

**Cape Agulhas Municipality**  
**Oversight Report on the 2017/18 Annual Report**  
**Resolution 11/2019**  
**31 January 2019**



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## 1 INTRODUCTION

This document constitutes the Oversight Report on the 2017/18 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

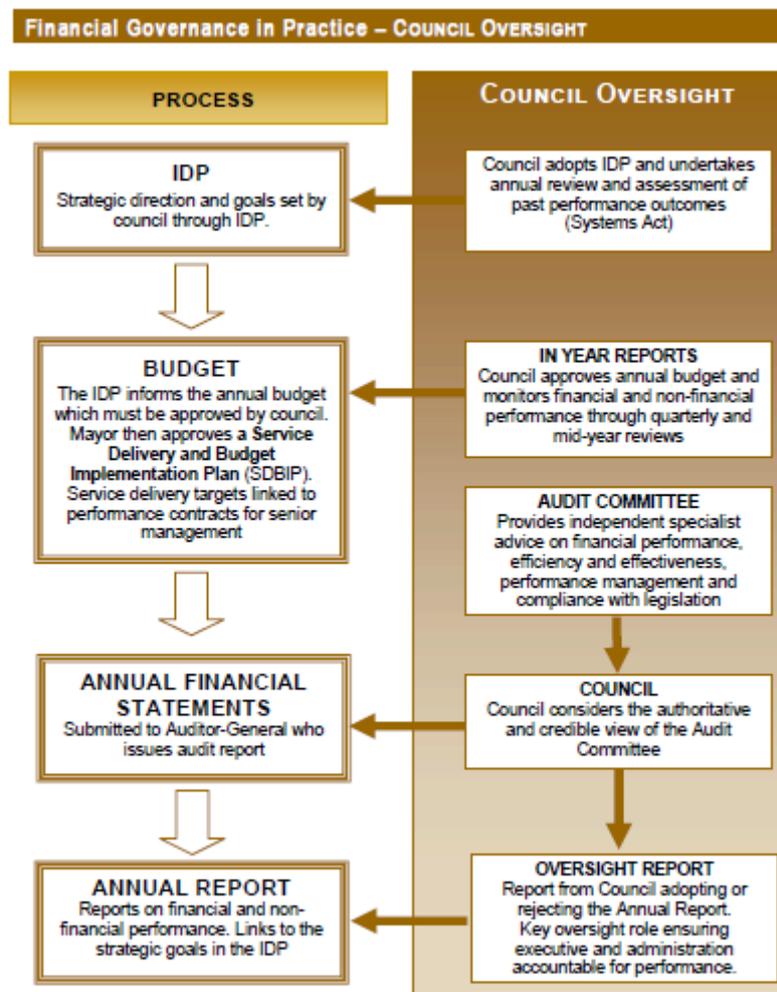
## 3 SEPARATION OF ROLES

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;

- to provide a report on performance in service delivery and against the budget;
- to provide information that supports the revenue and expenditure decisions made; and
- 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:

- The annual performance report as required by section 46 of the MSA.
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

The 2017/18 Draft Annual Report was tabled on 13 December 2018 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:

- has approved the annual report, with or without reservations;
- has rejected the annual report; or
- 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 18 January 2019 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 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 2017/18 annual report
- o Review of outstanding concerns and recommendations made in the 2016/17 Oversight Report
- o Consideration and review of the 2017/18 draft Annual Report that was tabled on 13 December 2018.

The minutes of the meeting are attached as **Annexure A**.

## 7 CONSIDERATION OF ANY REPRESENTATIONS / COMMENTS RECEIVED

The Draft 2017/18 Annual Report was made available for public comment from 18 December 2018 to 15 January 2019. It was advertised in the Suidernuus, Die Burger 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 15 January 2019.

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	The Statistical information on employment equity in paragraph 1.5.3 of the executive summary could be confusing for the reader and should in future include an explanatory paragraph.

