



CAPE AGULHAS MUNICIPALITY OVERSIGHT REPORT

2019/20

Resolution: 103/2021

25 May 2021



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1 INTRODUCTION

This document constitutes the Oversight Report on the 2019/20 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, 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

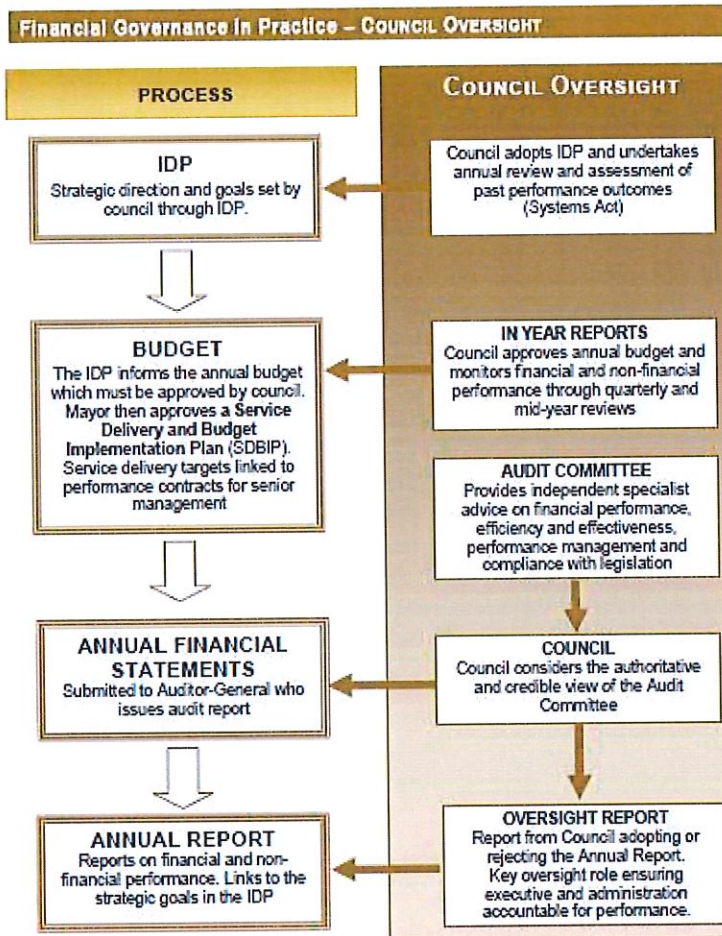
3 SEPARATION OF ROLES

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 2019/20 Draft Annual Report was tabled on 30 March 2021 and Councillors were informed that they have an opportunity to review the report and submit any comments / corrections / omissions to the administration.

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 Governance 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.

MPAC 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 May 2021 to review the draft 2019/20 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, Department of Local Government and Cape Agulhas Audit Committee
- o An opportunity was given to MPAC members to ask questions and seek clarification on any matter relating to the 2019/20 annual report.
- o Consideration and review of the 2019/20 draft Annual Report that was tabled on 30 March 2021

7 CONSIDERATION OF ANY REPRESENTATIONS / COMMENTS RECEIVED

The Draft 2019/20 Annual Report was made available for public comment from 1 April 2021 to 3 May 2021. It was advertised in the press and placed on the Municipal website. It was also submitted to the Provincial Department of Local Government, Provincial Treasury, Auditor General and Cape Agulhas Audit Committee. The closing date for comments was 3 May 2021.

