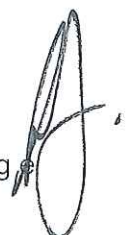


CAPE AGULHAS MUNICIPALITY
OVERSIGHT REPORT ON THE 2015/16 ANNUAL REPORT
Resolution 3/2017 - 31 January 2017

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1 INTRODUCTION

This document constitutes the Oversight Report on the 2015/16 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:

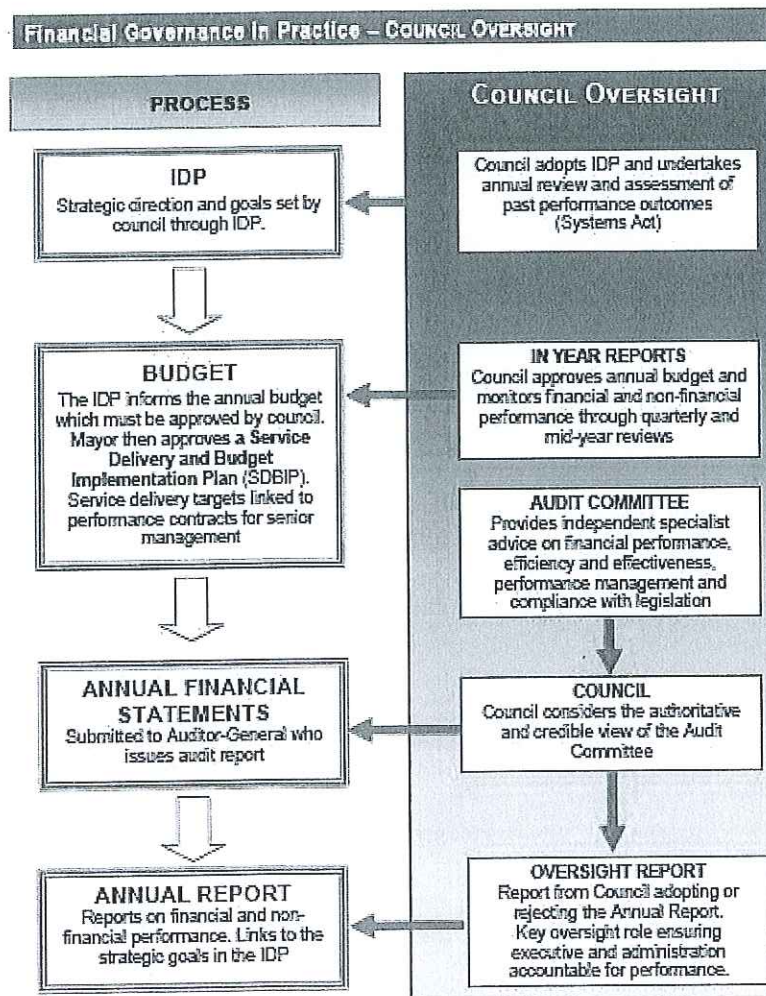
FUNCTIONARY	RESPONSIBLE FOR	OVERSIGHT OVER	ACCOUNTABLE TO
Council	Approving policy and budget	Executive Mayor or Committee	Community
Executive Mayor or Committee	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	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 24 January 2017 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 and review of the draft Annual Report that was tabled on 6 December 2016
- o Consideration of any representations / comments received from the community / Auditor-General / Provincial Treasury and the Department of Local Government. (None received)

The Committee recommended that the 2015/16 Annual Report be adopted without reservations, but did identify a number of concerns which need to be addressed in the future and made recommendations in this regard. A number of semantic corrections were also identified as well as possible improvements for future reports. The minutes of the meeting are attached as **Annexure A**.

7 CONCERNS RAISED BY THE MPAC

The MPAC has the following concerns:

1. Employee related matters including:
 - a. Management of leave (annual / injury / sick leave) and overtime.
 - b. Inconsistent Implementation of the performance appraisal process.
 - c. Optimal use of staff and staff productivity, especially EPWP workers, but it is noted that the upcoming productivity assessment, will to a certain extent address this.
 - d. High dependency levels on consultants.
2. Insufficient interrogation of financial reporting and interpretation thereof.



