



SALDANHA BAAI
BAY
MUNISIPALITEIT | MUNICIPALITY | UMASIPALA

OVERSIGHT REPORT: 2017/2018 ANNUAL REPORT ITEM 16/3-19 MARCH 2019

Municipal Public Accounts Committee Members:

Councillor T Khulu (Chairperson)
Councillor G Kordem
Councillor T Salman
Councillor S Scholtz
Councillor A Truter

Annexures to the Oversight Report:

A: Comments received from Langebaan Ratepayers and Residents Association
B: Report from AGSA on the audit of the financial statements
C: Email dated 8 March 2019 received from AGSA
D: Replacement page for page 243 of the draft 2017/18 Annual Report
E: Report from the Chairperson of the Audit Committee
F: Summary of 2017/18 findings and corrective actions

REPORT FROM THE CHAIRPERSON OF MPAC (Councillor T Khulu)

1. PURPOSE OF THE REPORT

The purpose of the report is to submit the Oversight report for the 2017/18 financial year to Council for adoption.

2. BACKGROUND

The Oversight Report is the final major step in the annual reporting process of the municipality. Section 129 of the MFMA requires Council to consider the Annual Report and to adopt an Oversight Report containing 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 performs 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 annual report for the 2017/18 financial year was tabled to Council on 30 January 2019 in compliance with section 127 (2) of the Local Government Municipal Finance Management Act, No. 56 of 2003 ("MFMA") which states the following:

"The Mayor of a municipality must, within seven months after the end of a financial year table, in the municipal council the annual report of the municipality".

The MFMA requires the following in section 129:

- (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 report, 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.

It further states in section 130 that:

130. (1) The meetings of a municipal council at which an annual report is to be discussed or at which decisions concerning an annual report are to be taken, must be open to the public and any organs of state, and a reasonable time must be allowed—
- (a) for the discussion of any written submissions received from the local community or organs of state on the annual report; and
 - (b) for members of the local community or any organs of state to address the council.
- (2) Representatives of the Auditor-General are entitled to attend, and to speak at, any council meeting referred to in subsection (1).
- (3) This section, with the necessary modifications as the context may require, is also applicable if only components of the annual report were tabled in terms of section 127(3).

3. DISCUSSION

- As referred to above the annual report was tabled at Council meeting held on 30 January 2019 and subsequently advertised on 31 January 2019. Comments were received from the Langebaan Ratepayers and Resident Association (attached as Annexure 'A' to the report).
- A Summary of discussions and comments by MPAC on the 2017/18 Annual Report is listed in the table below.

No.	Issues/Comments by MPAC
1.	<p>Financial Outcome</p> <p>MPAC noted the financial outcome and information presented in the AFS section of the Annual report.</p>

2.	<p><u>AGSA Audit Report</u></p> <p>Annexure "B" to the report contains the report of the Auditor-General of South Africa (AGSA) on the audit of the financial statements. This report replaced the report included on pages 411 – 417 of the draft 2017/18 Annual Report. [The report will be presented by AGSA at the MPAC meeting of 14 March 2019]</p> <p>Annexure 'C' to the report contains the email from AGSA's office on the amendments from the Auditor-General South Africa to the 2017/18 Annual Report.</p> <p>MPAC noted that the audit outcome has regressed from "clean audit" in 2014/15, 2015/16 and 2016/17 to "unqualified with findings" in 2017/18. The reason for the regression relates to findings on the non-compliance with Procurement and Contract Management laws and regulations.</p> <p>MPAC has considered a report relating to the corrective measures implemented to address the issues raised by the Office of the Auditor General with emphasis to Supply Chain Management processes.</p>
3.	<p><u>Amendments to draft 2017/18 Annual Report</u></p> <p>Apart from the two amendments reflected in (2) above, page 243 of the draft 2017/18 Annual Report has been replaced. Annexure 'D' to the report includes page 243 (as contained in the draft 2017/18 annual report) as well as the amended page.</p> <p>The amendment includes the complaint lodged by Sekhukhula Bay Municipality on 7 December 2018 regarding the evaluation of non-compliance with SCM regulation 19 (a) and CIDB regulations 17 and 25 (7A). This complaint has been acknowledged by AGSA's office on 12 December 2018 but has not yet been finalised. A report will be submitted to MPAC once final feedback has been received from AGSA's office.</p> <p>MPAC has considered a report (MPAC 8/3-19) on the application of regulation 25 (7) and 25 (7A) of the CIDB regulations and noted that the process prescribed in regulation 25 of the CIDB regulations will from be documented and considered during each phase of the competitive bidding process for CIDB tenders with immediate effect. Templates and checklists which will be applied to implement control were included in this report.</p>

4.	<p><u>The report of the Audit Committee</u></p> <p>The Audit Committee has presented a report on <i>inter alia</i> the following to the Executive Mayoral Committee and Council of Saldanha Bay Municipality:</p> <ul style="list-style-type: none"> • Efficiency and effectiveness of Internal control • Information systems • Resolving Internal control findings • Combined assurance framework • Assessment of audit effectiveness • Performance measurement • Risk management <p>The report has been included as Annexure 'C' to the draft 2017/18 Annual Report and is included as Annexure 'E' to this report</p>
5.	<p><u>2017/18 Audit findings and corrective actions</u></p> <p>A summary on the audit findings and the corrective actions that will be implemented is included as item MPAC 15/3-19 in the agenda of the MPAC meeting scheduled for 14 March 2018. The report and its annexure are included as Annexure 'F' to the report for the sake of completeness in respect of the oversight report.</p>

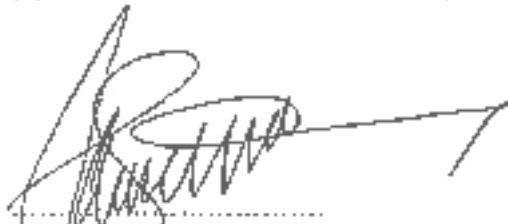
Comments from the Municipal Manager's Office

Management was part of the MPAC meetings and responded to issues raised by MPAC members. There is an action plan being implemented to address all the issues raised by the Auditor-General.

