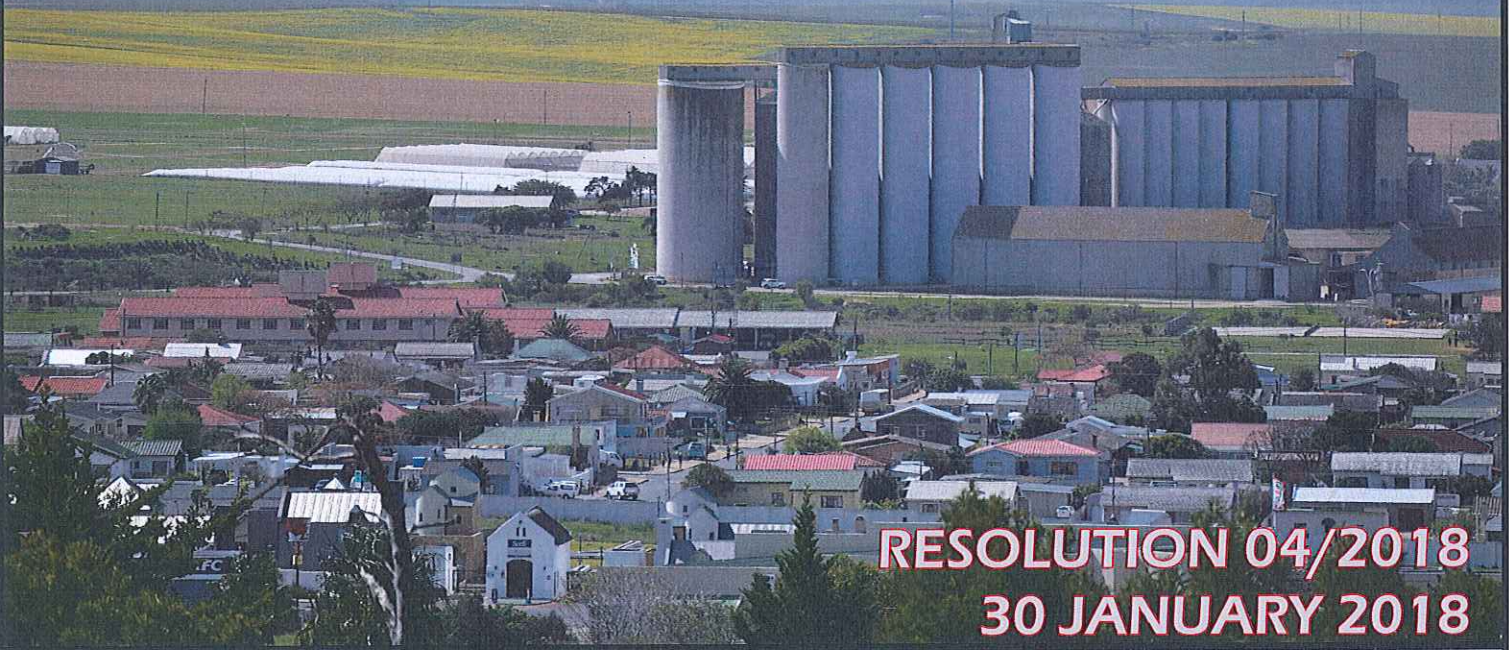
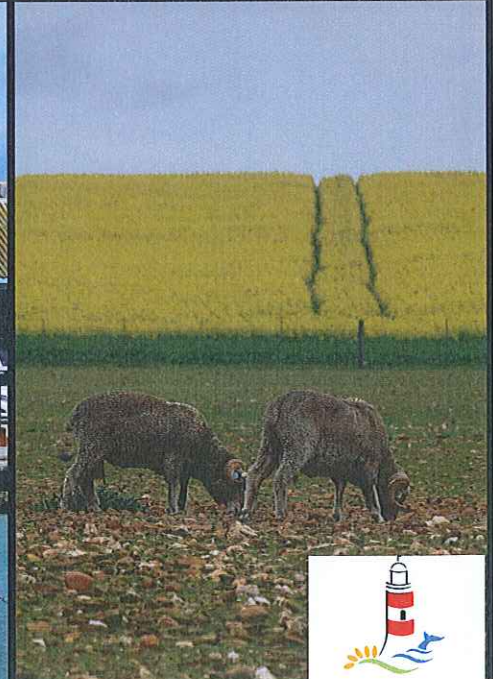
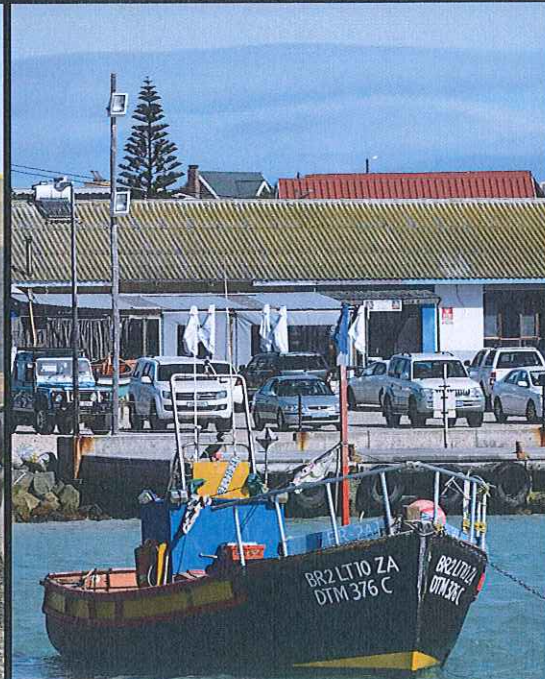
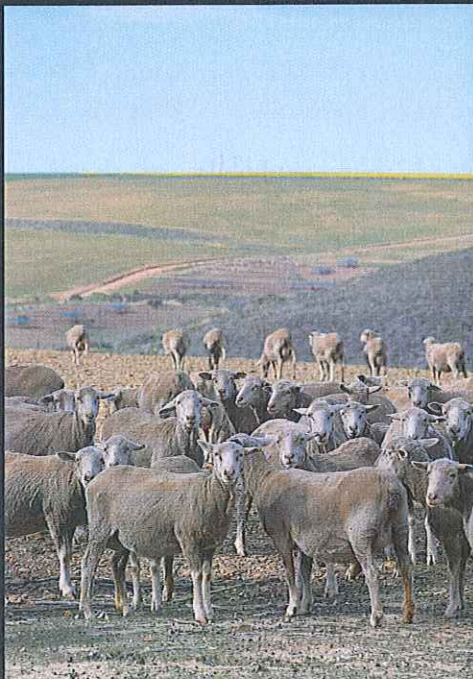




