



SALDANHA BAAI
BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

**OVERSIGHT REPORT:
2016/2017 ANNUAL REPORT**

Item: 13/3-18

MARCH 2018

Municipal Public Accounts Committee Members:

Councillor T Khulu (Chairperson)

Alderman J Skei

Councillor S Scholtz

Councillor G Kordom

Councillor F Pronk

**REPORT BY THE CHAIRPERSON OF MPAC
COUNCILLOR T KHULU**

REF: 3/1/6

The Saldanha Bay Council has the responsibility to oversee the performance of the Municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and the Municipal Systems Act (MSA). On 24 January 2018, Council considered the Draft 2016/2017 Annual Report of Saldanha Bay Municipality and referred the report to the Municipal Public Accounts Committee for review and the drafting of this Oversight Report.

The Oversight Report is the final major step in the annual reporting process of the municipality. Section 129 of the MFMA requires the Council to consider the Annual Report and to adopt an Oversight Report containing the Council's comments on the Annual Report. The Oversight Report follows consideration and consultation on the Annual Report.

The Municipal Public Accounts Committee of the Saldanha Bay Municipality fulfils the oversight role of Council. The mandate of the Municipal Public Accounts Committee includes the following:

Submission of the annual report (Section 127 of the MFMA):

- The annual report must be submitted to the MPAC no later than two weeks after the date required for submission to the council;
- Where the annual report is not submitted to the council as required, the MPAC must be provided with a copy of the written explanation of the Mayor as submitted to the council;
- Where neither the annual report nor the explanation has been submitted, the MPAC must report same to the council;
- The MPAC must monitor that the annual report has been submitted to the Auditor-General, as well as the provincial government departments required and has been published for comment;
- The MPAC must also monitor that all municipal entities have complied with the said requirements.

Oversight report on the annual report (Section 129 of the MFA):

- The MPAC perform the role of the oversight committee provided for in National Treasury Circular 32;
- The MPAC must consider the annual report and prepare a draft oversight report to be submitted to the council for purposes of adopting the oversight report;
- In preparing the draft oversight report, the MPAC must consider all representation in connection with the annual report received from the local community;

- The meeting of the MPAC considering the annual report must be open to the public and members of the local community must be allowed to make representations in connection with the annual report at the meeting.

Issues raised by the Auditor-General in audit reports (Section 131 of the MFMA):

- The MPAC must be provided with the report prepared to address issues raised by the Auditor-General;
- Where the report is submitted, MPAC should interrogate same and make recommendations to the council;
- Where the report has not been submitted, MPAC should report this to council.

The meeting of the Municipal Public Accounts Committee to consider the Draft 2016/17 Annual Report was held on 16 March 2018.

Furthermore, the 2016/2017 Draft Annual Report was subjected to a public participation process. The public were informed of the draft 2016/17 Annual Report by means of a published notice in the local newspaper on 25 January 2018. The notice was also published on the SBM website and Facebook page. In addition, copies of the Draft 2016/17 Annual Report, were made available for inspection at all municipal libraries and customer care centres as well as on the municipal website.

BACKGROUND

Each municipality and municipal entity must prepare an annual report for each financial year in accordance Section 46 of the Municipal Systems Act (MSA) and Section 121 of the Municipal Finance Act (MFMA). In addition, Circulars 11 and 63, issued by National Treasury (NT) and the Annual Report Customised Template and Guidelines provided by the Provincial Department of Local Government and Traditional Affairs provide guidance to municipalities on compliance with the above legislation.

A municipal annual report includes the following key elements:

- Annual performance report, evaluating the year's performance against the performance objectives established in the IDP, Budget and Service Delivery and Budget Implementation Plans (SDBIP);
- Annual financial statements (AFS), Auditor-General (AG) Audit Report on the AFS and management's responses to address the AG's audit findings;
- Other disclosures, as required by the MFMA in Sections 121, 123, 124 and 125 (e.g. Councillor and top management compensation, grants, bank accounts and investment information).

The MFMA directs the annual report to be completed and tabled in Council by 31 January, for the financial year ended 30 June the previous year. Council must then review the annual report and adopt an oversight report containing its comments within 60 days.

PROCESS FOLLOWED BY COUNCIL

On 24 January 2018, Council considered the draft Annual Report and on 16 March 2018 the report was referred to the Municipal Public Accounts Committee (MPAC), which performs the function of an Oversight Committee. The MPAC consists of members from the ANC, DA and EFF.

