

2013/2014

# OVERSIGHT REPORT



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## **OVERSIGHT COMMITTEE MEMBERS**

**Cllr R.N. Lembethe (Chairperson)**

**Cllr M.M. Lembethe**

**Cllr T.Z. Maphumulo**

**Cllr T.R. Gwala**




**Cllr M. Ngcongo**

**Cllr F.P. Msomi**

**Cllr H.S. Mtetwa**

## EXECUTIVE SUMMARY

In terms of the Municipal Finance Management Act (Act No 56 of 2003) and the Municipal Systems Act (Act No 32 of 2000), each municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

-  *To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;*
-  *To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
-  *To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity*

The Annual Report 2013/14 was tabled in Council on 29 January 2015.

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. This is in terms of section 129 of the MFMA. The Oversight Report is compiled by the Municipal Public Accounts Committee (MPAC) as established by Council. The MPAC represents a separation of powers between the Executive Committee and the Administration and is aimed at enhancing accountability and good governance.

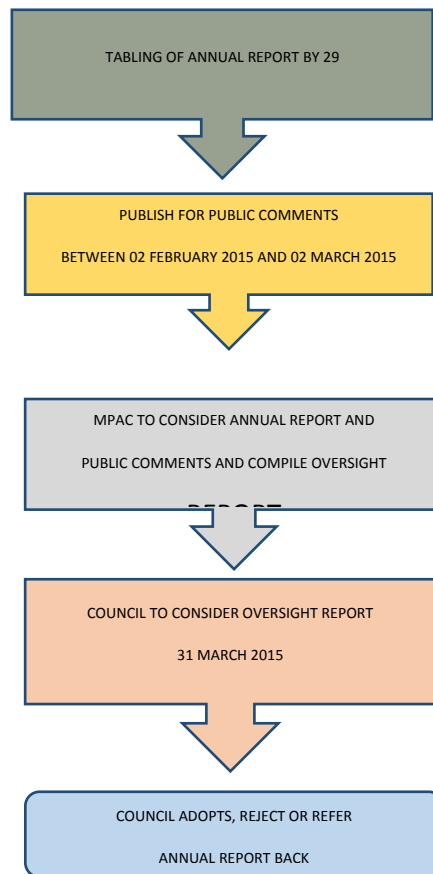
The Oversight Report is prepared using guidelines prepared by National Treasury as per MFMA Circular 32. It attempts to address comments and submissions made by the community and stakeholders, as well as the observations and recommendations of the MPAC.

Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA)

stipulates that “

1. *Every municipality and every municipality entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
2. *The purpose of an annual report is-*
  - (a) *To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;*
  - (b) *To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
  - (c) *To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity*
3. *The annual report of the municipality must include-*
  - (a) *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);*
  - (b) *The Auditor General report in terms of section 126 (3) on those financial statements.*
  - (c) *The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*
  - (d) *The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.*
  - (e) *An assessment by the municipality 's accounting officer of any arrears on municipal taxes and service charges;*
  - (f) *An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue sources and for each vote in the municipality's approved budget for the relevant financial year;*
  - (g) *Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)*
  - (h) *Any explanation that maybe necessary to clarify issues that in connection with the financial statements;*
  - (i) *Any information as determined by the municipality;*
  - (j) *Any recommendations of the municipality's audit committee; and*
  - (k) *Any other information as may be prescribed.*
4. *The annual report of a municipal entity must include-*
  - (a) *The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements*
  - (b) *The Auditor General's audit report in terms of section 126 (3) on those financial statements;*
  - (c) *An assessment by the entity's accounting officer of any arrears on those financial statements;*
  - (d) *An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality*
  - (e) *Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);*
  - (f) *Any information as determined by the entity or its parent municipality;*
  - (g) *Any recommendations of the audit committee of the entity or its parent municipality; and*
  - (h) *Any other information as may be prescribed.”*

It is against this background that the annual report in respect of the 2013/2014 financial year was submitted to Council on the 29th January 2015 as per the following process flow :-



Accordingly, notice was given in terms of section 21 of the Municipal Systems Act, No 32 of 2000 read with section 127(5) of the Municipal Finance Management Act that the Annual Report was open for comments and/or inputs by the community and stakeholders by the 2<sup>nd</sup> of March 2015. The Annual report was placed at all municipal offices, libraries and the municipal website [www.mkhambathini.gov.za](http://www.mkhambathini.gov.za).

