



Molemole Municipality

**OVERSIGHT REPORT ON THE ANNUAL
REPORT 2014/2015.**

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1. INTRODUCTION.

The 2014/2015 Draft Annual Report was tabled in Council on 29 January 2016. MFMA Circular NO 63 time lines states "The Annual Report of Municipality and every municipality entity **must** be tabled in the municipal council on or before 31st January each year (MFMA S127). Please this should be interpreted as an outer deadline. It is advised that municipalities should submit annual reports at the earliest convenient time, mid-August, before submitting to Auditor General. This will enable submission of the annual report with AG opinion before December recess as required by the law. The entire process would thus be concluded in the first or second week of December, the same year in which the financial year ends and not overlap to the following year. Fundamentally an Annual Report is a consolidation of the four quarterly reports and hence it is highly probable to have it ready by mid-August.

The above approach will provide an opportunity to raise and address challenges experienced in terms of the Reports. Reports should include all information required to be included in an Annual Report, including financial statements and information related to performance. Failure to include accurate and quality information in the Annual Report is considered a breach of the MFMA and MSA.

The Committee has observed progress in the audit opinion. 2010/2011 disclaimer, this is attributed to this council even if it got in the shoes of its predecessor with only the last month left of the financial year. This council went on to achieve its entirely own disclaimer in 2011/2012 financial year. The following financial year of 2012/2013 it attained qualified audit opinion, the feat it repeated in 2013/2014. In 2014/2015 financial year it achieved an unqualified audit opinion and MPAC gives the municipality accolades for this feat and hopes for the main feat. Remember the more you advance closer to the pinnacle the more gruelling the race, however, nothing beats the strong will and commitment to achieve.

2. PURPOSE OF THE ANNUAL REPORT.

An Annual Report has to be prepared in compliance with the Municipal Finance Management Act (Act No 56 of 2003) and the Municipal Systems Act (Act NO. 32 OF 2000). The purpose being.

1. To provide a record of the activities of the municipality and its entities.
2. To provide a report on performance in service delivery and against budget.
3. To provide information that supports the revenue and expenditure made.
4. And to promote accountability to the local community for decisions made and activities undertaken.

3. COMPONENTS OF AN ANNUAL REPORT.

- The annual performance report required by S 46 of MSA.
- Annual Financial Statements submitted to the Auditor- General.
- A-G 'audit report in terms of S126 (3) OF MFMA.

- A-G's audit report on performance S45 (b) MSA.

4. BACKGROUND.

Council mandated the Municipal Public Accounts Committee(MPAC) to exercise Oversight responsibilities over the 2014/2015 Annual Report as per resolution OC6.1.3/29/01/16, and in terms of Section 79 of the Local Government: Municipal Structures Act, Act No. 117 of 1998.

The mandate of the Oversight Committee (MPAC) on the Annual Report are.

- Undertake a review and analysis of the Annual Report.
- Invite, receive and consider inputs on the Annual Report
- Consider written comments from the members of the public.
- Receive and consider Council's Audit Committee views and comments on the annual financial statements and annual performance report.
- Prepare the Oversight Report to be tabled before Council for consideration.

In terms of MFMA Circular 63 the Mayor was supposed to table the audited Annual Report 2014/2015 and financial statements to council before going to recess by December 2015 be referred to MPAC for oversight. The Audited Annual Report 2014/2015 should have been availed to the public then to get Public comments. The failure to comply to table the Annual Report 2014/2015 to council before going to recess had a very serious impact on MPAC to conclude with their oversight report 2014/2015 which should have been tabled before council by the end of January 2016.

5. SUMMARISED LEGAL FRAMEWORK.

MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (Act 56 of 2003)

Section 121.

- Annual Report be prepared in accordance with this chapter.
- The council must within 9 months of the end of financial year deal with the annual report.

Section 127.

- The mayor must, within 7 months after the end of a financial year table the annual report in council.

Section 129.

- No later than two months of tabling of the report as per section 127 council must consider, and adopt an oversight report containing the councils 'comments on the annual report, which must include the statement whether council:-
- Has approved the annual report with or without reservations or.
- Has rejected the annual report or
- Has referred the annual report back for revision of those components that can be revised.

6 PROCESS FOLLOWED IN ADOPTION OF THE 2014/2015 ANNUAL REPORT.

6.1 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE was mandated by Council to consult, review and compile an oversight report in compliance with the above stated legal framework.

The committee is comprised of:-

NAME	CAPACITY	PARTY	ATTENDANCE.
• Cllr MD Lehong	MPAC Chairperson	ANC	Yes
• Cllr M Masekela	Member	ANC	Yes
• Cllr M Duba	Member	ANC	Yes
• Cllr A Makgoka	Member	ANC	Yes
• Cllr M Maila	Member	COPE	Yes.
• Cllr S Senoamadi	Member	ACDP	Yes.
• Cllr C Matjee	Member	DA	No.

6.2 MEETINGS.

Three meetings were held to finalise this process.