3. Infrastructure development planning and maintenance, particularly the low expenditure on repairs and maintenance.
4. The financial implication of unaccounted water and electricity usage (Losses).
5. Lack of quantification of return on investment in terms of the lease of land for local economic development projects.
6. The effectiveness and internal co-ordination of law enforcement by the Municipality.

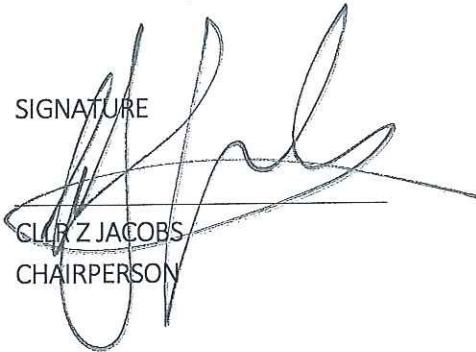
8 RECOMMENDATIONS

- 8.1 After considering the 2015/16 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 2015/16 Annual Report without reservations.
- 8.2 That the following semantical corrections be made to the 2015/16 Annual Report:
 - a) Quantification of internal consumption of services (water and electricity)
 - b) Clarification of the different ways of reporting on the Rand value of fines in the 2014/15 and 2015/16 financial year (Paragraph 3.13.2 – Pg 144).
 - c) Correction of the wording of the introductory paragraph to exclude Councillors (Paragraph 3.15.1 – Pg 150)
- 8.3 That the following reporting improvements be made to future Annual Reports:
 - a) Inclusion of a full list of grant funding that is applied for and acquired.
 - b) Inclusion of a distinction between minor and major injuries on duty.
 - c) Inclusion of a paragraph on legal actions instituted by and against the Council and the implementation of ensuing court orders.
 - d) Quantification of internal consumption of services (water and electricity).
 - e) Inclusion of more detailed information on return on investment where land is leased for economic development projects.
 - f) Inclusion of a distinction between Rand value of EPWP worker and other employee costs as part of the notes on the statements.
- 8.4 That the following recommendations for improved governance and service delivery be implemented
 - 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 to determine what are the essential and non-essential services that they render and where capacity can be built internally through skills development, provision be made on the workplace skills plan. It must also be ensured that when consultants are used. Skills transfer takes place. It is also recommended that consideration be given to including this in the upcoming productivity study.
 - c) That the Council consider the re-instatement of a finance portfolio committee to interrogate financial reports and make recommendations on financial matters.
 - d) That the quarterly and mid-year financial reporting be enhanced with the inclusions of additional financial ratios.



- e) 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.
- f) That the unaccounted water and electricity usage (losses) be monitored in conjunction with the infrastructure maintenance and development plan.
- g) That the internal consumption of water and electricity be reviewed with a view to reducing internal consumption through cost containment measures.
- h) 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.

SIGNATURE



GERT Z JACOBS
CHAIRPERSON

DATE

27 JANUARIE 2017



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

MINUTES OF A SPECIAL MPAC MEETING HELD ON 24 JANUARY 2017

1. WELCOME AND OPENING

The Chairperson, Councillor Z Jacobs welcomed everyone present and Alderman D Jantjies opened the meeting with prayer.

2. ATTENDANCE AND APOLOGIES

MPAC MEMBERS	
Cllr Z Jacobs	Chairperson: MPAC
Ald E Marthinus	Member: MPAC
Cllr E Sauls	Member: MPAC (Apology tendered for late arrival due to other obligations)
Ald D Jantjies	Member: MPAC
OTHER ATTENDEES	
Mr C Pieterse	Chairperson of the Audit Committee
Mr D O'Neill	Municipal Manager
Mr S Ngwevu	Director Corporate Services
Mr H van Biljon	Director Finance
Mr K Mrali	Director Community Services
Mr B Swart	Manager Internal Audit
Ms T Stone	Manager Strategic Services
Ms N Mhlali-Musewe	Manager Human Resources
Mr D Wasserman	Manager Water and Sanitation
Mr W Linnert	Manager Waste Management, Fleet and Water Quality
Mr J Daniels	Manager Roads, Transport and Storm Water
APOLOGIES	
Mr S Cooper	Manager Electro-technical