RECOMMENDED:

- i) that the following amendments to the draft 2017/18 annual report be noted:
 - a) replacing page 243 with the page as included in Annexure 'D' to the report;
 - b) the amendments as indicated in the email from AGSA's office, attached as Annexure 'C' to the report;
 - c) the report from AGSA on the audit outcome, attached as Annexure 'B' to the report be noted and that it be noted that this report replaces the report from AGSA contained in the draft 17/18 Annual report as pages 411-417;
- ii) that the comments received from the Langebaan Ratepayers and Resident Association, attached as Annexure 'A' to the report be noted;
- iii) that the report from the Audit Committee as included as Annexure 'E' to the report be noted and that it be noted that this report has also been included as Annexure

- 'C' to the draft 17/18 Annual report as published on 31 January 2019 for comment;
- iv) that it be noted that a complaint has been lodged to AGSA regarding the evaluation of non-compliance with SCM regulation 19 (a) and CIDB regulations 17 and 25 (7A);
 - v) that it be noted that a feedback report will be submitted to MPAC once final feedback has been received from AGSA;
 - vi) that it be noted that control measures have been implemented for both regulation 25 (7) and 25 (7A) of the CIDB in each phase of the Supply Chain Management process as well as SCM regulation 19 (a);
 - vii) that the oversight report on the draft 2017/18 Annual Report as well as the final Annual Report (taking the amendments/comments referred to in i) – vi) above be adopted and approved by Council without reservations;
 - viii) 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 of 2003;
 - ix) that the corrective action that will be implemented as reflected in the Audit findings (Annexure 'F' to the report), be noted;
 - x) that the oversight report and the 2017/18 Annual Report be submitted to the provincial legislature by the Municipal Manager in accordance with section 132 (2) of the Local Government Municipal Finance Management Act of 2003.



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Councilor T Khulu
Chairperson of MPAC

LANGEBAAN

ANNEXURE
"A"

Ratepayers and Residents Association
Belastingbetalers en Inwonersvereniging

21 February 2019

Saldanha Bay Municipality
Attention: Mr A du Plessis

Representations on the Draft Annual Report and / or Mid-year Budget and Performance report on behalf of the Langebaan Ratepayers and Residents Association

Page 4, Mayor's Foreword:

- The reference to a "decreasing residential tax base" is most certainly not correct.
- It may be reducing "per capita", but not in total value.

Page 7, Municipal Geographical Information:

- The following sentence is clearly incorrect: "The Swartland Municipality borders the municipality in the west by the Atlantic Ocean, in the north by the Bergriver Municipality and the east."

Page 12: Households:

- The graph reflects the number of households in municipal area as follows:

o 2016/17	35 550
o 2017/18	35 550
- This is the same number reflected as the 2016 Community Survey estimate.
- Using this outdated and incorrect number renders the percentage of indigent households (which have been updated) incorrect.

Page 18: Financial Overview:

- Reflected net surplus /(deficit)
 - Original budget R 42.3 million negative
 - Adjusted budget R 11.9 million positive
 - Actual R 143.7 million positive
 - Variance of actual vs original budget R 186.0 million positive
- The positive variance is 18.6% measured against the total income of R 997.3 million in the original budget.
- The reason for this variance should be fully explained?
- What effect would a more accurate budget have had on the determination of service and municipal fees charged during the financial year? Would the fees have been 18.6% less?

Page 19: Municipal Transformation and Organisational Highlights:

- Saldanha Bay Safety Initiative; The schedule indicates the "Development and implementation of the Saldanha Bay Safety Initiative.."
- My understanding is that this is not seen as a successful implementation by the Langebaan safety and crime awareness organisations.
- Please provide details!

Page 20: Auditor-General Report

- Congratulations with the "unqualified report"
- It is however concerning that the opinion reduced from "clean audit" to "unqualified audit".
- The reports by both the Auditor-General as external auditor and the audit committee reflects that there are various weaknesses, with some reported by the Internal Auditors being recurring
- The only acceptable audit result is a "clean audit".

Page 23: Good Governance and Public Participation Challenges:

- Challenge; Lack of community participation
- Description; Attendance are low at ward committee meetings ... A Public Participation Strategy must be developed and implemented.

- This is not a new problem; what are the proposed steps and what is the proposed implementation timeline?

Page 42: 2.7.3. Municipal Audit Committee Recommendations

- Stated "Although no formal report are submitted to Council on implementation of recommendations to address control weaknesses;..."
- The "actions and follow-ups" cannot effectively replace formal reporting which has not been done and is not planned to be done.
- This is not good enough and unprofessional.

Page 61: Overall Performance as per Top Layer SDBIP:

- The performance per objective graph does not indicate the objectives being reported on. The graph is thus meaningless.

Page 64: Balance – Bad Debts Written Off / Billed Revenue x 100

- Why are no targets/actual/by ward/etc. details provided?

Page 126: 3.19 Tourism

- Quote "Tourism has been identified in the LED Strategy as one of the key economic clusters in the Saldanha Bay area and is recognised as a potential generator of wealth and jobs of substantial importance to unlock further growth/development locally."
- 5.2.11 Tourism: This reflects "Other Expenditure" of R 2 326 000.
- Our understanding is that the R 2 326 000 spent is the allocation to the Saldanha Bay Tourism Organisation.
- It is our understanding that the effectiveness of the Saldanha Bay Tourism Organisation is deemed to be poor; the organisation is deemed to not provide value for the money allocated.
- The stated "substantial importance" of tourism requires unquestionable management and action by and for tourism development. We believe this should be addressed.

