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***Matatiele Local Municipality
EC441***

Oversight Report

***FOR THE PERIOD
1ST JULY 2010 – 30TH JUNE 2011***

***PRESENTED TO THE 4TH ORDINARY COUNCIL ON
22 March 2012***

Oversight Report for 2010/2011

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1. Introduction

The 2010 / 2011 Annual Report for the Matatiele Local Municipality (EC441) was tabled at the special council meeting held on the 31st Of January 2012 in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

The purpose of the Municipality's Annual Report is to

- 1) Provide a record of the activities of the municipality
- 2) Provide a report on performance in service delivery relative to the budget
- 3) Provide information that supports the revenue and expenditure decisions made.
- 4) Promote accountability to the local community for decisions made.

The oversight report is the final major step in the annual reporting process of a municipality. The oversight report is separate 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 responsibility by the executive and administration for their performance in achieving objectives and goals set by the municipality in the relevant financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the municipal council to the community disclosing the level of success or otherwise obtained with meeting the priority needs and stated desires of the community as contained in the IDP.

2. Legislative Mandate

Section 129 (1) of the Municipal Finance Management Act (Act No 56 of 2003) states that the Council of the Municipality must consider the Annual Report of the Municipality and by no later than two months from the date on which the Annual Report was tabled in the Council, adopt an Oversight Report containing the Council's comments on the Annual Report, which must include a statement whether the Council has:

1. Approved the Annual Report with or without reservations;
2. Rejected the Annual Report; or
3. Has referred the Annual Report back for revision on those components that can be resolved.

2. The Municipal Public Accounts Committee

The Municipal Public Accounts Committee was appointed on the 01st July 2011 at the special council meeting in terms of resolution number CR26/07/2011. The committee has since been increased from 6 to 10 members to align it with the adopted guidelines from national treasury on the 11th of November 2011.

The Municipal Public Accounts Committee of the Matatiele Local Municipality consists of the following 10 non-executive councillors:

- (1) Cllr. T.V.Mongoato (Chairperson)
- (2) Cllr. J.Z.Munyu
- (3) Cllr. N.A.Nkukhu
- (4) Cllr. N.B.Nkomo
- (5) Cllr. N.N.Ndukwana
- (6) Cllr. R.T.Mnika
- (7) Cllr. S.Baba
- (8) Cllr. S.Mavuka

(9) Cllr. V.M.Mlandu

(10) Cllr. L.D.Shemane

The committee has since held the following meetings and the minutes are attached as Annexure A for the council to consider:

1. 26 August 2011 (consideration of the terms of reference for the committee)
2. 29 September 2011 (development of the works program and monitoring the implementation of 09/10 management action plan)
3. 12 December 2011 (consideration of the 1st quarter report)
4. 12 March 2012 (compilation of the oversight report)

Over and above the meetings, the committee members attended two workshops one organized by SALGA in Umtata and the second one organized by COGTA held in the speakers Board room.

The workshops have done a great deal in empowering members to understand our responsibility, but there is more training needed that will enable members to be able to grasp with complex situation like AFS.

The Annual Report 2010/2011 was advertised for public comment in the East Griqualand Fever on 2012 02 10 and could not be traced on the municipal website site www.matatiele.co.za

At the closing date of 10 March 2012 no representations had been received.

4. Comments on the Annual Report

The legislative requirements of the various relevant acts together with the oversight committee's opinion on compliance are set out hereunder:

4.1 Municipal Finance Management Act

The MFMA requires that the Annual Financial Statements are compliant with the generally recognized accounting practices (GRAP). The municipal public accounts committee after considering the Auditor General's Report finds no reason to dispute compliance.

The Auditor General's Report is included in the Annual Report and hence the Annual Report is compliant in this regard.

Explanations necessary to clarify issues in connection with the financial statements are adequate and hence compliance is achieved.

An assessment on arrears on municipal taxes and service charges is included and hence the report is compliant in this regard.

A list of corrective actions taken and to be taken in response to all issues raised in the auditor general's report is included and hence compliance is achieved in this regard.

4.2 Division of Revenue Act

The Division of Revenue Act requires that the Annual Report must disclose:

Details of conditional grants received from national and provincial spheres;

Details of conditional grants received from other municipalities; and

Details of grants made to any organs of state.

These are disclosed under note 27 and 28 to the financial statements.

The Division of Revenue Act requires that the Annual Report must disclose the extent to which the conditions of grants have been met.

This is disclosed also under note 28 to the financial statements.

The Division of Revenue Act requires that Information relating to outstanding debtors and creditors of the Municipality be included in the Annual Report as well as Information relating to the benefits paid to Councillors, Managers and officials. This is part of the GRAP compliant financial statements as it is detailed under note 30 and 31.

4.3 Municipal Systems Act

a) With regard to performance a report is included in the annual report and hence compliance is met.

b) Omission to detail the activity of the audit committee in the annual report in chapter 5 page 254 is observed.

c) Reporting and monitoring of CWD's need to be looked at and form part of the annual report.

d) Performance targets are primarily in the form of budgeted expenditure and hence at a very basic level they are included.

- c) The performance evaluation in the Annual Report does compare actual with planned performance.
- d) Targets in terms of budgeted figures that need improvement relates to debt collection and expenditure on conditional grants.
- e) Several actions including the revenue enhancement program have been undertaken to improve problem areas on the collection of revenue.
- f) The targets set for the municipality and the targets set for the Municipal Manager and Heads of Department needs to be aligned to IDP and SDBIP.
- g) The report could better evaluate the efficacy of mechanisms applied to deliver the performance outcomes.
- h) Taking into account the Audit Report and opinion of the AG, performance is considered to be efficient and effective on the whole.

4.4 Other findings and comments

The irregular expenditure of 2,8m needs to be attended to in particular the one that relates to overpayment of staff members.

The need to establish an IT unit will help in resolving the risk as raised by the AG when it comes to internal controls.

The outstanding litigations need to be attended to by this council urgently as that could affect the municipality negatively.

The close monitoring of the smart metering to cab- electricity line loss need to be monitored closely by the council.

The 57 funded vacant posts reported are of grave concern.

Management has to act speedily on this matter.

That council makes a follow up negotiating and signing a service level agreement with ANDM with regard to be the agent in supplying and maintaining water services. This matter was also raised in the 2009/2010 oversight report.

Plans to donate Maloti to the Matatiele by land affairs need to be accelerated as this will be a mechanism that will help the municipality to increase its revenue base.

5. Reservations

Following the analysis of the annual report, the oversight committee has no material reservations.

6. Recommendations

The municipal public accounts committee recommends that:

1. Council approves the oversight report on the annual report 2010/2011 in terms of section 129 (1) of the Local Government Municipal Finance Management Act N0 56 of 2003.
2. Council approves the annual report 2010/2011 in terms of section 129 (1) of the Local Government Municipal Finance Management Act N0 56 of 2003.
3. 2010/2011 oversight report of the Matatiele Local Municipality is made public in terms of Section 129(3) of the Local Government Municipal Finance Management Act No 56 of 2003.

3. The oversight report be submitted to the provincial legislature in terms of section 132(2) of the Local Government Municipal Finance Management Act N0 56 of 2003.

ANNEXURE A