3 OVERVIEW AND PURPOSE OF THE OVERSIGHT PROCESS AND REPORT

Mr B Swart explained the purpose of the special MPAC meeting, which is to;

- Consider the 2015/16 draft annual report of the Cape Agulhas Municipality in accordance with Section 129 (1) of the MFMA;
- Compile an oversight report for submission to the Council;

- Make a recommendation as to whether the Council should:
 - i. approved the annual report with or without reservations; or
 - ii. reject the annual report; or
 - iii. refer the annual report back for revision of those components that can be revised.

4 CONSIDERATION OF COMMENTS RECEIVED ON THE 2015/16 ANNUAL REPORT

The Draft Annual Report was tabled on 6 December 2016 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 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 OVERSIGHT AND REPORTING ON THE MUNICIPALITY'S 2015/16 ANNUAL REPORT AND ANNEXURES THERETO

The Committee requested explanations / clarification on the following issues as contained in the Annual Report:

PAR	PAGE	COMMENTS
CHAPTER 1: MAYORS FOREWORD AND EXECUTIVE SUMMARY		
1.4.2 Table 11	23	<p>Basic service delivery challenges – Infrastructure development and maintenance</p> <ul style="list-style-type: none"> • The Committee expressed concern that the Municipality does not have an Infrastructure Growth Plan (IGP) to guide its infrastructure development. It was explained that the Province is assisting the Municipality with the development of an Infrastructure Growth Plan (IGP) and Infrastructure Maintenance Plan (IMP) in the 2016/17 financial year to address this challenge. • The Committee requested progress on the implementation of the agreement to upgrade the Bredasdorp WWTW to a biogas technology WWTW during 2016/17. It was explained that discussions are in process with the service provider in relation to their performance with a view to termination. The WWTW upgrade is now registered as a MIG project. • The Committee questioned whether all potential sources of grant funding were being perused to develop and upgrade electrical and other infrastructure. It was indicated that each Director has a key Performance Indicator in their performance agreements requiring them to submit at least 2 funding applications per annum.
1.5.1	25	Financial viability highlights – Capital expenditure

PAR	PAGE	COMMENTS
Table 13		The Committee requested an explanation on what happened to the 3.13% of the capital budget that was not spent. It was explained that this is due to savings on projects.
1.5.1 Table 13	25	<p>Financial viability challenges – High cost structure of the organisational structure</p> <ul style="list-style-type: none"> The Committee expressed concern about the high employee costs but noted that the LTFP recommendations are being implemented with the 2016/17 budget in order to address this. The Committee requested that the norm for employee costs be used consistently and it was explained that in some reports such as the LTFP the private sector norm is used as opposed to the National Treasury norm. The Committee requested an explanation as to why Councillors are not regarded as employees. It was explained that Councillors are regulated in terms of the Public Office Bearers Act and their remuneration is paid from the equitable share and for this reason they are regarded as public office bearers.
1.5.4 Table 16	26	<p>Financial overview – Other expenditure</p> <p>The Committee requested an explanation of the expenditure classified as “other” expenditure. The Committee were referred to Note 42 of the AFS for a breakdown of what constitutes the other expenditure.</p>
CHAPTER 2: GOVERNANCE		
2.10.3 Table 48	48	<p>Fraud and Risk Committee - Strategic risks</p> <p>The Committee requested an explanation of the process followed to rate land invasions as a medium risk. It was explained that a process is followed whereby a risk is evaluated in terms of its likelihood, impact and the efficacy of control measures already in place and that the residual risk that remains is used to rate the risk.</p>
2.12.3 Table 53	51	<p>Audit Committee recommendations – performance appraisals</p> <p>The Committee requested progress on the implementation of the June 2016 recommendation on improving performance appraisals following the internal audit that was done on the process. It was explained that the challenge lies within the individual departments who are not consistently following the appraisal process or being consistent in their performance scoring. The scores within the scale of 1 to 5 are interpreted differently and managers would sometimes rather give a high score than engage in conflict. Performance appraisals are viewed as a twice yearly event as opposed to a continuous process. Managers and supervisors require training in this regard.</p>
2.12.3 Table 53	52	<p>Audit Committee recommendations – control of overtime</p> <p>The Committee requested progress on the implementation of the June 2016 recommendation on the improvement of the control of overtime worked following the internal audit that was done on the process. It was explained that</p>