# CAPE AGULHAS MUNICIPALITY OVERSIGHT REPORT ON THE 2016/17 ANNUAL REPORT



**RESOLUTION 04/2018  
30 JANUARY 2018**





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## 1 INTRODUCTION

This document constitutes the Oversight Report on the 2016/17 Annual Report of the Cape Agulhas Municipality which has been compiled in terms of Section 129 of the Local Government Municipal Finance Management Act, Act 56 of 2003 (MFMA).

The Constitution, Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) vest the Municipal Council with the responsibility to oversee the performance of the Municipality. This oversight responsibility is of particular importance during the consideration of the annual report.

There is an explicit linkage between the strategic goals, set by Council through the IDP, which are translated into the Budget, and the Service Delivery Budget Implementation Plan (SDBIP). The SDBIP enables the Municipality to give effect to its IDP and Budget and can be seen as a "contract" between the Administration, Council and Community and forms the foundation of the Annual Report.

## 2 FINANCIAL GOVERNANCE FRAMEWORK APPLICABLE TO LOCAL GOVERNMENT

The MFMA brought about financial management reforms that place service delivery responsibilities on managers and makes them accountable for performance and whilst assigning responsibility to the Executive Mayor to resolve performance failures. The Council is vested with the power and responsibility to oversee both the executive and administration. Oversight occurs at various levels in a municipality and is explained in the following table:

FUNCTIONARY	RESPONSIBLE FOR	OVERSIGHT OVER	ACCOUNTABLE TO
Council	Approving policy and budget	Executive Mayor or Committee	Community
Executive Mayor or Committee	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Executive Mayor or Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

