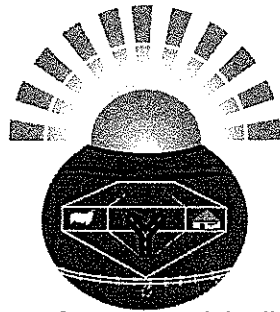


UMSOBOMVU

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Umsobomvu Municipality
Continuously Rising

OVERSIGHT REPORT ON THE 2015/16 ANNUAL REPORT

REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON IT'S OVERSIGHT ROLE WITH REGARD TO THE 2015/16 DRAFT ANNUAL REPORT

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1. CHAIRPERSON'S FOREWORD

The recent years and especially running up to the 2016 local elections, we have seen protest action throughout the country as a regular occurrence in the local government environment we operate in and where we execute our constitutional mandate. Umsobomvu Local Municipality has been very fortunate as no real protests were recorded during the oversight period. Programmes, projects and actions plans are taken up in our Integrated Development Plan (IDP) to comprehensively address our communities' and citizens' needs and expectations. Our responsibility now is to ensure that these projects, programmes and action plans are sustainable and service delivery is enhanced to ensure that all our citizens' lives are enriched, that we uplift our communities socially and financially in a sustainable manner.

This year, for the fourth time, Umsobomvu Local Municipality subjected its Annual Report to the scrutiny of an Oversight Committee appointed by Council. The Third Council of ULM was the first Council to initiate and complete such a process which is another example of our commitment to outstanding financial and operational performance, oversight and accountability. The forth Council elected in August 2106 will be following this tradition albeit with minor adjustments.

As noted in our Oversight Report, Umsobomvu Local Municipality's 2015/16 Annual Report contains many positive elements and is a significant improvement over previous years' reports as it complies with the National Treasury guidelines in most areas. But we also note areas of deficiency indicated by the Auditor General and challenges that remain to be addressed. We encourage and are ready to support the Mayor and Municipal Manager and his personnel in continuing ULM's record of continuous improvement by addressing the issues noted in our Report.

All in all, the year under review has been one of steady progress despite the many challenges encountered during the period in overview.

On behalf of the current Councillors serving on the Municipal Public Accounts Committee, I would like to congratulate the Mayor, Councillor N. L. Hermans and Councillors serving on the Municipal Public Accounts Committee of the Third Council as well, the current Mayor, Honourable Councillor M.S. Toto, the Municipal Manager, Mr A. C. Mpela, and his staff for the significant success that is demonstrated by the 2015/16 Annual Report.

On behalf of the Oversight Committee,

COUNCILLOR M.A. SESTILE
CHAIRPERSON: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

1. CHAIRPERSON'S FOREWORD

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On behalf of the Oversight Committee,



COUNCILLOR M.A. SESTILE
CHAIRPERSON: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

2. OVERVIEW AND PROCESS

The Constitution of the Republic of South Africa, 1996 (S152) states that:

“(1) The objects of local government are –

- a) To provide democratic and accountable government for local communities;*
- b) To ensure the provision of services to the communities in a sustainable manner;*
- c) To promote social and economic development*
- d) To promote a safe and healthy environment*
- e) To encourage the involvement of communities and community organisations in the matters of local government”*

Sub-section (2) qualifies within which parameters a municipality must carry out its mandate. It states that *“A municipality must strive, within its financial and administrative capacity, to achieve the objects set out in subsection (1)”*.

The Annual Report gives further expression to these Constitutional provisions by:

- ❖ Providing a record of the activities of the municipality during the financial year.
- ❖ Providing a report on performance against the budget; and
- ❖ Promoting accountability to the local community for the decisions made throughout the year.

Council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution, the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA) and Municipal Systems Act, 2000 (Act 32 of 2000) (MSA).

The Speaker, or Mayor (in the case of Umsobomvu it is the same position) must submit to Council the Annual Report that provides a record of the activities of the municipality, a report on the performance against the budget of the municipality and thereby promoting accountability to the local community for the decisions made throughout the year, as envisaged by Section 152(1)(d) of the Constitution.

The Municipal Public Accounts Committee therefore, in the execution of its mandate, should check whether the information contained in the Annual Report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon.

“The MFMA now requires the municipality to report on all aspects of performance providing a true, honest and accurate account of the goals set by council and the success or otherwise in achieving these goals” (MFMA Circular 11 dated 14 January 2005)

The approval of the Annual Report means that the executive and administration have discharged in full, their accountability for decisions and actions and that their performance meets the criteria set by performance objectives and measures and is also acceptable to the community.

In accordance with the provisions of Section 79 (1) (a) (b) and (c) of the Municipal Structures Act 1998 a municipality may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and appoint the members of such committee from among its members.

Furthermore Section 79(2) of the Municipal Structures Act, 1998 (Act 117 of 1998) provides the framework and guidelines within which such committees of council shall operate. During the 2009 conference of the Association of Public Accounts Committee (APAC) a resolution was taken stating that the conference supports the establishment of Municipal Public Accounts Committees (MPACs) in each municipality in the country as part of improving financial management and accountability at local level.

Thus in order to enhance, promote and consolidate the oversight role of the Council over the executive, the Department of Cooperative Governance and Traditional Affairs, having consulted the National Treasury and SALGA, has instructed that all municipalities establish MPACs. The focus of the MPAC will be to assist Council to hold the executive to account and to ensure the effective and efficient use of municipal resources.

The 2015/16 Draft Annual Report was tabled to Council on the 31st of January 2017 in compliance with Section 127 (2) of the Municipal Finance Management Act, 56 of 2003.

The Municipal Public Accounts Committee is a Section 79 Committee established by Council in terms of Section 79 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) and populated same per Council Resolution 08/08/2017 dated 18 August 2017. The composition of the Committees is as follows:

Composition of the Municipal Public Accounts Committee (MPAC)

Name	Portfolio	Political Affiliation
Councillor M.A. Sestile	Chairperson	African National Congress
Councillor J.P. Matthee	Member	Democratic Alliance
Councillor S.K. Brown	Member	Democratic Alliance

On 10 November 2016 Councillor S.K Brown resigned from the Corporate Services Committee and the Municipal Public Accounts Committee. The resignation has not yet been formally submitted to Council, thus Councillor Brown is technically still a member of MPAC, but she has not participated in any activities of MPAC. Once the resignation has been accepted by Council a vacancy will exist and Council are to fill the vacancy by electing a substitute.

Oversight Committee Support Staff

B.J. Kapp
V. Mokhothu

Snr. Manager: Corporate Services
Section Head: Corporate Services

This Oversight Report is tabled by the Umsobomvu Local Municipality's Public Accounts Committee under the Chairpersonship of Councillor M.A. Sestile.

The Municipal Public Accounts Committee is tasked to review all the activities of the municipality for the period 1st July 2015 to 30th June 2016 and provides guidance in financial matters and assist in maintaining oversight within the broader governance context. Every effort has been made to ensure that the facts are correct and applicable to the mandate of the Municipal Public Accounts Committee.

