

OVERBERG DISTRICT MUNICIPALITY

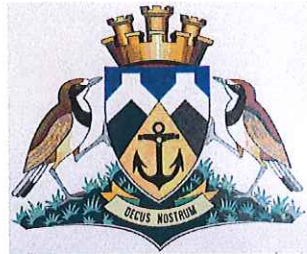


OVERSIGHT REPORT

ON THE 2016/2017 ANNUAL REPORT

OVERBERG DISTRICT MUNICIPALITY

**SPECIAL MUNICIPAL PUBLIC
ACCOUNTS COMMITTEE
MEETING (MPAC)**



**MINUTES OF THE MPAC
COMMITTEE**

DATE : 16 MARCH 2018
VENUE : ODM, COUNCIL CHAMBER
TIME : 12:00



OVERBERG DISTRICT MUNICIPALITY

MINUTES OF THE SPECIAL MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING (MPAC) HELD ON WEDNESDAY, **16 MARCH 2018 AT 12:00** IN THE COUNCIL CHAMBER, OVERBERG DISTRICT MUNICIPALITY, 26 LONG STREET, BREDASDORP.

1. OPENING AND WELCOMING

The Chairperson, Ald. J Gelderblom welcomed all present at the meeting.

2. EVACUATION INFORMATION

The evacuation information was noted.

3. APPLICATION FOR LEAVE OF ABSENCE

None, all members are present.

4. STATEMENTS AND DECLARATION BY THE CHAIRPERSON

None

5. DECLARATION OF INTEREST

The members declared that they had no personal interest in any item on the agenda.

6. MATTERS FOR CONSIDERATION

6.1 ANNUAL REPORT 2016/2017 – OVERSIGHT

PURPOSE:

To review, analyse the annual report and to discuss the comments received from the public in order to draft an Oversight report to Council for consideration.

BACKGROUND

The draft Annual Report was tabled to Council on 29 January 2018 and resolved as follows:

UNANIMOUSLY RESOLVED: (Proposed by Ald. A Franken and seconded by Cllr L Ntsabo)

- (1) That the tabling of the Annual Report be noted; and
- (2) That the Municipal Manager must in terms of Section 127(5) of the MFMA –
 - (a) Make public the draft Annual Report for the 2016/2017 financial year;
 - (b) Invite the local community and Councillors to submit representations in connection with the Annual Report on or before 05 March 2018;
 - (c) Submit the Annual Report to the Auditor-General, the Provincial Treasury, National Treasury and the provincial department responsible for Local Government;
- (3) That the Oversight Committee as appointed by Council proceeds with the process to assess the report before 16 March 2018 and finalise the oversight report for submission to Council by 26 March 2018; and
- (4) That the Annual Report and Oversight Report be submitted to Council on 26 March 2018 for consideration and adoption.

The Draft Annual Report was advertised in the local news papers, ODM Facebook, website, ODM notice boards, libraries and Thusong Centres of the local Municipalities. The document was distributed to National Treasury, Provincial Treasury, Department of Local Government, Auditor-General, local Municipalities, offices of the ODM, Libraries and Thusong Centres of the local Municipalities. The closing date for comments was 05 March 2018.

The oversight report is the final major step in the annual reporting process of a municipality. The oversight report on the annual report is a legislative requirement in terms of section 129 of the MFMA and the committee must draft an oversight report with recommendations to Council for consideration.

ATTACHMENTS

- Annual Report
- Comments
- MPAC briefing note

PRESENTATION BY THE AUDITOR-GENERAL

The Auditor-General did a presentation on the Audit outcomes of the 2016/2017 financial year.

(The report is attached as annexure to the oversight report)

7. CLOSURE

The chairperson thanked the committee members for their inputs. The meeting adjourned at 13:25.

