



CENTRAL KAROO DISTRICT MUNICIPALITY

OVERSIGHT REPORT ON THE ANNUAL REPORT 2018/19

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 16 March 2020.

3. 2018/19 ANNUAL REPORT CONSULTATION PROCESS

The Draft Annual Report was tabled to Council on 29 January 2020.

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 National Treasury, the Auditor-General and the Western Cape Provincial Treasury and the Western Cape Department of Local Government.

4. SUMMARY OF COMMENTS ON THE 2018/19 ANNUAL REPORT

Public Comment:

No comments received.

National Treasury

No comments received.

Western Cape Provincial Treasury

The comments were received from the Western Cape Provincial Treasury and are as follows:

LEGISLATIVE COMPLIANCE

2.1 Conformance

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

- a. The Municipality submitted the draft 2018/19 Annual Performance Report together with the Annual Financial Statements to the Auditor-General (AG) by 31 August 2019.
- b. The unaudited annual report was not tabled before Council at least two months after the end of the budget year as per the MFMA Circular 63 guidelines.
- c. The annual report was tabled before Council on 29 January 2020 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 municipal website on 31 January 2020.
- e. A notice was placed in leading media publications calling for public comments on the tabled annual report which is available for viewing on the municipal website and also at the Municipality's offices. Individuals who cannot write were also invited to approach the municipal offices for assistance.

2.2 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.

3. SERVICE DELIVERY PERFORMANCE

The Municipality's 2018/19 SDBIP (approved on 5 June 2018) contained a total of 33 performance indicators. Subsequent to the approval of an adjustments budget, the Municipality amended the

original SDBIP. TL 23, 24 and 31 were removed, reducing the total number of indicators in the toplayer SDBIP to 30. No changes were made to any targets.

The overall performance summary on page 35 of the tabled annual report states that the Municipality achieved 26 of the 30 targets measured for the year under review. An actual count of the indicators on pages 37 – 46 reveals that the Municipality in fact achieved 25 out of the 30 (83.3 per cent) targets set for the year under review. This equates to a 16.7 per cent variance between planned and actual performance. This is

an improvement on the previous years' performance where the Municipality achieved 79.2 per cent of its targets.

The Municipality is commended for the manner in which it extensively substantiates the variance to TL32. It is however unclear why the Municipality did not do so for all of the other 4 targets that were not achieved.

4. GENERAL OBSERVATIONS

The tabled annual report does not contain a draft Mayor's Foreword or a Municipal Manager's Overview.

The annual report does not list the Municipality's official strategic objectives as they appeared in the final 2018/19 Integrated Development Plan (IDP). The strategic objectives are however included as part of the performance overview in Chapter 3.

As part of the 2017/18 annual report assessment, Provincial Treasury recommended that the Municipality should include attendance figures for the various portfolio committees under

Chapter 2, Component A: Political and Administrative Governance. The information was not included.

Section 2.1: *Governance Structures*: No reference is made to the fact that the Municipality does not currently have a municipal public account committee (MPAC) in place.

The tabled annual report is relatively silent as to the ongoing impact of the drought. It is advised that the report be strengthened by including more information regarding the impact on communities, drought mitigation and water augmentation efforts by the various local municipalities as well as an overview of support received from the national and provincial spheres of government.

Section 3.3: *Service Provider Performance* states that for the year under review, the Municipality did not appoint any service providers. This section should be more closely aligned with Appendix

D: *Long Term Contracts and Public Private Partnerships* which lists the service providers with whom the Municipality has ongoing contracts.

Section 3.12.1 provides an overview of the Municipality's financial services, inclusive of the top highlights and challenges. The accompanying table lists the receipt of funding from Provincial Treasury as one of these highlights, but merely states that the funding was to assist with financial functions. The Municipality is advised to elaborate in this regard, providing more information on the types of funding received as well as the value and purpose of each allocation.

Section 3.13, *Component F: Organisational Performance Scorecard* refers to the service delivery priorities and top-layer SDBIP for 2018/19. It is assumed that this reference should be 2019/20.

