



**SPECIAL MEETING OF THE COUNCIL**

**SPEZIALE VERGADERING VAN DIE RAAD**

**INTLANGANISO EKHETHEKILEYO YEBHUNGA**

**A G E N D A**

**I-AJENDA**

**DATE / DATUM / UMHLA : 24 JANUARY / JANUARIE /  
JANYUWARI 2018**

**VENUE / PLEK / INDAWO : BANQUETING HALL /  
BANKETSAAL**

**CIVIC CENTRE / BURGERSENTRUM / IZIKO LOLUNTU  
HERMANUS**

**TIME / TYD / IXESHA : 11:00**

# **MUNISIPALITEIT OVERSTRAND MUNICIPALITY**

Office of the Municipal  
Manager  
Municipal Offices  
HERMANUS

19 January/Januarie/Janyuwari 2018

## **NOTICE TO ALL ALDERMEN & COUNCILLORS**

### **SPECIAL MEETING OF THE OVERSTRAND MUNICIPAL COUNCIL**

**NOTICE IS HEREBY GIVEN** that a **SPECIAL MEETING** of the **OVERSTRAND MUNICIPAL COUNCIL** will be held in the **Banqueting Hall, Civic Centre, Hermanus**, on **Wednesday, 24 January 2018 at 11:00** to consider the business set forth in the subjoined agenda.

*The attention of Councillors is directed to the Code of Conduct for Councillors and Municipal Officials, Schedules 1 & 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000).*

**C GROENEWALD**  
**MUNICIPAL MANAGER**

---

## **KENNISGEWING AAN ALLE RAADSHERE & RAADSLEDE**

### **SPESIALE VERGADERING VAN DIE OVERSTRAND MUNISIPALE RAAD**

**KENNIS WORD HIERMEE GEGEE** dat 'n **SPESIALE VERGADERING** van die **OVERSTRAND MUNISIPALE RAAD** gehou sal word in die **Banketsaal, Burgersentrum, Hermanus**, op **Woensdag, 24 Januarie 2018 om 11:00** om die sake op meegaande sakelys te bespreek.

*Raadslede se aandag word gevestig op die Gedragskode vir Raadslede en Munisipale Beamptes, Bylae 1 & 2 van die Wet op Plaaslike Regering : Munisipale Stelsels, 2000 (Wet 32 van 2000).*

**C GROENEWALD**  
**MUNISIPALE BESTUURDER**

---

## **ISAZISO ESIYA KUBO BONKE OOCEBAKHULU NOOCEBA**

### **INTLANGANISO EKHETHEKILEYO YEBHUNGA LIKAMASIPALA WE-OVERSTRAND**

**OKU KUKWAZISA** ukuba **INTLANGANISO EKHETHEKILEYO YEBHUNGA**, eza kuba **se Banqueting Hall, kwiZiko LoLUNTU, eHermanus ngoLWESITHATHU, Umhla we 24 Janyuwari 2018 ngeye-11:00** ukuqwalasela imicimbi ekule ajenda iqhotyoshelwe apha.

*OoCeba bayacelwa ukuba baqwalasele isikhokelo sokuziphatha sooCeba namaGosa kamasipala, amaXwebhu 1 & 2 kaRhulumente wooMasipala: uMthetho weeNkqubo zikaMasipala, 2000 (UMthetho 32 wowama-2000).*

**C GROENEWALD**  
**UMPHATHI KAMASIPALA**

**AGENDA/...**

- 1. OPENING**
  
- 2. APPLICATIONS FOR LEAVE OF ABSENCE**
  
- 3. STATEMENTS AND COMMUNICATIONS BROUGHT FORWARD BY THE  
SPEAKER / ACTING EXECUTIVE MAYOR**

4. **CONSIDERATION OF RECOMMENDATIONS MADE BY THE EXECUTIVE MAYOR TO COUNCIL, IN TERMS OF SECTION 160(2) OF THE CONSTITUTION, 1996, AND SECTION 59(1)(a) OF THE LOCAL GOVERNMENT: MUNICIPAL SYSTEMS ACT 2000 (ACT 32 OF 2000)**

**REMARK**

Please note that the following recommendations contained in this agenda are subject to confirmation or amendment by the Executive Mayor in view of the fact that the **compilation of the Special Council agenda** was done before the Special Mayoral Committee of 24 January 2018 had formally sat.

4.1

**MONTHLY REPORT TO COUNCIL ON SUPPLY CHAIN MANAGEMENT (SCM) POLICY: PARAGRAPH 36, 16(1)(b) AND 17(1)(c) FOR NOVEMBER 2017**

**(ITEM 4, PAGE 1 : SPECIAL MAYORAL COMMITTEE MEETING : 24 JANUARY 2018)**

**RECOMMENDATION TO THE COUNCIL:**

1. that the deviations from the procurement processes, approved in terms of the delegated authority for November 2017, **be noted**; and
2. that the awards made in terms of Paragraph 16(1)(b) and 17(1)(c), approved in terms of the delegated authority for November 2017, **be noted**.