2.1 Legal Framework

The Municipal Public Accounts Committee is a Section 79 Committee established by Council in terms of Section 79 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended. An Oversight Committee has been populated per Council Resolution 24/08/2011 dated 26 August 2011. This Committee purely functioned as an Oversight Committee for the purposes of producing an Oversight Report on the Annual Report. A Municipal Public Accounts Committee was established by Council per Council Resolution 08/08/2017 dated 18 August 2017 who took responsibility for all MPAC functions.

In accordance with National Treasury's Circular 32, Committee members received the following information to guide and inform members of their roles and responsibilities in carrying out their oversight functions:

- (i) The 2015/16 Annual Report;
- (ii) The Municipal Financial Management Act (MFMA), Pocket Version;
- (iii) National Treasury's Circular 32, The Oversight Report;
- (iv) National Treasury's Circular 11, Annual Report: Guidelines;
- (v) The 2015/16 Integrated Development Plan (IDP);
- (vi) The 2015/16 Service Delivery and Budget Implementation Plan; and
- (vii) The 2015/16 ULM Budget document.

Induction training was presented by SALGA for all new Councillors after election and another session was conducted by the Municipal Manager on Policies and By-Laws. A separate training course was presented to the MPAC members on the Oversight process by the Manager Corporate Services prior to the public hearings.

2.2 Accountability Framework for Local Government

It is important to have a proper understanding of the responsibility framework for municipalities in order to correctly comprehend the purpose of the Oversight Report as it differs from that of the Annual Report and any other reports required from the municipality. The following table displays the nature of the culpability framework for local government:

Responsible body / individual	Responsible for	Oversight over	Accountable to
Council	Approving policy and budget	Mayor	Community

Mayor	Policy, budgets, outcomes, management of/oversight over Municipal Manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	Administration	Mayor (Council)
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial management and operational functions	Municipal Manager

The Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the Municipal Financial Management Act, 2003 (Act 56 of 2003) hereinafter referred to as the MFMA, requires the Council to consider the annual report of its municipality and to adopt an "Oversight Report" containing the Council's comments on the annual report. The Oversight Report must include a statement whether the Council:

- (i) Has approved the annual report, with or without reservations;
- (ii) Has rejected the annual report.

2.3 Community Participation Process

The Committee scheduled three Public Hearing meetings on the 14th February 2017 in Norvalspont, 15th February 2017 in Noupoort and 23rd February 2017 in Colesberg. (minutes of each meeting are attached), to:

- (i) review the results of individual reviews;
- (ii) attempt to reach consensus on each of the issues raised; and
- (iii) to review responses to the Committee's questions of the Municipal Manager and his staff and the community's input about the Annual Report.

Additionally, the Committee solicited other input and comments on the Annual Report by inviting all Councillors to attend the Public Hearings to provide their comments and ask questions about the Annual Report. The community members were invited per official notice published in the local media and on the official notice boards to provide their comments, in writing, and/or by attending public meetings of the Committee.

The Committee also had an opportunity in a formal Council meeting to discuss the Auditor General's comments on the Annual Report and on the Audited Financial Statements in it's Audit Report for the period 1 July 2015 to 30 June 2016. The MPAC Committee also invited the Audit Committee to present the Committees with

their perspective on the Annual Report, and to comment specifically on those report findings related to the performance of the Audit Committee.

The 2015/16 Annual Report was made available to the community and other bodies and same was open for inspection at the following places:

Colesberg: Main Office
 Colesberg Library
 Mongezi Juda Library
 Multi-Purpose Community Centre

Noupoort Noupoort Administrative Office
 Noupoort Library

Norvalspont Norvalspont Administrative Office

Official Website www.umsobomvumun.co.za

3. COMPOSITION OF MPAC

In terms of Council Resolution 08/08/2016 dated 18 August 2016, Council appointed the following Councillors to serve on the MPAC:

Cllr M.A. Sestile (Chairperson)
Cllr J.P. Matthee

The Committee did not co-opt any person to the Committee to assist with its work to consider the Oversight Report.

The Oversight Committee held meetings on the following dates:

14 February 2017 Norvalspont
15 February 2017 Noupoort
23 February 2017 Colesberg

Minutes of these meetings are attached as **Annexures 5 to 7**.

4. FUNCTIONS OF THE MPAC

The functions of the MPAC with regard to oversight are to:

- (i) Undertake a review and analysis of the Annual Report.
- (ii) Invite, receive and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- (iii) Consider written comments received on the Annual Report from the public consultation process.
- (iv) Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.

- (v) Preparation of the draft Oversight Report, taking into consideration the views and inputs of the public, representative(s) of the Auditor General, organs of states, Council's Audit Committee and Councillors.
- (vi) Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.

5. SUMMARY OF POSITIVE ASPECTS OF THE 2015/16 ANNUAL REPORT

The Committee believes the 2015/16 Annual Report reflects a substantial and positive improvement in ULM's annual planning, budgeting and reporting processes. It is a significant improvement over the 2010/11, 2011/12, 2012/13 2013/14 and the 2014/15 Annual Reports adopted by Council in January 2012, January 2013, January 2014, January 2015, 29 January 2016 and 31 January 2017 respectively. The 2015/16 Report complies with all of the MFMA requirements and with National Treasury's guidelines for annual reports, as contained in Circular 11 issued by National Treasury.

The Committee notes, and commends the ULM management team, for preparing a well-organized, informative and readable document, in the format suggested by National Treasury. It also needs to be mentioned that the current format has been replaced with a new standardised format introduced to Council in the 2013/14 financial year and the presentation thereof will gradually improve once all statistical information has been collected and filled out for all the reporting periods. This comparative information is useful tool in assessing improvement, stagnation or deterioration.

6. CONTENT OF THE 2015/16 ANNUAL REPORT

The document's organization is an excellent example of the template that is prescribed by National Treasury in Circular 11, including the extensive Functional Service Delivery Report as contained in Annexure A of Circular 11.