DRAFT ANNUAL REPORT 2016/2017

SECTION 121(3) OF THE MFMA DETERMINES THAT THE ANNUAL REPORT MUST INCLUDE	COMMENT
(a) The Annual financial statements of the municipality, and in addition, if section 122(2) applies the consolidated annual financial statements as submitted to the Auditor-General.	The Annual Financial Statements as submitted to the Auditor General is included in the Annual report as Volume II.
(b) The Auditor-General's audit report is included in the annual report in terms of section 126(3) on those financial statements	The Auditor-General's report is included in the annual report as Appendix K. (page 123 - 129)
(c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act	The Annual Performance report of the Municipality is included in the Annual report, at Chapter 3 (page 25 – 79), Chapter 4 (page 81 – 88) and Chapter 5 (page 89 – 101).
(d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act	The Auditor General's audit report is included in the Annual Report as Appendix K - Chapter 6 (page 102 – 103).
(e) An assessment by the municipality accounting officer of any arrears on municipal taxes and services	ODM do not deal with taxes and services, as intended in section 121(3)(e) – Services are mainly provided by B Municipalities. The service charges alluded to in the financial statements refer to municipal services and taxes charges for the occupants at the Resorts. Chapter 3, section 3.13. (page 58)
(f) An assessment by the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year	The assessment referred to in this instance is included in the annual report as Appendix H. (page 120). Calculations are made in terms of a National Treasury template. Calculations of variances are based on the original budget and not the adjustment budget. Headings are incorrect and will be corrected.
(g) Particulars of any corrective actions taken or to be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d)	These particulars are included in the annual report in Chapter 1, Section 1.6 and Chapter 6, Sections 6.1 and 6.2 (page 102-103). The remedial actions on the audit report are addressed by a monitoring programme called "OPCAR" (Operation Clean Audit Report).
(h) Any explanation that may be necessary to clarify issues in connection with the financial statements	None
(i) Any information as determined by the municipality	The committee has considered the comments of Mr Lambrechts, and agree with the following comments:

	<ul style="list-style-type: none"> • The reference performance agreements concluded with all staff members on page 66, will be rectified to reflect performance agreements concluded with staff on recognized and placed positions. • The reference to performance assessments for service providers on page 78, will be rectified to exclude payments to suppliers made in terms of Section 35 of the Municipal Supply Chain Regulations. • The error on organisational structure on the municipal website will be rectified. • The reference to municipal ranking on pages 10 and 18 will be rectified. <p>The remedial actions would be to respectfully correct the report and website accordingly.</p> <p>Comments from Province: To take note of the comments. The amounts will be included in Appendix F in the new financial year.</p> <p>The committee considered that no other objections have been received from the public.</p>
(j) Any recommendations on the municipality's audit committee report	<p>These comments are included in the annual report as Appendix D (page 111) and Appendix E (page 117).</p>
(k) Any other information as may be prescribed	<p>It is further noted that the equitable share is not sufficient for effective service delivery and also noted the briefing by the Auditor-General regarding the MFMA audit outcomes of the 2016/2017 financial year.</p> <p>That the salary differences of Ald. L de Bruyn and Cllr. SH Fourie be noted on page 82 of the Annual Financial Statements.</p>

RESOLVED TO RECOMMENDED TO COUNCIL

1. That Council adopts the Annual Report in terms of section 129(1) of the Local Government Municipal Finance Management Act, 2003 without reservation, but take note of the concerns raised in the Oversight Report.

COMMENTS
2016/2017 ANNUAL REPORT

Marietjie Dunn

From: marlene [marlene.lambrechts1@gmail.com]
Sent: 12 February 2018 11:07 AM
To: mm@odm.org.za
Cc: Marlene Lambrechts; mdunn@odm.org.za; Marais Swart
Subject: Kommentaar op konsep jaarverslag

Die Munisipale Bestuurder
Overberg Distriksmunisipaliteit

Hiermee wil ek graag my kommentaar lewer op die konsep jaarverslag 2016/17 soos gepubliseer op die munisipaliteit se webtuiste.

Die volgende onduidelikhede bestaan by leser, nl:

- op bl 10 word verwys na top 8 en op bl 18 word verwys na top 5
- op bl 12 word verwys na 4 afdelings terwyl die res van dokument nie daarmee saampraat nie met verwysing na paragraaf 2.2. Die organisasie struktuur is volgens my mening ook nie op 5 Desember 2017 goedgekeur nie, maar op 5 Desember 2016.

