

**OVERBERG DISTRICT MUNICIPALITY**

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



**MINUTES OF THE MPAC  
COMMITTEE**

**DATE : 18 MARCH 2019**  
**VENUE : ODM, COUNCIL CHAMBER**  
**TIME : 08:30**



## OVERBERG DISTRICT MUNICIPALITY

MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING (MPAC)  
HELD ON MONDAY, **18 MARCH 2018 AT 08:30** IN THE COUNCIL CHAMBER,  
OVERBERG DISTRICT MUNICIPALITY, 26 LONG STREET, BREDASDORP.

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### 1. OPENING AND WELCOMING

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The Chairperson, Ald. J Gelderblom welcomed all present at the meeting, whereafter the meeting was opened with prayer.

### 2. EVACUATION INFORMATION

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The evacuation information was noted.

### 3. APPLICATION FOR LEAVE OF ABSENCE

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None

### 4. STATEMENTS AND DECLARATION BY THE CHAIRPERSON

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None

### 5. DECLARATION OF INTEREST

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

## 6. MATTERS FOR CONSIDERATION

### 6.1 ANNUAL REPORT 2017/2018 – OVERSIGHT

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#### 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 28 January 2019 and resolved as follows :

**UNANIMOUSLY RESOLVED:** *(Proposed by Cllr A Klaas and seconded by Ald M Koch)*

- (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 2017/2018 financial year;*
  - b) *Invite the local community and Councillors to submit representations in connection with the Annual Report on or before 4 March 2019;*
  - 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 18 March 2019 and finalized the oversight report for submission to Council by 25 March 2019, and*
- (4) *Submit the Annual Report and Oversight Report on 25 March 2019 to Council 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	
Advert – Invite for public comments	Annexure A
MFMA (Act 56 of 2003) – Section 121 – 129	Annexure B
MFMA Circular 11	Annexure C
MFMA Circular 32	Annexure D
MFMA Circular 63	Annexure E
Comments	Annexure F

**DRAFT ANNUAL REPORT 2017/2018**

<b>SECTION 121(3) OF THE MFMA DETERMINES THAT THE ANNUAL REPORT MUST INCLUDE</b>	<b>COMMENT</b>
(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 N . (Pg.117 - 121 )
(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 56 - 67), Chapter 4 (page 72 - 80) and Chapter 5 (page 81 - 92).
(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 N - Chapter 6 (page 117 - 121).
(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, paragraph 3.13. (page 48)
(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 I . (page 110 - 111 ). Calculations are made in terms of a National Treasury template. Calculations of variances are based on the original budget and not the adjustment budget.
(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, paragraph 1.6 and Chapter 6, paragraph 6.2 (page 12). The remedial actions on the audit report are addressed by a monitoring programme called "OPCAR" (Operation Clean Audit Report), which is a separate document.
(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 the Western Cape Provincial Treasury as per paragraph 4 on page 62 of the Agenda. The

	<p>Municipality did not adopt circular 63 of National Treasury as it was not compulsory to do so. Therefore, the recommendation of Provincial Treasury was not followed, because the Municipality does not deem it necessary to apply circular 63.</p> <p>The Committee takes note of the comments of Mr D Lambrechts as per pages 64 - 65 of the Agenda. This was evaluated against the submissions made by the Executive Mayor as per pages 66 - 68 of the Agenda. Following this, the Committee accepted the submissions made by the Executive Mayor.</p>
(j) Any recommendations on the municipality's audit committee report	These comments are included in the annual report as Appendix E (pages 103 – 106) and Appendix F (page 107).
(k) Any other information as may be prescribed	It is further noted that the equitable share is not sufficient for effective service delivery.

**RESOLVED TO RECOMMENDED TO COUNCIL**

1. That Council adopts the Annual Report 2017/2018 in terms of section 129(1) of the Local Government Municipal Finance Management Act, 2003 without reservation.