Clearly, a substantial amount of high quality work is reflected in the 2015/16 Annual Report. The Committee notes specifically that most of the information required to be included by the MFMA is included. Specifically, the 2015/16 Annual Report contains the following items:

CHAPTER 1 – MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

Component A: Mayor's Foreword
Component B: Executive Summary

- ❖ Municipal Manager's Overview
- ❖ Municipal Functions, Population And Environmental Overview
- ❖ Service Delivery Overview
- ❖ Financial Health Overview
- ❖ Organisational Development Overview
- ❖ Auditor General Report
- ❖ 2015/16 IDP/Budget Process

CHAPTER 2 – GOVERNANCE

Component A: Political and Administrative

- ❖ National Key Performance Indicators-Good Governance and Public Participation
- ❖ Introduction to Governance
- ❖ Governance Structure

Component B: Intergovernmental Relations

- ❖ Intergovernmental Relations

Component C: Public Accountability and Participation

- ❖ Public Meetings
- ❖ Ward Meetings
- ❖ Functionality of Ward Committee
- ❖ Representative Forums

Component D: Corporate Governance

- ❖ Risk Management
- ❖ Anti-Corruption And Fraud
- ❖ Audit Committee
- ❖ Performance Audit Committee
- ❖ Internal Auditing
- ❖ By-Laws and Policies
- ❖ Communication
- ❖ Website
- ❖ Supply Chain Management
- ❖ Disclosure of Financial Interest

CHAPTER 3

Overview of Performance Within Organisation

Introduction to Strategic Municipal Performance for 2015/16

SERVICE DELIVERY PERFORMANCE (PERFORMANCE REPORT PART I)

Component A: Basic Services

- ❖ Water Provision
- ❖ Waste Water (Sanitation) Provision
- ❖ Electricity
- ❖ Waste Management (This Section To Include: Refuse Collections, Waste Disposal, Street Cleaning and Recycling)
- ❖ Housing
- ❖ Free Basic Services and Indigent Support

Component B: Road Transport

- ❖ Roads
- ❖ Waste Water (Storm water Drainage)

Component C: Planning and Local Development

- ❖ Planning
- ❖ Local Economic Development (Including Tourism and Market Places)

Component D: Community & Social Services

- ❖ Libraries and Museums
- ❖ Cemeteries
- ❖ Child Care; Aged Care; Social Programmes

Component E: Security and Safety

- ❖ Public Safety

Component G: Corporate Policy Offices and Other Services

- ❖ Financial Services
- ❖ Human Resource Services
- ❖ Procurement Services

Component H: Service Delivery Priorities for 21015/16

- ❖ Development of a capable institution to respond to community needs
- ❖ Ensure that the municipality is viable
- ❖ Establish and strengthen governance structures
- ❖ Facilitate economic growth in municipal area
- ❖ Ongoing maintenance of municipal infrastructure
- ❖ Provide appropriate services to all households
- ❖ Provide quality and sustainable municipal infrastructure

CHAPTER 4 – NATIONAL KEY PERFORMANCE INDICATORS – MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT

Introduction to the Municipal Workforce

- ❖ Employment Equity
- ❖ Vacancy Rate
- ❖ Turnover Rate
- ❖ Component B: Managing The Municipal Workforce
- ❖ Policies
- ❖ Injuries, Sickness And Suspensions
- ❖ Performance Rewards

Managing Municipal Workforce

- ❖ Injuries
- ❖ Sick Leave
- ❖ HR Policies and Plans

Capacitating Municipal Workforce

- ❖ Skills Matrix
- ❖ Skills Development – Training Provided
- ❖ MFMA Competencies

Managing the municipal Workforce Expenditure

- ❖ Personnel Expenditure

CHAPTER 5 –FINANCIAL PERFORMANCE

Component A: Statements of Financial Performance

- ❖ Financial Summary
- ❖ Financial Performance per Municipal Function
- ❖ Grants
- ❖ Asset Management
- ❖ Financial Ratios based on Key Performance Indicators

Component B: Spending Against Capital Budget

- ❖ Capital Expenditure: Source of Finance
- ❖ Municipal Infrastructure Grants

Component C: Cash Flow Management and Investments

- ❖ Cash Flow
- ❖ Gross Outstanding Debtors per Service
- ❖ Total Debtors Age Analysis
- ❖ Borrowing And Investments

CHAPTER 6 – AUDITOR GENERAL AUDIT FINDING

Component A: Auditor-General Opinion 2013/14

- ❖ Auditor General Report 2013/14

Component B: Auditor-General Opinion 2015/16

- ❖ Auditor General Report 2015/16
- ❖ List of Abbreviations
- ❖ Annexure A: Audited Financial Statements 2015/16
- ❖ Annexure B: Auditor General's Report 2015/16

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7. SUMMARY OF REPRESENTATIONS RECEIVED FROM BODIES/ INDIVIDUALS

The following table reflects the key written representations received from/made by the respective bodies/individuals relating to the contents of the Annual Report:

Representation Submitted by	Key Issues Raised	Corrective Steps to be Implemented
Councillors	None.	N/A
Auditor General	Emphasis of Matters Unauthorised expenditure.	Prevent unauthorised expenditure by implementing corrective measures in determining

	<p>Irregular expenditure.</p> <p>Material losses and impairment.</p> <p>Restatement of corresponding figures</p>	<p>provisions for impairment on trade debtors and depreciation when the budget is compiled.</p> <p>Prevent irregular expenditure by properly implementing the SCM policy and regulation</p> <p>Investigation to be conducted to locate and address water and electricity losses.</p> <p>Corresponding figures for 2014/14 have been restated due to an error discovered in 2015/16 AFS on various financial statement line items</p>
Audit Committee	None.	
Public input at Public Hearings	See minutes.	
Other spheres of Government	None.	N/A

8. SUMMARY OF ISSUES AND CONCERNS WITH THE 2015/16 ANNUAL REPORT

The List of Issues and Concerns with the 2015/16 Annual Report contains the specific items noted by the Committee. The Committee had a look at the various pieces of legislation and drafted same in a table format to identify compliance and or non-compliance and recommended remedial actions.

Generally, these issues fall into the following categories:

ANNUAL REPORT CHECKLIST

Annual Financial Statements - Section 121(3) & (4) MFMA	For Consideration	Questions	Response	Recommended Corrective Action
<p>121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General</p>	<p>Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the new accounting standards for municipalities.</p>	<p>1. Have the financial statements been included?</p> <p>2. Are the financial statements audited?</p> <p>3. Have the financial statements been prepared in compliance with applicable accounting standards.</p>	<p>1. The Annual Performance Report, Audited Financial Statement and Report have been included in the Annual report.</p> <p>2. The Auditor-General Report on the Financial Statements for 2013/14 is unqualified with matters.</p> <p>3. The Financial Statements are prepared in terms of GRAP compliance</p>	<p>1. No action required</p> <p>2. Audit Action Report has been submitted with the Annual Report</p> <p>3. No action required</p>
<p>121 (3)(a)</p>	<p>The above applies to the AFS of municipal entities.</p>	<p>N/A</p>	<p>N/A</p>	
<p>121 (3)(b) The Auditor-General's reports on the financial statements of the municipality.</p>		<p>1. Is the audit report included in the tabled Annual Report?</p> <p>2. If not, when will the audit report be tabled?</p> <p>3. What are causes of the delays?</p>	<p>1. The Audit Report is included in the Annual Report. The Audit Report was tabled along with the Annual report. The office of the Auditor-General officially handed over the Report on the 1st December 2015 and tabled to Council on the 29th January 2016.</p> <p>2. N/A</p> <p>3. N/A</p>	<p>1. No action required</p>