## 3 SEPARATION OF ROLES

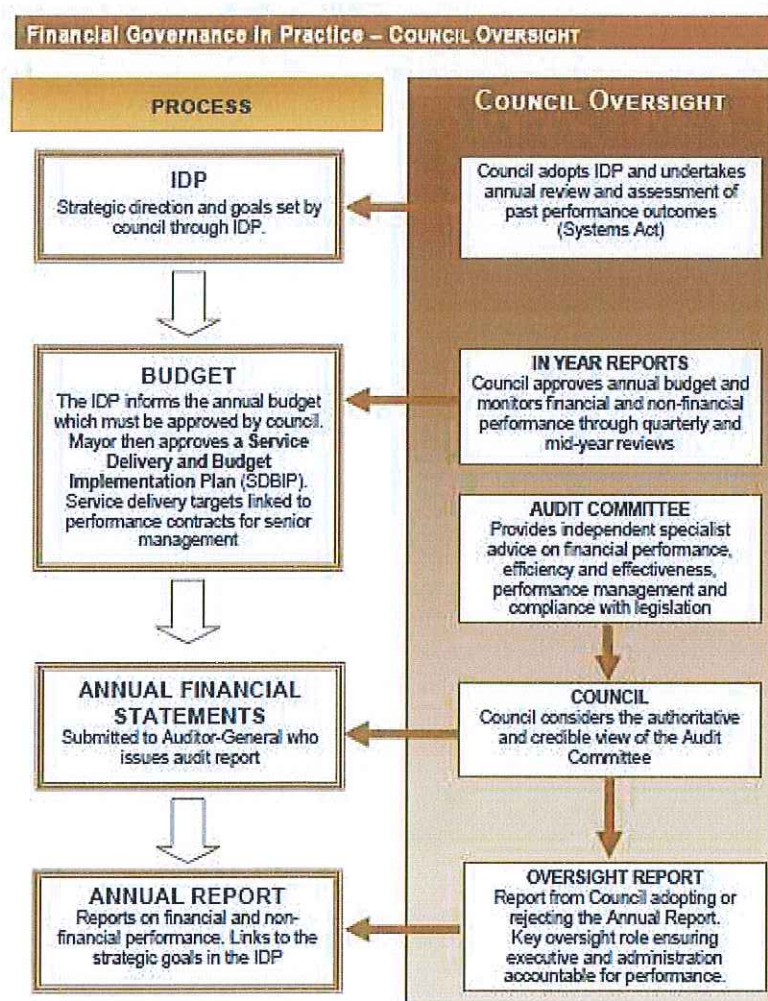
The separation of roles between the council and administration is intended to strengthen the oversight function of councillors. Good governance, effective oversight and accountability are based on there being this separation of functions. It is also fundamental for the achievement of the local government Constitutional objective to promote a democratic and accountable system of local government. Council oversees the performance of the administration through council and committee meetings. The mayor provides the link between the council and administration and is responsible for regular monitoring and for tabling reports before the



council. The administration is responsible for the day-to-day operations. This separation avoids conflict of interest and a "referee/player" situation arising and is similar to the role played by Parliament.

The MFMA further assumes a separation between councillors serving on the executive (i.e. mayor or executive committee) and non-executive councillors. This separation is vital to ensure council maintains oversight for the performance of specific responsibilities and delegated powers to the mayor or executive committee.

The MFMA gives council a number of financial management tasks to fulfil its oversight role. The adoption of an "oversight report" is one such task. The following diagram illustrates the various oversight intervention points from the adoption of the Integrated Development plan (IDP), Budget, Annual Report and Oversight Report.



Source: MFMA Circular 32

#### 4 THE ANNUAL REPORT

Each municipality and each municipal entity must prepare an annual report for each financial year in accordance with the MFMA and MSA. The purpose of the annual report is:

- o to provide a record of the activities of the municipality or entity;
- o to provide a report on performance in service delivery and against the budget;

- o to provide information that supports the revenue and expenditure decisions made; and
- o to promote accountability to the local community for decisions made.

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are therefore required to contain information on service delivery and outcomes, in addition to financial statements. It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended. It must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- o The annual performance report as required by section 46 of the MSA.
- o Annual Financial Statements submitted to the Auditor-General;
- o The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- o The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

The 2015/16 Draft Annual Report was tabled on 6 December 2016 and Councillors were informed that they have an opportunity to review the report and submit any comments / corrections / omissions to the administration. The Annual Report was advertised for public comment on 8 December 2016 and the closing date for comments was 16 January 2017. The draft annual report was also submitted to the Auditor-General, Provincial Treasury and the Department of Local Government as required in terms of Section 127 (5) of the MFMA. No comments were received by the due date.

## 5 THE OVERSIGHT REPORT

The oversight report is the final step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on the Annual Report.

The oversight report must include a statement whether the council:

- o has approved the annual report, with or without reservations;
- o has rejected the annual report; or
- o has referred the annual report back for revision of those components that can be revised.

The oversight report is a report of the Municipal Council and follows consideration and consultation on the annual report by the council itself. Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

## 6 MANDATE AND PROCESS FOLLOWED BY THE MPAC COMMITTEE

MFMA Circular 32 of 2006 guides the oversight process. This Circular must be read in conjunction with The Department of Cooperative Guideline for Establishment of Municipal Public Accounts



Committees (MPAC) which sets out the functions of MPAC including the consideration and evaluation of the content of the annual report and the making of a recommendation to council when adopting an oversight report on the annual report.

The Committee comprises the following members appointed by the Municipal Council:

NAME	DESIGNATION
Cllr Z Jacobs	Chairperson
Ald E Marthinus	Member
Cllr E Sauls	Member
Ald D Jantjies	Member

A special MPAC meeting was convened on 19 and 22 January 2018 to review the annual report and to compile the oversight report.

The process followed by the Committee in considering the annual report was as follows:

- o Consideration of any representations / comments received from the community / Auditor-General / Provincial Treasury and the Department of Local Government. (None received)
- o Review of outstanding concerns and recommendations made in the 2015/16 Oversight Report
- o Consideration and review of the 2016/17 draft Annual Report that was tabled on 8 December 2018.

The minutes of the meeting are attached as **Annexure A**.