Page 207: Cash Flows:

- The table reflects actual "Cash /cash equivalents at the year-end" as R 71 773'000.

- The balance sheet reflects R 71 772 812 = R 71 773'000.
- The cash flow statement page 10 of the financials, reflect a balance of R 71 858 479.
- The above should all agree
- Seems as if the table on page 207 is incorrect! Errors like this may bring doubt over the general accuracy of these financial reports.

Page 207: Cash backing/surplus reconciliation

- The table reflects and calculates the line "Application of cash and investments" as positive (inflows) for the Original Budget and Adjusted Budget columns.
- This is clearly incorrect, as is the calculated surplus of R 1 084 692 000 (original budget) and R 1 012 577 000 (Adjusted budget).

Page 207: Summary of Performance against budgets:

- The operating expenditure difference column for both 2016/17 and 2017/18 is reflected incorrectly.
- Both periods should reflect positive differences as less was spend than budgeted for.

Page 210: 5.2.1. Water Services and 5.2.3. Electricity Services

- Reflecting 84% of water services expenditure as "other" is not acceptable. More details should be provided.
- 90% of Electricity expenditure is also reflected as "Other", Provide more details.

Financials Page 9: Statement of Changes in Net Assets

- Line 1: Opening balance as previously reported R 2 555 622 459. Seems to be for the 2015/16 financial year but does not reflect a date.
- The R 92 460 571 correction of errors does not agree with the details provided in note 46.
- The closing balance 30 June 2018 of R 2 930 935 702 does not agree with note 46.

Financials Page 10: Cash Flow Statement

- Net movement from Investments is R 55 000 000 for 2018. The balance sheet movement is R 59 500 000. Why the difference?
- The year-end cash balance is reflected as R 71 858 479. The balance sheet reflects R 71 772 812. These must agree!! Which is correct / incorrect?

Financials Page 37 & 38: Trade and Other Receivables

- Gross water receivable balance increased by 34%. This indicates poor credit control, especially as water reduction measures can be applied to control unpaid usage.
- Impairment provision of water receivables increased by R 14 462 003; thus 71% of the increase in the outstanding amount has been impaired.
- Impairment of the full increase in the outstanding Refuse balance of R 5 071 468 is also concerning.
- Good to see Electricity receivables increasing by only 1%, with the impairment provision reducing by 6%.
- Read together with note 5 page 40 that indicates bad debt of R 10 726 262 was written off;
 - Total increase in bad debts for the year is R 10 272 262 plus R 19 372 740 = R 26 645 002.
 - Bad debts increased by 30% of the net un-impaired receivables balance at end June 2018.
 - These figures indicate that credit control is not adequate!!
- See reset figures in below table.

		Gross Balance			
		2018	2017	2018 - 2017	%
		33 758		225	
Electricity	286	33 582 633	653		1%
Water	150	81 539	526	20 502	34%
Sewerage	505	30 499	682	2 279	8%
Refuse	111	34 619	29 547 643	5 071	17%
Sundry	969	7 638	9 355 598	629	-18%
Housing	849	3 532	3 747 527	678	-6%

		5 754		-187	
Other	173		5 941 536	363	-3%
		197 342		25 960	
Total	043		171 381 384	659	15%

Impairment Allowance				
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		<u>2018</u>	<u>2017</u>	<u>2018 - 2017</u>	<u>%</u>
		2 326		-142	
Electricity	481		2 469 210	729	-6%
		46 365		14 462	
Water	271		31 903 270	001	45%
		23 238		2 021	
Sewerage	292		21 216 719	573	10%
		26 915		5 056	
Refuse	614		21 856 957	657	23%
		5 575		-1 810	
Sundry	929		7 386 013	084	-25%
		3 532		-214	
Housing	849		3 747 527	678	-6%
Other					0%
		107 954		19 372	
Total	436		88 581 696	740	22%

	Gross Balance Increase	Impairment Allowance Increase	Impairment Inc % of Gross Increase
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		225		
Electricity	653		-142 725	0%
		20 502		
Water	526		14 462 001	71%
		2 279		
Sewerage	682		2 021 573	89%
		5 071		
Refuse	468		5 056 657	100%
		-1 716		
Sundry	629		-1 810 084	105%
		-214		
Housing	678		-214 678	100%
Other	363		-	0%

	25 960		
659		19 372 740	75%

Page 42: Note 6, Ageing of debtors by customer classification.

- Impairment allowance against Rates Industrial/Commercial is R 14 164 131. This does not seem correct as the arrears in periods exceeding 0-30 days is only R 6 038 517.

Page 71: Finance costs

- Why is "Provision for the rehabilitation of landfill site" R 8 017 938 recorded as a Finance Cost??

Page 112: Statistical Information

- Properties of Transnet/Spoornet/Portnet are reflected at no valuation?
 - o This means they do not contribute to the municipal rates and taxes; despite using significant resources!
 - o Why?
- Population is reflected as 111 173 for both 2017/18 and 2016/17. This cannot be correct.

I trust you will reflect, correct and respond to the few issues highlighted from the 420 pages of information provided.

Yours truly



Johan Bleeker

Vice-Chairman of the Langebaan Ratepayers and Residents Association

Report of the auditor-general to the Western Cape Provincial Parliament and council on Saldanha Bay Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Saldanha Bay Municipality set out on pages 7 to 109, which comprise the statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saldanha Bay Municipality as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2017 were restated as a result of errors in the financial statements of the municipality at, and for the year ended 30 June 2018.

Material losses/ impairment

8. As disclosed in the statement of financial performance, the municipality wrote off bad debts amounting to R28,7 million (2016-17: R28,5 million).