Ek behou die reg voor om verdere kommentaar op die dokument voor die sluitings datum te gee. My kommentaar op hierdie stadium berus op die volgende, nl:

- organisasie struktuur en die implementering daarvan met verwysing na TASK en die arbitrasie verhoor.
- aanstellings prosedures van senior bestuurders insluitende die Munisipale Bestuurder.
- tender prosedures met betrekking op aanstelling van sekere diensverskaffers.
- die Ouditeur- Generaal se verslag met bestuur se kommentaar op bevindinge.
- spel en gramatika foute in die konsep dokument.

Die volgende dokumente word saamgelees, nl:

- konsep jaarverslag 2016/17
- finansiële state
- verslag van OG.
- verslag van arbitrasie verhoor.
- scm jaarverslag Junie 2017.

Groete

Danie Lambrechts

Sent from Samsung tablet

Marietjie Dunn

From: marlene [marlene.lambrechts1@gmail.com]
Sent: 15 February 2018 02:55 PM
To: mm@odm.org.za
Cc: Marlene Lambrechts; Marais Swart; mdunn@odm.org.za
Subject: Kommentaar op konsep jaarverslag 2016 2017

Die Munisipale Bestuurder
Overberg Distriksmunisipaliteit

Mer verwysing na my vorige epos gedateer 12 Februarie 2018 lewer ek graag verdere kommentaar op di konsep jaarverslag 2016/17.

My kommentaar is as volg, nl:

- volgens die Munisipale Bestuurder se oorsig verslagop bl 7 is die hersiening van die organisasie struktuur uitgevoer om die funksionaliteit en belyning met die munisipaliteit se strategie en strategiese doelwitte te verbeter. My vorige epos verwys na die funksionaliteit van die munisipaliteit wat opgedeel is in 4 afdelings, nl:

- * kantoor van Munisipale Bestuurder
- * direktoraat finansies - 6.81% finansiële koste
- * korporatiewe dienste - 51.07% personeel koste
- * gemeenskapsdienste - 42.65% herstel en onderhoudskoste waarvan die grootste gedeelte gekoppel word aan die Paaie agentskap funksie

Volgens bogenoemde is ek dus van mening dat meer aandag deur die munisipaliteit op n strategiese wyse aan korporatiewe dienste gegee word aangesien die vakante pos van Direkteur Gemeenskapsdienste reeds n geruime tyd nie gevul is nie en die dienste volgens die konsep verslag nog steeds effektief gelewer word.

Nerens in die konsep dokument word genoem dat die Direkteur Korporatiewe dienste vakant is nie en stel ek voor dat n paragraaf bygevoeg word op bl 16. Weens al die foute oo bl 16 sal die hele afdeling oorgeskryf moet word om in lyn te bring met die struktuur.

Dit bring my by die aanstelling van senior bestuurders ook op bl16, nl:

- kostes is deur die munisipaliteit aangegaan met die advertering van die vakante pos vir Direkteur Gemeenskapsdienste en kon die poste van Munisipale Bestuurder en Direkteur Korporatiewe dienste gelyktydig en terselfdertyd gedoen gewees het om kostes te bespaar inaggenome effektiwiteit, regverdigheid en gelykheid.
- volgens wetgewing het die Munisipale Bestuurder se kontrak op 3 Augustus 2017 verval en moes n regverdige proses reeds 3 maande voor die tyd in aanvang geneem het. Daar word verneem dat n regsopinie verkry is om die kontrak van die Munisipale Bestuurder te verleng tot 30 Junie 2018 plus n prestasie bonus. Die koste van die regsopinie asook die scm aanstelling van die regsfirma word bevraagteken en moet ondersoek word. Die gemeenskap het n gelyky konstitusionele reg om aansoek vir n pos te doen.

Laastens is die risiko faktore van die TASK en die gepaartgaande arbitrasie verhoor nie aangespreek in die konsep dokument nie alhoewel dit tydens die finansiële jaar finansiële implikasies vir die munisipaliteit inhou. Ander implikasies is die onbillike optrede van die Munisipale Bestuurder, aanstelling van konsultante sonder scm proses wat moontlik lei tot vrugtelose uitgawes wat verhaal moet word. Die finansiële state en jaarverslag behoort dit aan te spreek.

My bekommernis is dat die skrywer van die konsep jaarverslag, bewus is van bogenoemde en dit dus geopenbaar het as n onafhanklike persoon.