PAR	PAGE	COMMENTS
		following the internal audit that was done on the process. It was explained that the financial system will be enhanced through the acquisition of an overtime module and that plans are in place to integrate the time and attendance and leave systems with this module before the end of the 2016/17 financial year.
2.19.2 Table 66	59	<p>Highest bids awarded by the bid committee – Use of consultants</p> <p>The Committee expressed concern that the Municipality's reliance on consultants is high and that available internal professional skills are not being fully utilised. Reference was made to note 40 in the AFS where it was indicated that contracted services amounted to R 6 190 067. It was explained that:</p> <ul style="list-style-type: none"> • The contracts in question are generally 3 year contracts and consultants are used in cases where there are not adequate internal skills and capacity. • In the case of the BTO Office, a BTO Manager was appointed in August 2015 and as a result consultant services are being reduced as far as possible. Consultant services will still have to be used for specialised services such as the calculation of the landfill site provisions etc. • In the case of housing the consultant fees are to a large extent covered by the Housing Grant and are also used where internal capacity is lacking. • In the case of Infrastructure projects, planning is done in house except where multi -disciplinary teams of expertise are needed which are not available in house. <p>It was also explained that consideration also needs to be given to the cost benefit of employing people with skills versus contracting the services</p>
CHAPTER 3 SERVICE DELIVERY PERFORMANCE		
3.6 Table 76	95	<p>Municipal functions – public transport</p> <p>The Committee enquired to what extent the public transport function is rendered in the Municipal Area. It was explained that the Municipality's role is limited to the provision of transport facilities and not transport systems.</p>
3.8.5	111	<p>Housing</p> <p>The Committee requested clarity on whether the Municipality built any houses in the 2015/16 financial year. It was explained that no houses were built as the expected funding from the Province did not materialise due to planning challenges arising from a prolonged EIA process.</p>
3.10.4.4.1 Table 127	132	<p>Local Economic Development</p> <p>The Committee indicated that reporting on job creation initiatives needs to be more comprehensive in future and include quantification of return on investment in terms of the lease of land for local economic development projects.</p>
3.12.4	141	Coastal protection

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PAR	PAGE	COMMENTS
		The Committee enquired what the Municipality's role is in terms of the erosion of the coastline. It was explained that coastal management is the responsibility of the ODM and that they are in process of compiling an Integrated Coastal Management Plan for the area.
3.13.2	144	Traffic services and law enforcement The Committee requested an explanation of the marked increase in the rand value of traffic fines. It was explained that the amounts were reported on differently in the previous financial year. The 2014/15 figure is actual fines collected whereas the 2015/16 figure is fines imposed. This reporting was amended in terms of iGRAP 1 standards. It was requested that this be clarified in the annual report.
3.15.1	150	Executive and Council The Committee requested clarification on whether Councillors were included or excluded in Table 151. The functional classification was explained, but as Councillors are not included in the table, the wording in the report must be corrected.
3.15.3	153	Human Resource services The Committee requested an explanation as to why the TASK grading system resulted in an increase in employee costs and what gave rise to its implementation. It was explained that the TASK system was centrally negotiated by the bargaining council in 2004 and all municipalities were required to implement it. It was implemented at CAM from 1 December 2105 retrospective from 1 July 2015 which meant that back pay had to be given. The new system also has 12 notches as opposed to 4 leading to more notch increases. It was explained that there was an appeal process and that some positions were upgraded and some downgraded, where positions were downgraded salaries remained to personal to encument. An additional impact on the salary budget was the permanent employment of approximately 42 temporary employees, a process which commenced in the 2014/15 year.
CHAPTER 4: ORGANISATIONAL DEVELOPMENT PERFORMANCE		
4.3.1	169	Managing the workforce - Injuries The Committee expressed concern at the increase in injuries. It was explained that it was not so much of an increase in injuries as what it was an improvement in reporting since the appointment of the OHS Officer. It was indicated that a distinction needs to be made in respect of the severity of the injuries as there were very few serious injuries (eg bee stings are classed as injuries). Enhanced reporting has also had the benefit that it enables the identification of training needs. The Committee recommended that a value be coupled to this in future.
CHAPTER 5: FINANCIAL PERFORMANCE		
5.2	184	Financial summary

