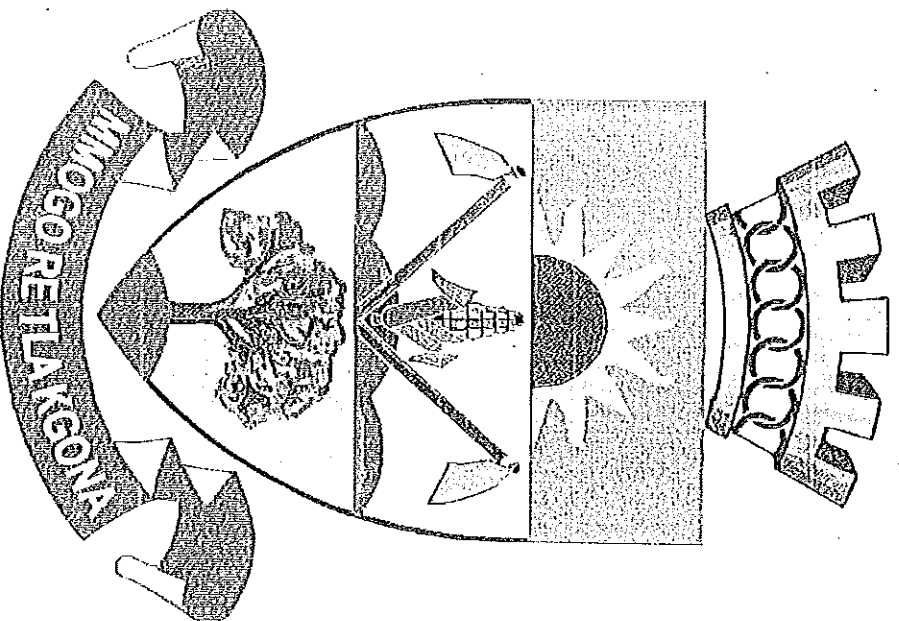
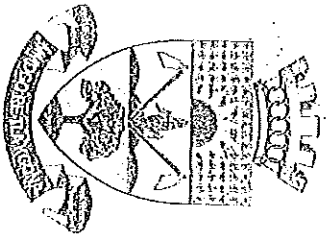


# AGANANG

## LOCAL MUNICIPALITY



**MPAC Oversight & Annual Report**  
**2014/2015 Financial Year**



# AGANANG LOCAL MUNICIPALITY

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## OVERSIGHT REPORT

OVERSIGHT REPORT ON ANNUAL REPORT OF AGANANG LOCAL MUNICIPALITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015, PREPARED IN TERMS OF THE REQUIREMENTS OF MFMA S129.

### Madam Speaker

With the introduction of the Aganang Local Council Oversight Committee, an expectation has been created whereby effect would be given to section 152 (1) (a) of our Constitution, namely to provide democratic and accountable government for local communities

The Municipal Public Accounts Committee was initially slow off the mark. However it must be noted that although the Committee was enthusiastically launched almost two years ago, the initial system of training was too technical in nature and the approach not methodical. With the resent committee and the appointment of Chief Internal Auditor and guidance from the Auditor-General, most of these shortcomings have been addressed and together we are ready to play our rightful role in the Local Council.

The relationship between the IDP, Budget and Annual Report is well documented in National Treasury's MFMA Circular no. 11, which stated, The IDP and Budget is forward looking, they set out what the municipality intends to do and the funds it will raise and spend. The Annual Report, on the other hand, is backward-looking as it reports on actual performance at the end of the financial year.

For the purpose of transparency and to the knowledge of all non-executive councilors and the public present today, this report will be tabled by means of an holistic approach for clarity purposes.

