

# //KHARA HAIS MUNICIPALITY



## OVERSIGHT REPORT 2013/2014

## **1. Introduction**

The 2013/2014 Annual Report was tabled to Council on 27 January 2015 in compliance with the Municipal Finance Management Act (MFMA) which requires under section 127 (2) that:

*“The Mayor of a municipality must, within seven months after the end of a financial year, table in the Municipal Council the annual report of the municipality.”*

In dealing with the tabled Annual Report, Council is required to adopt an Oversight Report by not later than two months from the date of tabling, which for the 2013/2014 report will be 31 March 2015.

An oversight report should contain Councils’ comments on the annual report and must include under section 129 (1) of the MFMA a statement as to whether the Council:

- a) Has approved the annual report with or without reservations;
- b) Has rejected the annual report; or
- c) Has referred the annual report back for revision of those components that can be revised.

## **2. The Oversight Committee**

The functions of the Oversight Committee are to:

- Undertake a review and analysis of the Annual Report
- Invite, receive and consider inputs from Councilors and Portfolio Committees, on the Annual Report
- Consider written comments received on the Annual Report from the public consultation process
- Allow the local community or any organ of the state to make representations on the Annual Report
- Receive and consider the views and comments of the Councils’ Audit Committee on the Annual Financial Statements and the Performance Report
- Prepare the draft Oversight report, taking into consideration the views and inputs of the public, representatives of the Auditor General, organs of the state, Councils’ Audit Committee and Councilors.

The following Councilors are members of the Oversight Committee:

Clr	E Munnik	-	Chairperson
	J Assegaai		
	R George		
	M Kock		
	E Lebitsa		
	DZ Ntlanganiso		
	J Thomas		
	PT van der Steen		
	AJ van Rooyen		

### **3. 2013 / 2014 Annual Report Consultation Process**

The community is advised through the print media of the availability of the Annual Report and is invited to submit representations on the report.

The Annual Report is available at all municipal libraries and offices. The report is also placed on the //Khara Hais Municipality website. The Annual Report was also submitted to the Auditor General, National Treasury, Provincial Treasury and the department of Local Government and Traditional Affairs.

The closing date for public submissions is 20 February 2015.

### **4. Summary of Comments on the 2013 / 2014 Annual Report**

#### **4.1 Purpose of Annual Report**

The purpose of the annual report as set out in MFMA Circular 32 is:

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

#### **4.2 The draft Annual Report was discussed on the following dates:**

21 July 2015;  
19 January 2015; and  
16 March 2015

#### **4.3 Comments on the Annual Report**

On 21 August 2014 MPAC discussed the Annual Report for the 2013/2014 financial year and made the following findings:

##### Annual Report

- 1 All the correctness of all the information in the annual report due to time constraints. This audit is done as part of the audit of predetermined objectives on a quarterly basis where an audit is executed on the annual report against the SDBIP.
- 2 The following information in the Annual Report seems not to correspond to the SDBIP for the year and must be reviewed to ensure the correctness of the information published:

Indicator	Annual report		SDBIP	
	Target	Actual	Target	Actual
Environmental Health: Formal food premises	-	220	-	226
Environmental Health: Safe water	564	581	572	575

IT: Helpdesk calls received	2676 (calls received)	2592 (completed)	2672 (calls received)	2311 (completed)
Environmental Health: Medical waste generators	95%		90%	
Environmental Health: Sanitation services (bucket system)	-	2730	95%	3539

- 3 The following information is published in the annual report but could not be found in the SDBIP:

Indicator	Annual report	
	Target	Actual
Elimination of gravel roads in townships	No target	4km

- 4 The following information seems to lack in the annual report (*information in italic can only be provided after the report of the AG is issued*):

- 4.1 Overview of public accountability and participation (2.4.0).
  - 4.2 Overview of corporate governance (2.6.0).
  - 4.3 Comment on conditional grants and grant received from other sources (5.2.4).
  - 4.4 Treatment of the three largest assets acquired year 1 (5.3.2).
  - 4.5 Comment on asset management (5.3.3).
  - 4.6 Introduction to spending against capital budget (5.5.0).
  - 4.7 Comment on capital spending - development and planning (5.7.1.1).
  - 4.8 Auditor General opinion on financial statements 2012/13: Year 0 (6.1.1).
  - 4.9 Auditor General report on service delivery performance: Year 0 (6.1.2).
  - 4.10 *Auditor General opinion on financial statements 2013/14: Year 1 (6.2.1).*
  - 4.11 *Auditor General report on service delivery performance: Year 1 (6.2.2).*
  - 4.12 *Comments on Auditor General's opinion year 1: (6.2.4).*
  - 4.13 Appendix E- Ward reporting (TE)
  - 4.14 Appendix F –Ward information (TF.2).
  - 4.15 Appendix F –Ward information (TF.3).
  - 4.16 Appendix F –Elected ward members (TF.3).
  - 4.17 Appendix L –Conditional grants received, excluding MIG (TL).
  - 4.18 Comment on conditional grants, grants excluding MIG (TL.1)
  - 4.19 Appendix O –Capital programme by project by ward year 1 - not fully completed (TO).
  - 4.20 *Volume II - Annual financial statements*
  - 4.21 Appendix J – VE Mfusi is incorrectly classified as a section 57 employee.
5. In the report it is referred to as Section 57 employees. Internal Audit is of the view that it must be Section 56 employees.

