

OVERBERG DISTRICT MUNICIPALITY

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



**MINUTES OF THE MPAC
COMMITTEE**

DATE : 18 MARCH 2020

VENUE : ODM, COUNCIL CHAMBER

TIME : 11:00



OVERBERG DISTRICT MUNICIPALITY

MINUTES OF THE SPECIAL MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING (MPAC) HELD ON WEDNESDAY, **18 MARCH 2020 AT 11:00** IN THE COUNCIL CHAMBER, OVERBERG DISTRICT MUNICIPALITY, 26 LONG STREET, BREDASDORP.

1. OPENING AND WELCOMING

The Chairperson, Cllr S Fourie welcomed all present at the meeting.

2. EVACUATION INFORMATION

The evacuation information was noted.

3. APPLICATION FOR LEAVE OF ABSENCE

Application for leave, Ald J Gelderblom and Mr P Oliver.

4. STATEMENTS AND DECLARATION BY THE CHAIRPERSON

None

5. DECLARATION OF INTEREST

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

6. MATTERS FOR CONSIDERATION

6.1 ANNUAL REPORT 2018/2019 – OVERSIGHT

PURPOSE:

To review, analyse the annual report and to discuss the comments received from the public in order to draft an Oversight report to Council for consideration.

BACKGROUND

The draft Annual Report was tabled to Council on 30 January 2020 and resolved as follows:

UNANIMOUSLY RESOLVED: (Proposed by Ald. A Franken and seconded by Cllr L Ntsabo)

- (1) That the tabling of the Annual Report be noted; and
- (2) That the Municipal Manager must in terms of Section 127(5) of the MFMA –
 - (a) Make public the draft Annual Report for the 2016/2017 financial year;
 - (b) Invite the local community and Councillors to submit representations in connection with the Annual Report on or before;
 - (c) Submit the Annual Report to the Auditor-General, the Provincial Treasury, National Treasury and the provincial department responsible for Local Government;
- (3) That the Oversight Committee as appointed by Council proceeds with the process to assess the report before and finalise the oversight report for submission to Council by 30 March 2020; and
- (4) That the Annual Report and Oversight Report be submitted to Council on 30 March 2020 for consideration and adoption.

The Draft Annual Report was advertised in the local newspapers, ODM Facebook, website, ODM notice boards, libraries and Thusong Centres of the local Municipalities. The document was distributed to National Treasury, Provincial Treasury, Department of Local Government, Auditor-General, local Municipalities, offices of the ODM, Libraries and Thusong Centres of the local Municipalities. The closing date for comments was 22 March 2020.

The oversight report is the final major step in the annual reporting process of a municipality. The oversight report on the annual report is a legislative requirement in terms of section 129 of the MFMA and the committee must draft an oversight report with recommendations to Council for consideration.

ATTACHMENTS

- Annual Report
- Comments
- MPAC briefing note

RESOLVED TO RECOMMEND TO COUNCIL

That Council approves the Annual Report 2018/2019 in terms of section 129(1)(a) of the Local Government Municipal Finance Management Act, 2003 without reservation.

7. CLOSURE

The chairperson thanked the committee members for their inputs. The meeting adjourned at 12:15

ANNEXURE “A”

DRAFT ANNUAL REPORT 2018/2019

SECTION 121(3) OF THE MFMA DETERMINES THAT THE ANNUAL REPORT MUST INCLUDE	COMMENT
(a) The Annual financial statements of the municipality, and in addition, if section 122(2) applies the consolidated annual financial statements as submitted to the Auditor-General.	The Annual Financial Statements as submitted to the Auditor General is included in the Annual report as Volume II.
(b) The Auditor-General's audit report is included in the annual report in terms of section 126(3) on those financial statements	The Auditor-General's report is included in the annual report as Appendix K. (page 111 - 116)
(c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act	The Annual Performance report of the Municipality is included in the Annual report, at Chapter 3 (page 24 – 62), Chapter 4 (page 63 – 71) and Chapter 5 (page 72 – 84).
(d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act	The Auditor General's audit report is included in the Annual Report as Appendix N - Chapter 6 (page 85 – 87).
(e) An assessment by the municipality accounting officer of any arrears on municipal taxes and services	ODM do not deal with taxes and services, as intended in section 121(3)(e) – Services are mainly provided by B Municipalities. The service charges alluded to in the financial statements refer to municipal services for the occupants at the Resorts and Landfill site. Chapter 3, Table 42 paragraph 3.13 (page 44)
(f) An assessment by the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year	The assessment referred to in this instance is included in the annual report as Appendix I. (page 104). Calculations are made in terms of a National Treasury template. Calculations of variances are based on the original budget and not the adjustment budget.
(g) Particulars of any corrective actions taken or to be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d)	These particulars are included in the annual report in Chapter 6, Sections 6.1 and 6.2 (page 85 - 87). The remedial actions on the audit report are addressed by a monitoring programme called “OPCAR” (Operation Clean Audit Report).
(h) Any explanation that may be necessary to clarify issues in connection with the financial statements	None