PAR	PAGE	COMMENTS
Table 196		The Committee requested an explanation of the origin and composition of the capital transfers recognised under revenue. It was explained that these transfers consists primarily of MIG funding and that for accounting purposes it is regarded as revenue.
5.4.2 Table 218	194	Conditional grants The Committee expressed concern at the reduction of conditional grants from R 61 323 00 in 2014/15 to R 49 760 00 in the 2015/16 financial year and enquired to what extent the Municipality's grant expenditure is based on the performance of the Municipality. It was explained that the primary reason for the decrease was the reduction of the housing grant from R 20 575 00 to R6 669 000 as a result of the Municipality not being able to construct houses as planned in Area F of Bredasdorp due to a prolonged EIA processes. It was furthermore explained that the Municipality's performance has little influence on the allocation of grants and that the allocation of grants is regulated in terms of DORA. The housing grants are determined in accordance with the human settlements plan and MIG funding is determined in accordance with a pre-determined formula based on backlogs.
5.6.4 Table 224	198	Employee costs The Committee again expressed their concern on the high employee costs and enquired how this can be addressed. It was explained that in terms of the LTFFP the target is 30% and that the objective is to reduce the employee costs by 2% per annum by only filling legislative / service delivery orientated positions. It was furthermore explained that as employee costs are calculated as a % of the operational budget and are thus variable. The total operating budget and increases / decreases thereto can influence this percentage.
5.18	208	Southernmost Development Agency The Committee enquired about the finalisation of this matter. It was explained that the entity's final Annual Financial Statements were completed and signed off by the Directors, and all that needs to happen be the final deregistration. The Auditor General is satisfied with this and the Committee were referred to paragraph 11 of the Report of the Auditor General in this regard.
ANNEXURE A: ANNUAL FINANCIAL STATEMENTS		
Note 25	5	Statement of financial performance The Committee requested an explanation of capital contributions and donations and enquired what was done with the nett proceeds from the golf day. It was explained that the capital contributions are made when the public make contributions for the upgrading of municipal infrastructure to serve their businesses. The proceeds of the golf day are donated to a charity of the Mayors choice but must be reported on.
Note 45	7	Cash flow statement

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PAR	PAGE	COMMENTS
		The Committee enquired why suppliers and employees were reported on collectively in the cash flow statement. It was explained that this was done as all cash backed expenditure is seen as one for purposes of the cash flow statement
Note 3	46	Receivables from exchange transactions The Committee requested clarification on the receivables from asset sales. It was explained that it was the proceeds from two fixed properties sold during the year.
Note 7	54	Inventory The Committee expressed concern about the control of inventory, given that there are rumours of irregularity. It was explained that Internal Audit participates in the annual stocktake and that the stocktake revealed no losses. This was also verified by the Auditor General. It was furthermore indicated that the values stated are the actual values of the stock on hand and that stock is limited to emergency stock.
Note 18	64	Current employee benefits The Committee requested clarity on the distinction between performance bonuses and bonuses and enquired whether employees receive 13 th cheques and performance bonuses. It was explained that the Municipal Manager and Directors (Section 57 employees) receive performance bonuses based on the evaluation of their performance in terms of the Municipal Performance Regulations for Municipal Managers and Managers directly accountable to the Municipal Manager. Other employees receive an unconditional 13 th cheque.
Note 20.3	72	Other pension benefits The Committee requested an explanation of this provision. It was explained that provision was made for pension fund liability.
Note 30	84	Other income The Committee requested an explanation for the reduction in income in respect of garden refuse removal and electricity connections. It was explained that people do not use the service that much as it is available from the private sector at a lower tariff. It was explained that income for electricity connections is based on the demand for electricity connections and that demand may vary from year to year.
Note 31	84	Employee related costs The Committee proposed that in future they would like to be able to distinguish between the costs associated with EPWP workers versus employees
Note 40	88	Contracted services The Committee requested an explanation of the security services expenditure. It was explained that it comprises transportation of cash and security at resorts during December. It was also noted that the newest tender for the transportation of cash is R150 000 less. It was also confirmed that the resort

