



# OVERSIGHT REPORT FOR 2010 / 2011

06 March 2012

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## **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 2010 / 2011 Annual Report was tabled in Council on 31 January 2012.

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 (GRAP)	Compliant
b) The Auditor-General's Report is to be included in the Annual Report	Included at Chapter 7
c) Explanations to be included that are necessary to clarify issues in connection with the financial statements.	Notes are included as explanations in line with GRAP requirements – see Chapter 8
d) An assessment on arrears on municipal taxes and service charges to be included.	Property rates are reflected, but not an assessment. Consumer debtors are, however, reflected,
e) Corrective action taken or to be taken in response to issues raised in the audit reports.	Included on page 107, Chapter 8.

### 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>	Details of conditional grants received from national and provincial spheres are reflected on page 106, Chapter 8.
b) The extent to which the conditions of the grants were met.	Included on page 106, Chapter 8. Also refer to page 21 in the Annual Financial Statements.
c) Information relating to outstanding debtors and creditors of the Municipality	Reflected in Note No. 9 for debtors and Note No. 13 for creditors in the Annual Financial Statements.
d) Information relating to the benefits paid to Councillors, Managers and officials.	Note No. 18 (page 25) of the Annual 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?	Included on page 73, Chapter 5.

b) Have all the performance targets been included in the report?	All have been included with all indicators being cross referenced
c) Does the performance evaluation in the Annual Report compare actual with planned performance?	It is reflected in the templates that reflect targets and actual achievements.
d) In terms of key functions or services, how has each performed?	There is much room for improvement.
e) To what extent have targets been achieved?	Targets were not achieved in all areas of delivery due to financial constraints.
f) Are the Council and the Community satisfied with the performance?	See notes in paragraph 3.4 below
g) What actions have been taken and planned to improve performance?	The last column of the Performance Report includes a column that reflects planned improvements. For the way forward there should be an approved Operations and Maintenance Plan.
h) Is there a correlation with the targets set for the Municipality and the targets set for the Municipal Manager and Heads of Department?	A comparison of pages 41 and 73 shows the correlation.
i) Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?	There is room for improvement
j) Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?	Audit Report is on page 100, Chapter 7 and the Audit Committee Report is on page 98, Chapter 6. Looking at these Reports there is a clear improvement from previous years, but there is still room for improvement.
k) To what extent have actions planned for the previous year been carried over to the financial year reported upon?	When this is the case then planned improvement interventions are reflected – see page 31

### 3.4 Service delivery needs still to be addressed:

#### **Ward 1**

- Water supply remains a challenge
- Sports facilities

## **Ward 2**

- Water supply remains a challenge
- Electricity supply
- Need for housing

## **Ward 3**

- Access to sanitation
- Supply to portable water
- Housing
- Electricity
- Access road
- Land reform
- Sports facilities

## **Ward 4**

- Supply to potable water
- Housing
- Access to sanitation
- Land reform
- Sports facilities

## **Ward 5**

- Access roads
- Supply to potable water
- Sports facilities

## **Ward 6**

- Supply of potable water
- Electricity
- Access roads
- Land reform
- Access to sanitation
- Sports facilities
- Housing

## **Ward 7**

- Access roads
- Supply of potable water
- Lack of basic infrastructure
- Housing

#### **4. Recommendations**

In view of the above the Municipal Public Accounts 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 the reservations listed in paragraphs 3.1, 3.2, 3.3 and 3.4 of this Oversight Report.

**OVERSIGHT PROCESS FOLLOWED**

1. The general public and members of Ward Committees were invited to attend the Full Council meeting held on 31 January 2012 when the 2010 / 2011 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 14 February 2012.
3. A Municipal Public Accounts Committee (MPAC) was appointed by Full Council consisting of Non-Executive Councillors.
4. The MPAC convened on 28 February 2012 to be orientated on their oversight role of the 2010 / 2011 Annual Report.
5. On 6 March 2012 MPAC reconvened in order to draft the Oversight Report. This was done after considering all the documentation that they received during the orientation session held on 28 February 2012.