### 1) Introduction

- a) The 2014/2015 Annual Report was tabled to Council on the 29 January 2016 in compliance with the Municipal Finance Management Act (MFMA) which requires under Section 127(2) that:
  - i) "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".
- b) When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:
  - i) The annual performance report as required by section 46 of the MSA;
  - ii) Annual Financial Statements submitted to the Auditor-General;
  - iii) The Auditor-General's audit report on the financial statements in terms of Section 126 (3) of the MFMA; and
  - iv) The Auditor-General's audit report on performance in terms of Section 45 b) of the MSA.
- c) Section 129 of the MFMA requires the Council to consider the annual reports of its municipality and to adopt an Oversight Report containing the Council's comments on each annual report.

### 2. Purpose

To submit the Oversight Report on the Annual Report of 2014/2015 FY in terms of section 120 of the Municipal Finance Management Act 2003, (MFMA).

### 3. Background

- a) Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the Constitution, The Municipal Finance Management Act (MFMA) and the Municipal Systems ACT (MSA). This oversight responsibility of Council is particular important for the process of considering annual reports.

- b) The MFMA and MSA recognize that Council has a critical role to play to ensure better performance by municipal departments and entities. There exists an explicit linkage between the strategic goals, set by Council through the IDP, which are translated into the budget, and the delivery of those goals, which is reported in the Annual Report. It is important for Council to ensure that the budget gives effect or expression to priorities contained in the IDP. A good budget will lay a basis for better oversight and cement the contracts between the Executive/Council, the administration and the public.
- c) The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on managers and makes them more accountable for performance. Whilst, in the first instance it is left to the Mayor to resolve any performance failures, ultimately the Council is vested with the power and responsibility to oversee both the Executive and Administration.
- d) The separation of roles between the Council and Administration is intended to strengthen the oversight function of councilors. Good governance and effective oversight and accountability are predicated on the separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government.
- e) Council oversees the performance of the administration through Council and its Committee meetings.
- f) In terms of Council Resolution taken 01 June 2011, such Municipal Public Accounts Committee was established as an oversight structure in terms of section 79 of the Structures Act, 1998, to review the Annual Reports of the Council and prepare an Oversight Report on the Annual Reports.
- g) The Municipality's 2014/15 Annual Report was tabled to Council on the 29 January 2016 in terms with section 127 (2) of the MFMA, and was made public in terms of section 127 (5) of the MFMA.
- h) The annual report of 2014/15 was referred to the Municipal Public Accounts Committee for deliberation.
- i) In dealing with the tabled Annual Report, Council is required to adopt an Oversight Report by not later than two months from date of tabling, which for the 2014/15 Annual Report, will be 31 March 2016.
- j) Madam Speaker, the oversight report is the final major step in annual reporting process of a municipality. Section 129 of the MFMA requires the Council to consider

the annual reports of its municipality and adopt an oversight report containing the Council's comments on each of the following statements:

- i) Council has approved the annual report with or without reservations;
- ii) Council has rejected the annual report; or
- iii) Council has referred the annual report back for revision of those components that can be revised.
- k) The oversight report is thus clearly distinguished from the annual report. The annual report is submitted to the council by the accounting officer and the mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by Council.
- l) The oversight report is a report of the Municipal Council and follows consideration and consultation on the annual report by the Council itself.
- m) Thus the full accountability cycle is now completed and the separation of powers is preserved to promote effective governance and accountability.
- o) Madam Speaker, included in the Oversight Report, all relative documentation have been attached, including the Minutes of the Municipal Public Accounts Committee, the Annual Report Checklist, as per MFMA Circular 32, the response from administration and comments raised by communities.

#### 4) THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

- a) The appointment and compilation of the Council's Municipal Public Accounts Committee on 1<sup>st</sup> June 2011, has been done according to section 127(3) of the Municipal Finance Act and the guidelines issued by Treasury.
- b) The Municipal Public Accounts Committee is comprised of non-executive Councillors represented by all political parties and a Chairperson was chosen from amongst them. No community representatives were appointed to serve on the committee.
- c) The members of the committee are:
  - i) Cllr Phaka T.G (Chairperson)
  - ii) Cllr Madikoto N.D
  - iii) Cllr Phukubje K.J
  - iv) Cllr Lediga M.A
  - v) Cllr Mogotlane L.J

**5) THE FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE ANNUAL REPORT:**

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

**6) 2014/15 ANNUAL REPORT CONSULTATION PROCESS**

- a) The communities were advised, through the print media, loud hailing and the Municipality website of the availability of the annual report and were invited to submit representations on the report.
- b) The annual report was available at the Traditional Councils, Municipal Library and ward offices. The annual report should also be submitted to the Auditor General, National Treasury, Provincial Treasury and the Department of Developmental Local Government and Housing.