	The Audit Committee noted that the annual report for 2017/18 was reviewed by the external and internal auditor who are satisfied that the report is a fair reflection of the municipality's performance.
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The comments of the Audit Committee were noted and the necessary improvements supported

**8 REVIEW OF OUTSTANDING RECOMMENDATIONS MADE IN THE 2016/17 OVERSIGHT REPORT**

The Oversight Report was considered by the Council on 30 January 2018. It was resolved as follows under Resolution 4 / 2018:

- I. *“That Council approves the 2016/17 Annual Report without reservations.*
- II. *That the reservations of the MPAC as mentioned in their report, be discussed at a meeting to be held between the Executive Mayoral Committee and the MPAC”*

The Chairperson of the IT and Finance Portfolio Committee extended an invitation to the Chairperson of MPAC to discuss the reservations that they had on the report. The invitation is still open. 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 2017/18 DRAFT ANNUAL REPORT**

MPAC raised the following concerns and comments on the annual report and annual financial statements

REFERENCE	SECTION	COMMENT / CONCERN
Annual report General	-	The annual report refers to capital expenditure, and gives an overall expenditure percentage of 95%. Some projects that were underspent or not completed and the Council needs to monitor that capital expenditure is in line with the pre-set targets.
Annual report General	-	Although it is acknowledged that water sources are adequate for now, it is recommended that contingency planning be done to ensure that water sources are adequate to provide for the current and proposed development that is taking place.
Annual report General	-	The Committee is concerned that inadequate resources are being invested in infrastructure maintenance.
AFS Page 50	Receivables from non-exchange transactions	Receivables from non-exchange transactions reflect an amount of R 24 868 221. R10 168 421 of this is for rates. A substantial portion of outstanding rates is the Elim community. It is recommended that consideration be given to either writing off the amount to more accurately reflect the Municipality's true financial position or institute the necessary legal action.
AFS Note 32 Page 84	Employment costs	The Committee is concerned about the high personnel cost which equates to almost 40%. The Committee is furthermore concerned that there are other benefits that staff receive that

Note 43 Page 90		are not reflected as part of employee costs such as training and development and bursaries.
AFS Note 52 Page 107	Financial risk management	The Committee is concerned that the service receivables have almost doubled from 2017 to 2018.
AFS Note 42 Page 90	Transfers and grants	The AFS reflect that a grant of R 900 900.00 was made to the now defunct Cape Agulhas Tourism (CAT). The Committee is of the opinion that the additional monies spent on maintaining the tourism bureau (salaries of CAT personnel) for the last 3 months of the financial year should also reflect.
AFS Note 49.1 Page 99	Unauthorised expenditure	The Committee is concerned that there is no recovery of unauthorised expenditure and no disciplinary action instituted in respect of unauthorised expenditure.
AFS Note 49.2 Page 100	Fruitless and wasteful expenditure	The Committee is concerned that there is no recovery of fruitless and wasteful expenditure and no disciplinary action instituted in respect of fruitless and wasteful expenditure.
AFS Note 59 Page 112	Related parties	The Committee is concerned that the Southernmost Development Agency is still not deregistered.

**General comments**

We as MPAC take our oversight role seriously, and feel that we can add value, but we lack the resources to effectively dedicate the necessary time to fulfilling this duty.

We would furthermore like to remind Council of its corporate governance obligations as contained in the sector supplement for municipalities of King IV, which sets out recommended principles and practices namely:

- 1) Principle 1: The council should lead ethically and effectively.
- 2) Principle 2: The council should govern the ethics of the municipality in a way that supports the establishment of an ethical culture.
- 3) Principle 3: The council should ensure that the municipality is and is seen to be a responsible corporate citizen
- 4) Principle 4: The council should appreciate that the municipality's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
- 5) Principle 5: The council should ensure that reports issued by the municipality enable stakeholders to make informed assessments of the municipality's performance and its short, medium and long-term prospects.
- 6) Principle 6: The council should serve as the focal point and custodian of corporate governance in the municipality
- 7) Principle 7: The council should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.
- 8) Principle 8: The council should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

- 9) Principle 9: The council should ensure that the evaluation of its own performance and that of its committees, its speaker and its individual councillors, support continued improvement in its performance and effectiveness.
- 10) Principle 10: The council should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.
- 11) Principle 11: The council should govern risk in a way that supports the municipality in setting and achieving its strategic objectives.
- 12) Principle 12: The council should govern technology and information in a way that supports the municipality setting and achieving its strategic objectives.
- 13) Principle 13: The council should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the municipality being ethical and a good corporate citizen.
- 14) Principle 14: The council should ensure that the municipality remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.
- 15) Principle 15: The council should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the municipality's external reports.
- 16) Principle 16: In the execution of its governance role and responsibilities, the council should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the municipality over time.