The comments received were circulated for responses by management and referred to the MPAC for consideration at its meeting on the 18 March 2015. The meeting adjourned and re-convened on the 27th March 2015 to finalise the Oversight Report for submission to Council.

## FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The functions of the MPAC are to:

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

**SUMMARY OF COMMENTS RECEIVED FROM STAKEHOLDERS AND MANAGEMENT RESPONSE THERETO:**

The public comments received from Auditor General and Internal Audit attached as Annexure 1.

Management Response thereto is tabulated as follows:

COMMENTS	MANAGEMENT COMMENTS
Alignment of Pages and the quality of the report (must be amended to improve the quality of the pictures as well as the heading for the fonts used)	<b>Corrected</b>
Page 20 is referring to rate collecting billing which has a net effect of 40 794 930.....is this a Rand value or number of consumers? Municipality have collected R7038 480 in the AFS	<b>Corrected</b>
<p>Page 51 – the AFS are not signed</p> <p>Page 107 – Not signed by Audit committee</p> <p>Page 114- Mayor’s signature is missing</p> <p>Page 116 – MM’s signature is missing</p>	<b>3,4,5 and 6 this will be corrected before final printing as it corrupts the whole document</b>
Consider putting the comments from Audit committee chairperson, Mayor and MM in front than at the back	<b>The manner in which the report is prepared follows the guidance of the circulars</b>
The report does not include annual performance report of the municipality for the 2013/14.	<b>Corrected</b>
The report does not include assessment of any arrears on municipal taxes by the MM.	
The report does not include an assessment by the municipality’s accounting officer of the municipality’s performance against the measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality’s approved budget for the relevant financial year;	



<p>Please check blank space in the AFS and move notes and disclosure to close these spaces eg page 68,84, the page after that etc. The page numbering is also off from page 82 there is no 83 but the AFS continues to 84 etc. Pg 30 is also blank.</p>	<p><b>Corrected</b></p>
<p>Pg 43 of the audit report please insert page number on Predetermined objectives as reflected in your annual performance report (Paragraph 13 of the audit report) and remove the x to x. Also page 45 paragraph 25 and 26 of the audit report please insert the relevant page numbers.</p>	<p><b>Corrected</b></p>
<p>Page 98 note number 27 please remove the line as it is deleting the amount disclosed . Consider the space before the heading depreciation adjustment.</p>	<p><b>Corrected</b></p>
<p>Page 124 the first and the second paragraph refers to an appendix A which is not included in the annual report.</p>	<p><b>Corrected</b></p>
<p>Pg 117, in the first paragraph reference is made to the annual performance report for 2012/13.</p>	<p><b>Corrected</b></p>
<p>In note 12 under post employment benefits please remove reference to millions and the figures calculated for the 1% percentage change. You can leave the narration for information purposes.</p>	<p><b>Corrected</b></p>

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
<b>1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA</b>	<b>Financial reporting matters to be considered</b>	
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General.	The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the accounting standards for municipalities.  <u><i>Have the required standards been met?</i></u>	Yes.
121 (3)(a) 121 (4) 121 (4)(b)	The above applies also to the AFS of municipal entities.	Not applicable. There are no municipal entities.