## **7 CONSIDERATION OF ANY REPRESENTATIONS / COMMENTS RECEIVED**

The Draft Annual Report 2016/17 was advertised for public comment on 15 December 2017 and the closing date for comments was 16 January 2018. The Draft Annual Report was also submitted to the Auditor General, Provincial Treasury and the Department of Local Government as required in terms of Section 127(5) of the MFMA. No comments were received by the due date.

## **8 REVIEW OF OUTSTANDING RECOMMENDATIONS MADE IN THE 2015/16 OVERSIGHT REPORT**

The following recommendations still need to be fully addressed. It is acknowledged that some progress has been made in respect of some of the recommendations but that an outcome is still awaited.

- 8.1 Recommendations on reporting improvements be made to future Annual Reports:
- a) Inclusion of a distinction between minor and major injuries on duty.
  - b) Inclusion of a paragraph on legal actions instituted by and against the Council and the implementation of ensuing court orders and the financial cost and implication thereof.
  - c) Quantification of internal consumption of services (water and electricity). Addressed to certain extent

- d) Inclusion of more detailed information on return on investment where land is leased for economic development projects.
- e) Inclusion of a distinction between Rand value of EPWP worker and other employee costs as part of the notes on the statements.

8.4 Recommendations for improved governance and service delivery:

- a) That a full report on the concerns raised during the meeting on the staff appraisals as well as the management of all types of leave and overtime be submitted to the MPAC for review and suitable recommendations.
- b) That the Municipal Manager review the use of consultants and contracted services to determine what services are required as well as the essential and non-essential services that they render and submit such a report to Council for approval.
- c) The Managers need to utilize existing skill sets more effectively and productively. It must also be ensured that when consultants are used. Skills transfer takes place. There is a concern that the Productivity Study has not provided the desired outcome for the actual cost of the study (Wasteful).
- d) That the development of the infrastructure and maintenance plan be expedited in order that financial planning for the development and maintenance of infrastructure can be enhanced, and that the GIS system be utilised to spatially represent infrastructure complaints and service interruptions to aid planning.
- e) That the unaccounted water and electricity usage (losses) be monitored in conjunction with the infrastructure maintenance and development plan.
- f) That the internal consumption of water and electricity be reviewed with a view to reducing internal consumption through cost containment measures.
- g) That the law enforcement function (full spectrum within our mandate) be reviewed and a full report submitted to Council by the Municipal Manager with recommendations to improve the safety of the community.

## 9 CONSIDERATION AND REVIEW OF THE 2016/17 DRAFT ANNUAL REPORT

### Recommendations

- 9.1 After considering the 2016/17 Draft Annual Report, the Committee is satisfied that it reviewed all evidence and information provided and that it adequately performed its oversight function as envisaged by Section 129 of the MFMA.

The Committee is in a position to make an informed recommendation to Council to:

**Approve the 2016/17 Annual Report with reservations**

The Committee's reservation is as follows:

In general, we accept that the 2016/17 Annual Report is an accurate representation of the Municipality's performance but that the processes for ensuring better performance, achievement of strategic goals and priorities as set by Council in the IDP and basic service delivery and accountability are inadequate. The Mayor and Executive have failed in their duty to resolve the performance failures.

The Council has the responsibility is to oversee the Executive but as an MPAC we are severely curtailed in the execution of our mandate as we are not allowed to interfere

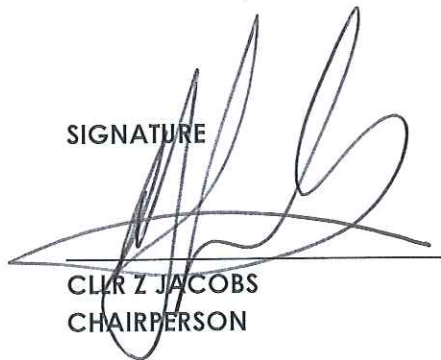




in the administration and have no power to politically influence the Executive. Where we are given a voice, such as Portfolio Committees our input is not recorded and lack of minutes of these meetings make them unproductive. The general detail and quality of reporting and performance in departments is therefore declining.

- 9.2 That the minor semantical corrections as contained in the minutes be made to the 2016/17 Annual Report
- 9.3 That the following areas of concern by the MPAC be noted and addressed by the administration:
- I. Long term financial sustainability of the Municipality with specific reference to the following:
    - a. Adherence to the stipulations of the long term financial plan
    - b. Rising employee costs above acceptable parameters of the LTFP and treasury norms
    - c. Contracted services and the utilisation thereof when skills are available internally, additional to employee cost.
    - d. Financial decision making by the executive and administration with no presentation to Council for approval
    - e. Sustainability of rates increases above inflation
    - f. Operational grant and capital spending declining
  - II. Basic service delivery, with specific reference to the following:
    - a. The continued lack of an Infrastructure Development and Growth Plan
    - b. Management of water resources and losses
    - c. Reducing electricity demand through green energy
    - d. The visibility and impact of recycling programmes.
    - e. Management and expansion of informal settlements and lack of policing
    - f. Lack of public safety as a primary basic right
  - III. Governance and public participation, with specific reference to the following:
    - a. Responsiveness to the outcomes of public participation processes
    - b. Awards of contracts for amounts that are not commensurate with services to be rendered
    - c. Insufficient interrogation of performance and financial reporting and interpretation thereof. No feedback was provided by Councillors on the Annual Report as required.

