence of oversight that refuses to be ignored. We are gaining in experience and learning all the time. We trust that we still fulfill the mandate of Council, and the confidence placed in the MPAC has not diminished in any way.

In dealing with the Annual Report being tabled today and recommended for adoption, the improvement in audit performance of our Municipality stands clearly noticeable. As a committee, may we also congratulate our Executive Mayor, and now a very prominent one, on achieving Vuna excellence, may she continue onwards and upwards.

Allow me also to commend the Accounting Officer, the Executive and Administration on the improvement of audit outcome; although it is lateral improvement, it is still an improvement. I anticipate an upward swing that will result in a clean audit, is inevitable. Once the ship is sound, reaching our goal becomes a mere navigational adjustment.

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

**COUNCILLOR H M HENDRICKS
CHAIRPERSON**

INTRODUCTION

Council is vested with the responsibility to oversee the performance of its municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of council is particularly important for the process of considering annual reports.

The MFMA and MSA (Systems Act) recognise that council has a critical role to play to ensure better performance by municipal departments and entities. An explicit linkage exists between the strategic goals determined by the Council through the IDP process. These strategic goals 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.

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.** Oversight occurs at various levels in a municipality and is explained in the following table:

Financial governance framework applicable to local government

	Responsible for	Oversight over	Accountable to
Council	Approving policy and budget	Executive Mayor	Community
Executive Mayor	Policy, budgets, outcomes, management of / oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Executive Mayor
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

Separation of roles

The separation of roles between the council and administration is intended to strengthen the oversight function of councillors. Good governance and effective oversight and accountability are based on there being this 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.

Council oversees the performance of the administration through council and committee meetings.

BACKGROUND

Each municipality and each municipal entity must prepare an annual report for each financial year in accordance with the MFMA and MSA. The purpose of the annual report is:

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and against the budget;
- to provide information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions made.

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are, therefore, required to contain information on service delivery and outcomes, in addition to financial statements.

The annual report:

- **is meant to be a backward-looking document, focusing on performance in the financial year that has just ended; and**
- **must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.**

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:

- The annual performance report as required by section 46 of the MSA;
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

Other components required to be included in the annual report are set out in the section 121 of the MFMA and MFMA Circular No 11 issued by National Treasury on 14 January 2005.

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual report of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on each annual report.

The oversight report 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.

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. The oversight report is a report of the municipal council and follows consideration and consultation on the annual report by the council itself. Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

APPOINTMENT OF MPAC

Council's By-Law relating to the Standing Rules and Orders of the Council makes provision for the establishment of an **oversight committee** under sections 33 and 79 of the Municipal Structures Act 1998. This committee would normally be responsible for the detailed analysis and review of the annual report and then drafting an oversight report that may be taken to full council for discussion.

However, the Department of Co-operative Governance and National Treasury directed that all municipalities establish Municipal Public Accounts Committees (MPACs) to perform the oversight function on behalf of the Council. MPACs powers and functions are wider than those of an Oversight Committee, and after consideration of a report in this regard, Council on 12 October 2011 resolved that a Municipal Public Accounts Committee be established to perform the oversight function on behalf of Council. This includes the detailed analysis and review of the annual report, and drafting an oversight report for consideration by Council.

In terms of the Resolution of Council dated 12 October 2011, the MPAC comprises of non-executive members as detailed below:

Chairperson:	Cr Horatio Mario Hendricks
Members:	Cr S Lucas
	Cr K C Ncamiso
	Cr S A Mngwevu
	Cr A Booysen
	Cr B A Manxoweni
	Cr A L Nortjé
	Cr R M J Gailey
	Cr E A Goliath

PROCESS OF ASSESSMENT OF THE ANNUAL REPORT

The draft annual report for 2011/2012 was tabled at the Council meeting held on 30 January 2013, when it was resolved as follows:

- (a) that the Annual Report for 2011/2012 be made public in terms of section 127(2) of the MFMA and that the local community be invited to submit representations in connection therewith;

- (b) that the draft annual report be submitted to the next meeting of the Cacadu Municipal Public Accounts Committee (MPAC) for analysis and review.