The following initiatives were followed in terms of community participation in the oversight process:

- An invitation to the public to submit comments on the Draft 16/17 Annual Report was advertised in the local printed media on 25 January 2018, placed on SBM website as well as the SBM Facebook.
- Copies of the Draft 2016/17 Annual Report, were made available for inspection at all municipal libraries and customer care centres as well as on the municipal website.
- The office of the Auditor-General, Audit Committee, Western Cape Government: Department of Local Government and the National department of Cooperative Governance were invited to participate in the MPAC meeting on 16 March 2018.
- The meeting of the Municipal Public Accounts Committee was open to the public and the media.

The following documents has been included in the report:

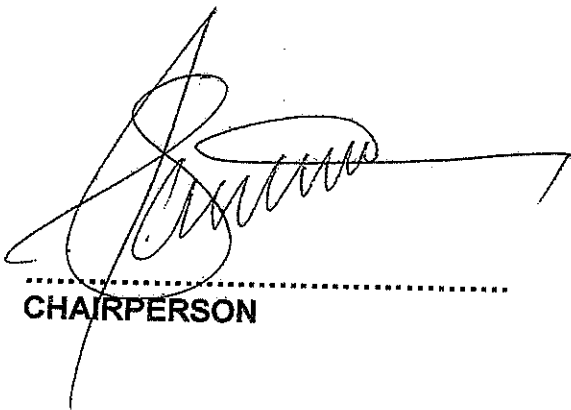
- Report of the Audit Committee to the Executive Mayoral Committee and Council of the Saldanha Bay Municipality;
- Provincial Treasury's comments on the tabled 2016/17 Annual Report;
- Minutes of the MPAC meeting held on 16 March 2017.
- Comments from the Auditor-General after the review of the 2016/17 Draft Annual Report.
- Mr A du Plessis reported that no formal written representations or comment were received on the 2016/17 Annual report.

CONCLUSIONS AND RECOMMENDATIONS

Finally, I wish to commend my fellow Municipal Public Accounts Committee members for their input and commitment. I also wish to thank the Speaker, Councillor O Daniels and the officials for their support in the Oversight Process, especially the Municipal Manager, Dr P Voges, the Chief Financial Officer, Mr S Vorster and his team for providing strategic support in this process, the other Directors as well as Mr A du Plessis. The Office of the Auditor-General is also thanked as well as the Audit Committee for their input in the Annual Report and oversight processes.

RECOMMENDED

- i) that the oversight report on the Draft Annual Report 2016/17 as well as the final 2016/17 Annual Report be adopted without reservations;
- ii) that it be noted that the amendments as stated by the Auditor-General in Annexure "D" of the MPAC agenda of 16 March 2018, have been corrected prior to this Council meeting;
- iii) that the oversight report be made public by the Municipal Manager in accordance with Section 129 (3) of the Local Government: Municipal Finance Management Act, 2003;
- iv) that the status on progress made in addressing 2016/17 issues raised by the Auditor-General as contained in Annexure "A" of the MPAC agenda of 16 March 2018 be noted;
- v) that the report of the Audit Committee Chairperson on the draft 2016/17 Annual Report be noted as contained in Annexure "C" of the MPAC agenda of 16 March 2018;
- vi) that the Oversight Report and Annual Report 2016/17 be submitted to the provincial legislature by the Municipal Manager in accordance with section 132 (2) of the Local Government: Municipal Finance Management Act, 2003;
- vii) that feedback on outstanding matters be reported following the next key control visit by the Auditor-General.



.....
CHAIRPERSON

26/3/18
.....
DATE

SALDANHA BAY MUNICIPALITY

REPORT TO THE COUNCIL / AUDIT COMMITTEE

SUBJECT : FINAL 2016/17 ANNUAL REPORT
DIRECTORATE : ECONOMIC DEVELOPMENT AND STRATEGIC SERVICES
AUTHOR : AE du PLESSIS
CONTACT DETAILS : 022 701 7189
DATE : 22 MARCH 2018
FILE NO : 9/1/1-2016/17
ITEM NUMBER : R 13/3-18

PURPOSE OF THE REPORT

The purpose of this report is to table the Final 2016/2017 Annual Report for adoption after the proceedings of the MPAC was concluded.

DISCUSSION

Section 121(1) of the MFMA requires that *“Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality ... in accordance with section 129.”*

The 2016/2017 draft annual report for the period ending 30 June 2017 was submitted in January 2018 to Council, and advertised for public participation. No public inputs or representations were received.