		4. What actions are being taken to expedite the report?	4. N/A	
121 (4)(b)	The above applies to the AFS of municipal entities.	N/A	N/A	
121 (3)(h) Any explanations be necessary to clarify issues in connection with the financial statements	The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also to points below on information in notes to AFS.	1. Taking into consideration the Audit report and the Audit Committee comments, is sufficient explanation of financial issues contained in the notes to the statements?	The Audit Committee and Performance Audit Committee has submitted their reports respectively	1. No action required
121 (4)	The above applies also to the AFS of municipal entities.	N/A	N/A	

Annual Financial Statements - Section 121(3) & (4) MFMA continue	For Consideration	Questions	Response	Recommended Corrective Action
121 (3)(e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities		<p>1. Has an adequate assessment been included?</p> <p>2. Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?</p> <p>3. Is any other action needed?</p>	<p>1. The report is included in the Annual report, Finance Department/Section of the Annual Report.</p> <p>2. A dedicated section has been set up to deal with the collection of arrears and targets have been set.</p> <ul style="list-style-type: none"> Debtors Age Analysis is captured in the Financial Statements. <p>3. No</p>	<p>1. No action required</p> <p>2. Remedial action already implemented</p> <ul style="list-style-type: none"> No action required
121 (4)(c)	The above applies also to the AFS of municipal entities.	N/A	N/A	
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	The conclusions of the annual audit may be either – An unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; - A qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or -	<p>1. Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</p> <ul style="list-style-type: none"> To what extent does the report indicate serious or minor financial issues? To what extent are the same issues repeated from previous audits? Is the action proposed considered to be adequate to effectively address the issues 	<p>The Annual Audit is unqualified with matters, however, minor management issues were raised and subsequently taken to management for corrective actions to be considered on issues of non-compliance. Refer to Annexure A of the Oversight Draft Report</p> <p>Most of the issues raised in the Management report has been attended to.</p> <p>The Municipality has taken steps ensuring that managers</p>	<p>The Corrective Action Report on the matters is attached in the Audit Committee Report</p>

	<p>The auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. The objective of the municipality should be to achieve an unqualified audit opinion.</p>	<p>raised in the audit report? 2. Has a schedule of action to be taken been included in the annual report with appropriate dates? 3. Has the municipality taken steps to address the issues raised in the Audit Report? 4. Has the Audit Report been forwarded to the MEC?</p>	<p>draw up an action plan to address the issues as raised by the AG report.</p>	
121 (4)(e)	The above applies also to the AFS of municipal entities.	N/A	N/A	
121 (3)(i)&(k) Any information as determined by the municipality, entity or its parent municipality	Review all other information contained in the Annual Report.	1. Is the other information Report, relevant and accurate?	The Annual Report has been tabled in Council and has been made public for comment.	The Auditor General expressed a concern on the usefulness and reliability of information contained under basic service delivery
121 (4)(h)	The above applies also to the AFS of municipal entities.	N/A	N/A	
121 (4)(d) An assessment by the municipal entity's Accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or	Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc.	1. Has the performance met the expectations of Council and the community? 2. Have the performance objectives been met? 3. What explanations have been provided for any non-achievement? 4. What was the impact on the	The Municipality does not have any entities, thus any Performance Agreements with an entity are irrelevant.	

<p>other agreement between the entity and the Municipality</p>	<p>The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. Council should comment and draw conclusions on performance and explanations provided.</p>	<p>service delivery and expenditure objectives in the budget?</p>		
<p>121(3)(J) and 121(4)(G) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and it's entities.</p>	<p>Conclusions on these recommendations and actions required should be incorporated in the oversight report.</p>	<p>1. Have recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? 2. What actions need to be taken in terms of these recommendations?</p>	<p>1. The Audit Committee Reports have been attached.</p>	<p>The Audit Committee submitted a separate report on the AFS</p>

Disclosures – Allocations received and made - Section 123 & 125 MFMA	For Consideration	Questions	Response	Recommended Corrective Action
<p>123(1)(a) Allocations received by the municipality from an organ of state, a municipal entity or another municipality.</p>	<p>The AFS must disclose: 1. Details of allocations received from another organ of state in the provincial or national sphere, municipal entity or another municipality. 2. Any other allocation made to the municipality under Section 214(1)(c) of the Constitution. Council should comment and draw conclusions on information and explanations provided.</p>	<ol style="list-style-type: none"> 1. Have allocations been received by an organ of state, a municipal entity or another municipality disclosed? 2. Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? 3. Does the audit report or the committee recommend any action? 	<p>The disclosure of grants and subsidies in terms of Section 123 of the MFMA, 2003 (Act 56 of 2003) is captured in the AFS. The audit report confirmed all allocations received. No actions were recommended.</p>	<p>No actions were recommended.</p>
<p>123(1)(a) Allocations made by the municipality to an organ of state, a municipal entity or another municipality.</p>	<p>The AFS must disclose: 1. Details of allocations made to another organ of state in the provincial or national sphere, municipal entity or another municipality. 2. Other information as may be prescribed. Council should comment and draw conclusions on information and explanations provided.</p>	<ol style="list-style-type: none"> 1. Have allocations been made to an organ of state, a municipal entity or another municipality disclosed? 2. Does the audit report confirm the correctness of the allocations made? 3. Does the audit report or the committee recommend any action? 	<ol style="list-style-type: none"> 1. No allocations have been made to an organ of state or other municipality. 2. Not applicable. 	<p>No actions were recommended.</p>
<p>125 Other compulsory disclosures and information in relation to</p>	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to</p>	<p>1. Are all the compulsory disclosures contained in the notes to the Annual Financial Statements?</p>	<p>The following amounts owed to the Municipality has been disclosed:</p>	

<p>outstanding debtors and creditors of the municipality and entities.</p>	<p>them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>Other disclosures required; Contributions to organised local labour and amount outstanding at year end.</p> <p>Total amounts paid in audit fees, taxes, levies, duties and pensions and medical aid contributions and whether there were amounts outstanding at year end</p> <p>Name of bank where accounts held and year end balances</p> <p>Summary of investments, held Contingent Liabilities Material irregular, fruitless or wasteful expenditure details of unauthorised expenditure particulars of non-compliance with the MFMA</p> <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information</p>	<p>2. Does the audit report confirm that the disclosures have been made.</p>	<ul style="list-style-type: none"> • Grants received disclosed in the Financial Statement. • Matters of compliance on MFMA Exemptions are outlined • The following were reported: <ul style="list-style-type: none"> - Contingent Liabilities - Material irregular, fruitless or wasteful expenditure - Details of irregular expenditure is attached <p>Information on the bank accounts of the municipality is captured in the notes to the AFS</p> <p>The comments of the Auditor-General are captured in the Auditor-General Report</p>	
<p>123 (1)(c) - (f)</p>	<p>Section 123 of the MFMA and</p>	<p>1. Disclosure on how</p>	<p>1. Allocations received per vote</p>	

<p>Information in relation to the use of allocations received</p>	<p>MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ol style="list-style-type: none"> 1. The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. 2. Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance are to be provided. 	<p>allocations received have been spent per vote</p> <ol style="list-style-type: none"> 2. Has the Municipality complied with the conditions of the grants received? 3. Has the Municipality had any allocation per DORA, delayed or withheld? 4. Does the Audit report or Audit Committee recommend any action? 	<p>are captured in the Financial Statements. Expenditure has not been classified by vote.</p> <ol style="list-style-type: none"> 2. All grants conditions have been complied with. 3. No allocations in terms of DORA were withheld. 4. No action necessary 	
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3. Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this

The Auditor-General will ensure that the audit process included a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received. The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.