In dealing with the tabled annual report, the Council is required to adopt an oversight report by not later than two months from date of tabling, which for the 2011/2012 annual report will be 27 March 2013.

Advertising Process

After Council meeting on 30 January 2013, and in response to the Council resolution taken at that meeting, the CDM Annual Report for 2011/2012 was made public in terms of section 127(2) of the MFMA and the local community was invited to submit representations in connection therewith.

Official notices advising where the annual reports could be viewed and inviting representations from the public were placed in the local newspapers and on the Municipality's website. A copy of the official notice is attached as **Annexure "A"**. Copies of the annual report were placed in the offices of the CDM administration as well as the offices of all local municipalities.

Copies of the report were forwarded to the following as required by the MFMA:

- Auditor-General
- Provincial Treasury
- Provincial Department of Local Government and Traditional Affairs.

A copy was also forwarded to National Treasury in compliance with the request contained in MFMA Circular 63/2012.

Responses received

No responses were received by the closing date for input, which was 22 February 2013.

SUMMARY OF COMMENTS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON ANNUAL REPORT OF CACADU DISTRICT MUNICIPALITY FOR 2011/2012

The 2012/2013 Annual Report of the Cacadu District Municipality was referred to MPAC for deliberation. The MPAC held a meeting on 21 February 2013. A copy of the minutes of this meeting is attached as **Annexure "B"**.

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.

The Committee made a number of corrections and requested some additional information, all of which has been brought about in the report tabled before Council on 27 March 2013. The Committee also raised various issues that were responded to by the Municipal Manager and senior officials of the CDM. The following are some of the issues that the Committee raised:

- It was enquired why personnel expenditure had increased whilst staff numbers have decreased. It was explained that the figures now excluded the former Primary Health Care staff.
- Concern was expressed regarding the feedback from the SEDA offices that very few people visiting the office had concrete or feasible business ideas. It was considered that people need to be assisted to draw up business plans, and it was suggested that examples of business plans be uploaded onto the website for easy access.
- Concern was expressed regarding the escalating debt and the effect it will have on the institution. It was stressed that every effort must be made to collect outstanding debts owed to the Municipality.

Notwithstanding the issues raised above, MPAC considered that the annual report of the Cacadu District Municipality constitutes a fair and reasonable record of the performance of the municipality, and recommended that it be adopted without reservation.

ADDENDUM NOTE:

Subsequent to finalization of the Oversight Report, a Section 46 Preliminary Assessment Report was received from the Department of Local Government and Traditional Affairs, on 15 March 2013. The closing date for submission of comment by all interested parties on the annual report was 22 February 2013.

Notwithstanding the late submission, the issues raised by the Department have been addressed and Council considered and adopted the annual report as amended in terms of the requirements of the Department of Local Government's Assessment report.

RESOLUTION ADOPTED BY COUNCIL IN ACCORDANCE WITH SECTION 129 (1) OF THE MFMA:

- (a) that the preliminary assessment received from the Department of Local Government and Traditional Affairs after the closing date for comments on the Annual Report be accepted;
- (b) that the annual report for 2011/2012 be amended in accordance with the request of the Department of Local Government and Traditional Affairs, as detailed in the supplementary report circulated;
- (c) That cognizance be taken of the Oversight Report on the 2011/2012 annual report of the Cacadu District Municipality;
- (d) that the Council, having fully considered the annual report referred to in (a) above, adopts the Oversight Report;
- (e) that the 2011/2012 Annual Report of the Cacadu District Municipality be adopted without reservation;

- (f) That the Oversight Report be made public in accordance with section 129(3) of the Municipal Finance Management Act (Act 56 of 2003);
 - (g) That the Oversight report be submitted to the Provincial Legislature in accordance with section 132(2) of the Municipal Finance Management Act (Act 56 of 2003)
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