In terms of the section 129 of the MFMA, the Municipal Public Accounts Committee (MPAC) considered the 2016/17 Annual Report on 16 March 2018 and dealt with it in terms of the format prescribed per MFMA circular 32. The oversight report should in terms of section 129(1)(a) - (c) include a statement on whether the council:

- a) has approved the Annual Report with or without reservations;
- b) has rejected the Annual Report; or
- c) referred the Annual Report back for revision of those components that can be revised.

Attached are the following appendices relating to the work of the MPAC:

Annexure A Agenda of MPAC meeting dated 16 March 2018
 Annexure B Minutes of MPAC meeting dated 16 March 2018
 Annexure C Email from Internal Audit office dated 22 March 2018
 indicating the changes that we made emanating from the
 MPAC report (minutes)

The amendments were made to the draft 2016/17 Annual Report and will be placed, with the Oversight report, on the SBM website from 29 March 2018.

RECOMMENDATIONS

- (i) that the report noted;
- (ii) that the Final 2016/2017 Annual Report be approved by Council.
- (iii) that the Oversight report be made public within seven days after adoption by Council.

 SENIOR MANAGER: IDP, PMS, IGR AND COMMUNITY DEVELOPMENT

22/3/18
 DATE

 ACTING DIRECTOR
 ECONOMIC DEVELOPMENT AND STRATEGIC SERVICES

22/3/18
 DATE

 ALDERMAN E STEYN
 PORTFOLIO CHAIRPERSON: ECONOMIC DEVELOPMENT & STRATEGIC SERVICES

22/3/18
 DATE



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AGENDA

FOR A

**MUNICIPAL PUBLIC ACCOUNTS
COMMITTEE MEETING**

OF THE

SALDANHA BAY MUNICIPALITY

ON

16 MARCH 2018

AT

09:00

A G E N D A

ITEM NR	SUBJECT	PAGE
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MPAC 3/3-18	LEAVE OF ABSENCE	1
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MPAC 5/3-18	CONFIRMATION OF MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON 28 FEBRUARY 2018	1
MPAC 6/3-18	OVERSIGHT REPORT ON THE 2016/17 TABLED ANNUAL REPORT	2

SALDANHA BAY MUNICIPALITY

**NOTICE IS HEREBY GIVEN OF A MUNICIPAL PUBLIC ACCOUNTS
COMMITTEE MEETING TO BE HELD ON FRIDAY, 16 MARCH 2018 IN
COUNCIL CHAMBERS, VREDENBURG AT 09:00**

12 MARCH 2018

P.P. Allmeyer.
SNR MANAGER: ADMINISTRATION

COMMITTEE MEMBERS:

Councillor T Khulu
Councillor S Scholtz
Councillor G Kordom
Councillor F Pronk
Alderman J Skei

Chairperson

MPAC 1/3-18	<u>OPENING</u>
MPAC 2/3-18	<u>OFFICIAL ANNOUNCEMENTS</u>
MPAC 3/3-18	<u>LEAVE OF ABSENCE</u>
MPAC 4/3-18	<u>DECLARATION OF INTEREST WITH REGARDS TO MATTERS FOR CONSIDERATION IN THIS AGENDA</u>
MPAC 5/3-18	<u>CONFIRMATION OF MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON 28 FEBRUARY 2018</u>

RECOMMENDED

That the minutes of the Municipal Public Accounts
Committee meeting held on 28 February 2018 be confirmed.

SALDANHA BAY MUNICIPALITY

REPORT TO THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE / COUNCIL

SUBJECT : OVERSIGHT REPORT ON THE 2016/17 Tabled ANNUAL REPORT

DIRECTORATE : ECONOMIC DEVELOPMENT AND STRATEGIC SERVICES.

AUTHOR : COUNCILLOR T KHULU

CONTACT DETAILS : 022-701 7189

DATE : 12 MARCH 2018

FILE NO : 9/1/1-2016/17

ITEM NUMBER : MPAC 6/3 -18

PURPOSE OF THE REPORT

The purpose of this report is to consider the inputs received pertaining to the 2016/17 Annual Report and report to be table and form part of the annual report to the committee for recommendation to council on the 2016/17 Annual Report

DISCUSSION

As part of the delegated roles and responsibilities the MPAC committee are required to consider the annual report and any matters that relates to the report, to enable the committee to make recommendations to Council. The public were informed of the draft 16/17 Annual Report via an advert in the local newspaper on 25 January 2018, placed on SBM website, also advertised on SBM Facebook page and public requested to provide comments and inputs. At the date of publishing of this report, no public comments or inputs were received.