- (i) Meeting of 11/02 /2016 MPAC members met and deliberated on shortcomings and achievements in the Annual Report. It was agreed that a meeting with Audit Committee, Internal Audit and Technical Advisor from National Treasury be held.
- (ii) Meeting of 18/02/2016 was the meeting suggested above. The purpose was to benefit from expertise of the above three role players. They brought their submissions.
- (iii) On 15/03/2016 a public consultative meeting was held and inputs from community members were made and clarified.
- (iv) The last was on 22/03/2016 to consolidate all inputs.
- (v) There were no written comments from the public nor stakeholders except those mentioned above.

6.3 KEY FINDINGS.

- The format of the annual report is in compliance as prescribed by Circular 63 of MFMA, however some critical information does not follow the correct sequence.
- The annual report was not tabled before the recess of December and as such compliance on the brink of deadline inconveniences those that have to deal with annual report such as, MPAC.
- Neither the foreword by the Mayor nor the executive report by the municipal manager has been signed to confirm authenticity.
- The Mayor as the author cannot at the end of the Foreword identify herself as her worship, the honourable but Cllr MP Makgato, The Mayor.
- Chapters are not aligned, for instance, chapters start with 2 and not 1.
- Policies should state the last date reviewed/approved and date to be reviewed.
- There should be publication dates of all documents on the website.
- Check service statistics for ICT services and proof read the report.
- Annual Financial Statements in the Annual Report should agree with those submitted to the Auditor General.
- 2013/2014 grants budget not included in the tables and therefore comparison with the 2014/2015 not possible for users.
- Indicate that the municipality is in the process of installing the asset module.
- Income and revenue management should read income or revenue.
- state reasons why only 28% of targeted revenue was collected and what plan/measures are there to remedy the situation.
- The Mayor should have indicated how public participation has been improved from previous financial year and also stated other public participations such as open councils, ward committees interactions with communities and their nature. It appears this was

misunderstood to have required public participation of her office and not for the entire institution.

- there is no remedial action stated for noncompliance with issues of budget for 2013/2014 as indicated by the Auditor General. the finding recurs in 2014/2015 nor progress made to resolve these findings (p254-278).
- the Annual Financial Statement should have been signed.
- the audit action plan is incomplete for lack of indication of how to address the findings, start off and completion dates.
- the annual performance report not the same as the final signed copy submitted to Auditor General.(p 134-164)
- the executive summary by the municipal manager has no information pertaining to statement on the 2013/2014 audit opinion, short statement on the 2015/2016 financial health based on the new budget

Formats as per Treasury Regulations No, 31804 and Risk assessment, including the development of the Measures to mitigate the top five risks.

- there are no activities and timeframes outlined to support the statutory annual report process.
- total gravel roads graded/maintained of 628km differs from the final recalculated in the Auditor's report of 715.4km.
- no information provided on component C regarding Planning and Development.
- update information regarding establishment of park (p96).
- Component C Cash flow management and investment not included in the annual report.
- Component B no information provided on item 4.4 Performance Rewards.
- Component D no information on item 4.6, Employee Expenditure.
- Appendices not included in the Annual Report M, M (i), M (ii), N,O,P and Q.

7. CONCLUSION.

Like the longest of the longest of the journeys start with the smallest of the smallest steps an annual report compilation starts on the first day of the financial year. That smallest activity that appears the most insignificant is the beginning of compilation of the annual report. The practice in this institution of preparation of annual report when the heat in the kitchen is intolerable has to cease and the right thing be done. It serves no good purpose to run after the mirage.

8. RECOMMENDATIONS.

- Molemole municipal public accounts committee recommends that council approves the annual report without reservations since most findings tabled above have been adequately addressed.
- Council appoints a team that will compile an annual report and to present quarterly progress for noting to council at the time of presentation of quarterly performance reports .
- The quarterly progress be referred to MPAC to keep it abreast and for MPAC to consult the role players that are consulted in annual reports for their inputs.
- On or before the 15th August of each year the annual report be tabled in Council before it is handed to the Auditor General with AFS.
- That an annual report together with the audit report from Auditor General be tabled in Council before December recess to have mandate given to MPAC for public participation and preparation for oversight report that has to be tabled in Council on or before the 31st January following the financial year end upon which the annual report is based.
- Portfolio Committees be well conversant with their projects to avoid situations where Council is misled on the quality and completeness of projects.
- An edit team be in place to verify compliance and to assure quality of the document.

- The Mayor's foreword as the first barometer to the annual report be undertaken by a competent and meticulous person/s to avoid a vague and embarrassing prologue to the document.
- The same should apply to the executive summary of the Municipal Manager.

At the conclusion of the report MPAC had not yet dealt with wasteful, fruitless, irregular and unauthorised expenditure report owing to time constraints. It is hoped that the above recommendations shall be positively considered to enhance the quality of the report and to attain clean audit opinion.



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Cllr LEHONG MD

30.03.2016
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DATE

CHAIRPERSON OF MPAC