(i) Any information as determined by the municipality	<p>Comments from Province: To take note of the comments. MPAC Agenda 18 March 2020, Annexure F page (59 – 62).</p> <p>The committee considered that no other objections have been received from the public.</p>
(j) Any recommendations on the municipality’s audit committee report	These comments are included in the annual report as Appendix E (page 98 - 100).
(k) Any other information as may be prescribed	<p>It is further noted that the equitable share is not sufficient for effective service delivery.</p> <p>The Committee notes that there has been a regression in the Auditor-General’s opinion as stated on page 111. See also comments from Provincial Treasury, on page 59 – 62 (MPAC Agenda, 18 March 2020) referring to pages 1 – 4 of the documents titled “Provincial Treasury Comments on the Tabled 2018/2019 Annual report”, dated 2 March 2020 (Ref. PTR 12/2/14/4). See also in the afore-mentioned document at page 4 the conclusion and recommendations as follows below:</p> <ul style="list-style-type: none"> • The Municipality’s 2018/19 Annual Report reflects comprehensive information pertaining to the Municipality’s performance during the year under review. All the relevant annexures have been included in the Annual Report. • Once again, the Municipality’s performance is regarded as commendable given the variance of less than 10 per cent between planned and achieved targets.

RESOLVED TO RECOMMEND TO COUNCIL

That Council approves the Annual Report 2018/2019 in terms of section 129(1)(a) of the Local Government Municipal Finance Management Act, 2003 without reservation.

CHAIRPERSON

DATE



Reference: PTR/12/2/14/4

The Municipal Manager
Overberg Municipality
Private Bag X22
Bredasdorp
7280

For attention: The Municipal Manager, Mr D Beretti

PROVINCIAL TREASURY COMMENTS ON THE TABLED 2018/19 ANNUAL REPORT

1. INTRODUCTION

- a. MFMA section 121(1) states that every municipality and every municipal entity must for each financial year prepare an annual report. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.
- b. MFMA sections 121(3) and (4) sets out the framework relating to the content of the annual reports for both municipalities and municipal entities.
- c. National Treasury has further introduced the new annual report template and MFMA Circular No. 63 on 26 September 2012. MFMA Circular 63 aims to provide guidance to municipalities and municipal entities on the Annual Report format and its contents.
- d. The municipal council is then obliged to consider any views of the local community; the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the Annual Report.

2. LEGISLATIVE COMPLIANCE

2.1 Conformance

The conformance assessment highlights compliance by Overberg Municipality with the MFMA and Annual report MFMA Circular 63 is as follows:

- a. The Municipality submitted the draft 2018/19 Annual Performance Report together with the AFSs to the Auditor-General by 31 August 2020. However, the draft Annual Report was submitted to Auditor-General on 11 September 2019. MFMA Circular 63 advocates for the draft Annual Report to be submitted to the Auditor-General by 31 August each year.
- b. The unaudited Annual report was not tabled into Council at least two months at the end of the budget year in accordance with MFMA Circular 63 guidelines.
- c. The draft audited Annual Report was tabled to Council on **31 January 2020** which is within 7 months after the end of the financial year in accordance to MFMA section 121(1).
- d. The draft Annual Report was placed on the website on the **3 February 2020** which is within 5 days of tabling in Council in accordance to section 75 of the MFMA.
- e. The Annual Report was made public on the municipal website, municipal offices, regional offices and head offices and members of the community invited to make comments on the Annual Report by **2 March 2019**.