Annexure A contains the status on progress made in addressing the 2016/17 issues raised by the Auditor-General whilst **Annexure B** contains the 2016/17 annual report assessment performed by Provincial Treasury (**Still awaiting**). **Annexure C** contains the report from the Audit Committee Chairperson on the Draft Annual Report.

LEGISLATIVE COMPLIANCE

Section 129 of the Municipal Finance Management Act related to "**Oversight reports on annual reports.**-(1) *The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight*

report containing the council's comments on the annual, which must include a statement whether the council-

- (a) has approved the annual report with or without reservations;
 - (b) has rejected the annual report; or
 - (c) has referred the annual report back for revision of those components that can be revised.
- (2) The accounting officer must-
- (a) attend council and council committee meetings where the annual report is discussed, for the purpose of responding to questions concerning the report; and
 - (b) submit copies of the minutes of those meetings to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.
- (3) The accounting officer must in accordance with section 21A of the Municipal Systems Act make public an oversight report referred to in subsection (1) within seven days of its adoption."

RECOMMENDATIONS

Recommended that:

- i) that the report be noted;
- ii) that the status on progress made in addressing the 2016/17 issues raised by the Auditor-General as per annexure A be noted;
- iii) that the 2016/17 annual report assessment performed by Provincial Treasury as per Annexure B be noted;
- iv) that the report of the Audit Committee Chairperson on the draft 2016/17 Annual Report be noted as Annexure C; and
- v) that feedback on outstanding matters be reported following the next key control visit by the Auditor-General.



COUNCILLOR T KHULU
CHAIRPERSON: MPAC COMMITTEE

12/03/18
DATE

Item	Strategic Area	Emerging risks	CapEx Investment	Project description	Approved by (Name, Title, Date)	Review/Update by (Name, Title, Date)	Comments (See 2017)	
10	6.2	Performance Information		<p>The objective for the Development of a 2017 Policy Framework is to provide a clear and consistent framework for the Department's performance measurement system. The framework will be used to measure performance against the Department's strategic plan and to provide a basis for the Department's annual performance report. The framework will be developed in consultation with the Department's stakeholders and will be subject to the Department's internal control system.</p> <p>2017 cycle, the planned and reported performance information of selected strategic objectives was assessed against additional criteria as defined from the Performance Management Reporting Framework.</p> <p>2017 cycle, the planned and reported performance information of selected strategic objectives was assessed against additional criteria as defined from the Performance Management Reporting Framework.</p> <p>2017 cycle, the planned and reported performance information of selected strategic objectives was assessed against additional criteria as defined from the Performance Management Reporting Framework.</p>				
11	6.2	Performance Information		<p>The objective for the Development of a 2017 Policy Framework is to provide a clear and consistent framework for the Department's performance measurement system. The framework will be used to measure performance against the Department's strategic plan and to provide a basis for the Department's annual performance report. The framework will be developed in consultation with the Department's stakeholders and will be subject to the Department's internal control system.</p> <p>2017 cycle, the planned and reported performance information of selected strategic objectives was assessed against additional criteria as defined from the Performance Management Reporting Framework.</p> <p>2017 cycle, the planned and reported performance information of selected strategic objectives was assessed against additional criteria as defined from the Performance Management Reporting Framework.</p> <p>2017 cycle, the planned and reported performance information of selected strategic objectives was assessed against additional criteria as defined from the Performance Management Reporting Framework.</p>				

Chief Financial Officer: S. Vetter

Date

Managerial Manager: Dr P. Vogan

Date

REPORT OF THE AUDIT COMMITTEE TO THE EXECUTIVE MAYORAL COMMITTEE AND COUNCIL OF THE SALDANHA BAY MUNICIPALITY

The Audit Committee has been established as an independent Committee, in terms of Section 166 of the MFMA Act No. 56 of 2003. The Committee has adopted formal terms of reference, which are regularly updated and approved by Council.

The Committee presents its report for the financial year ended 30 June 2017.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The Committee, consisting of the members listed below, should meet at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises. During the year under review, five Audit Committee meetings were held.

Other meetings with Internal Audit, Senior Management, Mayoral Committee (Mayco), Council and the Auditor-General were also held.