MINUTES OF A SPECIAL MPAC MEETING HELD ON 24 JANUARY 2016

PAR	PAGE	COMMENTS
		security costs are allocated to the resort cost centre and taken into consideration when determining feasibility and cost efficacy of resorts.
Note 42	89	<p>Other expenditure</p> <p>The Committee requested further explanations on the following:</p> <ul style="list-style-type: none"> • Audit fees – it was explained that these are the fees payable to the Auditor General for the annual audit. • Chemicals – it was explained that these are chemicals required for water treatment works. • Training costs – it was explained that these are costs associated with training of staff in terms of the work place skills plan for the year and that they are not included as part of employee expenditure. • Life guards, specifically whether the municipality pays them whilst they are the recipients of sponsorships, It was explained that the municipality does pay for their service but that they get sponsorships for ancillary things such as refreshments.
Note 47	98	<p>Budget comparisons – material variances - landfill site rehabilitation</p> <p>The Committee requested an explanation for the increased cost of rehabilitation of the landfill site. It was explained that the provision for rehabilitation costs for the landfill site are based on legislation.</p>
Note 47	99	<p>Budget comparisons – material variances - overtime</p> <p>The Committee requested an explanation of how the municipality will deal with the overtime which contributes to the high employee costs. It was explained that the LTFP requires a reduction by 3% per annum and that innovative ways to deal with this are being looked at such as a shift system. It will also form part of the upcoming productivity study.</p>
Note 48	102	<p>Unauthorised, irregular, fruitful and wasteful expenditure</p> <p>The Committee requested an explanation of unauthorised expenditure. It was explained that it is expenditure on an item not budgeted for, overspending the total amount allocated on a vote or the budget as a whole. It was confirmed that there was no unauthorised expenditure during the financial year under review.</p>
Note 49	106	<p>Disclosures in terms of the MFMA – SARS</p> <p>The committee enquired why SARS penalised the Municipality for late / non-payment. It was explained that there was a dispute with SARS that was unresolved at financial year end which has since been resolved.</p>
App F1	128	<p>National Treasury Appropriation Statements – Revenue</p> <p>The Committee enquired how the R10 813 600 budget for public safety is constituted. It was explained that this includes traffic fines based on projections as well as licensing add other related fees</p>
ANNEXURE B: REPORT OF THE AUDITOR GENERAL		

PAR	PAGE	COMMENTS
Par 8	2	<p>Significant uncertainties</p> <p>The Committee requested an explanation of the significant uncertainties. It was explained that these are contingent liabilities for legal cases where the outcome is unknown. It was recommended that a paragraph be included in future annual reports on legal actions instituted by and against the Council and the implementation of ensuing court orders.</p>
ANNEXURE C: AUDIT COMMITTEE REPORT		
-	5	<p>Areas of concern</p> <p>The Committee requested more information on the areas of concern as indicated by the Audit Committee namely;</p> <ul style="list-style-type: none"> • Cash reserves – It was explained that it is still a challenge but that the 15/16 financial year was the lowest point and that the strategies as contained in the LTFP will address this. • Internal controls - It was explained that the controls are in place but not always adhered to. • MSCOA Risk and its integration with GRAP Standards. It was explained that MSCOA is a business reform and that GRAP is an accounting standard and that financial reporting will still have to be done in terms of GRAP even though there is some doubt on the alignment at this stage. <p>The Chairperson of the Audit Committee indicated that he is satisfied that the Municipality is in good hands, but it is important that it does not become complacent</p>