DRAFT

Disclosures – Councillors, Directors and Officials in the notes to the Financial Statements - Section 124 MFMA	For Consideration	Questions	Response	Recommended Corrective Action
<p>124(1) & (2) Information relating to benefits paid by municipality and entity to councillors, directors and officials</p>	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <ol style="list-style-type: none"> Salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind; Any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors; Salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; <p>The comments of the Auditor-</p>	<ol style="list-style-type: none"> Have the salaries, allowances and benefits paid to Councillors and the Municipal Manager, CFO and Senior Managers been disclosed? Is there a statement by the Accounting Officer, stating that salaries, allowances and benefits paid to Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution. Have arrears for rates and services owed by Councillors, in which the arrears were for more than 90 days been disclosed including the name of the councillor? Have the salaries, allowances and benefits paid to members of the board of directors, CEO 	<ol style="list-style-type: none"> Salaries and allowances of Councillors, Municipal Manager, CFO and other Senior are disclosed in the AFS. All salaries and allowances of Councillors are within the upper limits as per Government Gazette applicable to the 2015/16 financial year. Councillors arrears for rates are captured in the Financial Statements (Councillor's arrear consumer accounts) N/A - No entities. 	

	<p>General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information</p>	<p>and senior managers of the entity been disclosed?</p>		
<p>Municipal Performance</p>	<p>For Consideration</p>	<p>Questions</p>	<p>Response</p>	<p>Recommended Corrective Action</p>
<p>The annual performance reports of the municipality and entities</p>	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics ect? To what extent has performance achieved targets set by council? Is the council satisfied with the performance levels achieved? Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual</p>	<ol style="list-style-type: none"> 1. Has the performance report been included in the annual report? 2. Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report? 3. Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIPP approved for the financial year? 4. What actions have been taken and planned to improve performance? 5. Is the council satisfied with actions to improve performance? 6. Did the targets set in the budgets, SDBIP agree with the targets set in the performance 	<p>N/A - No entities.</p>	

	<p>report contents? What were the outcomes of public consultation and public hearings? To what extent have actions planned for the previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current of future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p>	<p>contracts of the municipal manager and each senior manager? 7. Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes? 8. Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</p>		
<p>Audit reports on performance</p>	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually.</p>	<p>1. Have the recommendations of internal audit been acted on during the financial year? 2. Have recommendations by the auditor-general been included in action plans to improve performance in the following year?</p>	<p>1. Yes, the recommendation of the Audit Committee, were acted upon, for example, Council had adopted the Audit Plan and Charter. The independence of the Auditors reporting directly to the MM has been strengthened. 2. The Auditor-General has made reference to lack of Performance Audit during the period under review.</p>	
<p>Performance of municipal entities and municipal service providers</p>	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers.</p>	<p>1. Has an assessment been included in the Annual Report on the performance of the municipal entities?</p>	<p>N/A</p>	

<p>For municipal entities – an assessment of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality</p>	<p>This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. Is the council satisfied with the evaluation and conclusions of the municipality? What other actions are considered necessary to be taken by the accounting officers?</p>	<p>2. Has an assessment been included in the Annual Report on the performance of all contracted service providers?</p>	
<p>This is the separate report of the municipal entity an should contain details of service delivery agreements with the municipality and the performance measures therein. Council should consider similar issues to that outlined above for municipal performance of municipal entities. To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP? Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality? What specific actions should be taken by the entity and the municipality to improve performance?</p>	<p>1. Has the entity performed in line with its service delivery agreements? 2. Have the objectives and performance measures of the entity been aligned to the overall strategy of the municipality?</p>	<p>N/A</p>	

General Information	For Consideration	Questions	Response	Recommended Corrective Action
<p>Relevant information on municipal entities</p>	<p>The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.</p>	<p>1. Does the annual Report include detailed information on all municipal entities?</p>	<p>N/A</p>	
<p>The use of any donor funding support</p>	<p>What donor funding has the municipality received? Have the purposes and the management agreements for the funding been properly agreed upon? Have the funds been used in accordance with agreements? Has the use of funds been effective in improving services to the community? What actions need to be taken to improve utilisation of the funds?</p>	<p>1. Has there been disclosure of donor funding received in the Annual Report, if applicable?</p>	<p>No donor funding were received, but donations of property were received from SASSA and same has been disclosed in the AFS..</p>	
<p>Agreements, contract and projects under Private-Public-Partnerships</p>	<p>Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.</p>	<p>1. Have details of all PPP's been disclosed in the Annual Report, if applicable?</p>	<p>No PPP's were entered into during the financial year or are currently running as long term contracts.</p>	

<p>Service delivery performance on key services provided</p>	<p>This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report or in statistical tables.</p>	<p>1. Is there a high level summary detailing the overall performance of the municipality against its strategic objectives</p>	<p>The quarterly performance evaluation of the Municipal Manager and that of Managers reporting directly to the Municipal Managers has been done.</p>	
<p>Information on long-term contracts</p>	<p>Details of all long-term contracts including levels of liability to the municipality should be included, council should ensure all information is correctly supplied.</p>	<p>1. Have all long term contracts been disclosed?</p>	<p>No long term contracts</p>	
<p>Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations</p>	<p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should</p>	<p>1. Have significant IT activities been disclosed?</p>	<p>The Municipality is considering the purchase of the new Financial System to enhance the performance of the Municipality, but that has been postponed to afford National Treasury an opportunity to evaluate all financial systems and make recommendations on suitable systems.</p>	

<p>Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework</p>	<p>be summarised. Council should comment and draw conclusions on the information provided.</p> <p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of the council and needs of the community.</p>	<p>1. Has a summary of the long-term capital plans been disclosed?</p>	<p>The Long-Term Capital Plans have been disclosed, especially in the Technical Section. However, a more detailed plan would be included in future to capture backlogs in terms of (MIG) and Department of Energy (DE).</p>	
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Other considerations recommended	For Consideration	Questions	Response	Recommended Corrective Action
Supply Chain Management Regulations and Policy	Certain disclosures on Supply Chain matters are required to be included in the Annual Report.	<ol style="list-style-type: none"> 1. Was the Annual Report tabled by 31 January, as per legislative requirements? 2. Has a schedule for consideration of the report been adopted? 	<p>The Supply Chain matters has been disclosed</p> <ol style="list-style-type: none"> 1. The Draft Annual Report was tabled to Council 31 January 2017 2. Council adopted the Draft Annual Report 	
Timing of reports		<ol style="list-style-type: none"> 1. What mechanisms have been put in place to prepare the oversight report? 2. Has a schedule for its completion and tabling been adopted? 	<p>A schedule for the adoption of the Oversight Report has been adopted by the Oversight Committee</p>	
Oversight Committee or other mechanism		<ol style="list-style-type: none"> 1. Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council? 2. If so has a proper evaluation of performance been undertaken? 3. Was the evaluation approved by council? 	<ol style="list-style-type: none"> 1. The payment of performance bonuses is subject to the adoption of the Annual and evaluation of managers' performance report by Council. 2. Proper evaluation has been conducted by the Performance Evaluation committee. 3. Evaluation was submitted to Council and subsequently 	
Payment of performance bonuses to municipal officials	Refer to Section 57, MSA as amended. Bonuses based on performance may be awarded to a municipal manager of a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report.			