SIGNATURE



CLLR Z JACOBS  
CHAIRPERSON

DATE

24 JANUARY 2018





KAAP AGULHAS MUNISIPALITEIT  
CAPE AGULHAS MUNICIPALITY  
U MASIPALA WASECAPE AGULHAS

MINUTES OF A SPECIAL MUNICIPAL ACCOUNTS COMMITTEE (MPAC) MEETING HELD ON FRIDAY  
19 AND MONDAY 22 JANUARY 2018 IN THE COUNCIL CHAMBERS, BREDASDORP

1. ATTENDANCE

CLlr CJ Jacobs	(Chairperson)
Ald D Jantjies	(Member)
Ald E Marthinus	(Member)
CLlr E Sauls	(Member)
Ms T Stone	(Division Head: Strategic Planning and Administration)
Ms C Dietrich	(Administrative Officer: Committees)
Mr B Swart	(Internal Auditor)

2. APPLICATIONS FOR LEAVE OF ABSENCE

None

3. OPENING AND WELCOMING

The chairperson welcomed everyone present, after which Ald Jantjies opened the meeting with prayer.

4. OVERVIEW AND PURPOSE OF THE OVERSIGHT PROCESS AND REPORT

The Committee resolved that the review of the financial the Annual Financial Statements can be regarded as finalized, and that the Committee should focus on performance, strategic goals and service delivery.

The Chairperson reiterated the importance of Circular 32 and highlighted the most pertinent sections. He emphasized the separation of roles of the executive and council, especially the role of the executive in ensuring the performance of the municipality in terms of its IDP and SDBIP. Specific emphasis was placed on the following paragraphs:

*"The MFMA and MSA recognise that council has a critical role to play to ensure better performance by municipal departments and entities. There now exists an explicit linkage between the strategic goals, set by council through the IDP, which are translated into the budget, and the delivery of those goals, which is reported in the Annual Report. It is important for council to ensure that the budget gives effect or expression to priorities contained in the IDP. A good budget will lay a basis for better oversight and cement the contracts between the executive/council, the administration and the public".*

*“The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on managers and makes them more accountable for performance. Whilst, in the first instance it is left to the Mayor or Executive Committee to resolve any performance failures, ultimately the council is vested with the power and responsibility to oversee both the executive and administration”.*

5. CONSIDERATION OF COMMENTS RECEIVED ON THE 2016/17 ANNUAL REPORT

The Draft Annual Report 2016/17 was tabled on 7 December 2017 and Councillors were informed they have an opportunity to review the report and submit any comments/corrections/omissions to the administration.

The Draft Annual Report 2016/17 was advertised for public comment on 15 December 2017 and the closing date for comments was 16 January 2018.

The Draft Annual Report 2016/17 was also submitted to the Auditor General, Provincial Treasury and the Department of Local Government as required in terms of Section 127(5) of the MFMA. No comments were received by the due date. A comment from the Cape Agulhas Business Forum Facebook page was circulated but not considered as a formal input as it was not formally received by the Municipality and was also informative in nature.

The Chairperson raised a concern about the apathy of the public to engage with documents such as the annual report which are made available for public comment, and requested input from the committee members on the reasons for this. He stated that no comments do not necessarily equate to satisfaction. He stated that KAPCO supporters are disillusioned by the process.

CLlr Sauls stated that her community are also disillusioned because they feel that their needs that are tabled at public meetings are not responded to.

CLlr Marthinus stated that no action is taken when allegations of wrongdoing are reported by the community, and made mention of an allegation of irregularity relating to Councils legal advisors are receiving most of the municipality's work for which they are receiving a salary as well as their fees. The Chairman requested that this be investigated by Internal Audit.

Other concerns and suggestions of the committee are:

- The impact of the vacant position of the Director Infrastructure and the possible impact on service delivery.
- Infrastructure
  - The “Droë Rivier” is not cleaned. Scheduled maintenance of the “Droë Rivier should be attended to (Ald Jantjies)
  - MPAC committee must investigate water resources (catchment area) before the next MPAC meeting (Ald Jantjies)
  - The Municipality still has no Infrastructure growth and development plan
  - The Municipality needs to ensure that it has implementable maintenance programmes.
- Committee arrangements and processes
  - Concerns and inputs are not recorded in Portfolio Committee meetings (Ald Marthinus)



- o The Chairperson stressed the importance of the members debating at committee meetings and ensuring that minutes of Council meetings have been properly recorded.