## 10 RECOMMENDATION

After considering the 2017/18 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 2017/18 Annual Report with reservations**

The Committee's reservation is as follows:

We accept that the 2017/18 Annual Report is an accurate representation of the Municipality's performance but that the processes for ensuring better performance, achievement of strategic goals and priorities as set by Council in the IDP and basic service delivery and accountability are inadequate. The Mayor and Executive have failed in their duty to resolve the performance failures.

The Council has the responsibility is to oversee the Executive but as an MPAC we are severely curtailed in the execution of our mandate as we have no power to politically influence the Executive. We are excluded from Mayoral Committees where essential information is shared which leads to a lack of transparency. In this regard, we quote from paragraph 48 of the recommended practices for committees of governing bodies in King IV, which reads as follows:

*“Every member of the governing body is entitled to attend any committee meeting as an observer. However, unless that member is also a member of the committee, the member is not entitled to participate without the consent of the chair; does not have a vote; and is not*

entitled to fees for such attendance, unless payment of fees is agreed to by the governing body and shareholders" Where we are given a voice, such as Portfolio Committees our input is not recorded and lack of minutes of these meetings make them unproductive.

SIGNATURE



CLR Z JACOBS  
CHAIRPERSON

DATE

29/01/2019

**MINUTES OF A SPECIAL MUNICIPAL ACCOUNTS COMMITTEE (MPAC) MEETING HELD ON FRIDAY, 18 JANUARY 2019 IN THE COUNCIL CHAMBERS, AUDREY BLIGNAULT STREET, BREDASDORP**

**1. ATTENDANCE**

Cllr. CJ Jacobs	(Chairperson)
Ald. D Jantjies	(Member)
Ald. E Marthinus	(Member)
Cllr. E Sauls	(Member)
Ms. T Stone	(Divisional Head: Strategic Planning and Administration)
Mr. B Swart	(Internal Auditor)
Mr. D O'Neill	(Municipal Manager)
Mr. H Van Biljon	(Director Financial Services)
Mr. A Jacobs	(Director Infrastructure Services)
Ms. N Mhlathi-Musewe	(Divisional Head: HR & OD)
Ms. M Saptou	(Manager: Protection Services)
Ms. L Smith	(Manager: Facilities and Human Development)
Ms. C Conradie-Lötter	(Manager: Library Services)
Mr. M Briers	(Manager: Public Services)
Mr. M Dennis	(Manager: Housing and Informal Settlements)
Mr. S Cooper	(Manager: Electrical Services)
Mr. W Linnert	(Manager: Waste Management)
Mr. D Wasserman	(Manager: Streets and Stormwater)
Mr. S Seconds	(Acting Manager: Water & Sewerage – Infrastructure Services)
Mr. V Malangabi	(Auditing)
Ms. C Dietrich	(Administrative Officer: Committees)

**2. APPLICATIONS FOR LEAVE OF ABSENCE**

None

**3. OPENING AND WELCOMING**

The chairperson welcomed everyone present, after which Councillor Jantjies opened the meeting with prayer.

**4. OVERVIEW AND PURPOSE OF THE OVERSIGHT PROCESS AND REPORT**

The Committee noted MFMA Circular 32 as attached on page 3 to 19.

**5. CONSIDERATION OF COMMENTS RECEIVED ON THE 2017/18 ANNUAL REPORT**

The Committee noted the comments of the Audit Committee on the Annual Report, and that no comments were received from the public, Auditor General or Provincial Treasury.

**6. OVERSIGHT AND REPORTING ON THE MUNICIPALITYS 2017/18 ANNUAL REPORT**

The Chairperson gave the members of the committee an opportunity to make comments and ask questions on the 2017/18

- Alderman Jantjies raised a concern about the correctness of the statement that sidewalks in Lang Street were upgraded (page 104 – 3.6.2.2 of the Draft Annual Report). The Municipal Manager confirmed that a portion of the sidewalks in front of the Fire Station was upgraded.
- Alderman Jantjies raised a concern about the statement that 95% of the capital budget had been spent when some projects were not completed. The Municipal Manager explained that the expenditure reflects the total expenditure on all projects.

In the absence of further comments / questions, the Chairman indicated that he is generally satisfied that the 2017/18 Annual Report and its annexures are a fair representation of the municipality's performance for the year under review.