6. That the following spelling mistakes be corrected:
- 6.1 On Page 72, correct the spelling of the word “claims”.
- 6.2 On page 76, correct the spelling of the word “trail”.
7. That, due to the Annual Performance Report being tabled during the meeting no evaluation of the report could be done.

According to the performance results, some targets could not be achieved due to financial constraints. MPAC is aware of the remedial actions that has been implemented and also acknowledge that service delivery was not negatively affected.

All findings of the Auditor General were addressed in the Audit Recovery Plan that has been approved by Council on 12 December 2014.

The municipality received an unqualified audit opinion with other matters.

#### 4.4 **Comments on Annual Performance Report**

The Auditor General has made the following findings:

- a) The SDBIP only includes projections for some capital expenditure, mainly part of infrastructure development, however no projections for revenue and operating and other capital expenditure by source are included.
- As a result of the above, no explanations for material variances from the SDBIP could be submitted.
  - **Response by the Municipality:-** The ePerform system was upgraded to address this issue. The abovementioned will be included in the 2014 / 2015 SDBIP.
- b) Inconsistencies were identified between the SDBIP and APR pertaining to the following planned targets.

<b>Indicator</b>	<b>Planned target as per SDBIP</b>	<b>Planned target as per S46 APR report</b>
Ensure minimum drinking water quality standards compliant with SANS 241 : 60% of samples meeting minimum biological standards by 30 June 2014	60%	Not applicable
Ensure minimum effluent quality standards compliant with discharge license : 60% of samples meeting minimum biological standards by 30 June 2014	60%	Not applicable
Execute maintenance plan - 90% adherence to plan: High masts	90%	95%
Execute maintenance plan - 90% adherence to plan: Street lights	90%	95%
Installation Maintenance - Execute maintenance plan : 95% adherence to installation maintenance plan	95%	90%

Recreation plan : 90% execution of quarterly program	90% execution of quarterly programme	Not applicable
150 Safe Water samples per quarter	50 water samples / month	572 samples per annum

**Response by the Municipality:-** The necessary corrections were made and was submitted for auditing purposes:

- The following indicator could not be traced to the S46 APR:

<b>Indicator - Community Services</b>
Repairs and Maintenance - Sewerage Reticulation (Sealing) - 2 times by June 2014

- In addition to above, the following indicator falling under maintenance for Directorate Electro - Mechanical Services, was erroneously not reported in the S46 APR:

<b>Indicator - Electro Mechanical Services</b>
Conduct repairs Installations - 95% of requests attended to (electrical complaints)

**Response by the Municipality:-** The necessary corrections were made and was submitted for auditing purposes:

- c) The section 46 Annual Performance Report only includes performance for the 4th quarter for certain directorates. The Annual Performance Report was adjusted to include all quarters where after the Auditor General has required that all quarters must be summarised.

**Response by the Municipality:-** The Annual Report was adjusted to summarise all quarters.

- d) Targets for certain indicators were not achieved, however in the annual performance report a remedial action plan as to how the municipality will improve the performance of the specific indicators are not disclosed in the report.

**Response by the Municipality:-** The Annual Report was adjusted to include remedial action plans as well as the reason why targets were not met.

- e) Supporting information for the following indicators for the annual performance report was requested by the Auditor General:

**(a) Development priority - Sanitation**

<b>Sanitation</b>	
<b>Indicator(s)</b>	<b>Reported performance</b>
Clean environment/job creation campaign - 14 campaigns per quarter	317,8%

**(b) Development priority - Sewerage**

<b>Sewerage</b>	
<b>Indicator(s)</b>	<b>Reported performance</b>
Maintenance of main collectors : 100% of approved maintenance plan executed per quarter	100% planned maintenance executed

**(c) Development priority - Energy and electricity**

<b>Energy and electricity</b>	
<b>Indicator(s)</b>	<b>Reported performance</b>
Execute maintenance plan - 90% adherence to plan: Street lights	90%
Execute installations inspection plan - 95% adherence to installations inspection plan	95%
Installation Maintenance - Execute maintenance plan : 95% adherence to installation maintenance plan	95%

**(d) Development priority - Community development and facilities**

<b>Community development and facilities</b>	
<b>Indicator(s)</b>	<b>Reported performance</b>
62 000 material issued to Main Library by 30 June 2014	58,6%
11 Sectoral stakeholder meetings by 30 June 2014	54,5%

**Response of the Municipality:-** This information was submitted to the Auditor General on 25 November 2014.

**Recommendation**

1. That Council considers the Annual Report of the municipality for the 2013/2014 financial year and representation thereon, and adopts the oversight report as compiled by the Oversight Committee (MPAC) together with the Annual Report.
2. That the Oversight Report be made public in accordance with section 129 (3) of the MFMA 56 of 2003;
3. That the Oversight Report be submitted to provincial legislature in accordance with section 132 (2) of the MFMA 56 of 2003.