9. As disclosed in note 6 to the financial statements, the municipality provided for the impairment of trade and other receivables from exchange transactions amounting to R108,0 million (2016-17: R98,6 million).
10. As disclosed in note 6 to the financial statements, the municipality provided for the impairment of trade and other receivables from non-exchange transactions amounting to R64,6 million (2016-17: R53,1 million).
11. As disclosed in note 63 to the financial statements, material electricity losses to the amount of R27,4 million (2016-17: R29,3 million) were incurred, which represents 10,58% (2016-17: 11,06%). This was due to technical losses caused by the nature of electricity and the manner of its distribution as well as non-technical losses such as theft and vandalism.

Material underspending of budget

12. As disclosed in note 61.2 to the financial statements, the municipality has materially underspent the budget on capital expenditure to the amount of R81 million (25%).

Other matters

13. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure note

14. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion thereon.

Unaudited supplementary

15. The supplementary information set out on pages 110 to 110C does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting officer for the financial statements

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Dora, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
17. In preparing the financial statements, the accounting officer is responsible for assessing the Saldanha Bay Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objectives presented in the annual performance report of the municipality for the year ended 30 June 2018:

Strategic objectives	Pages in the annual performance report
Strategic objective 4 – to develop socially integrated, safe and healthy communities	12 - 16
Strategic objective 5 – to maintain and expand basic infrastructure for economic development and growth	19 - 22
Strategic objective 7 – to be a transparent, responsive and sustainable decentralised administration	8 - 11

23. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
24. I did not raise any material findings on the usefulness and reliability of the reported performance information for these objectives:
- Strategic objective 4 – to develop socially integrated, safe and healthy communities
 - Strategic objective 5 – to maintain and expand basic infrastructure for economic development and growth
 - Strategic objective 7 – to be a transparent, responsive and sustainable decentralised administration

Other matter

25. I draw attention to the matter below.

Achievement of planned targets

26. Refer to the annual performance report on pages 8 to 11, 12 to 16 and 19 to 22 for information on the achievement of planned targets for the year.

Report on the audit of compliance with legislation

Introduction and scope

27. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
28. The material findings on compliance with specific matters in key legislations are as follows:
- #### Procurement and contract management
29. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with construction industry development Board (CIDB) regulations 17 and 26(7A).
30. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by municipal supply chain management (SCM) regulation 19(a).

Other Information

31. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported in this auditor's report.
32. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
33. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
34. If based on the work I have performed, I conclude that there is a material misstatement in this other information, I am required to report that fact.
35. I have nothing to report in this regard.

Internal control deficiencies

36. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

Compliance monitoring

37. The CIDB grading determines the maximum tender value that a contractor is capable of undertaking. Management awarded tenders to contractors that did not qualify for the contract in accordance with CIDB regulations as they deducted contingencies from the tendered value.
38. Management replaced contractors without following a competitive bidding process as required by the SCM regulations. Management evaluated responsive bidders that were part of the initial bidding process without following SCM regulations.

Auditor - General

Cape Town

30 November 2018



Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected strategic objectives and on the municipality's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
 - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Saldanha Bay Municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Gowabe, Sundiso

From: [AmhloSibulele <SibuleleA@safrica221.com>](mailto:AmhloSibulele@safrica221.com)
 Sent: Friday, 03 March 2017 11:35
 To: Gowabe, Sundiso; Mgqo, Ananya; Kowale, Zibed
 Ce: Voster, Stefan; Fochs, Ignatius (SAC); Cdu, (Wu) (SAC)
 Subject: Salidatso: MPAC
 Attachments: MPAC Briefing doc - Salidatso - 2017-18 New.pdf; Audit Report - Salidatso Bay Municipality.pdf

Hi Sundiso

Find attached

- MPAC presentation
- Amended audit report

Re: 7

The sentence included a word "year" after "as a result of error"
 We removed the word "year", because it did not read right

Re: 10

The original report on the municipality's website was updated and the discrepancies reported in the audit report had been corrected

- Based on review of published annual report I noted in chapter 8.2 – the deviations finding was included in the findings that impacted the opinion. This is incorrect I will inform you by Monday latest, if there is any further adjustments needed

Regards

Sibulele Amhlo (SAC)

Audit Director - Western Cape - Auditor-General of South Africa
 Tel: +27(0)21 828-4184 - Fax: +27(0)21 828-4200 - Mobile: +27(0)72 202 1562 - Email: sibuleleamhlo@sa.gov.za

Asking to help protect confidence



Please consider the environment before printing this email

Annual Report tabled in Council in January 2019



CHAPTER 6: AUDITOR-GENERAL AUDIT FINDINGS

6.1 Auditor-General Reports 2016/17

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Page 296 of 301 pages 2017/18

6.2 Auditor-General Reports 2017/18

Issue	Details
Supply Chain Management: No Continuation Indicators Development Board (IG) report - Audit of the process. Tender Value of R 100 million	The process prescribed in a regulation of the Supply Chain Management Act 2015 was not followed and compliance certificates were not issued for the procurement process.
Supply chain management: awards process - no new suppliers registered in the procurement process	The process prescribed in a regulation of the Supply Chain Management Act 2015 was not followed and compliance certificates were not issued for the procurement process.
Supply chain management: no new suppliers registered in the procurement process	Monthly reviews were not conducted with the year-to-date register.

Page 297 of 301 pages 2017/18



* Replacement page for
pg 243 as amended

Annual Report to be adopted by Council in March 2019

CHAPTER 6 – AUDITOR-GENERAL AUDIT FINDINGS

6.1 Auditor General Reports 2016/17

2016/17	
Table 286: AG Report 2016/17	

6.2 Auditor General Reports 2017/18.

2017/18	
Table 297: AG Report 2017/18	
Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with construction industry development Board (CIDB) regulations 17 and 25(7A).	The process prescribed in Regulation 25 of the CIDB Regulations will be documented and considered during each phase of the competitive bidding process for CIDB tenders.
Some of the goods and services of a transaction value above R200 000 relating to replacement of suppliers were procured without inviting competitive bids, as required by municipal supply chain management (SCM) regulation 19(a).	The appropriate process in terms of the SCM regulations and policy adopted by Council depending on the circumstance will be followed to prevent any possible irregular expenditure and non-compliance with the regulations in future.

