

6. CONSIDERATION OF THE 2014/15 ANNUAL REPORT AND ADOPTION OF AN OVERSIGHT REPORT

5/15/1/1

R Louw

11 March 2016

(028) 313 8071

Corporate Head Office

1. Executive Summary

The purpose of this report is to consider the 2014/15 Annual Report and to adopt an Oversight Report. **FOR PURPOSES OF CONSIDERING THIS ITEM COUNCILLORS ARE REQUESTED TO ALSO REFER TO THE ANNUAL REPORT, WHICH WAS TABLED ON 22 JANUARY 2016.**

2. Service Delivery and Budget Implementation Plan - IGNITE

Management Services
Strategic Services

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

Local Government : Municipal Systems Act, 2000 (Act 32 of 2000)
Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)

6. Background/Discussion/Evaluation/Conclusion

Background

In terms of the above legislation a Municipality must prepare an annual report for each financial year. The core components of such an annual report must include:

- a. a performance report;
- b. the financial statements;
- c. and audit report on the financial statements, and
- d. the audit report on the performance evaluation

The purpose of the annual report is to:

- provide a record of the activities of the Municipality;
- provide a report on performance in service delivery and against the budget;
- provide information that supports the revenue and expenditure decisions made; and
- promote accountability to the local community for decisions made.

The draft audited annual report, taking cognisance of the above-mentioned requirements, was tabled by the Executive Mayor at the Special Council meeting of 22 January 2016.

The local community was in terms of section 127(5)(a)(i) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) invited to submit representations in connection with the draft Annual Report to the Municipality by submitting such representations to the Municipal Manager on or before 26 February 2016.

No public comments were received as at the date and time of closure. Comments were however received from Provincial Treasury, attached as **Annexure A**. The comments from the Municipality on the Provincial Treasury assessment is stated on pages 2 - 3 and 5 in the Treasury document (Annexure A).

The Municipal Public Accounts Committee (MPAC) also considered the annual report. The minutes of the MPAC are attached as **Annexure B**.

Representatives of the Office of the Auditor-General and Provincial Departments of Local Government and Finance have been invited to attend the council meeting. Likewise will members of the municipality's Audit Committee be present at the meeting. The MFMA furthermore provides for members of the local community to address the council.

For purpose of adopting an Oversight Report the MFMA requires the council to consider the annual report to state whether the council:

- approves the annual report, with or without reservations;
- rejects the annual report or;
- refers the annual report back for revision of those components that can be revised.

7. Financial Implications

Not applicable

8. Staff Implications

Report compiled in-house

9. Comments from other Departments, Divisions and Administrations

Various officials were interviewed during the information gathering phase.

10. Annexures

Annexure A: Comments from Provincial Treasury

Annexure B: Minutes of the Municipal Public Accounts Committee (MPAC)

(Note: The Final Annual Report for 2014/15 is distributed on a CD)

RECOMMENDATION TO THE COUNCIL:

that, in terms of Section 129 of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) and having duly considered the 2014/15 Annual Report of the Overstrand Municipality and the content of this item, the said report **be approved** without reservation.

RESPONSIBLE OFFICIAL :

R LOUW

TARGET DATE FOR IMPLEMENTATION :

NOT APPLICABLE



**Western Cape
Government**

Provincial Treasury

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2014/15 ANNUAL REPORT ASSESSMENT Overstrand MUNICIPALITY

1. INTRODUCTION

MFMA section 121(1) states that every municipality and every municipal entity must for each financial year prepare an annual report. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

MFMA sections 121(3) and (4) sets out the framework relating to the content of the annual reports for both municipalities and municipal entities. These include:

- The annual financial statements of the municipality/entity and if municipality has municipal entities, consolidated annual financial statements as submitted to the Auditor-General for audit.
- The audit report of the Auditor-General in terms of both section 126(3) of the MFMA and section 45(b) of the MSA.
- Municipality's annual performance report as per section 46 of the MSA.
- Assessment of any arrears on municipal taxes and service charges.
- Assessment of municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality's approved budget.
- Particulars of corrective action taken or to be taken on issues raised in audit reports.
- Explanations to clarify issues on financial statements.
- Any other information determined by the municipality/entity including recommendations made by the audit committee and any other information as may be prescribed.

National Treasury has further introduced the new annual report template and MFMA Circular No. 63 on 26 September 2012. MFMA Circular 63 aims to provide guidance to municipalities and municipal entities on the new Annual Report format and its contents.

2. PURPOSE

The purpose of this assessment is to fulfil Provincial Treasury's oversight role as outlined in sections 5 and 6 of the MFMA. In addition, the assessment aims to –

- assist the municipality to demonstrate accountability;
- promote organisational learning; and
- Promote an understanding of the municipality's operational performance; and ultimately assist the municipality in decision making activities.