Die organisasie struktuur word tans op die munisipaliteit se web tuiste aangedui as onder konstruksie met verouderde datum en sal reggestel moet word om in lyn te bring met jaarverslag.

Nog kommentaar sal voor die sluitingsdatum gelewer word

Groete

Danie Lambrechts

Sent from Samsung tablet

Gerna Spangenberg

From: marlene [marlene.lambrechts1@gmail.com]
Sent: Monday, 05 March 2018 4:19 PM
To: Gerna Spangenberg
Subject: Kommenteer op konsep jaarverslag 2016 2017

Beste Gerna

Hieronder vind asb. my laaste kommentaar op die konsep jaarverslag wat saam gelees moet word met my vorige twee kommentare. Ek rig dit aan die Munisipale Bestuurder soos genoem in die kennisgewing op die webtuiste.

Groete

Danie

Die Munisipale Bestuurder
Overberg Distriksmunisipaliteit

Insake kommentaar op konsep jaarverslag

My twee vorige kommentare gedateer 12 Februarie 2018 en 15 Februarie 2018 het betrekking.

Graag lewer ek my laaste kommentaar op die konsep jaarverslag as volg, nl:

- op bl 118 van die verslag word verwys na lang termyn kontrakte en wordsekere diensverskaffers nie genoem nie soos Riel Hugo en Webber Wentzel nie tensy daar nie sulke kontrakte bestaan nie. Hiermee verwys ek na tender T05- 2017/18 en spesifiek na die tender evaluerings komitee se aanbeveling daarop wat verdere ondersoek regverdig.
- op bl 90 word die arbitrasie verhoor se resultatenie in ag geneem nie en moet meer duidelikheid gegee word.
- op bl 83 word verwys na vakante s57 poste en is Korporatiewe Dienste nie ingesluit volgens die goedgekeurde struktuur nie.
- op bl 81 word slegs een diensverskaffer genoem, nl Enderstein Van Der Merwe vir regsdiens wat se prestasie evaluering gedoen is. Ander diensverskaffers vir regsdiens word nie genoem nie en is hulle prestasie evaluering dus nie gedoen nie en moet dit ondersoek word veral op direkte betalings wat nie volgens SCM prosedures en beleid gedoen is nie.
- op bl 66 word verwys na procurement services wat onder financial services genoem word en kan geen verwysing daarna gekry word nie en kan dit misleidend wees. Volgens die irregular expenditure in die SCM jaarverslag wat voor die Raad gedien het, stem die bedrag in sodanige jaarverslag nie ooreen met die bedrag soos genoem in die AFS nie. Ek kan ook getuig dat skrywer hiervan nie n prestasie ooreenkoms gehad het nie en dus is diestelling verkeerd wat noem dal alle wernemers sodanige kontrakte het.
- op bl 65 word verwys na regsdiens en word graag verneem welke eksterne regsdiens gebruik is volgens die SCM prosedures en beleid.
- op bl 54 word verwys na die aanstelling van Direkteur Gemeenskapsdiens en die implementering van die struktuur wat ook vir die leser misleidend kan wees met verwysing ook na bl 82.

- op bl 110 word verwys na die struktuur en kan genoem word dat M nr D Lambrechts niegedurende die tydperk die Bestuurder van SCM was nie, maar Me D Kapot- Witbooi met verwysing ook nan COMAF 7. Skrywer was ook nie deel van bestuur tydens die audit meetings nie met verwysing na die direktief. Geen melding word ook gemaak van die vakante pos van Direkteur Korporatiewe Dienste nie.

Sekere bl nommers in die dokument wat ek van die werkgewer ontvang het, volg nie op mekaar nie en kan sekere verwysings na sodanige nommers nie as foutiewelike opmerkings of kommentaar gegee word nie.

Groete

Danie Lambrechts

Sent from Samsung tablet



Ms Nobahle Situlwane
 Local Government Budget Office
 nobahle.situlwane@westerncape.gov.za@westerncape.gov.za
 tel: +27 021 483 9265 fax: +27 21 483 4680

Comments on the Tabled 2016/17 Annual Report

1. INTRODUCTION

- a. 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.
- b. MFMA sections 121(3) and (4) sets out the framework relating to the content of the annual reports for both municipalities and municipal entities.
- c. 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 Annual Report format and its contents.
- d. The municipal council is then obliged to consider any views of the local community; the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the Annual Report.