**7) Summary of comments on the 2014/2015 Annual Report**

- a) The MPAC Committee discussed the 2014/15 Annual Report at the following meetings:
  - i) 10 February 2016
  - ii) 16 April 2016
  - iii) 17 April 2016
  - iv) 22 March 2016

- b) In these meetings, the Annual Report for 2014/15 together with the Auditor General's basis of Qualified opinion was discussed.
- c) A report with recommendations has been compiled on matters that should be considered by Council to rectify and prevent any recapitulated reservations.
- d) In order to reject the annual report, Council should be able to agree that the information contained in the 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. Approval means 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.
- e) To promote continuous improvement in the performance of the municipality, it is strongly recommended that Council reward performance in a manner that is commensurate with achievement of policy outcomes. Therefore, the payment of performance bonuses should be measurable with the extent of outcomes achieved. Where reservations exist, the seriousness of such should be taken into account before considering any part-payment of bonuses.

**8. Annexures attached to this report**

- A Summary of the process plan
- B Copies of the minutes of MPAC meetings
- C Summary of written representations submitted by the public, Auditor General and other spheres of Government
- D Responses from management on MPAC's questions on Auditor General's Report
- E Project visit report

## 9. Recommendations

9.1. Noting that AG was unable to determine irregular expenditure as disclosed in note 26 of the AFS, management was unable to account for all irregular expenditure for the prior year, management failed to submit appropriate sufficient audit evidence, management didn't investigate irregular expenditure as per section 32 of the MFMA, the committee therefore recommend that since there is no certificate that shows that the money is irrecoverable, the Accounting Officer should recover the money.

9.2 Noting that the municipality operates without assets register, which gives a question of how allocation of assets is to be done during the disestablishment if there is no assets register, therefore the committee recommends that there be disciplinary actions against the Accounting Officer.

9.3 Noting that non-implementation of the establishment of a separate Performance Committee with an independent Chairperson who has Engineering or Project Management expertise as required by the legislation in order to assess and monitor poor performance of the Institution in Capital projects has resulted in the municipality recurring roll over projects in the previous year, therefore the committee recommends that there be corrective measures on the matter and the all the projects that are underway be completed by June 2016.

9.4 The committee would like to appreciate the implementation of staff retention policy, hence recommends that the whole process of retaining staff be done through council.

9.5 Noting that there is a deliberate violation of legislations by management, the committee therefore recommend that there be punitive actions against management.

9.6 Noting that there is improper financial management system that leads to most of the transactions untraceable and misplaced, therefore MPAC recommends to council that there be an investigation on the matter.



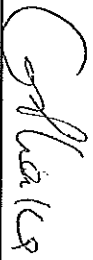
## 10. Conclusion

### Resolutions and Statement

#### Municipal Public Accounts Committee resolves that:

The MPAC having fully considered the 2014/15 Annual Report of the municipality and representations thereon present the oversight report and recommend that: Council should consider the annual report with reservations as follows:-

- That all the outstanding audit findings be addressed satisfactorily as required by the legislation.
- That there be an introduction of proper financial management record system.
- That all the 2014/15 rolled over projects and the current underway capital projects be implemented before the end of the financial year.

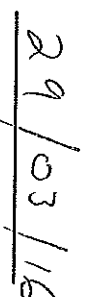


Compiled by:

Municipal Public Accounts Committee of

Aganang Local Municipality

Chaired by: Cllr Phaka T.G



Date