The Chairperson recused the officials at 9:15 and requested the committee, Ms T Stone, Mr B Swart and Ms C Dietrich to remain to discuss the way forward for the compilation of the oversight report.

## **7. COMPILATION OF THE OVERSIGHT REPORT**

The Chairperson requested each committee member to give his or her comments on the 2017/18 to Annual Report to him by 9:00 on Monday, 21 January 2019.

The Chairperson will meet with Ms. Stone on Monday, 21 January 2019 to discuss the inputs and compile a draft report.

The draft report will be emailed to MPAC members, Ms. Stone and Ms. Dietrich on Wednesday, 23 January 2019. Members must indicate their satisfaction with the report.

The final report will be signed by the Chairperson on Thursday, 24 January 2019 for submission to the Council.

## **8 ADJOURNMENT**

The meeting adjourned at 09:25

CONFIRMED ON THIS 29 day of JANUARY 2019



CHAIRPERSON

**EXTRACT FROM THE MINUTES OF A SPECIAL COUNCIL MEETING HELD ON THURSDAY, 31 JANUARY 2019 AT 14:00 IN THE MUNICIPAL COUNCIL CHAMBERS, BREDASDORP**

**13 OVERSIGHT REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE ANNUAL REPORT FOR 2017/18**

**PURPOSE OF REPORT**

To present the Oversight Report on the 2017/18 Annual Report to the Municipal Council in terms of Section 129 of the Local Government Municipal Finance Management Act, Act 56 of 2003.

**LEGAL FRAMEWORK**

Annual and Oversight Reports are regulated by the Local Government Municipal Finance Management Act No 56 of 2003 read together with the Local Government Municipal Systems Act, Act 32 of 2000 and MFMA Circular 32.

**Local Government Municipal Finance Management Act No 56 of 2003 (MFMA):**

1. Section 121 (1) requires every municipality to prepare an annual report. The municipal council must deal with this report within nine months of the end of the financial year.
2. Section 127 (5) (1) of the MFMA requires the accounting officer to make the annual report public and invite the local community to submit representations in connection with the annual report following the tabling thereof.
3. Section 127 (5) (b) of the MFMA requires that the tabled annual report also be submitted to the Auditor General, Provincial Treasury and the Provincial Department of Local Government.
4. Section 129 (1) requires the municipal council to adopt an oversight report within 2 months of the tabling of the annual report which contains the councils comments on the annual report which must include a statement whether the council -
  - a) has approved the annual report with or without reservations; or
  - b) has rejected the annual report; or
  - c) has referred the annual report back for revision of those components that can be revised
5. Section 129(2) requires the Accounting Officer to attend the council meeting where the annual report is discussed, for the purpose of responding to questions concerning the report and submit copies of the minutes of the meeting to the Auditor-General, the relevant Provincial Treasury and the provincial Department of Local Government.
6. Section 129 (3) requires the accounting officer to make the Oversight Report public within seven days of its adoption.

**Local Government Municipal Systems Act, Act 32 of 2000:**

Section 46 of the Municipal Systems Act requires every municipality to prepare a performance report for each financial year which reflects the performance of the municipality and each of its external service providers during the financial year, as measured against predetermined targets as well as the performance of the previous year. The annual performance report must form part of the municipality's annual report.

**DISCUSSION**

The 2017/18 Annual Report was tabled in Council on 13 December 2018, and constituted a report on the Municipality's performance for the period 1 July 2017 to 30 June 2018.

The draft annual report was made public on the Council's website as well as municipal offices and the libraries and was advertised on 18 December 2018. The closing dates for comments was 15 January 2019. The draft annual report was also submitted to the Audit Committee, Auditor-General, Provincial Treasury and the Department of Local Government as required in terms of Section 127 (5) of the MFMA. Comments were only received from the Audit Committee.

The MPAC Committee, appointed in terms of section 79 of the Municipal Structures Act, 1998 was tasked to prepare an Oversight Report to Council. MPAC consists of:

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 18 January 2019 to review the annual report and to enable the committee to compile the oversight report, including recommendations to Council on the adoption of the annual report. All relevant Directors and Managers also attended this meeting to respond to any questions of MPAC.

The report of MPAC is attached on **page 139 to 150**. The minutes of the special MPAC meeting referred to above are an annexure to the Oversight Report.