The following is a summary of comments received:

Stakeholder	Comments
Public	None
Provincial Department of Local Government	None
Provincial Treasury	None
Ouditeur-Generaal / Auditor General	None

Cape Agulhas Audit Committee (AC)	The draft annual report for 2019/20 was given to the AC on the same day the report was tabled in the Council on 30 March 2021 with the request to submit any input to internal audit. It was also included in the AC agenda for their quarterly meeting on 19 April 2021 with a discussion and reminder for inputs. At due date for inputs no inputs/comments were received from the Audit Committee and they are satisfied with the correctness and completeness of the annual report.
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8 REMEDIAL ACTIONS IN RESPECT OF RECOMMENDATIONS AS CONTAINED IN THE 2018/19 OVERSIGHT REPORT

The Council considered the Oversight report for 2018/19 on 31 January 2020 and resolved as follows under Resolution 2 / 2020:

Council, having fully considered the Draft 2018/19 Annual Report of Cape Agulhas Municipality resolves:

- (i) That the Council adopt the 2018/19 Oversight Report and approve the 2018/19 Annual Report without reservations in terms of Section 129 (1)(a) of the Local Government Municipal Finance Management Act, Act 56 of 2003.*
- (ii) 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.*
- (iii) That the accounting officer make the Oversight Report public in accordance with section 21A of the Municipal Systems Act within seven days.*
- (iv) That the recommendations made by MPAC in the 2018/19 Oversight Report be addressed.*

RESOLUTION 2/2020

That the management recommendation be accepted as a resolution of Council.

In view of the fact that Council approved the report without reservations there is no report on remedial actions.

9 CONSIDERATION AND REVIEW OF THE 2019/20 DRAFT ANNUAL REPORT

The following tables contain the recommendations of MPAC for improved reporting and governance.



9.1 RECOMMENDATIONS ARISING FROM THE ANNUAL REPORT

SECTION	PAGES	COMMENT	RECOMMENDATIONS
FOREWORD BY THE MAYOR	6	Reference is made to the building of houses. Building houses is ongoing and there is no reduction on the housing waiting list (3655 in 2018/19 – 3351 in 2019/20 or informal settlement numbers which appear to be growing. Compared to list in 2013/14 (3319), 2014/15 (3411) & 2015/16 (3505).	<ol style="list-style-type: none"> Review the functionality and procedures of the departments responsible for ensuring that informal settlements are contained and that expansion is controlled. Housing department with protection services does not operate over weekends when illegal squatters settle. New electrical and service connections are added.
FOREWORD BY THE MUNICIPAL MANAGER	8	Reference is made to effective efficient systems. There is a concern that Councilors particularly opposition Councilors are not receiving information necessary for them to effectively perform their oversight role.	<ol style="list-style-type: none"> That the system of providing unobstructed updated and relevant information to Councilors be reviewed and monitored to ensure well informed Councilors. The EMC which is a political structure together with delegation to administration prohibits full council from fulfilling actual role and responsibility.
1.2.4 ENVIRONMENTAL OVERVIEW - BLUE FLAG STATUS	20	The Committee is concerned about the loss of blue flag status which impacts negatively on tourism sector.	<ol style="list-style-type: none"> The loss of Blue Flag Status in the first half of 2020 Financial Year is an example of duties of officials that should be held accountable.
1.22 TABLE 9 HOUSEHOLDS and 3.7.6 TABLE 108 FREE BASIC SERVICES AND INDIGENT SUPPORT	28 148, 149	The Committee is concerned that the number of indigents increased from 3001 (2018/19) to 3380 (2019/20).	<ol style="list-style-type: none"> That the tariff and indigent policy be reviewed with the specific aim of decreasing dependency on indigent grants and mitigating further growth of indigent numbers.
TABLE 64 SUMMARY OF BBEE SPENDING FOR THE FINANCIAL YEAR	84	The Committee is concerned by the BBEE contribution levels	<ol style="list-style-type: none"> That the SCM policies and procedures be reviewed with a view to promoting BBEE spending – on local service and product suppliers.