2.2 Format of the Annual Report as per MFMA Circular 63

- a. The Annual Report comply with the Annual Report Template as described by MFMA Circular 63 as all the relevant chapters and appendices are included.
- b. The Mayor's Foreword is broadly in line with MFMA Circular 63 guidelines for this section.
- c. The Municipal Managers Foreword is broadly in line with MFMA Circular 63 guidelines for this section.
- d. The Annual Report provide an overview of the demographics, population, growth, highlights and challenges faced in the municipal are during the 2018/19 financial year. All the relevant chapters as prescribed in Circular 63 are included.

3. CHAPTER 3: SERVICE DELIVERY INFORMATION AND PERFORMANCE

NON-FINANCIAL PERFORMANCE SUMMARY

Strategic Goal	Number of targets set	Number of targets achieved	Number of targets not achieved	Percentage of targets achieved
(SG1) To ensure the well-being of all in the Overberg through the provision of efficient basic services and infrastructure.	19	19	0	100.0%
(SG2) To promote regional economic development by supporting initiatives in the district for the development of a sustainable district economy.	8	8	0	100.0%
(SG3) To ensure municipal transformation and institutional development by creating staff structure that would adhere	3	2	1	66.6%

Strategic Goal	Number of targets set	Number of targets achieved	Number of targets not achieved	Percentage of targets achieved
to the principles of employment equity and promote skills development.				
(SG4) To attain and maintain financial viability and sustainability by executing accounting services in accordance with National policy and guidelines.	6	4	2	66.6%
(SG5) To ensure good governance practices by providing a democratic and pro-active accountable government and ensuring community participation through IGR structures.	9	8	1	89.0 %
Total	45	41	4	91.0%

The top layer SDBIP indicates that the Municipality had a total of 46 Key Performance Indicators (KPI's) of which 1 target (for the construction of a fire station) was rolled over to the next financial year leaving 45 Key Performance Indicators (KPI's) in the Amendment SDBIP for the reporting period. The Municipality met 41 of the 45 Key Performance Indicators which equates to 91 per cent in the 2018/19 financial year. This reflects a variance of less than 10 per cent between planned and achieved performance. The Municipality did provide adequate motivations and corrective measures for the 4 missed targets.

The Municipality's Strategic objective "To ensure the health and safety of all in the Overberg through the provision of efficient basic services and infrastructure" had the most KPI's (19) that were measured and achieved for the 2018/19 financial year.

The following Strategic Goals had a variance of more than 30 per cent between planned and actual performances at the end of the 2018/19 financial year.

- Strategic objective "to attain and maintain financial viability and sustainability by executing accounting services in accordance with national policy and guidelines", and
- Strategic objective "To ensure municipal transformation and institutional development by creating staff structure that would adhere to the principles of employment equity and promote skills development"

There is a shift towards regional economic development which is commendable as reflected by the LED indicators monitored by the District Municipality for the strategic objective "to promote regional economic development by supporting initiatives in the District for the development of sustainable district economy".

Progress regarding achievements and challenges reflected in the Mayors Foreword and the Municipal Managers Overview, as well as the District's commitment to strive for excellency through improved service delivery is noted.

Any other matters that needs to be raised

For the 2018/19 financial year the Municipality received an unqualified audit opinion with findings which shows a regression in audit outcomes from the previous year's clean audits. Risks areas has been identified in the Management Report and areas where interventions are required. An Audit Action Plan has been compiled by the Municipality to address the issues raised in the Auditor-General's Report.

Concerns are raised in the Annual Report regarding the long-term financial viability of the municipality due to higher increase in expenditures versus revenue.

It is important that Resorts are maintained and upgraded. The annual report indicates the resort function overspent its operational budget due to maintenance, however, the capital project budget was underspent, and the project was not finalised at year end. Capital expenditure should therefore be improved as resorts have the potential to generate revenue for the District Municipality taking into account the limited revenue sources for District Municipalities.

4. CONCLUSION AND RECOMMENDATIONS

The Municipality complied with tabling, submission to Provincial Treasury and publishing, on the website within the time frames prescribed in the MFMA section 121. However, the timing of the Annual Report process in terms of tabling the unaudited report to Council and submission to the Auditor-General is not aligned to MFMA Circular 63. The Municipality should strive towards adopting the MFMA Circular 63 in full.

The Municipality's 2018/19 Annual Report reflects comprehensive information pertaining to the Municipality's performance during the year under review. All the relevant annexures have been included in the Annual Report.

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

Kind regards



MR M BOOYSEN

SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT

DATE: 2 March 2020