<b>INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS</b>	<b>COUNCIL CONSIDERATIONS AND QUESTIONS</b>	<b>RESPONSES/ COMMENTS</b>
<p>121 (3) (e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities.</p>	<p>Has an adequate assessment been included?</p> <p>Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?</p> <p>Is any other action required to be taken?</p>	<p>Yes.</p>

<p>121 (3)(g)</p> <p>Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.</p>	<p>The conclusions of the annual audit are:</p> <ul style="list-style-type: none"> <li>✓ an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable;</li> <li>✓ The objective of the municipality should be to achieve an unqualified audit opinion.</li> <li>✓ Taking into account the audit report, audit opinion and the views of the audit committee, council considered: <ul style="list-style-type: none"> <li>• To what extent does the report indicate serious or minor financial issues?</li> <li>• To what extent are the same issues repeated from previous audits?</li> <li>• Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?</li> <li>• Has a schedule of action to be taken been included in the</li> </ul> </li> </ul>	<p>Yes.</p>
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<b>INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS</b>	<b>COUNCIL CONSIDERATIONS AND QUESTIONS</b>	<b>RESPONSES/ COMMENTS</b>
	annual report, with appropriate due dates?	

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC for Cooperative Government &amp; Traditional Affairs to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MEC.</p>	
<p>121 (3)(f) An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget.</p>	<p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA Section 17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly.</p> <p>Has the performance met the expectations of council and the community?</p> <p>Have the objectives been met?</p> <p>What explanations have been provided for any non-achievement?</p> <p>What was the impact on the service delivery and expenditure objectives in the budget?</p>	<p>Yes.</p>

<b>INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS</b>	<b>COUNCIL CONSIDERATIONS AND QUESTIONS</b>	<b>RESPONSES/ COMMENTS</b>
121 (3)(i)(k) Any information as determined by the municipality, the entity or its parent municipality.	Review any other information that has been included in regard to the AFS.	Not applicable.
<b>1. Financial Matters – Annual Financial Statements - Section 121 (3) MFMA</b>	<b>Financial reporting matters to be considered</b>	
121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation	Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity?	Yes.

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
to the AFS and audit reports of the municipality and its entities.	<p>What actions need to be taken in terms of these recommendations?</p> <p>Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	
<p><b>2. Disclosures - Allocations received and made - Section 123-125 MFMA</b></p>	<p><b>Considerations</b></p>	



<p>123 (1)(a)</p> <p>Allocations received by and made to the municipality.</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> <li>✓ Details of allocations received from another organ of state in the national or provincial sphere.</li> <li>✓ Details of allocations received from a municipal, entity or another municipality.</li> <li>✓ Details of allocations made to any other organ of state, another municipality, or a municipal entity.</li> <li>✓ Any other allocation made to the municipality under Section 214(1) (c) of the Constitution.</li> </ul> <p>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit</p>	<p>Yes.</p>
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INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	committee recommend any action?	
125 (1) Information in relation to outstanding debtors and creditors of the municipality and entities.	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> <li>✓ the information has been properly disclosed;</li> <li>✓ conditions of allocations have been met; and</li> <li>✓ that any explanations provided are acceptable.</li> </ul>	Yes.
<b>2. Disclosures - Allocations received and made - Section 123-125 MFMA</b>	<b>Considerations</b>	
123 (1)(c)	Section 123 of the MFMA and MFMA guidance circular 11, require	Yes.

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
<p>Information in relation to the use of allocations received.</p>	<p>that the municipality provide information per allocation received per vote and include:</p> <ul style="list-style-type: none"> <li>✓ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects.</li> <li>✓ Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.</li> <li>✓ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</li> </ul>	

INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<p>The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received.</p> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> <li>✓ the information has been properly disclosed;</li> <li>✓ conditions of allocations have been met; and</li> <li>✓ that any explanations provided are acceptable.</li> </ul> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information</p>	
<p><b>3. Disclosures in notes to AFS</b></p>	<p><b>Considerations relating to section 124</b></p>	