<p>1.4 FINANCIAL HEALTH OVERVIEW and 5.5.1 LIQUIDITY RATIO</p>	<p>29 260</p>	<p>The spending on EPWP / Temporary as well as spending on contracted services / consultants also impact on the liquidity ratios as well as employee related costs Professional services and contracted services are not always of an acceptable standard and don't add value. These services have also increased over the past 4 years.</p>	<p>7. Guidelines in addition to cost containment measures need to be formulated for spending on these items in a bid to improve the Municipality's liquidity ratio. 8. A full report on the utilisation and increase of professional and over last 5 years contracted services to be submitted to MPAC over the last 5 years 9. Review monitoring and evaluation system in respect of professional and contracted services that also ensure accountability of officials in cases where sub standard services are authorised for payment</p>
<p>FINANCIAL VIABILITY RATIOS – LIQUIDITY 4.5 MUNICIPAL WORKFORCE EXPENDITURE 5.2 TABLE 180 5.5.4 EMPLOYEE COSTS</p>	<p>29 235 240 263</p>	<p>Employee costs are currently 41.79 %. The 2015/16 figure was also 41.13% but included Councillors. The figure has bordered on or above the norm for the past 4 years which is an ongoing concern. The inclusion / exclusion of councillor costs as employee costs does not give a true reflection of the actual situation. The costs of receivables are inflated to justify the employee cost percentage and is not a true reflection which can mislead rate payers</p>	<p>10. The annual report should contain a more detailed representation of personnel costs in relation to the Municipalities active or actual income and not the budget.</p>
<p>4.2.4 EXPANDED PUBLIC WORKS PROGRAMME AND COMMUNITY WORK PROGRAMME</p>	<p>219</p>	<p>EPWP and job creation programmes such as ward job creation programmes do not always achieve their goals in terms of productivity and value for money</p>	<p>11. Management must improve the management and productivity of job creation programmes to ensure optimal productivity and value for money</p>
<p>1.5 ORGANISATIONAL DEVELOPMENT and 3.14.1.2 HUMAN RESOURCE AND</p>	<p>31 192</p>	<p>Biometric system is not used as effectively as it could be to manage time and attendance</p>	<p>12. The biometric system integration with the payroll system must be utilised more effectively as a time management tool, as was the intention, when proposal was initially made to council when purchase of system was proposed. Relevant department heads must be held</p>

<p>ORGANISATIONAL DEVELOPMENT SERVICES</p>			<p>accountable together with service providers to get the value out of product or service.</p>
<p>2.4.3 AUDIT COMMITTEE 2.1.1.1 POLITICAL GOVERNANCE STRUCTURE</p>	<p>60 37</p>	<p>Audit committee / MPAC integration is lacking.</p>	<p>13. Improve the interaction between the Audit committee and MPAC. Council's decision to implement upper limit payments guideline, with one exception; section 79 chair of MPAC; can be interpreted, that council views MPAC as duplication or redundant.</p>
<p>2.1.1.1 POLITICAL GOVERNANCE STRUCTURE</p>	<p>36</p>	<p>The current system of delegation of powers that was approved by Council, specifically powers that have a financial implication are too wide and councillors are unable to exercise adequate financial oversight. This in turn influences liquidity.</p>	<p>14. That MPAC provide input on the current system of delegations for consideration. The new council might not have the experience to realise this and might be manipulated by admin that status quo is adequate. The current council should review the delegations before new council is appointed end 2021.</p>
<p>CHAPTER 5 TABLE 179: OPERATING RATIOS</p>	<p>240</p>	<p>Professional services and contracted services are not always of an acceptable standard and don't always add value. These services have also increased over the past 4 years.</p>	<p>15. A full report on the utilisation and increase of professional and contracted services to be submitted to MPAC. 16. Review monitoring and evaluation system in respect of professional and contracted services that also ensure accountability of officials in cases where sub-standard services are authorised for payment</p>
<p>3.4.2 STRATEGIC PERFORMANCE 2019/20</p>		<p>There has been an ongoing reduction of Top Layer SDBIP KPI's over the past 4 years from 56 in 2015/16 to 47 in 2019/20 and in 2020/21 to 33. This reduces accountability and impacts on the payment of performance bonuses.</p>	<p>17. Review 2015/16 (56) the Municipality's KPI's with current 33 key performance indicators when the new IDP is drafted to ensure improved performance in terms of service delivery. 18. Provide a report to MPAC on the reductions in Top Layer SDBIP KPI's over the past 4 years including the 2020/21 financial year</p>
<p>3.7.1 WATER 3.7.3 ELECTRICITY</p>	<p>130 137</p>	<p>Water and electricity losses, particularly water losses of 18.5% are a concern due to</p>	<p>19. Water and electricity losses need to be more effectively managed, the causes isolated and solutions</p>

