



OVERSIGHT REPORT 2012/2013

1. Introduction

The Constitution of the Republic of South Africa, 1996 (in Section 152) states that:

“(1) The objects of local government are –

- a) To provide democratic and accountable government for local communities;
- b) To ensure the provision of services to the communities in a sustainable manner;
- c) To promote social and economic development
- d) To promote a safe and healthy environment
- e) To encourage the involvement of communities and community organisations in the matters of local government”

Sub-section (2) then qualifies within which parameters a municipality must do this. It states that “A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)”.

The Annual Report gives further expression to these Constitutional provisions by:

- ❖ Providing a record of the activities of the municipality during the financial year.
- ❖ **Providing a report on performance against the budget.**
- ❖ Promoting accountability to the local community for the decisions made throughout the **year and**
- ❖ Promoting information that supports the revenue and expenditure decisions made.

Council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA).

The Executive Mayor therefore must submit to Council the Annual Report that provides a record of the activities of the municipality, a report on the performance against the budget of the municipality and thereby promoting accountability to the local community for the decisions made throughout the year, as envisaged by section 152(1)(d) of the Constitution.

The Municipal Public Accounts Committee therefore in its work should check whether the information contained in the Annual Report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon.

“The MFMA now requires the municipality to report on all aspects of performance providing a true, honest and accurate account of the goals set by council and the success or otherwise in achieving these goals”
(MFMA Circular 11 dated 14 January 2005)

Approval of the Annual Report means that the executive and administration have discharged in full, their accountability for decisions and actions and that their performance meets the criteria set by performance objectives and measures and is also acceptable to the community.

2. The Municipal Public Accounts Committee

Council has assigned the responsibility of the Oversight Report on the Annual Report to MPAC in terms of Council resolution 8.14 dated 24 January 2013.

The relevant Terms of Reference, Clause 3.30, states:

“The functions of the MPAC are:

- (a) To consider and evaluate the Annual Report as tabled to Council, and thereafter make recommendations to Council in this regard. The Committee must receive the report no more than two weeks after tabling to Council.
- (b) To compile an Oversight Report and table it in Council no later than 60 days from the date of which the Annual Report was tabled, in terms of Section 129 of the MFMA.
- (c) To monitor that all submissions and calls for comment have been undertaken as per Section 127(5), 130 and 132 of the MFMA.
- (d) To review whether matters raised in past Annual Reports have been attended to, as well as whether recommendations made in previous Oversight Reports in terms of Section 129 of the MFMA have been attended to.

3. 2012/2013 Annual Report Consultation Process

The community was advised through advertisements in the printed media during February 2014 of the availability of the Annual Report and was invited to submit representations/comments on the report and to attend meetings of MPAC to submit verbal representations.

The Annual Report was also available at all municipal libraries and offices and was also placed on the Knysna Municipality web site. The Annual Report was further submitted to the Auditor General, National Treasury, Provincial Treasury and the department of Local Government and Traditional Affairs as required by legislation.

At the closing date for public submissions on 19 February 2014, no submission was received by MPAC. We took note of one consolidated set of comments that was e-mailed to the CFO. The received consolidated set of comments was adequately answered by the Director: Financial Services

All Councillors were also invited to attend or/and make written or oral submissions to MPAC. The Deputy Executive Mayor, Councillor Edge, and Councillor Witbooi attended some of the meetings of MPAC.

4. Summary of Comments on the 2012/2013 Annual Report

4.1 Format of Report

MFMA Circular 63 dated 26 September 2012 sets out the format for the Annual Report.

We find that there is overall compliance with the format as outlined in Circular 63.

4.2 Comments on Annual Report

An updated and edited version of the Annual Report was made available which incorporated amendments requested by the Committee

Auditor- General Report

For the first time, Knysna Municipality received a clean Audit Report from the Auditor General. However, the Committee wishes to draw attention to the material distribution losses of purified water amounting to R8 203 919-00 and electricity amounting to R16 654 660-00 (see point 9 of the Report of the Auditor General).

Furthermore, it is noted that 10 of the 50 planned targets were not met, due to relevant systems not considered and evidential requirements not achieved (see point 20 of the Report of the Auditor General)

5. COMMUNITY/ OTHER SPHERES OF GOVERNMENT COMMENTS

No official comments were received regarding the Annual Report as advertised.

6. REVIEW OF MATTERS RAISED IN PAST ANNUAL REPORTS

The Committee notes that there was a significant improvement in the contents and presentation of the Annual Report, although there is still room for improvement.

7. RESERVATIONS AND COMMENTS

7.1 Format of Annual Report

The Committee is satisfied with the overall format of the Annual Report as revised.

7.2 Content

The committee has proposed various changes in the Annual Report, which include the use of more updated statistics and uniform reporting on performance from all

departments. The Committee also stressed that the Annual Report must not be seen as a draft report when submitted to the Municipal Council for noting, but must be a complete document in all aspects.

7.3 Leadership

It is clear from the Annual Report that comprehensive and firm political and administrative leadership is required to exercise sufficient oversight responsibility regarding financial and performance reporting and compliance. The Committee has **some** reservations about the **degree** of political leadership and oversight on the Annual Report.

74. Comments of the Audit Committee

The steps that the Audit Committee, in their report dated 6 January 2014, proposed to be taken are hereby endorsed.

The consolidation of the financial position of the Municipality by curtailing unnecessary expenditure and optimizing of all resources should be fostered and enhanced in the short and medium term.

8. MPAC Committee

In terms of Council Resolution 1/2/13 dated 12 February 2013, Council appointed the following Councillors to serve on the MPAC:

Cllr S De Vries (Chairperson)
Cllr R Barrell
Cllr T Gombo
Cllr I Grootboom
Cllr B Tyokolo

The Committee co-opted the Chairperson of the Audit Committee, Mr N Metelerkamp, to the MPAC.

The MPAC held meetings, to discuss the Oversight Report, on the following dates:

5 February 2014
5 March 2014
18 March 2014

9. Recommendations

- (a) That Council having fully considered the revised and updated Annual Report of the municipality for the 2012/2013 financial year, adopt the Oversight Report together with the revised and updated Annual Report without reservations.
- (b) That the Oversight Report be made public in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003;
- (c) That the Oversight Report be submitted to provincial legislature in accordance with section 132 (2) of the Local Government: Municipal Finance Management Act, 2003;

- (d) That the Executive Mayor **ensure** greater political leadership in the preparation of the Annual Report before it is tabled at the Municipal Council.
- (e) That **the Administration investigate methods of achieving greater public input regarding the performance of the Municipality.**

Cllr S De Vries (Chairperson)

Cllr R Barrell

Cllr T Gombo

Cllr I Grootboom

Cllr B Tyokolo

Mr N. Metelerkamp

18 March 2014