	<p>The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p>	<p>4. Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?</p> <p>5. Are the payments justified in terms of performance reported in the annual report?</p>	<p>approved.</p> <p>4. Performance Report submitted to Council and approved</p> <p>5. Payments were done in accordance with council approval and outcome of the Performance Assessment.</p>	
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9. RESERVATIONS AND COMMENTS

9.1 Format of Annual Report

A substantial amount of high quality work is reflected in the 2015/16 Annual Report and it is noted by the Committee. The Committee notes specifically that all of the information required to be included by the MFMA is included. The Committee is satisfied with the overall format of the Annual Report and the required Annexures thereto.

9.2 Emphasis of Matters Raise by the Auditor General on the Annual Financial Statements as well as the Annual Report

9.2.1 Material losses and Impairment

Material losses to the amount of R12 217451.00 was disclosed in the AFS compared to R9 242 513.00 in the 2014/15 financial year. This represents an increase of 32.19%. The excessive losses incurred on water and electricity is a concern to the Committee as it escalates year on year and represents huge financial losses to the municipality. Water losses amounted to R7 477 840.00 vs. R4 433 896.00 in the 2014/15 financial year. Electricity losses amounted to R4 739 611.00 vs. R4 808 617.00 in the 2014/15 financial year.

The norm for electrical network losses amounts to 10-15%, and the norm for water losses amounts to 15%.

Trade debtors beyond 120 days caused material impairment to rise from R16 651 423.00 to R31 096 755.00. This escalation is worrying in that a large proportion of debt beyond 120 days is non-recoverable. It is agreed that a sizeable portion of this debt can be written off due to acceptable reasons.

Management's Response

Distribution losses in water and electricity have both financial and non-financial losses. The non-financial losses in the network are due aging. High losses in water are not due to an obsolete network. The reduction in these losses can only be managed as soon as the networks are upgraded.

Impairment of Trade debtors increased due to a change in measurement of the impairment of bad debts, due to the recommendation from the AG to ensure that the provision is more in-line with GRAP.

Unfortunately, the impairment provision also increased due to 2 new areas in Colesberg where the recovery of debts did not take place as desired. Due to the fact that debtors are worse off financially, they are unable to meet their financial responsibilities, this also contributes to the increasing amount of outstanding debtors.

Recommendation

- That (i) a detailed report be submitted to Council on the reasons for the substantial losses and measures to be implemented to bring losses down to the accepted norms;
- (ii) a detailed report be submitted to MPAC to make recommendations thereon to Council on the writing off of debtors who qualify.

9.2.2 Unauthorised expenditure

Unauthorised expenditure to the amount of R20 625 178.00 was disclosed in the AFS compared to R7 145 759.00 in the 2014/15 financial year. This represents an increase of 188.6%.

Management's Response

Impairment of Trade debtors increased due to a change in measurement of the impairment of bad debts, due to the recommendation from the AG to ensure that the provision is more in-line with GRAP. This increase was not budgeted for as the budget was already approved and tabled to council before the above re-measurement was implemented

Recommendation

- That (i) a detailed report be submitted to MPAC to do an investigation on the nature of the unauthorised expenditure;
- (ii) MPAC forward recommendation to Council for authorisation of the unauthorised expenditure.

9.2.3 Irregular Expenditure

In the 2015/16 financial year irregular expenditure amounted to R7 935 462.00 vs R3 041 396.00 in the 2014/15 financial year mainly because of non-compliance with Supply Chain Management policy requirements. It is noted that challenges exist in the obtaining of the required number of quotes due to the limited suppliers in Umsobomvu. This in itself is not the major obstacle as legislation provides for such instances as can be observed from the new Draft SCM policy. Material to the problem is the lack of proper documents to provide to the A.G.

Management's Response

A separate report on irregular expenditure will be submitted to MPAC for investigation and report to council.

Recommendation

- That (i) a detailed report be submitted to MPAC to do an investigation on the nature of the irregular expenditure;

- (ii) MPAC forward recommendation to Council for authorisation of the irregular expenditure.

9.2.4 Restatement of Corresponding Figures
9.2.4.1 Property, Plant and Equipment

During the financial year some figures were misstated due to assets that were included in the AFS which does not belong to the municipality.

Management's Response

No comment, as this matter was corrected during the audit.

Recommendation

That (i) it be noted that the fault has been corrected and that the Committee is satisfied with the explanation.

9.3 Predetermined Objectives

The Committee is concerned that the Auditor General raised concerns with regard to the usefulness and reliability of the reported information with regard to the following:

9.3.1 Ongoing Maintenance of Municipal Infrastructure.

It has been reported by the Auditor General that of the reported achievements against the planned activities 16% of the indicators were not reliable when compared with the evidence provided.

Management's Response

No comment, as this matter was corrected during the audit.

Recommendation

That (i) it be noted that the information has been corrected and adjusted and that the corrections have been submitted to Council at the 31 January 2017 Special Council meeting where the performance report was submitted.

9.3.2 Provision of Appropriate Services to All Households

It has been reported by the Auditor General that of the reported achievements against the planned activities 22% of the indicators were not reliable when compared with the evidence provided.

Management's Response

No comment, as this matter was corrected during the audit.

Recommendation

That (i) it be noted that the information has been corrected and adjusted and that the corrections have been submitted to Council at the 31 January 2017 Special Council meeting where the performance report was submitted.

9.4 Compliance with Legislation

The Committee is concerned that the Auditor General raised concerns with regard to the usefulness and reliability of the reported information with regard to the following:

9.5 Strategic Planning and Performance Management

The performance management system and related controls were inadequate in that it did not describe and represent the progress of performance measurement and reviewed, how it is conducted, organised and managed.

Management's Response

This matter was addressed and implemented.

Recommendation

That (i) it be noted that management is satisfied that the information provided to the Auditor General was sufficient to properly audit the system as the same system is used in a vast number of municipalities.

9.6 Financial Statements Performance and Annual Reports

The financial statements were not prepared in all material respects in accordance with the requirements of Section 122 of the MFMA. Material misstatements of current assets, revenue and expenditure were identified and corrected by the Auditor General which primarily resulted in an unqualified audit opinion.

