



# OVERSIGHT REPORT FOR 2007 / 2008

March 2009

## OVERSIGHT REPORT FOR 2007 /2008

### Index

1.	Introduction.....	3
2.	Legislative mandate for the Oversight Report.....	3
3.	Comments on the Annual Report.....	3
3.1	Municipal Finance Management Act.....	4
3.2	Division of Revenue Act.....	4
3.3	Municipal Systems Act - Municipal performance.....	4
3.4	Other findings.....	5
4.	Recommendations.....	6
	Annexure A – Process followed.....	7

## **1. Introduction**

In terms of the Municipal Finance Management Act and the Municipal Systems Act, municipalities must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

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

The 2007 /2008 Annual Report was tabled in Council on **31 January 2009**

The final step in the reporting process is for Council to consider the Annual Report in the light of the findings contained in an Oversight Report. The Oversight Report must be compiled by Non-Executive Councillors and members of the community as it represents a separation of powers between the Executive (Council and the Administration) and is aimed at enhancing accountability and good governance.

## **2. Legislative mandate for the Oversight Report**

Section 129 (1) of the Municipal Finance Management Act (Act No 56 of 2003) states that the Council of the Municipality must consider the Annual Report of the Municipality and by no later than two months from the date on which the Annual Report was tabled in the Council, 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;
- Rejected the Annual Report; or
- Has referred the Annual Report back for revision of those components that can be resolved.

## **3. 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 compliance are set out below.

### 3.1 Municipal Finance Management Act

<b>Legislative requirement</b>	<b>Level of compliance</b>
a) The annual financial statements are compliant with the generally accepted municipal accounting practices (GAMAP)	The annual financial statements are GAMAP compliant.
b) The Auditor-General's Report is to be included in the Annual Report	It is included.
c) Explanations to be included that are necessary to clarify issues in connection with the financial statements.	The explanations form part of the GAMAP compliant financial statements.
d) An assessment on arrears on municipal taxes and service charges to be included.	An assessment has been included.
e) Corrective action taken or to be taken in response to issues raised in the audit reports.	An action plan for taking corrective action has been developed and approved by Council and now needs to be included in the Annual Report.

### 3.2 Division of Revenue Act

<b>Legislative requirement</b>	<b>Level of compliance</b>
a) The Annual Report to disclose: <ul style="list-style-type: none"> <li>▪ Details of conditional grants received from national and provincial spheres;</li> <li>▪ Details of conditional grants received from other municipalities; and</li> <li>▪ Details of grants made to any organs of state.</li> </ul>	This information is contained in the GAMAP compliant financial statements.
b) The extent to which the conditions of the grants were met.	The conditions were met and an unqualified audit report was achieved.
c) Information relating to outstanding debtors and creditors of the Municipality	This is part of the GAMAP compliant financial statements.
d) Information relating to the benefits paid to Councillors, Managers and officials.	Included in the financial statements.

### 3.3 Municipal Systems Act - Municipal performance

<b>Legislative requirement</b>	<b>Level of compliance</b>
a) Has the performance report been included in the Annual Report?	Yes

b) Have all the performance targets been included in the report?	Yes
c) Does the performance evaluation in the Annual Report compare actual with planned performance?	Yes
d) In terms of key functions or services, how has each performed?	An explanation of how each has performed is set out in the Performance Report, which is contained in the Annual Report
e) To what extent have targets been achieved?	Generally the planned outputs were achieved, but in certain instances a lack of resources hampered progress.
f) Is the Council and the Community satisfied with the performance?	Communities are concerned about the slow progress being made with the provision of basic services, including water, sanitation, electricity, roads and solid waste management. Councillors share these concerns. These are District functions and the Municipality liaises closely with the District to expedite delivery.
g) What actions have been taken and planned to improve performance?	The corrective actions to be taken are set out on pages 25 to 34 of the Annual Report.
h) Is there a correlation with the targets set for the Municipality and the targets set for the Municipal Manager and Heads of Department?	Yes, they are exactly the same.
i) Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?	This evaluation was done while formulating the corrective actions referred to in g) above.
j) Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?	An unqualified audit report was achieved and the points raised by the audit committee are currently being addressed.
k) To what extent have actions planned for the previous year been carried over to the financial year reported upon?	This has been done when a lack of resources and capacity prevented the completion of planned projects or project phases during the year in question.

### 3.4 Comments

- a) Service delivery backlogs need to be established, in liaison with the District, so that realistic targets that are commensurate with resources

can be set. In this way a programme can be developed to eradicate backlogs and meet the 2014 national service delivery targets.

- b) Compliance and service delivery backlogs listed above need to be addressed in liaison with the District.

#### **4. Recommendations**

In view of the above the Oversight Committee recommends that:

Council resolves that:

- a) The Council, having fully considered the Annual Report of the Municipality, adopts the Oversight Report; and
- b) Council approves the Annual Report with reservations as included in the comments in the Oversight Report on page 5, paragraph 3.4.

## **OVERSIGHT PROCESS FOLLOWED**

1. The general public and members of Ward Committees were invited to attend the Full Council meeting held on 31 January 2009 when the 2007 / 2008 Annual Report was tabled.
2. The Annual Report was then disseminated at strategic points throughout the municipal area with the invitation to make comments. The closing date for comments was 13 February 2009.
3. An Oversight Committee was appointed by the Executive Committee consisting of Four non-executive Councillors and a Ward Committee member from each of the seven Wards. Ward Councillors nominated the ward representative.
4. The Oversight Committee convened on 5 March 2009 to consider the Annual Report against the legislative requirements and to make a recommendation to Council.