2. LEGISLATIVE COMPLIANCE

2.1 Conformance

The conformance assessment highlights compliance by Overberg Municipality with the MFMA and Annual Report MFMA Circular 63 is as follows:

- a. The Municipality submitted the draft unaudited 2016/17 Annual Report together with the Annual Financial Statements to the Auditor General by 31 August 2017.
- b. The Annual report was tabled to Council by 29 January 2018, within 7 months after the end of the financial year in accordance to MFMA section 127.
- c. The draft Annual report was placed on the website on 01 February 2018 in accordance to section 75 of the MFMA.
- d. The public was given an opportunity to comment on the tabled Annual Report the 05 March 2018.

The Annual report was also made public by placing hard copies at various Overberg municipal offices i.e. Swellendam Municipality, Cape Agulhas Municipality,

Theewaterskloof Municipality, Overstrand Municipality, Libraries and Thusong Centres across the Overberg and municipality's website at www.mm@odm.org.za, .

2.2 Format of the Annual Report as per MFMA Circular 63

- a. The Annual Report complies with the Annual Report Template as described by MFMA Circular 63 as all the relevant chapters are included.
- b. The Annual Report includes most Appendices applicable to the District, However, Appendix F which deals with Long Term Contracts should include the Rand amount of the contracts awarded as required by Circular 63 of the MFMA.
- c. The Internal Management Changes in relation to Section 56/57 Managers; which indicates the post of Director Community Services is vacant. Page 16 indicates that the Council is of opinion that the arrangements in place in terms of section 56/57 are effective, but not ideal as the position of Director Community services remain vacant.
- d. The Annual Report provides overview of the demographics, population, growth, highlights for the Overberg region for the 2016/17 financial year. It is noteworthy that the socio-economic section contains updated data sourced from the Community Survey 2016 as well as the Socio-Economic Profile 2016 provided by Provincial Treasury.

3. Service Delivery Information and Performance

- a. The performance report included in pages 26- 81 indicates that the municipality achieved overall 93 per cent of its annual target for 2016/17.
- b. The District maintains 491 km asphalt and 3231 km gravel roads as an agency function for the Provincial Department of Transport and Public Works in the Overberg District, is also responsible for Municipal health and fire services and disaster Management & environmental Management Services.
- c. The draft Annual report indicates that the municipality exceeded all targets with respect to roads such as Kilometres of roads to be graded, Km's of roads to be re-gravelled per quarter, as well municipal health indicators.
- d. The municipality, with the assistance of the Expanded Public Works Programme (EPWP) invested substantially over the past financial year in job creation and skills development within the area. 41 temporary work opportunities were created through the municipality's EPWP programme.
- e. With regard to the Auditor general findings, Overberg has achieved a clean audit report for the 3rd consecutive year. This shows continuous dedication and continuous improvement in terms of service delivery.

4. CONCLUSION

- a. Overberg Municipality complied with tabling, publishing document for comments, submission to Provincial Treasury and placement on the website within the time frames prescribed in the MFMA section 127.
- b. The Municipality's draft 2016/17 Annual Report reflect relevant information pertaining to the Municipality's performance during the year under review.
- c. The performance report indicates that the municipality achieved 93 per cent of its targets for 2016/17, the municipality has to ensure that corrective actions will be taken to meet the targets in the future.
- d. The Municipality is commended for achieving the Clean Audit report for the 3rd consecutive year. This demonstrates the Municipality's dedication and continuous improvement in terms of service delivery and good financial governance.

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1. INTRODUCTION

1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

1.2 Purpose of document

The purpose of this document is to provide an executive summary of the audit outcomes of the financial audit, audit of performance information and compliance with laws and regulations of the Overberg District Municipality for the 2016 -17 financial year.

1.3 Overview

The following municipalities are Theewaterskloof Local Municipality, Overstrand Local Municipality, Cape Agulhas Municipality and Swellendam Local Municipality.

Municipal Health is executed in terms of the National Health Act (Act 61 of 2003) to provide and facilitate comprehensive, pro-active and needs-related services to ensure a safe and healthy environment thereby preventing and eliminating disease.