5. OVERSIGHT AND REPORTING ON THE MUNICIPALITY'S 2016/17 ANNUAL REPORT

The Committee took note that the Oversight report must be considered by Council within two months of the Annual Report being tabled, and that a special Council Meeting has been scheduled for 30 January 2018 for this purpose as well as the mid- year budget and performance report. It was noted that the report should be completed by the 24<sup>th</sup> of January for inclusion in the Council agenda.

It was then resolved as follows:

1. That a follow-up meeting be held on Monday 22 January 2018 at 14:00 in the Council Chambers.
2. That MPAC members submit their input on 22 January 2018 at the meeting.

6. ADJOURNMENT

The Chairman thanked everyone for their input and adjourned the meeting.

The meeting adjourned at 10:05

THE SPECIAL MPAC RECONVENED ON MONDAY 22 JANUARY 2018 TO PROVIDE INPUT ON THE 2016/17 DRAFT ANNUAL REPORT

CONTINUATION OF OVERSIGHT AND REPORTING ON THE MUNICIPALITY'S 2016/17 ANNUAL REPORT

7 ATTENDANCE

Cllr CJ Jacobs	(Chairperson)
Ald D Jantjies	(Member)
Ald E Marthinus	(Member)
Cllr E Sauls	(Member) (Left meeting at 14:30)
Ms T Stone	(Division Head: Strategic Planning and Administration)
Ms C Dietrich	(Administrative Officer: Committees)

8. APPLICATIONS FOR LEAVE OF ABSENCE

Mr B Swart (Internal Auditor)

The Chairperson welcomed everyone present and gave each member an opportunity to present their inputs prior to presenting his own. The combined inputs of the committee are as follows:

SECTION	HEADING	COMMENT
FOREWORDS		
	MAYORS FOREWORD	Replace "my" Council with the Council Correct statement of a small budget to read "small" but proportionate

		budget”
	MUNICIPAL MANAGERS FOREWORD	Reword the 8th paragraph to correct ambiguity in respect of all senior management posts being filled. Correct statement of a small budget to read “small” but proportionate budget”
CHAPTER 1		
1.4.1	BASIC SERVICE DELIVERY PERFORMANCE HIGHLIGHTS	Table 13 - The proactive management of water losses and sources are of particular concern to the committee, especially in light of the current water shortage and future demand and supply.
1.4.2-	BASIC SERVICE DELIVERY CHALLENGES	Table 14 - The committee is concerned that to date the Municipality still doesn’t not have an infrastructure growth and development plan - The proactive management of water losses and resources was re-iterated - The reduction of electricity demand through green initiatives is not being addressed at this stage and needs to be. - The committee is of the opinion that the Municipality’s recycling initiatives are not visible enough or sufficient.
1.5.4 and 1.5.6	FINANCIAL OVERVIEW	Table 19 - The committee is concerned about the low operational grant spending.
1.5.5	OPERATING RATIOS – EMPLOYEE RELATED COSTS	Table 20 - The Committee is concerned that employee related costs are not declining by 2% per annum as stated by Council in previous annual reports. Further to the Chairperson quoted the following from the LTFP prepared by INCA: “. It was noted that these costs still reflect the structure as at 30 June - The 2017 to 2019 MTREF budget seems overly pessimistic. If the ability to generate additional revenue is limited then a concerted effort at saving costs and/or reducing the service levels is required. The Base Case assumes revenue in excess of the revenues forecast in the MTREF and the Alternative Scenario assumes a 5% structural saving of employee related expenses by 2018. Only in such / or similar circumstances will the municipality remain financially sustainable.
1.5.6	TOTAL CAPITAL EXPENDITURE	Table 21 - The Committee is concerned that only 85.98% of the capital budget for 2016/17 was spent, and the impact that this has on service delivery and infrastructure.
CHAPTER 2		
2.2 and 2.4	GOOD GOVERNANCE AND PUBLIC PARTICIPATION PERFORMANCE HIGHLIGHTS AND GOVERNANCE	Table 29 - The Committee are concerned that the MPACs ability to perform its oversight function is limited. o Resource allocation – the payment of Chairperson is not resolved o Inputs by members at meetings are not recorded and