Table 297: AG Report 2017/18

The municipality was issued with the audit report on 30 November 2018 reflecting that the municipality lost its clean audit status as a result of the non-compliance paragraphs above which were evaluated to be qualitatively material. On 7 December 2018, the municipality lodged a complaint with the Risk and Ethics Business Unit (R&E) of the Auditor-General of South Africa about the evaluation of non-compliance with SCM regulation 19(a) and CIDB regulations 17 and 25(7A) as qualitative material non-compliance to be reported in the audit report. The complaint was lodged in terms of section 13(1)(c) of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).

The Auditor-General of South Africa acknowledged the complaint on 12 December 2018 and indicated that the complaint was recorded as a Category 2 Complaint as it pertains to operational matters dealt with during the course of an audit.

On 5 March 2019 the complaints manager indicated that the following actions have been taken to address the complaint:

- R&E sought the audit team comments on the complaint;
- A review of the audit file in relation to the complaint letter was done by R&E;
- A discussion with the Corporate Executive: Audit on the allegation per the complaint was undertaken; and
- R&E is still awaiting a Quality Control Report by the Quality Control Business Unit before they can proceed.

The complaint had not been finalised as at the date of the adoption of the annual report.

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 S 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 2018.

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, four Audit Committee meetings were held.

Other meetings with Internal Audit, Senior Management, RiskCo and the Auditor-General were also held.

Judy Günther	CIA, CPA(SA), CGA Masters In Cost Accounting	1 st term: October 2015	Chairperson	
K'6 Phelarsane	M (MII)	Since 25 July 2012	Member	
Bongeka Mlenzana	LLB Degree - Legal Practise Master of Laws (LLM)	Since March 2018	Member	
Zulpha Abrams	CA(SA), FIIA SAQ, CIA	Since March 2018	Member	

The vacancies on the audit committee were filled during the last quarter of the year. Ms Adams resigned because of presumed conflict of interest.

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from Sections 166 and 168 of the Municipal Finance Management Act (MFMA).

The Audit Committee reports that it has adopted an appropriate forms: 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 discuss unresolved issues that emanated from the regulatory audit. The Municipality has lodged a complaint with the AGSA and is awaiting the outcome of this at the time of the finalization of the annual report.

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 2018. The Audit Committee notes that there has been improvement in internal controls in the areas of financial statements, performance reporting and with overall improvement in the area of compliance with legislation with the exception of the issues raised by the Auditor-General which will be closely monitored.

In line with section 62 (c) (i) 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 2017/18 Internal Audit Plan:

- Risk Management Survey

- Traffic Fines and Administration
- Mscos - 2nd Phase Review
- Debt Collection Management
- DoRA Review – Follow-up on IA Recommendations
- DoRA Review – Follow-up on IA Recommendations 2nd, 3rd Quarters
- Performance Monitoring Review – Follow-up on IA Recommendation
- Performance Monitoring Review - Follow-up on IA recommendations and 2nd, 3rd Quarters
- Solid Waste Compliance Audit

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 maintained the 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 formulated 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. Areas for improvement that need management attention still remain.

Resolving Internal Control Findings

The audit committee noted improvement in the extent of external and internal audit findings resolved, however recurring Internal Audit 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. This depends on the finalisation of a fully implemented enterprise risk management system. The communication and collaboration between the internal and external audit assurance providers can be seen as a positive step in combined assurance.

ASSESSING AUDIT EFFECTIVENESS

The Committee reviews Internal audit quality throughout the year with an emphasis on audit 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. 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 12-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 improved at the municipality. A Risk Committee was established, and meetings were convened. The Audit Committee also notes the improvement in populating the risk registers and will monitor the usefulness of risk registers throughout the Municipality. The strategic risk register for the Municipality has been updated.

CONCLUSION

The Audit Committee 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.



Judy Gunther
Chairperson of the Audit Committee
Date: 7 December 2018

REPORT TO THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

SUBJECT : SUMMARY OF 2017/18 AUDIT FINDINGS AND
CORRECTIVE ACTIONS

DIRECTORATE : ECONOMIC DEVELOPMENT AND STRATEGIC
SERVICES.

AUTHOR : AE DU PLESSIS

CONTACT DETAILS : 022-701 7189

DATE : 4 MARCH 2019

FILE NO : 9/1/1-2017/18

ITEM NUMBER : MPAC 15/3-19

PURPOSE OF THE REPORT

The purpose of this report is to inform the MPAC of the 2017/18 Auditor General findings for SBM and the corrective actions implemented.

DISCUSSION

Attached as Annexure A is a document that summarises the 2017/18 audit findings and also indicates corrective actions that will be implemented to address all matters raised.

RECOMMENDATIONS

It is recommended that:

- i) the report be noted by MPAC;

AE du PLESSIS
SENIOR MANAGER: IPIC

4/3/19

DATE

A

12



SALDANHA BAY
MUNICIPALITEIT (MUNICIPALITY) (MUNISIPALA)

INTERNAL MEMORANDUM

TO: Heinrich Matlier

FROM: Stefan Vorster

DATE: 19 December 2018

RE: Action plan for AGSA audit findings and emerging risks: 2017/18 **PAGES:** 1 (One)

KPI D192 on the SDBIP for the Directorate: Financial Services requires the CFO to develop an action plan to address all the issues raised in the management letter of the Auditor-General and to submit it to the MM for approval. See below:

Item	MM	Unit of Responsibility	KPI Owner	Source of Evidence
D192	Development of an action plan to address all the issues raised in the management letter of the Auditor-General and submit to the MM for approval by 31 December	Approved action plan by the MM	Director: Financial Services	Approved action plan by MM

Attached is the action plan referred to above for your approval.