Member Name	Qualifications	Term of Office	Role	Attendance
Judy Gunther	CIA, CRMA, AGA Masters in Cost Accounting	Since 13 October 2015	Chairperson	5
K I Theletsane	BMil, BMil Hons, MMil, MSc Proj Man, PhD,	Since 25 July 2012	Member	5

The vacancy on the audit committee was not filled during the year, the post became vacant when one member's term came to an end in 2017. Nominations were made and the appointment will be made during the 2017/18 financial year.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from **Sections 165 and 166 of the Municipal Finance Management Act (MFMA)**.

The Audit Committee reports that it has adopted an appropriate formal Terms of Reference, has regulated its affairs in compliance with these Terms and has discharged all its responsibilities as contained therein.

REVIEW AND EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Committee has:

- reviewed and discussed the annual financial statements of the municipality to be included in the annual report, with the Auditor-General and management;
- reviewed the Auditor-General's management letters and management's response thereto;
- reviewed and discussed the report and audit opinion of the Auditor-General with the Auditor-General and management;
- reviewed changes in accounting policies and practices; and
- reviewed significant adjustments resulting from the audit.

These financial statements are prepared in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2009 (Act No 12 of 2009) (DORA).

Report of the Auditor-General South Africa

The Audit Committee has:

- reviewed the AGSA's Management Report and Management's responses thereto;
- on a quarterly basis reviewed the Department's implementation plan for audit issues raised in the prior year.
- has met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit.

Corrective actions on the detailed findings raised by the AGSA are monitored by the Audit Committee on a quarterly basis.

EFFICIENCY AND EFFECTIVENESS OF INTERNAL CONTROL

The Committee has considered the work performed by Internal Audit on a quarterly basis and has reviewed the findings by the Auditor-General on internal controls for the year ended 30 June 2017. The Audit Committee notes that there has been improvement in internal controls in the areas of financial statements, performance reporting and compliance with legislation.

In line with section 62 (c) (ii) of the MFMA, Internal Audit provides the Audit Committee and Management with reasonable assurance that the internal controls are adequate and effective. This is achieved by an approved risk-based internal audit plan, Internal Audit assessing the adequacy of controls mitigating the risks and the Audit Committee monitoring implementation of corrective actions.

The following assurance engagements were approved and completed in the 2016/17 Internal Audit Plan:

- Provision of Basic services - Waste Management Review
- Provision of basic services – Electrical Infrastructure Review
- Governance Review
- Performance Monitoring & Reporting Stationary Compliance Review & Quarters 1 & 3
- DoRA Quarter 4 2015/16 Review
- DoRA Statutory Compliance & Quarter 3, 2016/17 Review
- Municipal Standard Chart of Accounts 1st Phase Assurance Review

The following areas still need attention:

- action plans to address improvement in controls to ensure that reliable planned and actual performance is reported.
- actions are implemented and managed to prevent recurring findings;
- proper record keeping in a timely manner to ensure reliable performance information;

The Committee further wishes to draw attention to the following areas:

Information Systems

The Municipality has implemented a new financial system as well as a HR/payroll system during the year under review to ensure compliance with the new MSCOA requirements.

The new ICT Policy Framework has been delayed to incorporate the changes and the AC will monitor the progress and implementation of the new framework on a quarterly basis. The municipality has made progress to improve control over IT systems including user access, security management and disaster recovery. However, there are still areas for improvement that needs management attention and intervention. From audits performed, by both Internal as well as External Audit, change management plans, defined processes and a system development life cycle plan should be developed and implemented to assist in objective setting and achievement, deploying ICT systems effectively and efficiently which meets organisational needs, safeguards and ensures credible information, adds value and contributes to the organisations value creation and achievement of objectives by improving the processes to effectively, efficiently and economically deliver services.

Resolving Internal Control Findings

The audit committee noted improvement in the extent of external and internal audit findings resolved, however recurring findings still occurred. The different oversight bodies and individuals need to improve the monitoring of implementation of corrective actions and take appropriate sanctions where audit findings are not adequately addressed.

Combined Assurance Framework

The municipality has not yet adopted a formal combined assurance framework and this will be dependent on the finalisation of a fully implemented enterprise risk management system.

ASSESSING AUDIT EFFECTIVENESS

The Committee reviews internal audit quality throughout the year with an emphasis on auditing governance, methodology, independence, scope of work and outputs. The committee remains concerned about the high vacancy rate and the level of skills available in the internal audit department. Vacancies in the Internal Audit Department need to be filled as a matter of urgency. Failure to fill these vacant posts threatens the performance of the Internal Audit in giving assurance to management regarding the execution of their responsibilities.