**ANNEXURE A MINUTES: SPECIAL MPAC MEETING – 19 AND 22 JANUARY 2018**

	STRUCTURES	responses are not given on issues raised
2.4.1	POLITICAL GOVERNANCE STRUCTURE	<p>Table 33</p> <ul style="list-style-type: none"> <li>- The following corrections must be made:</li> <li>- Cllr Jacobs is a PR Councillor and not a district representative</li> <li>- Cllr Baker is a ward councillor and not a district representative</li> <li>- Cllr Marthinus is a District representative</li> </ul> <p>Paragraph D: Municipal Public Accounts Committee</p> <ul style="list-style-type: none"> <li>- The comments on the functionality of the MPAC under 2.4.1 are re-iterated.</li> </ul>
2.8.1	LOCAL LABOUR FORUM	<p>Table 49</p> <ul style="list-style-type: none"> <li>- The following corrections must be made:</li> <li>- Cllr Marthinus is a member of the LLF</li> </ul>
29.3	TOP STRATEGIC RISKS OF THE MUNICIPALITY	<p>Table 52</p> <ul style="list-style-type: none"> <li>- The Committee is concerned about the Municipality's financial viability and the municipality's <b>adherence</b> and implementation of the LTFP.</li> <li>- The Committee is concerned about the growth of informal settlements and that such decisions need to be taken by the full Council due to the financial impact thereof.</li> </ul>
2.11.3	MUNICIPAL AUDIT COMMITTEE RECOMMENDATIONS TABLE 57	<ul style="list-style-type: none"> <li>- The Committee would like to see the outcome and impact of the recommendations in respect of overtime worked</li> </ul>
2.18.2	BID COMMITTEES TABLE 72	<p>Table 72</p> <ul style="list-style-type: none"> <li>- The Committee are concerned about the high value of some of the contracts awarded (Transportation of cash / legal work / insurance / camera system) and are concerned that the Municipality is paying excessively for some services or not getting return for paid services. (Fruitless and wasteful expenditure)</li> </ul>
<b>CHAPTER 3</b>		
3.4.2.7	TL 14,15,16,17	<ul style="list-style-type: none"> <li>- The Committee noted that these tables have been audited in depth by the AG.</li> <li>- The Committee questioned why there are different targets for different indicators. It was explained that this occurs because services are measured against the billing, and there can be multiple meters on one premises (Electricity) or multiple households attached to one meter. (Water). The water and sanitation targets do not align because some houses have septic tanks.</li> </ul>
3.4.2.7	TL 19	<ul style="list-style-type: none"> <li>- The committee are concerned about possible double subsidisation of Elim residents, as Elim receives a grant from the Municipality and the Municipality pays a contribution to ESCOM in respect of their free basic electricity.</li> </ul>
3.6	OVERVIEW OF PERFORMANCE PER WARD / TOWN	<ul style="list-style-type: none"> <li>- The committee expressed a concern about the alignment between the wishes of the community and the responsiveness of the Municipal budget to these needs.</li> </ul>

**ANNEXURE A MINUTES: SPECIAL MPAC MEETING – 19 AND 22 JANUARY 2018**

3.7.1	WATER	- The concern about the proactive management of water resources and losses was reiterated.
3.7.6	FREE BASIC SERVICES AND INDIGENT SUPPORT	- A concern was raised as to whether the grant that is given to the Elim residents is adequate as it has remained unchanged and the Municipality is obliged to ensure that its equitable share is fully utilised for service delivery to the poor.
3.15	COMPONENT I: DEVELOPMENT AND SERVICE DELIVERY PRIORITIES FOR 2017/18 STRATEGIC GOAL 2	- Refer to the comments made under 3.4.2.7 on lack of alignment between service delivery targets.
<b>CHAPTER 4</b>		
4.5.1	PERSONNEL EXPENDITURE	- Correct the wording about the filling of vacancies to align to previous statements about only filling critical and legislated posts.
4.3.1 and 4.3.2	INJURIES AND SICK LEAVE	- The Committee noted that the injury rate has declined, but expressed a concern with the increase in sick leave.
<b>CHAPTER 5</b>		
5.2	FINANCIAL SUMMARY TATABLE 195	Table 195 - No corresponding figures for 2015/16 are provided for revenue cost of free basic services. It was explained that this is due to changing reporting formats year on year.
5.2.3	OPERATIONAL SERVICES PERFORMANCE	TABLE 199 - The committee is concerned about the fact that the resorts might run at a loss, and that there is not a separate break down of the resort income and expenditure. Furthermore, it is believed that the allocation of personnel to the function should also reflect separately in order to give Council an accurate picture of the financial position of resorts and the cost centre. MPAC advises that such a report be drafted and privatisation considered by Council.
5.3.5 and 5.7	ROADS AND STORMWATER	Table 204 - The Committee is concerned about the increase in employee costs for this function combined with additional contract services that indirectly add to personnel costs and subsidise unproductivity.
5.3.10	HOLIDAY RESORTS AND CAMPSITES	Table 209 - The Committee is concerned about the increase in employee costs for this function.
5.3.13	OFFICE OF THE MUNICIPAL MANAGER	Table 212 - The Committee is concerned about the increase in employee costs for this function.
	FINANCIAL PERFORMANCE: ADMINISTRATION	Table 213 - The Committee is concerned about the increase in employee costs for this function.



9. THE OVERSIGHT REPORT

The meeting had to adjourn due to the commencement of the Budget Steering Committee. The Committee mandated the Chairperson to complete the Oversight Report in co-operation with the Division Head: Strategic Planning and Administration.