Information relating to benefits paid by municipality	Information on the following items is to be included in the notes to the annual report and AFS:	Yes.
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<b>INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS</b>	<b>COUNCIL CONSIDERATIONS AND QUESTIONS</b>	<b>RESPONSES/ COMMENTS</b>
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<p>and entity to councillors, directors and officials.</p>	<ul style="list-style-type: none"> <li>✓ salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind;</li> <li>✓ any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors;</li> <li>✓ salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager;</li> <li>✓ contributions for pensions and medical aid;</li> <li>✓ travel, motor car, accommodation, subsistence and other allowances;</li> <li>✓ housing benefits and allowances;</li> <li>✓ overtime payments;</li> <li>✓ loans and advances, and;</li> <li>✓ any other type of benefit or allowance related to staff.</li> </ul> <p>Council should be satisfied that –</p> <ul style="list-style-type: none"> <li>✓ the information has been properly disclosed;</li> <li>✓ conditions of allocations have been met; and</li> <li>✓ that any explanations provided are acceptable.</li> </ul> <p>The comments of the Auditor-General and the views of the audit</p>	
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INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	committee should be used to determine the accuracy and appropriateness of this information.	
<b>4. Municipal Performance</b>	<b>Considerations</b>	

<p>The annual performance reports of the municipality and entities.</p>	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <ul style="list-style-type: none"> <li>✓ Has the performance report been included in the annual report?</li> <li>✓ Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?</li> <li>✓ Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?</li> </ul> <p>In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation, and electricity been reduced?</p>	<p>Yes.</p>
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**INFORMATION REQUIRED  
TO BE INCLUDED IN  
ANNUAL REPORTS**

**COUNCIL CONSIDERATIONS AND QUESTIONS**

**RESPONSES/ COMMENTS**

	<p>What are the refuse collection volumes, library usage statistics etc?</p> <ul style="list-style-type: none"><li>✓ To what extent has performance achieved targets set by council?</li><li>✓ Is the council satisfied with the performance levels achieved?</li><li>✓ Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</li><li>✓ What actions have been taken and planned to improve performance?</li><li>✓ Is the council satisfied with actions to improve performance?</li><li>✓ Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</li><li>✓ Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</li><li>✓ Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</li><li>✓ To what extent have actions planned for the previous year been</li></ul>	
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INFORMATION REQUIRED		
TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<p>carried over to the financial year reported upon?</p> <p>✓ Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p> <p>Council should comment and draw conclusions on information and explanations provided.</p>	
Audit reports on performance.	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</p>	<p>Although Council has made considerable progress, the concerns of the Committee in respect of the Performance Management System is noted. The Committee is hoping that the finalization of filling of the PMS Officer post will be finalized shortly</p>

<p>Performance of municipal entities and municipal service providers.</p>	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities.</p> <p>The report should evaluate the effectiveness of these services and</p>	<p>Yes (Contracted Service Provider Assessment as there is no entities)</p>
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INFORMATION REQUIRED		
TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<p>whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality?</p> <p>What other actions are considered necessary to be taken by the accounting officer?</p>	
<b>5. General information</b>	<b>The following general information is required to be disclosed in the annual report.</b>	
Relevant information on municipal entities.	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses, and contact details for entities, the purpose of the entity, the functions, and services provided the type and term of service level agreements with the entities.	Not applicable. There are no municipal entities.

The use of any donor funding support.	What donor funding has the municipality received? ✓ Have the purposes and the management agreements for the funding been properly agreed upon? ✓ Have the funds been used in accordance with agreements? ✓ Have the objectives been achieved?	No donor funding received in the current year.
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INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<ul style="list-style-type: none"> <li>✓ Has the use of funds been effective in improving services to the community?</li> <li>✓ What actions need to be taken to improve utilisation of the funds?</li> </ul>	
Agreements, contracts and projects under Private-Public-Partnerships.	<p>Information similar to the details of municipal entities should be provided.</p> <p>Council should ensure that all details have been supplied.</p>	Not applicable.
Service delivery performance on key services provided.	<p>This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms.</p> <p>Council may draw conclusions on the overall performance of the municipality.</p> <p>This information may be found in an executive summary section of the annual report and or in statistical tables.</p>	This is a course for concern and management needs to prepare a plan of monitoring the performance of service providers in particular those that deals with Service Delivery Project.