Management's Response

This paragraph was only included in the AR, because the unauthorised expenditure and irregular expenditure was not written off or recovered on date of presentation. Management will have to table this to MPAC and council before date of presentation and also take reasonable steps to prevent this kind of expenditure.

Recommendation

That (i) a report be submitted to MPAC to make recommendations to Council on the recovery or writing off of unauthorised and irregular expenditure.

9.7 Expenditure Management

Reasonable steps were not taken to prevent unauthorised expenditure and irregular expenditure as require by Section 62(1)(d) of the MFMA.

Management's Response

The reasons for the unauthorised and irregular expenditure have been communicated to the MPAC. Management assured the Committee that stringent measures will be implemented in the 2016/17 financial year to prevent a recurrence of the situation.

Recommendation

That (i) the remedial actions proposed by management be noted.

9.8 Conditional Grants Received

The municipality did not evaluate it's performance in respect of programmes funded by MIG as per Section 12(5) of the DoRA.

Management's Response

Infrastructure projects have been evaluated by the Technical staff but unfortunately adequate records and reports were not kept or provided. Once a project has been completed a proper handover meeting and inspection is arrange to draft a snag list and given to the contractor for remedy.

Recommendation

That (i) it be noted that the Municipal Infrastructure Support Agent (MISA)

through the Municipal Infrastructure Performance Management Information System (MIPMIS) will present training courses for technical staff members on Basics of Municipal Asset Register; and Use of web-enabled Municipal Infrastructure Performance Management Information System (MIPMIS), to assist the municipality in developing MFMA compliant Asset Register (and GRAP 17 report); tracking municipal infrastructure projects' progresses (and GRAP 11 report) and Infrastructure Fault reporting which will address the concerns of the Auditor General.

9.9 Liability Management

An effective system of internal control for liabilities including a liability register was not in place as required by Section 63(2)(c) of the MFMA.

Management's Response

Management submitted all liabilities but it was unfortunately not captured in a register. A register will be compiled in the new financial year.

Recommendation

- That (i) it be noted that although liabilities have not been compiled in a register, all liabilities were recorded and availed to the Auditor General for audit purposes;
- (ii) a liability register be implemented as soon as possible.

9.10 Procurement and Contract Management

Goods and services with transaction value below R200 0000.00 were procured without obtaining the required price quotations as required by Regulation 17(a) of the SCM Regulations.

Goods and services with transaction value above R200 0000.00 were procured without obtaining the required price quotations as required by Regulation 19(a) of the SCM Regulations.

Bid Adjudication Committee was not always composed in accordance with SCM regulation 29(2).

The A.G. could not obtain sufficient information that contracts were awarded based on preference points in accordance with the Preferential Procurement Policy Framework.

Management's Response

Management agree that goods and services up to R200 000.00 could not always be procured by obtaining at least three quotations as there are only one supplier of certain goods available in Umsobomvu. The composition of the bid committees has already been revised to rectify the discrepancies pointed out by the Auditor General.

Recommendation

- That (i) it be noted that goods and services up to R200 000.00 could not always be procured by obtaining at least three quotations as there are for some goods only one supplier;
- (ii) it be noted that the SCM policy has been reviewed to address the problem and rectify the discrepancies and that the review will be submitted Council for approval;
- (iii) it be noted the that Bid Evaluation and Bid Adjudication Committees have already been revised to include a SCM Practitioner.

9.11 Internal Control

The Committee is concerned that reasonable steps were not taken to implement sufficient control measures which are regarded as the basis for the findings of the Auditor General in the Annual Report and the compliance with legislation.

Management's Response

Internal controls have been implemented as per the recommendation by the Auditor General.

Recommendation

That (i) it be noted that management assured the Committee that internal controls will be applied more vigorously.

9.12 Leadership

The Committee is concerned that leadership did not oversee performance reporting, compliance with laws and regulations and internal control. The municipality did not have sufficient monitoring controls to ensure proper implementation of the overall process of planning, budgeting, implementation and reporting relating to the setting of predetermined objectives and the reporting thereon.

Management's Response

The Performance issues have already been implemented.

Recommendation

That (i) the remedial action of management be noted.

9.13 Financial and Performance Management

The Committee is concerned that management did not document and approve internal policies and procedure to address the process of collecting, recording, processing, monitoring and reporting on predetermined objectives.

Management's Response

The Performance issues have already been implemented.

Recommendation

That (i) the remedial action implemented by management be noted.

10. Conclusion

The Committee would like to express its satisfaction with and congratulate management with the unqualified audit report, albeit with emphasis on matters,

received from the Auditor General. The Committee concludes that, despite the major achievement of an unqualified audit report that was received from the Auditor General, improvement is still needed in critical areas such as the issues raised by the Auditor General under the heading "Emphasis of Matters". The Committee is of the view that the Management Team should place a high priority on producing an Annual Report in accordance with the MFMA and National Treasury guidelines, and strive to eliminate the emphasis of matters expressed by the Auditor General.

The Committee would like to express a word of thanks to the Mayor of the Umsobomvu Council, Councillors, the entire management team of Umsobomvu municipality, the Auditor General, Audit Committee and the Internal Audit Section for their support and co-operation in completing the annual report oversight process. The Committee strongly believes that ULM and its citizens will realize substantial and tangible benefits if a similar process is consistently followed in the following years. The Committee is grateful for the opportunity to be of service to municipality and its citizens.

11. Recommended resolution to be adopted by Council, in accordance with MFMA Section 129 (1):

Having performed the following tasks:

- Reviewed and analysed the Draft 2015/16 Annual Report;
- Considered comments and representations received;
- Received and considered Council's Audit Committee's views and comments on the annual financial statements and the performance report; and
- Prepared the draft 2015/16 Oversight Report, taking into consideration the views and inputs from the public, representatives of the Auditor-General, organs of state, Council's Audit Committee, Councillors and the Accounting Officer

The MPAC has pleasure in presenting the Oversight Report to Council to consider the following resolution:

- (i) Council having fully considered the 2015/16 Annual Report of the Umsobomvu Local Municipality for the 2015/16 financial year, adopts the Oversight Report for the 2015/16 financial year;
- (ii) approves the 2015/16 Annual Report without reservations;
- (iii) the rectification of deviations listed in the Annual Report Checklist be included in the performance plans of the Municipal Manager and Managers directly accountable to the Municipal;
- (iv) the oversight process be continued on an on-going basis by means of the Municipal Public Accounts Committee (MPAC), and that the MPAC perform a quarterly review of progress towards meeting ULM's IDP and budget commitments, preparation of the following year's annual report,

implementation of commitments made in response to the prior year's annual report issues, and any other issues as directed by the Council;

- (v) the Oversight Report be made public as provided for in terms of Section 129(3) of the Municipal Finance Management Act, 2003 (Act 56 of 2003);
- (vi) the Oversight Report and the final 2015/16 Annual Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act, 2003 (Act 56 of 2003);
- (v) sufficient budgetary provision is made by Council to address the capacity issues raised in the MPAC Report and those raised by the Auditor General;
- (vi) the "Recommended Corrective Actions" contained in the Checklist and Reservations And Comments be adopted and same be included in the Audit Action Plan.