10. CLOSURE

The meeting closed at 15:00

7. OVERSIGHT REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE ANNUAL REPORT FOR 2016/17

PURPOSE OF REPORT

To present the Oversight Report on the 2016/17 Annual Report to the Municipal Council in terms of Section 129 of the Local Government Municipal Finance Management Act, Act 56 of 2003

LEGAL FRAMEWORK

Annual and Oversight Reports are regulated by the Local Government Municipal Finance Management Act No 56 of 2003 read together with the Local Government Municipal Systems Act, Act 32 of 2000 and MFMA Circular 32.

**Local Government Municipal Finance Management Act No 56 of 2003 (MFMA):**

1. Section 121 (1) requires every municipality to prepare an annual report. The municipal council must deal with this report within nine months of the end of the financial year.
2. Section 127 (5) (1) of the MFMA requires the accounting officer to make the annual report public and invite the local community to submit representations in connection with the annual report following the tabling thereof.
3. Section 127 (5) (b) of the MFMA requires that the tabled annual report also be submitted to the Auditor General, Provincial Treasury and the Provincial Department of Local Government.
4. Section 129 (1) requires the municipal council to adopt an oversight report within 2 months of the tabling of the annual report which contains the councils comments on the annual report which must include a statement whether the council:
  - a) has approved the annual report with or without reservations; or
  - b) has rejected the annual report; or
  - c) has referred the annual report back for revision of those components that can be revised
5. Section 129(2) requires the Accounting Officer to attend the council meeting where the annual report is discussed, for the purpose of responding to questions concerning the report and submit copies of the minutes of the meeting to the Auditor-General, the relevant Provincial Treasury and the provincial Department of Local Government.
6. Section 129 (3) requires the accounting officer to make the Oversight Report public within seven days of its adoption.

**Local Government Municipal Systems Act, Act 32 of 2000:**

Section 46 of the Municipal Systems Act requires every municipality to prepare a performance report for each financial year which reflects the performance of the municipality and each of its external service providers during the financial year, as measured against predetermined targets as well as the performance of the previous year. The annual performance report must form part of the municipality's annual report.

DISCUSSION

The 2016/17 Annual Report was tabled in Council on 7 December 2017, and constituted a report on the Municipality's performance for the period 1 July 2016 to 30 June 2017.

The draft annual report was made public on the Council's website as well as municipal offices and the libraries and was advertised on 15 December 2017. The closing dates for comments was 16 January 2018. The draft annual report was also submitted to the Auditor-General, Provincial Treasury and the Department of Local Government as required in terms of Section 127 (5) of the MFMA. No comments were received by the due date. No comments were received.

The MPAC Committee, appointed in terms of section 79 of the Municipal Structures Act, 1998 was tasked to prepare an Oversight Report to Council. MPAC consists of:



NAME	DESIGNATION
Cllr Z Jacobs	Chairperson
Ald E Marthinus	Member
Cllr E Sauls	Member
Ald D Jantjies	Member

A special MPAC meeting was convened on 19 and 22 January 2018 to review the annual report and to enable the committee to compile the oversight report, including recommendations to Council on the adoption of the annual report.

The report of MPAC is attached as **Annexure on page 171 to 185**. The report includes a review of previous recommendations on the 2015/16 report, as well as its concerns and recommendation in relation to the 2016/17 report. The recommendation of the Oversight Committee is as follows:

*"After considering the 2016/17 Draft Annual Report, the Committee is satisfied that it reviewed all evidence and information provided and that it adequately performed its oversight function as envisaged by Section 129 of the MFMA.*

#### **MANAGEMENT RECOMMENDATION**

The Committee is in a position to make an informed recommendation to Council to:

#### **"Approve the 2016/17 Annual Report with reservations"**

*The Committee's reservation is as follows:*

*In general, we accept that the 2016/17 Annual Report is an accurate representation of the Municipality's performance but that the processes for ensuring better performance, achievement of strategic goals and priorities as set by Council in the IDP and basic service delivery and accountability are inadequate. The Mayor and Executive have failed in their duty to resolve the performance failures.*

*The Council has the responsibility is to oversee the Executive but as an MPAC we are severely curtailed in the execution of our mandate as we are not allowed to interfere in the administration and have no power to politically influence the Executive. Where we are given a voice, such as Portfolio Committees our input is not recorded and lack of minutes of these meetings make them unproductive. The general detail and quality of reporting and performance in departments is therefore declining".*

**Raadslid Tonisi stel 'n alternatiewe besluit voor (gesekondeer deur Raadslid Burger).**

Na die uitbring van stemme, word die volgende besluit geneem:

#### **RESOLUTION 4/2018**

- (i) That Council approves the 2016/17 Annual Report without reservations.
- (ii) That the reservations of the MPAC as mentioned in their report be discussed at a meeting to be held between the Executive Mayoral Committee and the MPAC.

**(Raadsdame Marthinus en Raadsheer Jantjies teken hul teenstemme aan en kondig aan dat hulle gaan bedank as lede van die MPAC.)**