This important internal control component needs to receive the necessary support to contribute towards the achievement of objectives and sustained and improved performance.

INDEPENDENCE STATEMENT

The External Audit activities are performed by the Office of the Auditor General (SA).
The Internal Audit activities are completed by an Internal Audit Activity that performs the work in terms of an Internal Audit Charter and an audit plan approved by the Audit Committee.

PERFORMANCE MEASUREMENT

The Committee has reviewed and given consideration to the in-year performance reports and performance results reported by management. Considerable improvements were noted in the effectiveness of the processes and the quality of information reported, however challenges are still experienced with the reliability of information reported. The Audit Committee is pleased that resources to drive and monitor the process for planning, monitoring and reporting of predetermined objectives have been allocated.

RISK MANAGEMENT

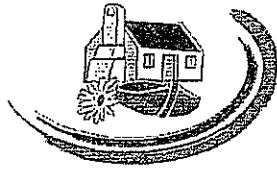
Risk management has still not been fully embedded at the municipality. The Audit Committee has noted the effort to establish a Risk Committee and the employment of a dedicated risk officer. The Audit Committee also notes the improvement in populating the risk registers and will monitor the usefulness of risk registers through-out the Municipality. The strategic risk register for the Municipality has been updated.

CONCLUSION

The Audit Committee concurs and accepts the AGSA's opinion regarding the Annual Financial Statements, and proposes that these Audited Annual Financial Statements be accepted and read together with AGSA's report. The Audit Committee commends the Municipality for maintaining an unqualified audit opinion with no material findings.



Judy Gunther
Chairperson of the Audit Committee
Date: 11 January 2018



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BAY
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MPAC MEETING

ON

16 MARCH 2018 09:00

This annexure "C" should be read with item R6/3-18.



Mr Ashley Rasool (Economist)
Local Government Budget Office
Email: ashley.rasool@westerncape.gov.za
tel: +27 021 483 8992 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 Saldanha Bay Municipality with the MFMA and Annual report MFMA Circular 63 is as follows:

- a. The Municipality submitted the draft 2016/17 Annual Report/ performance report together with the Annual Financial Statements to the Auditor General by 31 August 2017.
- b. The Annual report was tabled to Council on 24 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 in accordance to section 75 of the MFMA.
- d. The Annual report was made public and public was invited to comment on the Annual Report.

2.2 Format of the Annual Report as per MFMA Circular 63

- a. The Annual Report complies with the Annual Report Template as prescribed by MFMA Circular 63. However, this holds true for Volume 1: Chapters 1-6: Content of the Annual Report only, with required Appendices (A to T) not submitted. This omission has been highlighted in previously as well and the municipality is urged to correct the omission going forward. Naturally, these "Appendices" further aid the reassurance that the required municipal

policies are in place and aligned to overall strategy and policy objectives. Provincial Treasury takes heed of the fact that while the individual Appendices were not submitted, the content pertaining to the said attachments may have been included in the Chapters comprising the Annual Report 2015/16.

- a. The Mayor's Foreword is broadly in line with MFMA Circular 63 guidelines for this section. However, it should also cover the various topics to be covered as per MFMA Circular 63 guidelines for this section.
- b. The Municipal Managers Foreword is broadly in line with MFMA Circular 63 guidelines for this section. However, the following issues were not addressed namely:
 - Functions and Powers of the municipality in relation to section 155/156 of the Constitution and Chapter 3 of the MSA
 - Sector departments and the sharing of functions between the municipality and sector departments
 - Information related to the revenue trend by source including borrowings undertaken by the municipality (if any);
 - The Internal Management Changes in relation to Section 56/57 Managers (if any);
 - Risk assessment, including the development and implementation of measures to mitigate the top 5 risks
- c. The socio-economic conditions are presented and discussed within the assessed document. Sufficient detail is covered in the analysis. The analysis is deemed credible based on the date and trends presented. Naturally, the municipality in its current state has serious socio-economic challenges which are highlighted in its analysis.