Section 3.13, *Component F: Organisational Performance Scorecard* can be strengthened by reflecting when the respective quarterly reports were submitted to the municipal council as per the requirements of Section 52(d) of the MFMA. It can also provide a more elaborative write-up on changes that were made to the SDBIP as part of the adjustments budget process.

Section 4.2.1.3 compares employment equity targets with the District's demographic composition for 2018/19. It is unclear what the source of the population figures are.

Section 5.3.1: *Grant Performance* distinguishes between Western Cape Financial Management Grant (FMG) and Western Cape Financial Management Support Grant (FMSG) allocations received. A pre-determined objective (PDO) allocation is erroneously listed as being an FMG, instead of a FMSG.

Section 5.10 as part of Component C in Chapter 5 states that a new Supply Chain Management (SCM) policy was developed, but does not indicate when this policy was approved.

The audited annual financial statements (AFS) indicates that a formal decision was made on 17 April 2018 to deregister the Central Karoo Economic Development Agency (CKEDA). The 2017/18 annual report indicated that official deregistration documentation was submitted on 24 June 2018. It however remains unclear what the actual date of deregistration of the CKEDA was.

The tabled annual report is silent as to the process followed in adopting the 2017/18 annual report and accompanying oversight report.

5. CONCLUSION AND RECOMMENDATIONS

The Municipality is commended for compiling and tabling a draft annual report in line with the requirements of sections 121 and 127 of the MFMA. It is clear that the Municipality considered MFMA Circular 63 when compiling the report.

Provincial Treasury's recommendations outlined in this report should not be seen as critical, but rather as constructive feedback that could potentially add value to the final approved annual report.

In conclusion, the Municipality is reminded of its responsibility to finalise and adopt the annual report and the oversight report by no later than two months from the date on which the annual report was tabled before council in terms of section 127(2) of the MFMA. As per Provincial Treasury Circular 29/2019 (dated 1 November 2019), the final adopted annual and oversight reports should be submitted to National and Provincial Treasury by no later than Tuesday, 7 April 2020 (if the report was at the latest tabled by the end of January 2020). The annual report and oversight report should also be submitted to the Provincial Legislature within seven days after being approved i.e. by the latest, Tuesday, 7 April 2020.

Western Cape Department of Local Government

No comments received.

Auditor-General Report: Central Karoo District Municipality

Received the following feedback from the Auditor-General:

Comments on Annual performance report

- Page 45- Ref no: TL30 reference is missing.
- Page 49- Actual for TL 18 is incorrect, it should be 9 and the notation at the bottom of the page explaining the overachievement is missing.

Comments on Audit report

- The audit report cover letter does not need to be included in the annual report, it can be taken out.

- Page 4- the page numbers for the audited strategic objectives in the table can now be updated as follows: strategic objective 4 (change 13 to 45-47) and strategic objective 6 (change 15 to 49).

Comments on other sections

- Page 54-The roads transport budget information does not agree to the information in the statement of budget vs actual per the AFS. (Information per draft annual report- budget: R40 705 Adjustment budget: R58 580 variance -173) (information per AFS budget: R41 267 adjustments: R17 692 variances: R-206)
- Page 100- The level of rounding for the total operating expenditure amount is incorrect. The municipality has opted to use R'000 rounding, however total operating expenditure has been reported in full.
- Page 102-Own revenue amounts do not agree with the statement of budget vs actual in the AFS.
- Page 102- The actual amount for employee related costs, remuneration of councillors, contracted services, depreciation and debt impairment do not agree to the AFS.
- Page 102-The budget amount for contracted services and general expenses does not agree to the AFS. The adjusted budget amount for general expenses does not agree to the AFS.
- The level of rounding in the tables in pages 99 to 114 is inconsistent, i.e. in some tables the level of rounding is R'000 and in others its R'. This results in incorrect amounts being disclosed in some tables e.g.: on page 102 the level of rounding is R'000 and the budgeted amounts disclosed are rounded up, while the actual amounts are disclosed in full.
- Page 104-The difference between the budgeted and actual revenue is incorrect, same applies to the operating expenditure.

5. SUMMARY OF DISCUSSIONS BY THE COUNCIL ON THE 2018/19 ANNUAL REPORT

The Executive Mayor to present the Oversight Report to Council.