I have also attached the emerging risks for the 2018/19 audit for your approval.

With your support, that of the EMT and relevant officials, I endeavour to address all the 2017/18 audit findings, as well as the 2018/19 emerging risks by no later than 30 June 2019.

Kind Regards,


 S Vorster
 Chief Financial Officer

19/12/2018
 Date

37
 450

Scoutmaster: [Name]
 Scoutmaster: [Name]

Item	Item Description	By Whom	By When	By How
1	Scoutmaster	Scoutmaster	2018-01-01	By Hand
2	Scoutmaster	Scoutmaster	2018-01-01	By Hand
3	Scoutmaster	Scoutmaster	2018-01-01	By Hand
4	Scoutmaster	Scoutmaster	2018-01-01	By Hand
5	Scoutmaster	Scoutmaster	2018-01-01	By Hand
6	Scoutmaster	Scoutmaster	2018-01-01	By Hand
7	Scoutmaster	Scoutmaster	2018-01-01	By Hand
8	Scoutmaster	Scoutmaster	2018-01-01	By Hand
9	Scoutmaster	Scoutmaster	2018-01-01	By Hand
10	Scoutmaster	Scoutmaster	2018-01-01	By Hand

Item	Item Description	By Whom	By When	By How
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4	Scoutmaster	Scoutmaster	2018-01-01	By Hand
5	Scoutmaster	Scoutmaster	2018-01-01	By Hand
6	Scoutmaster	Scoutmaster	2018-01-01	By Hand
7	Scoutmaster	Scoutmaster	2018-01-01	By Hand
8	Scoutmaster	Scoutmaster	2018-01-01	By Hand
9	Scoutmaster	Scoutmaster	2018-01-01	By Hand
10	Scoutmaster	Scoutmaster	2018-01-01	By Hand

Table with 4 columns: ID, Description, Date, and Status. Row 1: 101, [unclear], 12/24/83, [unclear]

Table with 4 columns: ID, Description, Date, and Status. Row 1: 102, [unclear], 12/24/83, [unclear]. Row 2: 103, [unclear], 12/24/83, [unclear]. Row 3: 104, [unclear], 12/24/83, [unclear].

Table with 4 columns: ID, Description, Date, and Status. Row 1: 105, [unclear], 12/24/83, [unclear]. Row 2: 106, [unclear], 12/24/83, [unclear]. Row 3: 107, [unclear], 12/24/83, [unclear].

Table with 4 columns: ID, Description, Date, and Status. Row 1: 108, [unclear], 12/24/83, [unclear]. Row 2: 109, [unclear], 12/24/83, [unclear]. Row 3: 110, [unclear], 12/24/83, [unclear].

DATE	BY	FOR	REASON	STATUS	DATE	BY	FOR	REASON	STATUS
10	20	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%
11	20	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%
12	14	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%
13	14	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%
14	14	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%
15	14	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%
16	14	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%
17	14	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%
18	14	Parliamentary	Completed	100%	10/15/88	10/15/88	10/15/88	10/15/88	100%

RECORDED

10/12/88

DATE

10/12/88

DATE

APPROVED

NOT APPROVED

10/12/88

DATE

Administrative
 Information
 Project Description

Project Name	0
Project Number	1
Project Status	2
Project Type	3
Project Location	4

Project Name	0
Project Number	1
Project Status	2
Project Type	3
Project Location	4

Item	Description	Quantity	Unit	Material	Remarks
1	Concrete for foundation	100	cubic yards	100	Concrete for foundation, 100 cubic yards.
2	Reinforcing steel for foundation	100	linear feet	100	Reinforcing steel for foundation, 100 linear feet.
3	Formwork for foundation	100	square feet	100	Formwork for foundation, 100 square feet.
4	Excavation for foundation	100	cubic yards	100	Excavation for foundation, 100 cubic yards.
5	Backfill for foundation	100	cubic yards	100	Backfill for foundation, 100 cubic yards.
6	Foundation for foundation	100	square feet	100	Foundation for foundation, 100 square feet.
7	Concrete for foundation	100	cubic yards	100	Concrete for foundation, 100 cubic yards.
8	Reinforcing steel for foundation	100	linear feet	100	Reinforcing steel for foundation, 100 linear feet.
9	Formwork for foundation	100	square feet	100	Formwork for foundation, 100 square feet.
10	Excavation for foundation	100	cubic yards	100	Excavation for foundation, 100 cubic yards.
11	Backfill for foundation	100	cubic yards	100	Backfill for foundation, 100 cubic yards.
12	Foundation for foundation	100	square feet	100	Foundation for foundation, 100 square feet.
13	Concrete for foundation	100	cubic yards	100	Concrete for foundation, 100 cubic yards.
14	Reinforcing steel for foundation	100	linear feet	100	Reinforcing steel for foundation, 100 linear feet.
15	Formwork for foundation	100	square feet	100	Formwork for foundation, 100 square feet.
16	Excavation for foundation	100	cubic yards	100	Excavation for foundation, 100 cubic yards.
17	Backfill for foundation	100	cubic yards	100	Backfill for foundation, 100 cubic yards.
18	Foundation for foundation	100	square feet	100	Foundation for foundation, 100 square feet.
19	Concrete for foundation	100	cubic yards	100	Concrete for foundation, 100 cubic yards.
20	Reinforcing steel for foundation	100	linear feet	100	Reinforcing steel for foundation, 100 linear feet.
21	Formwork for foundation	100	square feet	100	Formwork for foundation, 100 square feet.
22	Excavation for foundation	100	cubic yards	100	Excavation for foundation, 100 cubic yards.
23	Backfill for foundation	100	cubic yards	100	Backfill for foundation, 100 cubic yards.
24	Foundation for foundation	100	square feet	100	Foundation for foundation, 100 square feet.
25	Concrete for foundation	100	cubic yards	100	Concrete for foundation, 100 cubic yards.
26	Reinforcing steel for foundation	100	linear feet	100	Reinforcing steel for foundation, 100 linear feet.
27	Formwork for foundation	100	square feet	100	Formwork for foundation, 100 square feet.
28	Excavation for foundation	100	cubic yards	100	Excavation for foundation, 100 cubic yards.
29	Backfill for foundation	100	cubic yards	100	Backfill for foundation, 100 cubic yards.
30	Foundation for foundation	100	square feet	100	Foundation for foundation, 100 square feet.