The municipality renders a fire and disaster management service in the municipal area of Swellendam, Theewaterskloof and Cape Agulhas and works on an agreement basis in the Overstrand area when necessary.

The municipality continuously promotes sustainable development by means of commenting on various development applications regarding environmental issues such as biodiversity conservation, coastal management and solid waste management.

Basic Services:

The municipality maintains 491 km asphalt and 3 231 km gravel roads as an agency function for the Provincial Department of Transport and Public Works in the Overberg area. The ODM performs the nine functions of the Municipal Health Act, 2003, in the district, which has a direct impact on the residents of the area. The municipality fulfil also it responsibility in terms of legislative requirements to deliver Fire and Disaster Management & Environmental Management services.

The Overberg District Municipality (ODM) is responsible for maintaining the road network in the district except for the streets in the towns of the local municipalities.

Vision: "Totally committed to serve the Overberg"

To achieve this vision the ODM has adopted the following strategic focus areas:

- To ensure good governance practices by providing a democratic and pro-active accountable government and ensuring community participation through existing IDP structures



- To ensure municipal transformation and institutional development by creating a staff structure that would adhere to the principles of employment equity and promote skills development
- To attain and maintain financial viability and sustainability by executing accounting services in accordance with National policy and guidelines
- To promote local economic development by supporting initiatives in the District for the development of a sustainable district economy
- To ensure the health and safety of all in the Overberg District through the provision of efficient basic services and infrastructure in terms of disaster management, municipal health and environmental management

1.4 Organisational structure

Designation	Incumbent
Executive Mayor	Alderman A Franken
Deputy Mayor	Cllr A.L Klaas
Municipal Manager	Mr D P Beretti
Director Management Service/CFO	Dr J Tesselaar
Director: Community Service	Vacant

1.5 Funding

The Overberg District Municipality spent R161,9-million of an operational budget of R165,9-million resulting in an operational under-expenditure of R4-million (2,41%) and furthermore spent R6,9-million of its capital budget of R7,6-million resulting in a capital under-expenditure of R0,9-million (11,5%) as presented in the statement of comparison of budget and actual amounts on pages 11 and 12 of the annual report.

2. AUDIT OPINION HISTORY

Details	2016-17	2015-16	2014-15
Audit opinion	Unqualified With no other matters	Unqualified With no other matters	Unqualified With no other matters
Findings on compliance with laws & regulations	No	No	No
• Material misstatements in financial statements submitted	No	No	No
• Procurement and contract management	No	No	No
• Expenditure management	No	No	No
• Human resource management and compensation	No	No	No
• Consequence management	No	No	No
• Service delivery matters	No	No	No
• Revenue management	No	No	No
Findings on predetermined objectives	No	No	No



Audit opinions

CLEAN AUDIT OPINION (no findings on PDO or compliance with laws & regulations)
UNQUALIFIED with findings on PDO and/or compliance
QUALIFIED AUDIT OPINION (with or without findings)
DISCLAIMER/ADVERSE AUDIT OPINION

PDO = Predetermined objectives (audit of performance information/service delivery/annual performance report)

2.1 Emphasis of matters**Restatement of corresponding figures**

2.1.1 As disclosed in note 39 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors discovered during the 2016-17 financial year in the financial statements of the municipality at, and for the year ended, 30 June 2017.

2.2 Significant other matters**Unaudited supplementary information**

2.2.1 The supplementary information set out on pages 104 to 119 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Unaudited disclosure notes

2.2.2 In terms of section 125(2)(e) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the consolidated and separate financial statements and accordingly I do not express an opinion thereon.

3. KEY FOCUS AREAS**3.1 Predetermined objectives**

No material findings were raised; however reference should be made to the annual performance report on pages 71 – 77 (Scorecard) of the annual report for the information on the achievement of planned targets for the year and explanations provided for the under or overachievement of targets.

3.2 Procurement and contract management

No material findings were raised.

3.3 Human resource management and compensation

No material findings were raised.

3.4 Material misstatements to financial statements

No material findings were raised.

3.5 Consequence management

No material findings were raised.

3.6 Expenditure management

No material findings were raised.

3.7 Revenue management

No material findings were raised.

4. MPAC RESOLUTION

Any outstanding resolution is dealt with as part of the schedule of matters receiving attention that forms part of each meeting's agenda.