3. LEGISLATIVE COMPLIANCE

Table 1 Legislative Compliance

	Applicable legislation	Comment and recommendations
Annual Report tabled to council	MFMA section 121(1)	The annual report was tabled on 22 January 2016 which is within 7 months after the end of the financial year. It is recommended that the Municipality further comply with MFMA Circular 63 and table the unaudited annual report within two months of the end of the financial year. <i>Overstrand response: Draft unaudited AR for 2014/15 was tabled in Council on 26 Aug 2015.</i>
Annual Report made public and public invited to comment	MFMA section 127(5)	The Annual report was published for comment on 22 January 2016.
Has the Municipality conducted public participation on the Annual Report	MFMA section 127(5)	Yes. A notice was sent out and the Draft Annual Report made available for public comment no later than 26 February 2016.
Annual Report submitted to PT	MFMA section 127(5)	Hard copies of the Annual Report were received by PT on 29 January 2016.
Annual Report placed on website within 5 days after tabling in Council	MFMA section 75	The Annual Report was placed on the municipal website on 22 January 2016.

Source: PT network and municipal website

4. FORMAT OF THE ANNUAL REPORT

This section is to determine if the annual report complies with the Annual Report Template as prescribed by MFMA Circular 63.

Table 2 Format of the annual report

	Yes/No	Overstrand response
Chapter 1: Mayor's Foreword and Executive Summary		
Executive Mayors foreword		
Strategic alignment to Provincial and Growth and Development Strategy.	No	Will include in Final AR
Corrective actions taken to ensure that strategic objectives as stipulated in the IDP were achieved.	yes	
Methods used/implemented to improve public participation and accountability.	yes	
Statement of corrective actions whereby service delivery can be improved.	yes	
Municipal Managers foreword		
Functions and Powers of the municipality/entity in relation to section 155/156 of the Constitution and Chapter 3 of the MSA.	yes	
Sector departments and the sharing of functions between the municipality/entity and sector departments.	yes	
A statement on the previous financial year's audit opinion.	yes	
Information related to the revenue trend by source including borrowings undertaken by the municipality.	yes	
The internal management changes in relation to section 56/57 managers.	yes	
Risk assessment, including the development and implementation of measures to mitigate the top 5 risks.	Yes	
Municipal Overview		
Information on socio-economic conditions (demographics, economic growth, population, growth)	yes	
Outcomes of both success and not so successful initiatives embarked upon.	yes	
Chapter 2: Governance		
Component A: Governance Structures, Political Governance Structure and Administrative Governance Structure.	yes	
Component B: Intergovernmental Relations: Intergovernmental Relations.	yes	
Component C: Public Accountability and Participation (Public Meetings and IDP Participation and Alignment.	yes	

	Yes/No	Overstrand response
Component D: Corporate Governance (Risk Management, Anti-corruption and fraud, Supply Chain Management, By-laws, Websites, Public Satisfaction on Municipal Services, All municipal oversight committees.	yes	
Chapter 3: Service Delivery		
Component A: Basic services, Housing and free basic services	yes	
Component B: Road Transport- Roads , transport	yes	
Component C: Planning and Development	yes	
Component D:Community and social services	yes	
Component E: Environmental protection	yes	
Component F: Health	N/A	
Component G: Safety and security	yes	
Component H: Sport and recreation	yes	
Component I: Corporate policy offices and other services	yes	
Chapter 4: Organisational Development Performance		
Component A: Introduction to the municipal workforce (Total Employment, to include staff turnover)	yes	
Component B: Managing the municipal workforce Levels on reporting should be broken down to MM & section 56, top management, assistant managers, supervisors, etc.	yes	
Component C: Capacitating the municipal workforce.	yes	
Component D: Managing the municipal workforce expenditure.	yes	
Chapter 5: Financial Performance		
Component A: Statement of Financial Performance	yes	
Component B: Spending against Capital Budget	yes	
Component C: Cash flow Management and Investment	yes	
Component D: Other Financial Matters	no	
Chapter 6: Auditor-General Audit Findings		
2013/14 Audit Opinion	yes	
2014/15 Audit Opinion	yes	

According to MFMA Circular 63, the following information must be completed and added to the Annual report to ensure that it complies with the requirements of various legislations:

Overstrand general response: *In certain instances the information from the Appendix's are included in the main body of the Annual Report and therefore not excluded from the document.*