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**CHAIRPERSON**

\_\_\_\_\_  
**DATE**



Ms Nobahle Silulwane  
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Reference: PTR/12/2/14/4

The Municipal Manager  
Overberg Municipality  
Private Bag X22  
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7280

For attention: The Municipal Manager, Mr D Beretti

## PROVINCIAL TREASURY COMMENTS ON THE TABLED 2017/18 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 2017/18 Annual Performance Report together with the AFSs to the Auditor General by 31 August 2018.
- b. The unaudited Annual report was not tabled into Council at least two months at the end of the budget year in accordance with MFMA Circular 63.
- c. The Annual report was tabled to Council on 29 January 2019 which is within 7 months after the end of the financial year in accordance to MFMA section 121(1).
- d. The draft Annual report was placed on the website on the 30 January 2019 which is within 5 days in accordance to section 75 of the MFMA.
- e. The Annual report was made public on the municipal website, municipal offices, regional offices and head offices and members of the community invited to make comments on the Annual Report by 4 March 2019.

### 2.2 Format of the Annual Report as per MFMA Circular 63

- a. The Annual Report comply with the Annual Report Template as described by MFMA Circular 63 as all the relevant chapters are included.
- b. All the required Appendices A to T (refer to MFMA Circular 63) are included in the Draft Annual report.
- c. The Mayor's Foreword is broadly in line with MFMA Circular 63 guidelines for this section.
- d. The Municipal Managers Foreword is broadly in line with MFMA Circular 63 guidelines for this section.
- e. The Annual Report provide a comprehensive overview of the demographics, population, growth, highlights and challenges faced in the municipal area during the 2017/18 financial year.

## 3. CHAPTER 3: SERVICE DELIVERY INFORMATION AND PERFORMANCE

### NON-FINANCIAL PERFORMANCE SUMMARY

Strategic Objectives	Number of targets achieved	Number of targets not achieved
To ensure the health and safety of all in the Overberg through the provision of efficient basic services and infrastructure.	16	1



<b>Strategic Objectives</b>	<b>Number of targets achieved</b>	<b>Number of targets not achieved</b>
promote regional economic development by supporting initiatives in the district for the development of a sustainable district economy.	5	1
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.	6	0
To attain and maintain financial viability and sustainability by executing accounting services in accordance with National policy and guidelines.	4	3
To ensure good governance practices by providing a democratic and pro-active accountable government and ensuring community participation through IGR structures.	16	0
<b>Total</b>	<b>47</b>	<b>5</b>

The amended top layer SDBIP indicates that the Municipality had a total of 52 Key Performance Indicators(KPI's). The Municipality met 47 of its 52 KPI's which equates to 90.3 per cent in the 2017/18 financial year. This reflects a variance of less than 10 per cent between planned and achieved targets.

The Municipality's Strategic objective "To ensure good governance practices by providing a democratic and pro-active accountable government and ensuring community participation through IGR structures and "To ensure the health and safety of all in the Overberg through the provision of efficient basic services and infrastructure" and strategic objective to ensure good governance practices by providing a democratic and proactive accountable government and ensuring community participation through IGR structures had the most KPI's that were measured (33 KPI's combined or 70.2 per cent) for the 2017/18 financial year of which 97 per cent of the targets were achieved.

Strategic objective" To attain and maintain financial viability and sustainability by executing accounting services in accordance with National policy and guidelines has the most KPI's that were not achieved (42.8 per cent).

In terms of basic services, the annual report indicates what has been achieved and what remains outstanding.

The Mayors Foreword reflects on the achievements by the Municipality which include amongst other things.

- The firefighting fleet expanded with five response units and additional staff were appointed to ensure that the municipality adequately responds to all emergencies in the district.
- The municipality was directly involved in securing water in the Rûens East Water Scheme ensuring drinking water for 200 farms.
- Continuous improvement and maintenance of proclaimed roads were done and divisional road 1320 was upgraded from gravel to tar.
- In respect of poverty alleviation, 741 job opportunities were created through the Municipality's registered Expanded Public Works Programme (EPWP) projects during the 2017/18 financial year.
- Revenue-raising efforts by the District Municipality are commended these include a service level agreement was negotiated with the Overberg municipalities in order to provide for additional landfill airspace at Karwyderskraal.

