

OVERSIGHT REPORT ON THE ANNUAL REPORT 2017/18

1. INTRODUCTION

In terms of Section 129 of the MFMA, The Municipal Council, in dealing with the tabled Annual Report, is required to adopt an Oversight Report containing the council's comments on the Annual Report, which must include a statement whether the Council-

- (a) has approved the Annual Report with or without reservations;
- (b) has rejected the Annual Report; or
- (c) has referred the Annual Report back for revision of those components that can be revised.

In addition, in terms of Section 129(3) of the MFMA the accounting officer must in accordance with Section 21 A of the Local Government Municipal Systems Act (MSA), 2000, make public the Oversight Report within seven days (7) of its adoption.

2. THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

A Municipal Public Accounts Committee (MPAC) meeting to provide oversight w.r.t the Annual Report took place on

3. 2017-18 ANNUAL REPORT CONSULTATION PROCESS

The Draft Annual Report was tabled to Council on 21 January 2019.

Published for Public Comment:

- (a) Municipal Website
- (b) In the Courier, a regional newspaper, on municipal notice boards, available at municipal offices and municipal libraries.

The Annual Report was also submitted to the offices of the Western Cape Auditor-General and the Western Cape Provincial Treasury and the Western Cape Department of Local Government.

4. SUMMARY OF COMMENTS ON THE 2017/18 ANNUAL REPORT

Public Comment:

No public comments were received.

Western Cape Provincial Treasury

Comments were received from the Western Cape Department of Treasury on 12 March 2019, four (4) after the closure of the comments period which was on 08 March 2019.

The following feedback was received in this regard:

LEGISLATIVE COMPLIANCE

Conformance

The conformance assessment highlights compliance by the Central Karoo District Municipality with the MFMA and MFMA Circular 63 as follows:

- a. The Municipality did submit the draft 2017/18 Annual Performance Report together with the annual financial statements (AFS) by 31 August 2018.
- b. It could not be ascertained whether the unaudited annual report was tabled before Council at least two months after the end of the budget year in accordance with MFMA Circular 63.
- c. The annual report was tabled before Council on **21 January 2019** which is within 7 months after the end of the financial year in accordance to MFMA section 121(1).
- d. The tabled annual report was uploaded to the Municipality's website on 31 January 2019.
- e. Although the report is available on the municipal website, no notice has been uploaded informing the public as to if, when and how they can make submission.

Format of the Annual Report as per MFMA Circular 63

Although certain components were omitted, the tabled annual report has mostly been compiled in line with the format proposed in MFMA Circular 63. All applicable appendices required by Circular 63 has been attached to the tabled annual report.

GENERAL OBSERVATIONS

The Municipality should take note of the following comments and recommendations:

- The Mayor's foreword provides a concise overview of key service delivery improvements as well as a reference to future action steps that will improve overall strategic and operational performance. The foreword however omits, as a departure point, an overview of overall financial and non-financial performance for the year under review. Mention is also not made of methods applied to improve public participation and general accountability. It is recommended that the vision, strategic objectives and key-policy documents be moved to the municipal overview section.
- The Municipal Manager's foreword can be improved upon by elaborating on the most prominent risks facing the Municipality, for example, long-term financial sustainability.
- The Municipal Overview section does not make reference to socio-economic risks and challenges. It is further unclear what sources were used for the economic and population data presented.
- Chapter 2, Component A: Political and Administrative Governance should provide attendance figures for the various portfolio committees.
- No reference is made to the fact that the Municipality does not currently have a municipal public accounts committee (MPAC) in place.
- The Municipality established a District CFO Forum and a District Strategic and Corporate Services Forum in 2017/18. No reference is however made of these structures in Chapter 2: Component B.
- Component C: Public Accountability and Participation acknowledges that public participation is required as part of the IDP preparation, implementation and review process. However, no details are provided as to the public participation process followed by the Municipality to review the 2018/19 IDP.

- Page 51 provides an update on the deregistration of the Central Karoo Economic Development Agency and indicates that official deregistration documentation was submitted on 24 June 2018. It is unclear whether the Agency has at the time of writing been deregistered.
- It is recommended that the Municipality include the relevant performance indicators and targets as part of the various strategic objective sub-sections in Chapter 3. For example, the report unpacks its municipal health performance on page 55 (Component C). This section should contain a direct reference to performance against the targets set for this function in the SDBIP.
- The Municipality does still not have a LED Strategy in place. Although the annual report states (page 51) that a draft LED Strategy is to be presented to Council, no concrete timeframes are provided. It is recommended that the Municipality set a specific target for the adoption of the LED Strategy and include it as an indicator in the 2019/20 SDBIP.
- Chapter 4: Organisational Development Performance is not structured according to the components prescribed in Circular 63.
- The heading *Spending Against the Capital Budget* on page 97 is incorrectly titled *Component A*.

SERVICE DELIVERY PERFORMANCE

- The Municipality achieved 38 out of 48 (79.2 per cent) targets set for the year under review. This equates to a 20.8 per cent variance between planned and actual performance, slightly outside of the expectable norm.
- Performance against SO: *Promote regional, economic development, tourism and growth opportunities* has been less than satisfactory which is concerning considering that the facilitation of economic growth and development is one of the Municipality's primary deliverables.
- The Municipality did also not achieve TL12 (financial viability) and TL13 (capital budget spend) which is concerning given that these are both national key performance indicators
- The Municipality should improve the extent to which it provides explanatory comments and corrective measures in instances where targets were not achieved. Short comments are in some instances provided, but merely state that the matter will be addressed.
- The performance summaries on page 36 are incomplete.

Western Cape Department of Local Government

No comments were received from the Western Cape Department of Local Government.

Auditor-General Report: Central Karoo District Municipality

The Auditor-General provided the following input / feedback in relation to the Annual Report:

- The consolidated audit report to be included and some page numbers changed on audit report to align to page numbers in annual report currently
- Page 13 – spelling and spacing
- Page 17 - Adjustment budget spacing. Also rounding on 1689 should be 1690.
- Actual net surplus / (deficit) should be (50) not (62). Casting error
- Page 19 – actual audit outcome for current year to be updated
- Page 24 and 25 – Dates for the labour forum not updated for the current financial year.
- Page 26 – Impact table – item no 3 is incomplete
- Page 38 – TL 12 – information to be updated since post 28 August 2018

The Central Karoo District Municipality received an unqualified audit for the 2017/18 financial year.

Opinion: "The Financial statements presents fairly, in all material respects, the financial position of the Central Karoo District Municipality as at 30 June 2018 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DORA.

Auditor-General Report: Central Karoo Economic Development Agency.

The Central Karoo Economic Development Agency received a qualified audit opinion for the 2017/18 financial year.

Opinion: I have audited the financial statements of the Central Karoo Economic Development Agency (SOC) Limited set out on pages 8 to 27, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets and statement of cash flow for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, except for the possible effects on the corresponding amounts of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Central Karoo Economic Development Agency (SOC) Ltd as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA).

5. SUMMARY OF DISCUSSIONS BY THE COUNCIL ON THE 2017/18 ANNUAL REPORT

The Executive Mayor presented the Oversight Report to Council.