Appendices	Yes/No	Overstrand response
Appendix A: Councillors; Committee Allocation and Council Attendance	No	Will include in Final
Appendix B: Committee and Committee Purpose	No	Will include in Final
Appendix C: Third Tier Administrative Structure	No	Pg. 55 of AR
Appendix D: Functions of Municipality/Entity	No	Pg. 147-149 of AR
Appendix E: Ward Reporting	No	Pg. 66-67 of AR
Appendix F: Ward Information	No	Pg. 60-66 of AR
Appendix G: Recommendations of the Municipal Audit Committee	No	Will include in Final
Appendix H: Long Term Contracts and Public Partnerships	No	Will include in Final
Appendix I: Municipal entity/Service Provider Performance	No	Pg. 112- 147 of AR
Appendix J: Disclosure of Financial interest	No	Will not be included. Refer to item 7 (4) of Schedule 1 and item 5A(3) of Schedule 2 of the Local Government: Municipal Systems Act, No 32 of 2000 Council resolution 11 of 26/06/2013
Appendix K: Revenue Collection Performance	No	Pg. 313-314 of AR
Appendix L: Conditional Grants Received : excluding MIG	No	Pg. 327- 330 of AR
Appendix M: Capital Expenditure –New & upgrade /Renewal Programmes :Including MIG	No	Will include in Final
Appendix N: Capital Programme by project current year	No	Will include in Final
Appendix O: Capital Programme by Project by Ward Current Year	No	Will include in Final
Appendix P: Service Connection Backlogs at schools and Clinics	No	Will include in Final
Appendix Q: Service Backlogs Experienced by the Community where another Sphere of Government is responsible for Service Provision	No	Will include in Final
Appendix R: Declaration of Loans and Grants made by the Municipality	No	Pg. 359 of AR
Appendix S: Declaration of Returns not made in due Time under MFMA s71	No	Will include in Final
Appendix T: National and Provincial Outcome for Local Government	No	Will include in Final

5. FINDINGS AND RECOMMENDATIONS

The draft annual report contains a thorough analysis of the Municipality's service delivery performance. The targets provided are in line with those provided in the SDBIP and comments and corrective measures are included where necessary.

The Municipality has made significant progress regarding the reduction of backlogs within the municipal area. The Municipality has successfully provided the required basic services to its residents as there is currently no water, sanitation or waste collection backlogs at present. However, backlogs exist in Electricity (79 per cent access).

There has nevertheless been an increase in the number of indigent households within the municipal area. This may place additional strain on the Municipality's budget and may adversely affect the provision of these services in future.

According to the municipality a total of 32 251 households including both formal and informal settlements have access to basic housing. A comprehensive strategy has been developed and is in a process of being implemented. In addition, an 8 year programme of development has been compiled, which addresses the backlogs and identifies projects in each area. The Municipality has implemented the entire R30.37 million budget provided by the Western Cape Provincial Government toward the attainment of this goal.

The 2014/15 annual report complies with MFMA Section 121 and to a large extent MFMA Circular 63. MFMA Circular 63 does however recommend that the Municipality should strive towards tabling the unaudited annual report within two months after the end of the applicable financial year, which is currently not the case.

It is recommended that the Municipality take cognisance of omissions highlighted above, particularly with respect to the appendices, and include the omitted sections in the final annual report.



**MEETING OF THE MUNICIPAL
PUBLIC ACCOUNTS COMMITTEE**

**VERGADERING VAN DIE MUNISIPALE
OPENBARE REKENINGE KOMITEE**

MINUTES / NOTULE

DATE / DATUM : 10 MARCH / MAART 2016
VENUE / PLEK : MAYOR'S COMMITTEE ROOM (GLASKAS)
BURGEMEESTER SE KOMITEEKAMER
(GLASKAS)
HERMANUS
TIME / TYD : 15:00

OVERSTRAND**MUNICIPALITY / MUNISIPALITEIT / U-MASIPALA****MINUTES OF A MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS
COMMITTEE HELD IN THE MAYOR'S COMMITTEE ROOM (GLASKAS),
HERMANUS ON 10 MARCH 2016 AT 15:00****PRESENT / TEENWOORDIG:**

Ald M Ponoane (Chairperson)
Cllr M Andrews
Cllr A Prins
Cllr T Pie
Mr P Graham

APOLOGY / VERSKONING:

Cllr JJ Januarie
Cllr L Ndevu
Mr S Hansen

**OFFICIALS PRESENT /
AMPTENARE TEENWOORDIG:**

Ms D Arrison
Ms S Reyneke-Naudé
Ms R Louw
Ms H van Tonder

**MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
10 MARCH 2016**

1. OPENING

The Chairperson, Ald M Ponoane, welcomed everyone present.

The Acting Municipal Manager, Ms D Arrison, read the notice convening the meeting.

2. APPLICATIONS FOR LEAVE OF ABSENCE

Cllr L Ndevu

RESOLVED

that the above-mentioned application for leave of absence **be approved.**

Cllr JJ Januarie

RESOLVED

that the above-mentioned application for leave of absence **be approved.**

Mr S Hansen

RESOLVED

that the above-mentioned application for leave of absence **be approved.**

3. CONSIDERATION OF THE 2014/2015 ANNUAL REPORT

The Municipal Public Accounts Committee considered the content of the Municipality's 2014/2015 Annual Report.

Mr P Graham voiced his appreciation towards this Municipality for their good governance compared to other municipalities.

RESOLVED TO RECOMMEND TO THE COUNCIL:

that the draft Annual Report for the 2014/2015 financial year be approved without reservations.

MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
10 MARCH 2016

4. CLOSURE

The meeting closed at 15:16