Councillor Mr M.A. Sestile (Chairperson)

Councillor Mr J.P Mathee

17 March 2017

ANNEXURE A

**MINUTES OF THE OF THE PUBLIC HEARING OF THE 2015/16 ANNUAL
REPORT HELD IN NORVALSPONT 14 FEBRUARY 2017**

1. OPENING AND WELCOME

The Chairperson Clr. M.Sestile opens the meeting with a prayer. The Chairperson extends a word appreciation to community members for responding positively to the requests of the meeting and declares meeting open.

2. ATTENDANCE REGISTER

2.1 Councillors present.

As per the attached Attendance Register

2.2 Applications for Leave of Absence.

3. 2015/16 ANNUAL REPORT

The Chairperson, Clr. M.Sestile briefly discussed the purpose and the importance of the Public Hearing .

The Chairperson highlights the committee's responsibilities as required by the MFMA and National Treasury circulars and also highlights the Legal Framework of the comparison of the performance of the municipality, each external service provider during the financial year and the measures that were taken to improve performance.

The Chairperson also mentions that every municipality and every municipal entity must prepare an Annual Report in accordance with chapter 46 of the Municipal Systems Act. The Annual report promotes accountability of the local government of the decision made through the year by the municipality or municipal entity. The Chairperson tables the Annual Report.

Various operational issues were raised by the community and a list of these issues has been availed to all managers for their attention.

The community members accepted the Oversight Report. On proposal Seriana Ngalimani seconded by Teboho Mohlomonyane the report is approved.

The Chairperson requested the member of the community to close the meeting with a prayer. Mr Templeton does a prayer upon the meeting adjourned at approximately 18.15.

MINUTES APPROVED.....DAY OF2017

COUNCILLOR M.A.SESTILE
CHAIRPERSON MPAC

**MINUTES OF THE OF THE PUBLIC HEARING OF THE 2015/16 ANNUAL
REPORT HELD IN NOUPOORT 15 FEBRUARY 2017**

1. OPENING AND WELCOME

The Chairperson Clr. M. Sestile opens the meeting with a prayer. The Chairperson extends a word of appreciation to community members for responding positively to the requests of the meeting and declares the meeting open.

2. ATTENDANCE REGISTER

2.1 Councillors present

As per the attached Attendance Register

2.2 Applications for Leave of Absence

None.

3. 2015/16 ANNUAL REPORT

The Chairperson, Clr. M. Sestile briefly discussed the purpose and the importance of the Public Hearing.

The Chairperson highlighted the committee's responsibilities as required by the MFMA and National Treasury circulars and also highlights the Legal Framework of the comparison of the performance of the municipality, each external service provider during the financial year and the measures were that taken to improve performance. He also mentions that every Municipality and every municipal entity must prepare an Annual Report in accordance with chapter 6 of the Municipal Systems Act. The Annual report promotes accountability of the local government of the decision made through the year by the municipality or municipal entity. The Chairperson tables the Annual Report.

Various operational issues were raised by the community and a list of these issues has been availed to all managers for their attention.

The community members accepted the Oversight Report.

The Chairperson requested the member of the community to close the meeting with a prayer. Miss. Siphokazi Tshona does a prayer upon the meeting adjourned at approximately 18:05.

MINUTES APPROVEDDAY OF2017

COUNCILLOR M.A. SESTILE
CHAIRPERSON MPAC

**MINUTES OF THE OF THE PUBLIC HEARING OF THE 2015/16 ANNUAL
REPORT HELD IN COLESBERG: 23 FEBRUARY 2017**

No meeting took place because nobody turned up for the meeting.

ANNEXURE D

INVITATION TO SUBMIT COMMENTS ON THE 2015/16 DRAFT ANNUAL REPORT

Notice is hereby given to the general public, interest groups and role-players in terms of Section 21A of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) and Section 127 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) that the Draft Annual Report for the financial year 2015/16 lies open for inspection at the various municipal offices and public Libraries. The public and interest groups are requested to submit written comments on the report to the Municipal Manager on or before 3 March 2017 at close of business. Persons who cannot read or write will be assisted to submit.

UITNODIGING OM VOORLEGGINGS IN TE DIEN OP DIE 2015/16 KONSEP JAARVERSLAG

Kennis geskied hiermee aan die publiek in terme van Artikel 21A van die Plaaslike Regeringswet op Munisipale Sisteme, 2000 (Wet 32 van 2000) en Artikel 127 van die Plaaslike Regeringswet op Munisipale Finansiële Bestuur, 2003 (Wet 56 van 2003) dat die 2015/16 Konsep Jaarverslag ter insae lê by die munisipale kantore en openbare biblioteke. Die publiek en belangegroepe word uitgenooi om skriftelike kommentaar in te dien na die Munisipale Bestuurder oor die verslag voor of op 3 Maart 2017 teen sluit van besigheid. Persone wie nie kan lees of skryf nie sal bystand verleen word om voorleggings te maak.

A.C. MPELA

MUNISIPALE BESTUURDER

Notice No. Kennisgewing Nr 6/2017

Date/ Datum: 1 February / Februarie 2017

ANNEXURE E

UMSOBOMVU MUNICIPALITY: PUBLIC NOTICE

UMSOBOMVU MUNISIPALITEIT: PUBLIEKE KENNISGEWING

2015/16 ANNUAL REPORT – 2015/16 JAARVERSLAG

Members of the public are herewith notified in terms of Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) that the municipality has scheduled Public Hearings on the 2015/16 Annual Report that was made public per notice 7/2017 dated 10 February 2017. These Hearings have the purpose to afford the public an opportunity to present submissions and inputs on the Annual Report.

Lede van die publiek word hiermee in terme van Hoofstuk 4 van die Plaaslike Regering: Munisipale Sisteme Wet, 2000 (Wet 32 van 2000) in kennis gestel dat die munisipaliteit Publieke Verhore gereël het ten opsigte van die 2015/16 Jaarverslag wat geadverteer is per kennisgewing 7/2017, gedateer 10 Februarie 2017. Die Verhore het ten doel om die gemeenskap 'n geleentheid te bied om voorleggings te doen op die Jaarverslag.

The Hearings are scheduled as follows:

Die datums vir die verhore is as volg geskeduleer:

<u>Norvalspont:</u>	14 February / Februarie 2017, Clubhouse/klubhuis at/om 14:00;
<u>Noupoort:</u>	15 February / Februarie 2017, Hutchinson Hall/gemeenskapsaal at/om 14:00;
<u>Colesberg:</u>	16 February / Februarie 2017, Civic Centre/Burgersentrum at/om 14:00

A.C. MPELA

MUNICIPAL MANAGER/MUNISIPALE BESTUURDER

Date/Datum: 10 February/Februarie 2017

Notice Nr./Kennisgewing No.7/2017