6 CONCERNS RAISED BY THE MPAC

The MPAC has the following concerns:

1. Employee related matters including:
 - a. Management of leave (annual / injury / sick leave) and overtime.
 - b. Inconsistent implementation of the performance appraisal process.
 - c. Optimal use of staff and staff productivity, especially EPWP workers, but it is noted that the upcoming productivity assessment, will to a certain extent address this.
 - d. High dependency levels on consultants.
2. Insufficient interrogation of financial reporting and interpretation thereof.
3. Infrastructure development planning and maintenance, particularly the low expenditure on repairs and maintenance.
4. The financial implication of unaccounted water and electricity usage (Losses).
5. Lack of quantification of return on investment in terms of the lease of land for local economic development projects.
6. The effectiveness and internal co-ordination of law enforcement by the Municipality.

7 RECOMMENDATIONS

- 7.1 After considering the 2015/16 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 2015/16 Annual Report without reservations.
- 7.2 That the following semantical corrections be made to the 2015/16 Annual Report:
- a) Quantification of internal consumption of services (water and electricity)
 - b) Clarification of the different ways of reporting on the Rand value of fines in the 2014/15 and 2015/16 financial year (Paragraph 3.13.2 – Pg 144).
 - c) Correction of the wording of the introductory paragraph to exclude Councillors (Paragraph 3.15.1 – Pg 150)
- 7.3 That the following reporting improvements be made to future Annual Reports:
- a) Inclusion of a full list of grant funding that is applied for and acquired.
 - b) Inclusion of a distinction between minor and major injuries on duty.
 - c) Inclusion of a paragraph on legal actions instituted by and against the Council and the implementation of ensuing court orders.
 - d) Quantification of internal consumption of services (water and electricity).
 - e) Inclusion of more detailed information on return on investment where land is leased for economic development projects.
 - f) Inclusion of a distinction between Rand value of EPWP worker and other employee costs as part of the notes on the statements.
- 7.4 That the following recommendations for improved governance and service delivery be implemented
- 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 to determine what are the essential and non-essential services that they render and where capacity can be built internally through skills development, provision be made on the workplace skills plan. It must also be ensured that when consultants are used. Skills transfer takes place. It is also recommended that consideration be given to including this in the upcoming productivity study.
 - c) That the Council consider the re-instatement of a finance portfolio committee to interrogate financial reports and make recommendations on financial matters.
 - d) That the quarterly and mid-year financial reporting be enhanced with the inclusions of additional financial ratios.
 - e) 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.
 - f) That the unaccounted water and electricity usage (losses) be monitored in conjunction with the infrastructure maintenance and development plan.



- g) That the internal consumption of water and electricity be reviewed with a view to reducing internal consumption through cost containment measures.
- h) 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.

8 CLOSURE

The Chairperson thanked everyone for attending.

SIGNATURE

CLLR Z JACOBS
CHAIRPERSON

DATE

27 JANUARY 2017.

MANAGEMENT RECOMMENDATION

Council, having fully considered the Annual Report 2015/16 of Cape Agulhas Municipality and subject to and with due regard to the concerns and recommendations and semantical corrections contained in the Oversight Report, resolves:

- 1. That the Council adopt the Oversight Report and approve the 2015/16 Annual Report without reservations in terms of Section 129 (1)(a) of the Local Government Municipal Finance Management Act, Act 56 of 2003.*
- 2. That the accounting officer submit copies of the minutes of this Council Meeting to the Auditor-General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the Province.*
- 3. That the accounting officer make the Oversight Report public in accordance with section 21A of the Municipal Systems Act within seven days.*

RESOLUTION 3/2017

That the Management recommendation be accepted as resolution of Council.