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Information on long-term	Details of all long-term contracts including levels of liability to the	Not Applicable.
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<b>INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS</b>	<b>COUNCIL CONSIDERATIONS AND QUESTIONS</b>	<b>RESPONSES/ COMMENTS</b>
contracts.	municipality should be included. Council should ensure all information is correctly supplied.	
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations.	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.	Yes

<p>Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework.</p>	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided.</p> <p>This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets.</p>	<p>This should be addressed from the preparation of the 2015/2016 IDP, SDBIP and Organisational Scorecard. The oversight committee notes that with concerns</p>
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INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.	
<b>6. Other considerations recommended</b>		
Timing of reports.	Was the report tabled in the time prescribed? Has a schedule for consideration of the report been adopted?	Yes.
Oversight committee or other mechanism.	What mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?	Oversight Committee formed. Yes.

<p>Payment of performance bonuses to municipal officials.</p>	<p>Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance</p>	<p>No performance bonuses were paid to any Section 57 Managers.</p>
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INFORMATION REQUIRED TO BE INCLUDED IN ANNUAL REPORTS	COUNCIL CONSIDERATIONS AND QUESTIONS	RESPONSES/ COMMENTS
	<p>reported in the annual report.</p> <p>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?</p> <ul style="list-style-type: none"> <li>✓ If so has a proper evaluation of performance been undertaken?</li> <li>✓ Was the evaluation approved by council?</li> <li>✓ Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?</li> <li>✓ Are the payments justified in terms of performance reported in the annual report?</li> </ul>	



## CONCLUSIONS ON THE ANNUAL REPORT OF THE MUNICIPALITY

The MPAC acknowledges with appreciation the improvement in the quality of annual reporting made by the management as affirmed by the Audit Committee.

As indicated in the Checklist for Annual Report as issued by Cogta and included in this report, the MPAC is also pleased to note that all components of the Annual Report are included as is required in terms of section 121(3) of the MFMA as follows :-

-  *The annual financial statements of the municipality,*
-  *The Auditor General report*
-  *Report of the Audit Committee*
-  *The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*
-  *The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.*
-  *An assessment by the municipality 's accounting officer of any arrears on municipal taxes and service charges;*
-  *Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports*
-  *Any explanation that maybe necessary to clarify issues that are in connection with the financial statements;*

□

It is concerning however, that whilst the municipality is progressing fairly well in other areas, the Municipality is lacking in ensuring monitoring of Service Delivery Project to its completion.

The findings of the Auditor-General and management response thereto, are noted. It is therefore, imperative that the Audit Response Action Plan is monitored by all relevant governance structures including the MPAC on a regular basis. The Committee also acknowledges the role played by the Internal Audit and the Audit Committee in so far as its advisory role is concerned.

## CONCLUSION

The Committee thanks the Speaker of the Mkhambathini Municipality, Councillors, the Mayor, Municipal Manager, the management team, the Auditor General, the Audit Committee and Internal Audit, for their support and co-operation in completing this annual report oversight process.

The Committee strongly believes that Mkhambathini Municipality and its citizens will realize substantial and tangible benefits if a similar process is consistently followed in the following years. The Committee is grateful for the opportunity to be of service to Mkhambathini Municipality and its citizens.

## RESOLUTIONS

### Resolved to Recommend :-

1. That Council having fully considered the Annual Report of the Mkhambathini Municipality for the 2014/2014 Financial Year, adopts the Oversight Report for the 2013/2014 Financial Year, a copy of

which is attached to the signed minutes of this meeting.

2. That Council approves the Annual Report of the Mkhambathini Municipality for the 2013/2014 Financial Year without the reservations.

**OR**

- 1 That Council does not approve the Annual Report of the Mkhambathini Municipality for the 2013/2014 Financial Year and refers it back to the Oversight Committee for further consideration.
2. That the Oversight Report be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
3. That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.