



**KNYSNA**  
Municipality  
Munisipaliteit  
uMasipala

## **OVERSIGHT REPORT 2014/2015**

### **1. Introduction**

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Section 129 of the MFMA requires the Municipal Council to consider the Annual Report of its municipality and municipal entities and to adopt an Oversight Report containing the Municipal Council's comments on each Annual Report.

The Oversight report is a report of the Municipal Council and follows consideration and consultation on the Annual Report by the Council itself.

The purpose of the Annual Report is:

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

### **2. The Municipal Public Accounts Committee (MPAC)**

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Knysna Municipal Council has delegated (Delegation I.1.2) the responsibility of the Oversight Report on the Annual Report to MPAC in terms of Council resolution G05/01/16 dated 28 January 2015 and MPAC is responsible to:

- ✚ To consider and evaluate the Annual Report as tabled to Council, and thereafter make recommendations to Council in this regard.

- ✚ 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.

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.

MPAC consists of the following members:

Cllr S De Vries (Chairperson)  
Cllr R Barrell  
Cllr T Gombo  
Cllr L Hart  
Cllr B Tyokolo  
Mr N Metelerkamp (ex officio as Chairman of the Audit Committee)

### **3. 2014/2015 Annual Report Consultation Process**

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The community was advised through Public Notices in the printed media on 4 February 2016 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.

On 1 February 2016, 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, Provincial Treasury and the Provincial Department of Local Government as required by legislation.

At the closing date for public submissions on Friday, 19 February 2016, one submission was received by MPAC. The received comments were answered in a written report by the Municipal Manager to MPAC. MPAC also considered the comments on the 2014/15 Annual Report by the Local Government Budget Office of Provincial Treasury.

All Councillors were also invited to attend or/and make written or oral submissions to MPAC. MPAC meetings on the Annual Report took place on 22

February, 2 and 14 March 2016. Cllrs Myers, Van Aswegen, Litoli and Dyantyi attended meetings of MPAC where the Annual Report was discussed.

## **4. Summary of Comments on the 2014/2015 Annual Report**

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### **4.1 Chapter 1**

#### **4.1.1 Executive Mayor's Foreword**

The Executive Mayor's foreword omits information required in terms of Circular 63. See the comments from Provincial Treasury in this regard (Annexure A).

#### **4.1.2 Municipal Manager Overview**

The Municipal Manager's forward was not compliant with MFMA Circular 63 of September 2012.

The following items were omitted:

- ✚ Sector departments and the sharing of functions between the municipality / entity and sector departments.
- ✚ A statement on the previous financial year's audit opinion.
- ✚ Information related to the revenue trend by source including borrowings undertaken by the municipality.
- ✚ Risk assessment, including the development and implementation of measures to mitigate the top 5 risks.

### **4.2 Auditor- General Report**

Knysna Municipality received a "clean audit" for the 2014/2015 Financial Year. Opinion: "The financial statements present fairly, in all material respects, the financial position of the Knysna Municipality as at 30 June 2015 and its financial performance, and cash flows for the year ended"

### **4.3 Chapter 3 - Annual Performance Report**

The Committee proposed changes to the report that included corrections to figures and targets and to add explanatory notes. The committee also proposed that various sections be deleted, as being unnecessary or irrelevant, and requested that those sections reflect the actual departmental activities for the 2014/15 financial year.

The status quo sections of certain departments' service delivery reports were the same as in previous years. The committee yet again expresses serious reservations about this practice.

#### **4.4 Chapter 4- Financial Statements**

The Committee draws Council attention to the following in the financial statements:

##### Repairs and Maintenance Indicator

The spend on repairs and maintenance has dropped from 6.00% to 4.84% as a percentage of total expenditure.

##### Receivables from Exchange Transactions

The increase in debtors for services is escalating alarmingly: see note 18 of the AFS. Council must review the implementation of Credit Control and Debt Collecting policies.

##### Irregular Expenditure

R 956 093: Attendance at BAC meetings by an employee of the municipality who is family member of the supplier. R5 983 526 for tenders awarded to suppliers that did not score the highest points in terms of the PPPFA and Supply Chain Management Policy.

The classification, validation and recoverability of these items to be determined by MPAC in terms of section 32 of the MFMA.

#### **4.5 Comments from the Public**

Ms. Susan Campbell delivered a written submission, attached hereto (Annexure B), on the following matters: Municipal Manager's Overview, ISDF, Jam Electrical, Local Premiums and Recurring Deviations. She also elucidated her submission, during MPAC meeting on 22 February 2016.

See the attached submission and response from the Municipal Manager (Annexure C).

##### MPAC Comments:

Ms Campbell has requested additional information on the Municipal Manager's Overview that is not necessary to disclose in the Annual Report. The Committee agreed that the ISDF was not yet sent for public consultation.

The Committee has made recommendations to Council to deal with the reserved comment on Jam Electrical and Local matters in separate reports.

## 4.6 Comments from Provincial Treasury

### Re-Chapter 1:

Recommends that the Executive Mayor and Municipal Manager Overviews to contain all aspects as stipulated in MFMA Circular 63.

### Re-Appendices:

The following were omitted

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| Appendix F: | Ward Information  |
| Appendix H: | Long term Contracts and Public Private Partnership  |
| Appendix I: | Municipal Entity/Service Provider Performance Schedule  |
| Appendix J: | Disclosure of Financial Interest  |
| Appendix K: | Revenue Collection Performance  |
| Appendix L: | Conditional Grants Received: Excluding MIG  |
| Appendix M: | Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG  |
| Appendix P: | Service Connection Backlogs at Schools and Clinics  |
| Appendix Q: | Service Backlogs Experienced by the Community where another Sphere of Government is Responsible for Service Provision |
| Appendix R: | Declaration of Loans and Grants Made by the Municipality  |
| Appendix S: | Declaration of Returns not Made in due Time under MFMA s71  |

## 5. Reservations

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- 5.1 Chapter 1 – Executive Mayor and Municipal Manager Forewords do not comply with Circular 63;
- 5.2 Copy and paste of sections of previous year’s Annual Report;
- 5.3 The information of service delivery performance must reflect the actual performance achieved;
- 5.4 Amended Annual Report still does not contain all amendments required by MPAC;
- 5.5 All appendices as per Circular 63 were not attached.

## 6. Recommendations

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- a) That the 2014/2015 Oversight Report together with the amended Annual Report 2014/15 be adopted with reservations;
- b) That the Oversight Report be made public by the Municipal Manager in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003;

- c) That the Oversight Report and amended Annual Report 2014/15, be submitted to the provincial legislature by the Municipal Manager in accordance with section 132 (2) of the Local Government: Municipal Finance Management Act, 2003;
- d) That the classification, validation and recoverability of unauthorized, irregular and fruitless and wasteful expenditure as reflected in the Annual Financial Statements 2014/15, be determined by the Municipal Public Accounts Committee in terms of section 32 of the Local Government: Municipal Finance Management Act, 2003 and that a report in this regard be submitted to the Municipal Council for consideration;
- e) That the Executive Mayor and the Municipal Manager take political and administrative responsibility respectively for the drafting and tabling of the Annual Report to the Municipal Council;
- f) That appropriate budget allocations for repairs and maintenance be provided in the 2016/17 Budget and the necessary monitoring and evaluation systems for implementation, be developed and adopted;
- g) That the implementation of Credit Control and Debt Collecting policies be reviewed.