**The recommendation of the Oversight Committee is as follows:**

*"After considering the 2017/18 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 2017/18 Annual Report with reservations**

The Committee's reservation is as follows:

We accept that the 2017/18 Annual Report is an accurate representation of the Municipality's performance but that the processes for ensuring better performance, achievement of strategic goals and priorities as set by Council in the IDP and basic service delivery and accountability are inadequate. The Mayor and Executive have failed in their duty to resolve the performance failures.

The Council has the responsibility is to oversee the Executive but as an MPAC we are severely curtailed in the execution of our mandate as we have no power to politically influence the Executive.

We are excluded from Mayoral Committees where essential information is shared which leads to a lack of transparency. In this regard, we quote from paragraph 48 of the recommended practices for committees of governing bodies in King IV, which reads as follows:

*“Every member of the governing body is entitled to attend any committee meeting as an observer. However, unless that member is also a member of the committee, the member is not entitled to participate without the consent of the chair; does not have a vote; and is not entitled to fees for such attendance, unless payment of fees is agreed to by the governing body and shareholders”* Where we are given a voice, such as Portfolio Committees our input is not recorded and lack of minutes of these meetings make them unproductive.

### **FEEDBACK TO COUNCIL**

REFERENCE	SECTION	COMMENT / CONCERN	COMMENTS
Annual report General	-	The annual report refers to capital expenditure, and gives an overall expenditure percentage of 95%. There are some projects that were underspent or not completed and the Council needs to monitor that capital expenditure is in line with the pre-set targets.	The measuring and reporting of the municipality's capital expenditure as an average is a national KPI and the municipality has to measure it as such. However, the capital expenditure of the individual departments are also measured and is set in chapter 3 of the annual report. Monitoring of capital expenditure takes place by way of monthly reports, SDBIP reports etc. but monitoring can always improve.
Annual report General	-	Although it is acknowledged that our water sources are adequate for now, it is recommended that contingency planning be done. Furthermore, it needs to be ensured that our water sources are adequate to provide for the current and proposed development that is taking place.	This is a valid comment and the municipality is currently in the process of developing a water services demand plan (which is also a legal requirement) for this purpose.
Annual report General	-	The Committee is concerned that inadequate resources are being invested in infrastructure maintenance.	The expenditure on repairs and maintenance for 2017/18 was 17.5% against 13.5% in 2016/17. In terms of the mSCOA requirements this expenditure includes related salaries (to determine the full cost related to repairs and maintenance). When salaries are taken out of the expenditure changes to 5.8% (2017/18) against 5.9% (2016/17).  In R-value (salaries excluded) the expenditure for 2017/18 was R1.2 m more than the previous year

REFERENCE	SECTION	COMMENT / CONCERN	COMMENTS
			<p>expenditure – an increase of 7.6% year-on-year.</p> <p>Provision has already been made in the 2018/19 budget for the development of a maintenance master plan in order to determine what future maintenance requirements will be.</p>
<b>AFS Page 50</b>	Receivables from non-exchange transactions	Receivables from non-exchange transactions reflect an amount of R24 868 221. R10 168 421 of this is for rates. A substantial portion of outstanding rates is the Elim community. It is recommended that consideration be given to either writing off the amount to more accurately reflect the Municipality's true financial position or institute the necessary legal action.	The comments is valid as it is uncertain if the Elim debt will be recovered. However, the debt cannot be be written off blindly as it will be a loss of potential revenue.
<b>AFS Note 32 Page 84 Note 43 Page 90</b>	Employment costs	The Committee is concerned about the high personnel cost which equates to almost 40%. The Committee is furthermore concerned that there are other benefits that staff receive that are not reflected as part of employee costs such as training and development and bursaries.	<p>The high personnel expenditure is an item that has been coming a long way. The comments regarding the "other benefits" such as training cost that is not included in personnel expenditure is not correct. In terms of the mSCOA requirements and GRAP standards, personnel expenditure are those expenditure agreed with the Bargaining Council such as salaries, staff benefits etc. Other staff related expenditure such as training is something different and is there for a specific purpose i.e. to develop the staffs skills, etc. This expenditure has no bearing personnel expenditure and does not belong together.</p> <p>It must also be kept in mind that the formula that is used to calculate the % personnel cost is strongly influenced by the municipality's income, including grants. If less grants are received in a year the personnel expenditure % will change significantly.</p>
<b>AFS Note 52 Page 107</b>	Financial risk management	The Committee is concerned that the service receivables have almost doubled from 2017 to 2018.	This is correct. It has been included in the various financial reports and has also been raised at the finance

