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**OVERSIGHT REPORT IN TERMS OF THE ANNUAL
REPORT FOR THE 2012/13 FINANCIAL YEAR**



1. PURPOSE OF REPORT

To consider the Phumelela Local Municipality's Annual Report for the 2012/2013 financial year and to adopt an Oversight Report containing Council's comments on the Annual Report in terms of section 129 (1) of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter indicated as MFMA).

2. BACKGROUND

A. Legal Requirements

Section 121(1)(2) and (3) of the MFMA determines as follows:

121(1) Every Municipality must for each financial year prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

The purpose of an annual report is:-

- (a) To provide a record of the activities of the municipality during the financial year to which the report relates;
- (b) To provide a report on performance against the budget of the municipality for the financial year; and
- (c) To promote accountability to the local community for the decisions made throughout the year by the municipality.

The annual report of a municipality includes the following-

- (i) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- (ii) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (iii) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (iv) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;
- (v) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (vi) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section

17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;

(vii) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);

(viii) Any explanations that may be necessary to clarify issues in connection with the financial statements;

(ix) Any information as determined by the municipality;

(x) Any recommendation as determined by the municipality; and

(xi) Any other information as may be prescribed.

In terms of section 127(5) of the MFMA, the Accounting Officer must immediately after the Annual Report is tabled, make public the annual report, invite the local Community to submit representations in connection with the annual report and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

According to section 129(1) of the MFMA, the council must consider the Annual Report by no later than two months from the date on which the annual report was tabled, 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;*
- *Has rejected the Annual Report or*
- *Has referred the Annual Report back for revision of those components that can be revised.*

3. PROCESS

a) Submission and tabling of the Annual Report

The Annual Report of the Municipality for the 2012/2013 financial year was tabled at the Ordinary Council Meeting, on the 31th January 2014 in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

Council resolved per item of the meeting held on 31th January 2014:

- 1. That the Draft Annual Report for the 2012/2013 financial year be approved subject to it being subjected to the oversight committee and public comments,*
- 2. That the final Annual Report and Oversight Committee report be presented at the next Council meeting*
- 2. That the Oversight report 2013/2014, after having served before Council is advertised in the media for public comment.*

b) The Oversight Committee

The Oversight Committee was established in terms of the National Treasury: MFMA Circular Nr 32 on 15 March 2006 and the purpose of the committee is to analyse and review annual reports in detail before tabling the Annual Report to Council for consideration.

The Committee comprises of members from all political parties represented in Council and members of the Community. The Chairperson of the Oversight Committee is Cllr S Tshabalala.

In terms of the resolution by Council regarding the advertisement of the Draft Annual report:

The local community was invited via the media to submit comments /objections received in connection with the Annual Report and no comments or objections were received.

· The Draft Annual Report was submitted to the relevant government departments.

We have to date not received public comments and no representations were received.

4. OVERSIGHT COMMITTEE COMMENTS

The committee wishes to express its appreciation to the Council for affording them the opportunity to serve as members of the oversight committee.

The committee noted the content of each components of the report.

The committee raised concerned about accuracy of population statistical information contained in section B of Annual Report under Municipal Population, Function and Environmental Overview.

The committee raised concern about non-provision of a detailed report on the implementation of corrective measures relating to the issues raised by the Auditor-General in the Audit Report.

RECOMMENDATIONS:

The Oversight Committee of the Municipality, having considered the Annual Report of the Municipality for the 2012/2013 Financial Year, recommends that the Annual Report of the Phumelela Local Municipality must be approved by the Council with reservations.