5. EMERGING RISKS

5.1 Accounting, performance management/reporting and compliance matters

New pronouncements

Standards of GRAP

The ASB has issued the following GRAP pronouncements, with effective dates as indicated:

GRAP pronouncement	Effective date
<i>Conceptual framework for general purpose financial reporting</i>	Applicable once published
GRAP 20, <i>Related party disclosures</i>	To be determined
GRAP 32, <i>Service concession arrangements: grantor</i>	To be determined
GRAP 34, <i>Separate financial statements</i>	To be determined
GRAP 35, <i>Consolidated financial statements</i>	To be determined
GRAP 36, <i>Investments in associates and joint ventures</i>	To be determined
GRAP 37, <i>Joint arrangements</i>	To be determined
GRAP 38, <i>Disclosure of interests in other entities</i>	To be determined
GRAP 108, <i>Statutory receivables</i>	To be determined
GRAP 109, <i>Accounting by principals and agents</i>	To be determined
GRAP 110, <i>Living and non-living resources</i>	To be determined
IGRAP 17, <i>Service concession arrangements where a grantor controls a significant residual interest in an asset</i>	To be determined



GRAP pronouncement	Effective date
IGRAP 18, <i>Recognition and de recognition of land</i>	1 April 2019
IGRAP 19, <i>Liabilities to pay levies</i>	1 April 2019
<i>Guideline on accounting for housing arrangements</i>	Applicable once published

5.2 Municipal SCSOA

An assessment was undertaken to establish municipalities' readiness to implement mSCOA by 1 July 2017. The municipality is aware of the mSCOA requirements and as one of the pilot sites in the Western Cape, has made good progress in ensuring that the municipality would be in a position to go live with mSCOA by the due date of 1 July 2017.

5.3 Deviating from competitive bidding processes

In terms of SCM regulation 36, an accounting officer may deviate from official competitive bidding procurement processes established by the SCM policy and procure any required goods or services through any convenient process, provided that such deviation is properly approved and justifiable. SCM regulation 36(1)(a) sets out the circumstances under which a deviation could be justifiable and SCM regulation 36(2) sets out the recording and reporting requirements regarding such deviations.

Our audits at municipalities have brought to light that this SCM regulation is increasingly being used by municipalities and approved by the accounting officer even though it was not impractical to invite competitive bids. For future audits increased focus will be placed on evaluating whether the deviations are appropriately justified and/or that the justification can be appropriately supported through adequately documented reasons, to confirm that this regulation is not being used to circumvent competitive bidding.

Overberg District Municipality disclosed in note 44.7 to the financial statements that R1,6 million of goods and/or services were procured during the 2016-17 financial year using SCM regulation 36 (2015-16: R960 503), the largest procurement deviation relating to single provider. The municipality is advised to ensure that demand and acquisition is properly planned to limit the use of SCM regulation 36 to instances where deviations are unavoidable and that such cases are properly motivated/justifiable and documented.

5.4 MFMA Training competency

After appointment, new employees as defined in Sections 83, 107 and 119 of the MFMA along with the Municipal Competency Levels of 2007 have 18 months to complete training. During the financial year, four newly-appointed section 57 executive directors are in the process of obtaining their minimum competency levels as required. The municipality is advised to ensure that within 18 months of appointment, the employees are fully compliant.

5.5 Audit findings on the annual performance report that may have an impact on the audit opinion in future

For the 2016-17 cycle, the planned and reported performance information of selected strategic focus areas was audited against additional criteria as developed from the Performance Management Reporting Framework.

Audit findings in relation to the additional criteria do not have an impact on the audit opinion for 2016-17 (reported in the management report); however, going forward findings arising from the audit against the additional criteria may have an impact on the audit opinion.

No findings were identified during the 2016-17 audit in relation to the following additional criteria tested:

- **Consistency:**
 - Reported achievement is consistent with the planned and reported indicator and target.
- **Presentation and disclosure:**
 - Actual performance compared to planned targets and previous year's performance is disclosed.
 - Measures taken to improve performance are disclosed.
 - Measures taken to improve performance are supported by corroborating source documentation.
 - Overall presentation of the performance information in the APR is relevant, comparable and understandable.

6. OTHER REPORTS

Nothing to report.