Section	Comments	Remarks	Date
1.00	<p>The contractor's response to items that require further clarification by the Engineer shall be submitted to the Engineer within 10 business days of the date the items are identified. The contractor shall also submit a copy of the response to the project file.</p> <p>The contractor shall also submit a copy of the response to the project file.</p>		11/10/07
2.00	<p>The contractor shall submit a copy of the response to the project file.</p> <p>The contractor shall submit a copy of the response to the project file.</p>		

APPROVED
 DISAPPROVED
 [Signature]
 PROJECT MANAGER

8/22/07
 [Signature]
 DATE



SALDANHA BAAI
BAY
MUNISIPALITEIT | MUNICIPALITY | UMASIPALA

MINUTES

OF THE MEETING FOR

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING

HELD ON

14 MARCH 2019

AT

10:05

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 14 MARCH 2019 AT 10:05**

PRESENT:

Councillor T Khulu	Chairperson
Councillor S Scholtz	
Councillor A Truter	
Councillor G Kordom	
Councillor T Salman	

ALSO:

Alderman M Koen	Executive Mayor
Councillor O Daniels	Speaker
Councillor E Mankay	
Councillor G Girmane	

OFFICIALS:

H Mettler	Municipal Manager
G Smith	Director: Infrastructure & Planning Services
S Vorster	Director: Finance Services
A Oberholster	Acting Director: Corporate Services & Public Safety
JG Marais	Director: Community & Operational Services
R Toesie	Acting Director: Economic Development & Strategic Services
T Williams	Senior Manager: Financial Operation
S Gowabe	Financial Manager: AFS, Assets & Returns
M Hermanus	Enterprise and Risk Coordinator
M Msolo	Senior Manager: Internal Audit
A du Plessis	Senior Manager: IDP, PMS, IGR & Community Development
Z Korasie	Assistant Manager: AFS & Returns
A Meyer	Manager: Administrative & Supporting Services
A Van Schaalkwyk	Committee Officer

OTHER:

I Fourie	Auditor General
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INDEX

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MPAC 12/3-19	LEAVE OF ABSENCE	4
MPAC 13/3-19	DECLARATION OF INTEREST WITH REGARDS TO MATTERS FOR CONSIDERATION IN THIS AGENDA	4
MPAC 14/3-19	CONFIRMATION OF MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON 7 MARCH 2019 (MINUTES ATTACHED AS ANNEXURE 'A' TO THE AGENDA)	4
MPAC 14(a)/3-19	PRESENTATION BY THE AUDITOR-GENERAL'S OFFICE: EXECUTIVE SUMMARY ON THE AUDIT OUTCOME	4
MPAC 15/3-19	SUMMARY OF 2017/18 AUDIT FINDINGS AND CORRECTIVE ACTIONS	5
MPAC 16/3-19	OVERSIGHT REPORT ON 2017/18 ANNUAL REPORT	5

- MPAC 10/3-19 OPENING
- The Chairperson, Councillor T Khulu opened the meeting by welcoming everyone present.
- MPAC 11/3-19 OFFICIAL ANNOUNCEMENTS
- None.
- MPAC 12/3-18 LEAVE OF ABSENCE
- None.
- MPAC 13/3-18 DECLARATION OF INTEREST WITH REGARDS TO MATTERS FOR CONSIDERATION IN THIS AGENDA
- None
- MPAC 14/3-18 CONFIRMATION OF MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON 7 MARCH 2019
- RESOLVED**
- That the minutes of the Municipal Public Accounts Committee meeting held on 7 March 2019 be confirmed.

Councillor T Salman joined the meeting at 10:10.
The Executive Mayor, Alderman M Koen and the Director, Infrastructure & Planning Services, Mr G Smith joined the meeting at 10:13.

- MPAC 14(a)/3-19 PRESENTATION BY THE AUDITOR-GENERAL'S OFFICE: EXECUTIVE SUMMARY ON THE AUDIT OUTCOME
- Mr I Fourie from the Auditor-General's Office presented an executive summary on the audit outcome as contained in Addendum 1 of the agenda. An opportunity for questions / comments was allowed.

Mr M Hermanus left the meeting at 10:30.

MPAC 15/3-19

SUMMARY OF 2017/18 AUDIT FINDINGS AND CORRECTIVE ACTIONS

(9/1/1-2017/18)

(Report of the Directorate Economic Development & Strategic Services)
(AE du Plessis)

RESOLVED

This item was dealt with under item MPAC 16/3-19 and included as Annexure F in the item.

MPAC 16/3-19

OVERSIGHT REPORT ON 2017/18 ANNUAL REPORT

A3 Hard copies were distributed of the AG's findings as included in Annexure 'F' to the report (A4 version).