	the associated loss of revenue and reduction in liquidity.		implemented Meter reading - isolate losses and reasons and solutions
3.7.3 ELECTRICITY	136	The committee is concerned that the Municipality is not projecting the impact of SSEG consumers and the possible expansion thereof on its projected revenue for electricity	20. An audit should be done on the purchase / vs sale price and profit of electricity bought from Eskom or SSEG customers price over a year to ensure that we achieve our projected income.
FINANCIAL VIABILITY RATIOS – LIQUIDITY 4.5 MUNICIPAL WORKFORCE EXPENDITURE 5.2 TABLE 180 5.5.4 EMPLOYEE COSTS	29 235 240 263	Employee costs are currently 41.79 %, excluding Council. The 2015/16 figure was also 41.13% but included Councillors. The figure has bordered on or above the norm for the past 4 years. The exclusion of councillor costs as employee costs does not give a true reflection of the actual situation. The costs of receivables appears inflated to justify the employee cost percentage and is not a true reflection which can mislead rate payers	21. The annual report should contain a more detailed representation of personnel costs in relation to the Municipalities actual income.
4.2 MUNICIPAL WORKFORCE TABLE 154 EMPLOYMENT EQUITY TARGETS	211 and 215	There appears to be a minor disparity between figures reported in introduction to workforce expenditure and Table 154.	22. Figures to be reviewed and corrected or better explained in final annual report.
5.4.3 LEVEL OF RELIANCE ON GRANTS & SUBSIDIES. Table 219	195	The Committee is concerned that the decreasing availability and reliance of the Municipality on grants as this could lead to a need for more loans which will impact on tariffs.	23. It must be established whether decreasing availability of grants is a national / provincial trend or unique to CAM. The reliance on grants was 22% in 2015/16 vs 12% of 2019/20.
CHAPTER 3 – 3.8 – 3.16 HUMAN RESOURCE TABLES FOR EACH FUNCTION READ WITH 5.3 FINANCIAL PERFORMANCE PER	132 139 143 147 151 157 159	There has not been a significant change in the total workforce since 2015/16, but the dispersion between service delivery departments and administrative departments has shown some concerning trends. Service delivery departments have for the most part reduced (specifically	24. The allocation of staff to be reviewed during the next revision of the organogram to ensure that staff are placed where the greatest need is for actual basic service delivery is inflated administration.

<p>MUNICIPAL FUNCTION (EMPLOYEE COSTS)</p> <p>166 168 171 183 190 192 193 203 249- 256</p>	<p>water and sanitation) whereas Executive and Council, Human Resource, Finance and ICT have increased substantially. The ongoing use of contracted and professional services to supplement service delivery affect liquidity.</p> <p>See table below.</p>
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FUNCTION	2015/16		2019/20		DIFFERENCE
	POSTS	EMPLOYEES	POSTS	EMPLOYEES	
Water & Stormwater	41	38	44	41	+ 3
Waste Management	35	30	32	32	
Sanitation (Waste- Water)	22	22	0	0	-22
Electricity	20	18	21	19	+1
Housing	4	4	5	5	
Stormwater & Roads	43	41	40	37	-3
Spatial Planning	4	4	4	3	
Building Control	5	5	5	4	
LED & Tourism	-	-	5	5	+5
Libraries	12	12	12	11	
Human Development	4	4	2	2	-2
Traffic & Law Enforcement	26	25	25	23	-1
Sport & Recreation	55	53	54	54	-1
Exec & Council	12	12	22	21	+10
Human Resources	10	10	18	17	+8
Finance	36	36	45	44	+9
ICT	3	2	5	5	+2
Cemeteries	3	3	0	0	-3




10 RECOMMENDATION

After considering the 2019/20 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 annual report without reservations.

SIGNATURE



CLLR Z JACOBS
CHAIRPERSON

DATE

24/05/2021