3. Service Delivery Information and Performance

- a. The performance report indicates that the municipality achieved 63.3 per cent (38 out of 60) of its targets for 2016/17 targets. Variances between planned and actual performance should be kept below 20 percent to avoid attracting audit queries on predetermined objectives. The municipality had a variance of 39 per cent in the 2016/17 financial year.
- b. The Municipality's performance specifically with respect to basic service delivery (i.e. 73.3 per cent achievement) for the 2016/17 financial year is a cause for concern and need to be improved going forward.
- c. In terms of free basic service delivery, the draft Annual report indicates that the municipality did not meet the targets with respect to the provision of free basic services. However, corrective measures were provided.
- d. The municipality invested substantially over the past financial year in job creation and skills development within the area. A total of 147 new work opportunities were created through the municipality's EPWP programme from a target of 80 jobs set at the beginning of the financial year.
- e. With regard to the Auditor-General findings, Saldanha Municipality is commended for maintaining a clean audit report.

4. FINDINGS AND RECOMMENDATIONS

- a. The Mayor's Foreword should have details/ specifics with regard to various topics to be covered as per MFMA Circular 63.
- b. The Municipal Manager's Foreword should cover all the various topics to be covered as per MFMA Circular 63.
- c. The Municipality must include the required Appendices as per MFMA Circular 63 before the final Annual Report is adopted in council.
- d. The municipality should ensure that variances between planned and actual performance are kept below 20 percent going forward.
- e. The Oversight Committee report to be included when the final Annual Report is adopted

5. CONCLUSION

Saldanha Bay Municipality complied with legislation regarding tabling, publishing document for comments, submission to Provincial Treasury and placement on the website within the time frames prescribed in the MFMA section 127.

There are still a few areas that have to be addressed to achieve full implementation of MFMA Circular 63, specifically related to the required appendices.

The Municipality's draft 2016/17 Annual Report reflects relevant information pertaining to the Municipality's performance during the year under review.

The performance report indicates that the municipality achieved 63.34 per cent of its targets for 2016/17 (38 out of 60 targets were met), translating to a 38 per cent variance between planned and actual performance. A concerted effort must be made to ensure that 90 per cent of basic service delivery targets are met in ensuing periods.

The Municipality is commended for maintaining a Clean Audit report as this demonstrates the Municipality's dedication and continuous improvement in terms of service delivery and good financial governance.



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MINUTES

OF THE MEETING FOR

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING

HELD ON

16 MARCH 2018

AT

09:00

SALDANHA BAY MUNICIPALITY

MINUTES OF A MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING OF THE SALDANHA BAY MUNICIPALITY WHICH WAS HELD IN THE COUNCIL CHAMBERS, VREDENBURG ON 16 MARCH 2018 AT 09:00

PRESENT:

Councillor T Khulu	Chairperson
Councillor S Scholtz	
Councillor F Pronk	
Alderman J Skei	
Councillor G Kordom	

OFFICIALS:

Dr P Voges	Municipal Manager
G Smith	Director: Infrastructure & Planning Services
S Vorster	Director: Finance Services
JG Marais	Director: Community & Operational Services
C de Kock	Senior Manager: ICT
L Ebersöhn	Senior Manager: Legal Services
S Roets	Senior Manager: Financial Management
S Gcwabe	Financial Manager: AFS, Assets & Returns
M Hermanus	Manager: Risk Management
M Msolo	Manager: Internal Audit
A Meyer	Manager: Administrative & Supporting Services
A Van Schalkwyk	Committee Officer

OTHER:

I Fourie	Auditor General
B Mlenzana	Audit Committee Member

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MPAC 1/3-18 OPENING

The Chairperson, Councillor T Khulu opened the meeting by welcoming everyone present and requested a minute of silent prayer.

MPAC 2/3-18 OFFICIAL ANNOUNCEMENTS

None

MPAC 3/3-18 LEAVE OF ABSENCE

P Mbaliswana
J Gunther Audit Committee Chairperson
M Roos Risk Committee Chairperson

MPAC 4/3-18 DECLARATION OF INTEREST WITH REGARDS TO MATTERS FOR CONSIDERATION IN THIS AGENDA

None

MPAC 5/3-18 CONFIRMATION OF MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON 28 FEBRUARY 2018

RESOLVED

That the minutes of the Municipal Public Accounts Committee meeting held on 28 February 2018 be confirmed.

MPAC 6/3-18 OVERSIGHT REPORT ON THE 2016/17 TABLED ANNUAL REPORT

(9/1/1-2016/17)

(Report of the Directorate Economic Development & Strategic Services)
(Councillor T Khulu)

Mr I Fourie presented Annexure "D" which contains the comments of the Audit General on the Annual report. Annexure "D" was distributed at the meeting and is attached to the minutes.

On behalf of MPAC, Alderman J Skei thanked the Municipal Manager, CFO and his team for the work done on the Annual Report.