RESOLVED

- i) that the following amendments to the draft 2017/18 annual report be noted:
 - a) replacing page 243 with the page as included in Annexure 'D' to the report;
 - b) the amendments as indicated in the email from AGSA's office, attached as Annexure 'C' to the report;
 - c) the report from AGSA on the audit outcome, attached as Annexure 'B' to the report be noted and that it be noted that this report replaces the report from AGSA contained in the draft 17/18 Annual report as pages 411-417;
- ii) that the comments received from the Langebaan Ratepayers and Resident Association, attached as Annexure 'A' to the report be noted;
- iii) that the report from the Audit Committee as included as Annexure 'E' to the report be noted and that it be noted that this report has also been included as Annexure 'C' to the draft 17/18 Annual report as published on 31 January 2019 for comment;
- iv) that it be noted that a complaint has been lodged to AGSA regarding the evaluation of non-compliance with SCM regulation 19 (a) and CIDB regulations 17 and 25 (7A);
- v) that it be noted that a feedback report will be submitted to MPAC once final feedback has been received from AGSA;

- v) that it be noted that control measures have been implemented for both regulation 25 (7) and 25 (7A) of the CIDB in each phase of the Supply Chain Management process as well as SCM regulation 19 (a);
- vi) that it be noted that the Municipal Manager will liaise with SA Stats regarding updated statistics on the population of Sekakeba Bay Municipality;
- vii) that the oversight report on the draft 2017/18 Annual Report as well as the final Annual Report (taking the amendments/comments referred to in i) – vi) above be adopted and approved by Council without reservations;
- ix) 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 of 2003;
- x) that the corrective action that will be implemented as reflected in the Audit findings (Annexure 'F' to the report), be noted;
- xi) that the oversight report and the 2017/18 Annual Report be submitted to the provincial legislature by the Municipal Manager in accordance with section 132 (2) of the Local Government Municipal Finance Management Act of 2003.

The meeting adjourned at 10:40.

Confirmed

CHAIRPERSON

DATE



**Western Cape
Government**

Provincial Treasury

Mr Ashley Rasool
Local Government Budget Office
Email : ashley.rasool@westerncape.gov.za
tel: +27 021 483 8952 fax: +27 21 483 4680

The Municipal Manager
Saldanha Bay Municipality
PO Box X12
Vredenburg
7380

For Attention: Mr H Mettler

PROVINCIAL TREASURY COMMENTS ON THE TABLED 2017/18 ANNUAL REPORT

1. INTRODUCTION

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

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

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.

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 the *Saldanha Bay Municipality* with the MFMA and Annual report MFMA Circular 63 as follows:

- a. The Municipality submitted the draft 2017/18 Annual Report Performance Report together with the annual financial statements (AFS) to the Auditor General by 31 August 2018.

- b. The unaudited annual report was not tabled before 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 30 January 2019 which is within 7 months after the end of the financial year in accordance to MFMA section 121(f).
- d. Although the tabled annual report is available on the municipal website, it could not be ascertained when exactly the report was uploaded in accordance with section 75 of the MFMA.

2.2 Format of the Annual Report as per MFMA Circular 63

Although certain components were omitted, the tabled annual report has mostly been compiled in line with the format proposed by MFMA Circular 63. Circular 63 does however specifically require a self list of appendices to be attached to the annual report. These appendices were not attached.

3. SERVICE DELIVERY PERFORMANCE

Actual performance against pre-determined objectives and associated strategic objectives set in the top-layer SDBIP has clearly been presented on Page 61. In terms of the overall purpose of Chapter 3 as prescribed by Circular 63, the Municipality reported adequately in terms of its service delivery performance.

Strategic Objective	Number of targets achieved	Number of targets not achieved	% achieved	Total
To be a transparent, responsive and sustainable decentralised administration	11	4	73.3	15
To be an innovative municipality through technology, best practice and learning culture.	4	1	80.0	5
To develop socially integrated, safe and healthy communities	6	9	40.0	15
To diversify the economic base of the municipality through industrialisation, co-regulation, investment facilitation, tourism development with all the same time nurturing traditional economic sectors	2	1	66.7	3
To embrace a nurturing culture amongst our team members to gain trust from the community.	1	0	100.0	1
To ensure an effective communication system (Media newsletter, marketing, e-portal to clients, participation, internet).	0	1	0.0	1
To ensure compliance as prescribed by relevant legislation.	0	2	0.0	2
To facilitate an integrated transport system	0	2	0.0	2
To maintain and expand basic infrastructure for economic development and growth	4	11	26.7	15
To provide and maintain superior decentralised consumer services (Water, sanitation, sewage, storm water, waste management and electricity.)	3	1	75.0	4
TOTAL	37	32	49.2	69

Overall, the Municipality only achieved 31 out of 63 targets (49.2 per cent) set for the year under review. This equates to a 50.8 per cent variance between planned and actual performance which falls outside of the acceptable norm.

Of particular concern is the performance against the strategic objective "To develop socially, integrated, safe and healthy communities", which recorded a 40.0 per cent success rate in terms of targets met. This naturally is a cause for concern given the wider implications of the distribution of free basic services to indigent households.

The performance against strategic objective "to maintain and expand basic infrastructure for economic development and growth." (26.7 per cent) is another area of concern. The impact of selected infrastructure services on growth and development has been well researched internationally. It shows a strong relationship between investment in infrastructure and growth, even though the nature and direction of the causal relationship is often debated. The exact impact on poverty and inequality remains elusive. Nevertheless, there appears to be consensus that, under the right conditions, investment in basic infrastructure does contribute to reducing inequality and poverty. There are several ways, at least theoretically, in which basic infrastructure can affect growth, poverty and inequality. It is therefore of critical importance for the Municipality to improve its performance against this objective.

4. CONCLUSION AND RECOMMENDATIONS

From an overall compliance perspective, the Municipality timeously adhered to the prescripts of the MFMA that outline the development, tabling, submission and publication of the annual report. Although the annual report contains most of the components required by MFMA Circular 63, it notably omits the prescribed appendices.

The tabled annual report is informative and provides a detailed overview of financial as well as non-financial performance for the year under review.

Kind regards



MR M BOOYSEN
SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT
DATE: 20 March 2019