REFERENCE	SECTION	COMMENT / CONCERN	COMMENTS
			<p>portfolio committee. However, the circumstances leading to this must be kept in mind. In the beginning of the financial year there were a number of problems with the new financial system. As a result there were issues regarding the municipality's credit control and accounts could not be issued. As it was not the fault of the consumer the municipality could also not raise penalties for that period.</p> <p>Furthermore the payments of traffic fines has also decreased from around % in 2016/17 to around 20% in 2017/18.</p>
<b>AFS Note 42 Page 90</b>	Transfers and grants	The AFS reflect that a grant of R900 900.00 was made to the now defunct Cape Agulhas Tourism (CAT). The Committee is of the opinion that the additional monies spent on maintaining the tourism bureau (salaries of CAT personnel) for the last 3 months of the financial year should also reflect.	The additional expenditure is reflected but in the accounts from which it was paid e.g. salaries, as required by the GRAP standards and mSCOA.
<b>AFS Note 49.1 Page 99</b>	Unauthorised expenditure	The Committee is concerned that there is no recovery of unauthorised expenditure and no disciplinary action instituted in respect of unauthorised expenditure.	Unauthorised expenditure is not a case of automatic disciplinary action and recovery. The circumstance must be evaluated and all facts must be considered. These items are referred to the MPAC by council on an annual basis and has already been referred to MPAC per Council Resolution 212/2018.
<b>AFS Note 49.2 Page 100</b>	Fruitless and wasteful expenditure	The Committee is concerned that there is no recovery of fruitless and wasteful expenditure and no disciplinary action instituted in respect of fruitless and wasteful expenditure.	The same as above. The items still be dealt with by the MPAC as per Council Resolution 212/2018. Fruitless and wasteful expenditure are considered every year for possible recovery of the expenditure and the 2016/17 cases can be used as an example where investigations were conducted and where the recovery of the money in some cases were clearly indicated.
<b>AFS Note 59 Page 112</b>	Related parties	The Committee is concerned that the Southernmost Development Agency is still not deregistered.	Correct. This item was neglected and it is currently receiving the necessary attention.

**MPAC RECOMMENDATIONS**

MPAC recommends that the the annual report be accepted without reservations in spite of MPAC clearly indicating that they accept that the annual report is an fair presentation of the municipality's activities for the year. Furthermore, the minutes of the MPAC meeting of 18 January 2019 also indicates the MPAC is satisfied with the annual report (par. 6). This does not correlate with the recommendation. The reasons given for the reservations have no bearing on the accuracy and completeness of the annual report. These are items that can be dealt with during a normal MPAC meeting and where the necessary report and recommendations can be submitted to council. Furthermore written questions and motions can also be submitted to Council.

Due to the fact that these reservations has no bearing on the completeness and accuracy of the annual report and that MPAC has clearly indicated that the annual report is indeed a fair reflection of the municipality's activities, the report can actually be accepted without reservation.

***After the casting of votes, with a deciding vote from the Speaker, the following decision is made:***

**RESOLUTION 11/2019**

- (i) That the 2017/18 Annual Report be approved without reservations.
- (ii) That the reservations as contained in the Oversight Report as submitted by MPAC be disregarded for the following reason:

MFMA Circular 32 states that -

*"In order to approve the annual report without reservations, Council should be able to agree that the information contained in the report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon".*

- The reservations put forward by MPAC have insufficient or no relevance to the representation of the municipality's performance information as documented in the 2017/18 annual report or its annexures.
  - MPAC, in the first paragraph of their reservation *"accept that the 2017/18 Annual Report is an accurate representation of the Municipality's performance"*. This is supported by paragraph 6 of the minutes of the special MPAC held on 18 January 2019, that state that *"in the absence of further comments / questions, the Chairman indicated that he is generally satisfied that the 2017/18 Annual Report and its annexures are a fair representation of the municipality's performance for the year under review"*.
- (iii) The Chairperson of the MPAC is welcome to request a meeting with the MayCo to discuss the comments and reservations as indicated in his report.