RESOLVED TO RECOMMEND

- i) that the report be noted;
- ii) that the status on progress made in addressing the 2016/17 issues raised by the Auditor-General as per annexure A be noted;
- iii) that the 2016/17 annual report assessment performed by Provincial Treasury as per Annexure B be noted;
- iv) that the report of the Audit Committee Chairperson on the draft 2016/17 Annual Report be noted as Annexure C;
- v) that the amendments as reported on by the Auditor-General's office as contained in Annexure "D" to the report be noted;
- vi) that council takes note that MPAC assessed the annual report, read with the assurance reports received from the audit committee, the auditor general SA, provincial treasury and based on the assessment makes the following recommendation to council:
 - a. that MPAC recommends to council the annual report for adoption subject to the amendments as stated by the Auditor-General in Annexure "D" to the report prior to the Council meeting on 28 March 2018;
- vii) that feedback on outstanding matters be reported following the next key control visit by the Auditor-General.

The meeting adjourned at 09:22.

Confirmed

CHAIRPERSON

DATE

Du Plessis, Abé

From: Msolo, Mzikabawo
Sent: 22 March 2018 01:07 PM
To: hvermeulen@igniteconsult.co.za; Hermanus, Marius; Du Plessis, Abé
Subject: RE: MPAC -amendment to annual report

Dear all,

See my comments below in RED in this regard.

Regards,

Mzi

From: hvermeulen@igniteconsult.co.za [mailto:hvermeulen@igniteconsult.co.za]
Sent: Thursday, March 22, 2018 11:05 AM
To: Hermanus, Marius <Marius.Hermanus@sbm.gov.za>; Du Plessis, Abé <Abé.DuPlessis@sbm.gov.za>
Cc: Msolo, Mzikabawo <Mzikabawo.Msolo@sbm.gov.za>
Subject: RE: MPAC -amendment to annual report

Hallo Marius,

Het aangepas, behalwe vir die twee gemerk in geel wat julle vir my moet laat weet of iets moet verander op die AR en indien wel, wat moet verander.

Groete

From: Hermanus, Marius [mailto:Marius.Hermanus@sbm.gov.za]
Sent: Thursday, March 22, 2018 10:28 AM
To: hvermeulen@igniteconsult.co.za; Du Plessis, Abé
Cc: Msolo, Mzikabawo
Subject: RE: MPAC -amendment to annual report
Importance: High

Hi Herdie,

Sal so maak.

Wag vir Mzi om korrekte inligting te bevestig sal dan aan stuur, dalk moet Oudit Komitee verslag aangepas word en nie die Jaar verslag.

Die Belsuit van MPAC was dat slegs Annexure D (die epos van Ouditeur general) se voorstelle reggestel word, so alle comment van PT en Oudit Komitee is net ir kennis name.

AGSA Issues – Annexure D referred to in MPAC report / MoM.

We concluded on reviewing the Annual report on the website and below was noted:

- Page 2: Should here not be a reference to annexure C: Audit Committee report
- **Update Index to reflect Annexure C**
- Page 4: line 11 from top “without any emphasis of matters” this statement is not correct, there were emphasis of matter paragraphs in the audit report
Update Annual Report
- Line 16, “Municipal Standard Charter of Accounts” – inconsistent with page 6, “Municipal Standard Charts of Accounts”
Update Annual Report
- Page 18: comment under picture, include after “Head of Auditor –General’s” – Western Cape
Update Annual Report
- Page 49: par 2.7.2, Members not the same as audit committee report, number of meetings not consistent between the two reports
APR is correct with the AC members numbers, details of members and dates of meetings held.
- Page 51: could not easily agree Final Payroll Management Review and risk management review Internal reports to AC report
Updated the APR and remove the Final Payroll Management Review and Risk Management.
- Page 56: par 2.10.6, refers to 2015/16, is this correct? – were there not false declaration findings per that years MGT report - well
- Page 103: should the “R000 in table (3.10.4) not be reported on next page (104) table as
Update Annual Report
- Annexure B (Audit report) – page numbering of PDO is incorrect, we will correct the audit report page number and send you updated Audit report
AGSA updated Audit Report to be attached with corrected page numbers
- Audit committee report: refers to Office of AG, should be Auditor General of South Africa
Mzi to updated Audit Comm Report and provide for attachment as Annexure C with corrected information – AC chair informed to update report, sign and submit.

Mzi Take note of the three point FYA