The Municipal Managers foreword also articulate on challenges faced by the Municipality. These include grant dependency and personnel cost as a percentage of total expenditure which amounted to 48.35%; although this is an improvement from the previous year the costs are above the benchmark of between 30- 40 per cent.

The following key performance indicators were not achieved or remain outstanding, these include:

- Revise safer communities project plan and tabled to community services portfolio Committee by 30 September 2018.
- Invite service providers to register on the database by 30 June 2018
- Report on Percentage Capital budget actually spent on capital projects by 30 June 2018. According to the annual report the actual capital expenditure was 119.29 per cent; overspending was due to transfer of capitalised WIP from Overstrand municipality with Regards to Karwydeskraal.
- Measure financial viability in terms of the municipality's ability to meet its service debt obligations by 30 June 2018 (Debt Coverage)
- Measure Financial viability in terms of percentage outstanding service debtors by 30 June 2018 (Service Debtors).

#### **Any other matters that needs to be raised**

With regards to the Auditor General findings, the Municipality is commended for maintaining and retaining the clean audit report status for the 4th consecutive financial years. The Municipal Managers' foreword indicate that a clean audit action plan was implemented to rectify shortcomings. These corrective measures should be monitored to improve basis service delivery.

#### **4. CONCLUSION AND RECOMMENDATIONS**

The Municipality complied with tabling, submission to Provincial Treasury and publishing, on the website within the time frames prescribed in the MFMA section 121. However, the timing of the Annual Report process in terms of tabling the unaudited report to Council is not aligned to MFMA

Circular 63. National Treasury requires that the Annual Report process should be aligned to MFMA Circular 63 and if it is not aligned the corrective measures should be implemented.

The Municipality's 2017/18 Annual Report reflects comprehensive information pertaining to the Municipality's performance during the year under review. All the relevant annexures have been included in the Annual Report.

Overall, the municipality's performance is regarded as commendable given the variance of less than 10 per cent between planned and achieved targets.

Comment  
(ii)

D Lambrechts  
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7580

11 February 2019

The Municipal Manager  
Overberg District Municipality  
Private Bag x22  
Bredasdorp  
7280

Sir

#### COMMENTS ON DRAFT ANNUAL REPORT 2017/18

With reference to your notice published on the Municipal Website, I wish to comment on the Draft Annual Report 2017/18.

Firstly, I need to congratulate the Municipality with an excellent document and the status of a clean audit. However, I am not in agreement with the following on page 15, Chapter 3 under the heading Introduction to Administrative Governance and I quote:

"The municipal manager is appointed by Council in line with the elections. His contract has a 30-day notice period, and follows the process in terms of the Systems Act. A disciplinary process may be followed if needed. The succession plan for the municipal manager determines that the municipal manager may not be in office longer than one year after the election, except when he is re-appointed."

My reasons are as follows:

- An item (AA1.31.07.2017) was considered by the Overberg District Municipal Council on 31 July 2017 and they unanimously resolved to renew the contract of the MM. An item (AA4.30.10.2017) was considered by the Overberg District Municipal Council on 30 October 2017 and they unanimously resolved to renew the contract of the CFO.
- This is a seamless continuation of the conditions of employment and retention of benefits without considering the principles and prescriptions entrenched in the legislative framework.
- The municipal Council's did not enforce the implementation of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers. (see regulations 9,10 and 11)

- The municipality paid for two legal opinions but only one was tabled to council (BCHC). The second legal opinion was not tabled to council. I believe that Council could not make an informed decision. The appointment of BCHC in terms of the Supply Chain Management Policy is also questionable. Favouritism and own interest are a breach of the code of conduct.
- The process needed to be fair, equal and open as per the Constitution of the Republic of South Africa, 1996. Therefore the municipality had to advertise the vacancy in terms of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers. Only after that process, the municipality may appoint a person due to scarce skills. To re-appoint a municipal manager without the correct procedures may be illegal.

Attached, please find a copy of the draft legal opinion as mentioned above.

Regards

*Danie L*

DANIE LAMBRECHTS

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