

# **LETSEMENG LOCAL MUNICIPALITY**



## **OVERSIGHT REPORT**

**2010/2011**

## **OVERSIGHT REPORT 2010/2011: LETSEMENG LOCAL MUNICIPALITY**

### **1. INTRODUCTION**

#### **1.1 Background**

Letsemeng Local Municipality was established on 06 December 2001 as results of section 21 of the Local Government Demarcation Act (Act 27 of 1998) this report is thus prepared based on and in accordance with the legislative requirements.

#### **1.2 Purpose**

To consider the Letsemeng Local Municipality's Annual Report for the 2010/2011 financial year and to compile an Oversight Report containing Council 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 referred to as the MFMA).

#### **1.3 Regulatory Requirements**

##### **1.3.1 Section 121(1) of the MFMA stipulates the following:**

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 of the MFMA.

##### **1.3.2 Section 121(2) of the MFMA states that 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 end.
- (c) To promote accountability to be local community for the decision.

##### **1.3.3 Section 121(3) of the MFMA state that the annual report of the municipality must include:**

- (a) The annual financial statements of the municipality, and in addition, if section 122(2) applies consolidation annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(3);
- (b) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;
- (d) The Auditor-General's audit report in terms of section 45(b) of the Municipality System Act, Act 32 of 2000;
- (e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and services charges;
- (f) An assessment by the Municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3) for revenue from each source and each vote in the municipality's approved budget financial year;

- (g) Particulars of any corrective action take or be taken in response to issues raised in the Audit reports referred to the paragraphs (b) and (d);
- (h) Any explanations that may be necessary to clarify issue in connection with the financial Statement;
- (i) Any information as determined by the municipality;
- (j) Any recommendation of the municipality's audit committee; and
- (k) Any other information as may be prescribed.

#### **1.3.3 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 the representations in connection with the and submit the Annual Report to the Auditor-General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the Province.

#### **1.3.4 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 the 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.

#### **1.4 Submission and tabling of the Annual Report**

The Annual Report of the municipality for the year **2010/11** financial year was tabled in the Council meeting held on **27 January 2012** in terms of section 127/(2) of the Local Government : Municipality Finance Management Act 2003.

#### **Council resolved during the meeting held on 27 January 2012:**

- Council notes the Letsemeng Local Municipality 2010/11 Annual Report;
- That the office of the Speaker and the Municipal Manager be mandated to convene an Oversight Committee to review the report and prepare on Oversight thereon for approval of Council : and
- That the 2010/11 Annual Performance Report be submitted to both office of the MEC for Cooperative Governance ,Traditional Affairs and Human and Settlement and Auditor-General.

#### **Oversight Committee Members**

**The committee consists of the following members:**

<b>Initial and surname</b>	<b>Designation</b>	<b>Position</b>
Mr. Patrick Mathobie	Community Representative	Chairperson
Mr. Pudumo Louw	Councillor	Member
Mr. TM Gomojong	Councillor	Member
Mr. L Greef	Councillor	Member
Ms. J Pietersen	Official	Scriber

## **2. THE APPROACH, OBSERVATION AND CONCLUSION OF THE OVERSIGHT COMMITTEE**

### **2.1 The Approach**

The oversight committee inspected the Annual Report of Letsemeng Municipality. Items reported on in the Annual Report and issues raised by the Auditor-General were thoroughly studied.

### **2.2 Observation**

The committee observed that not all Accounting policies are adhered to with regard to property, plant and equipment raised in the report of the Auditor and recommends that this be implemented as soon as possible for the new financial year.

### **2.3 Comments/objections received**

The committee noted that the local community was invited via public notices to submit written comments and/or objections on the Annual Report. The period allowed for comments and/or objections was from 7 February 2012 until 7 March 2012. However, no responses were received at all. Public hearings were also conducted for communities to submit again inputs/comments and/or objections from 22 March 2010 until 25 March 2012. While the committee accepts that the local community was informed and did not respond, the committee is of the view that the mode of communication with the communities was not appropriate to reach the audience.

The committee noted that the Public does not understand what an Annual Report is and thus recommends that road shows on the Annual Report must be conducted in due course, in order for the community to understand what the meaning of an annual report is.

The committee recommends that the Municipality must implement Public Participation principles for coordination of community.

### **2.4 Inputs from the Committee**

The Committee considered all contents of the Annual Report and the Auditor General's view and conclusions on reports included herein. Based on the findings of the Auditor-General, the committee recommends that all matters be rectified e.g. asset register, the filling system, billing and procurement procedures and lack of human capacity (filling of critical positions) etc.

Proper record keeping to be adhered to and this will enable the Internal Auditor and officials to provide supporting documentation before external auditors arrive.

The committee also noted that there is irregular expenditure, which is totally unacceptable that we have an amount of R23 306 433 because proper procurement procedures are not in place.

An amount of R4 877 820 of actual expenditure was also incurred exceeded the budget (over expenditure). The committee therefore recommends that the Municipality must give attention to these as we are heading towards a clean audit for 2014.

All items contained in Chapter 9 of the Annual Report (report of the AG) be given serious attention so that the Council give quality services to its residents.

Due to the late sitting of the oversight committee, justice was not done to this report but we are in support of the Municipality and AG's report and committed to assist the Council in obtaining a better opinion in the next financial year.

### **3. RECOMMENDATION**

**The committee recommends the following:**

- They acknowledge the audit recovery plan in the annual report and recommends that it be executed and quarterly reports be submitted in management meetings and to Council

### **4. CONCLUSION**

Based on the results of the review stated above, the Oversight Committee accepts the Annual Report for the 2010/2011 financial year: However, the committee requires that management promptly addresses the issues it raised in the report.

#### **Resolution by the Council**

- Council approves the Annual Report without reservations

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**Mr. Patrick Mathobie**  
**Chairperson of the Oversight**  
**Committee**

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**Date: Signed**