**RESPONSIBLE OFFICIAL :**

**C LE ROUX**

**TARGET DATE FOR IMPLEMENTATION :**

**TO BE NOTED**

## 4.2

**MONTHLY REPORT TO COUNCIL ON SUPPLY CHAIN MANAGEMENT (SCM)  
POLICY: PARAGRAPH 36, 16(1)(b) AND 17(1)(c) FOR DECEMBER 2017**

**(ITEM 5, PAGE 6 : SPECIAL MAYORAL COMMITTEE MEETING :  
24 JANUARY 2018)**

**RECOMMENDATION TO THE COUNCIL:**

1. that the deviations from the procurement processes, approved in terms of the delegated authority for December 2017, **be noted**; and
2. that the awards made in terms of Paragraph 16(1)(b) and 17(1)(c), approved in terms of the delegated authority for December 2017, **be noted**.

**RESPONSIBLE OFFICIAL :****C LE ROUX****TARGET DATE FOR IMPLEMENTATION :****TO BE NOTED**

**4.3****SUPPLY CHAIN MANAGEMENT IMPLEMENTATION REPORT – 2017/2018:  
2<sup>nd</sup> QUARTER: 01 OCTOBER TO 31 DECEMBER 2017****(ITEM 6, PAGE 11 : SPECIAL MAYORAL COMMITTEE MEETING :  
24 JANUARY 2018)****RECOMMENDATION TO THE COUNCIL:**

that **cognisance be taken** of the activities undertaken and outcomes achieved in the implementation of the Overstrand Municipality's Supply Chain Management Policy for the 2<sup>nd</sup> Quarter of 2017/2018.

**RESPONSIBLE OFFICIAL :****C LE ROUX****TARGET DATE FOR IMPLEMENTATION :****TO BE NOTED**

## 4.4

**REMUNERATION OF PUBLIC OFFICE BEARERS ACT, 1998 (ACT 20 OF 1998):  
DETERMINATION OF UPPER LIMITS OF SALARIES, ALLOWANCES AND  
BENEFITS OF DIFFERENT MEMBERS OF MUNICIPAL COUNCILS****(ITEM 7, PAGE 24 : SPECIAL MAYORAL COMMITTEE MEETING :  
24 JANUARY 2018)****RECOMMENDATION TO THE COUNCIL:**

1. that the salaries and allowances in respect of the different members of Council as provided for in Government Notice 1440, dated 15 December 2017, **be approved** and be made applicable **with effect from 1 July 2017**, subject to the concurrence of same by the Provincial Minister of Local Government, Environmental Affairs and Development Planning;
2. that, in terms of Section 14 of the government notice mentioned in 1 above, Councillors provide the Municipality with either all the necessary details regarding the councillor's property or assets to be covered by the special risk insurance to provide for the loss of or damage to a councillor's property, assets, life or disability arising from any riot, civil unrest, strike or public disorder, or with written confirmation that such cover is in place as part of a personal insurance portfolio arrangement already made by themselves; and
3. that provision be made in the annual mid-year review and adjustment budget to accommodate the anticipated shortfall of **R200'201** from savings realised in the operational budget over the first six months of the financial year.

**RESPONSIBLE OFFICIAL :****J VORSTER /  
RETHA RUST****TARGET DATE OF IMPLEMENTATION :****28 FEBRUARY 2018**

4.5

**QUARTERLY BANK ACCOUNT WITHDRAWALS NOT IN TERMS OF AN APPROVED BUDGET FOR THE QUARTER ENDED DECEMBER 2017****(ITEM 8, PAGE 43 : SPECIAL MAYORAL COMMITTEE MEETING : 24 JANUARY 2018)****RECOMMENDATION TO THE COUNCIL:**

that the consolidated quarterly report, as per Annexure A to the item, in respect of Bank Account Withdrawals not in terms of an Approved Budget for the quarter ended December 2017, **be noted**.

**RESPONSIBLE OFFICIAL :****BA KING****TARGET DATE FOR IMPLEMENTATION :****TO BE NOTED**



4.6

**BUDGET REPORT FOR THE QUARTER ENDED DECEMBER 2017****(ITEM 9, PAGE 46 : SPECIAL MAYORAL COMMITTEE MEETING :  
24 JANUARY 2018)****RECOMMENDATION TO THE COUNCIL:**

that the budget report for the quarter ended December 2017, prepared as part of the financial reporting obligations arising from the Local Government: Municipal Finance Management Act, 2003, **be noted**.

**RESPONSIBLE OFFICIAL :****BA KING****TARGET DATE FOR IMPLEMENTATION :****TO BE NOTED**

## 4.7

**MUNICIPAL REGULATIONS ON A STANDARD CHART OF ACCOUNTS (mSCOA): POST IMPLEMENTATION STATUS OF THE mSCOA IMPLEMENTATION PROJECT**

**(ITEM 10, PAGE 97 : SPECIAL MAYORAL COMMITTEE MEETING : 24 JANUARY 2018)**

**RECOMMENDATION TO THE COUNCIL:**

that the mSCOA Post Implementation Progress Report, as well as the intentions of the Municipality going forward, **be noted**.

**RESPONSIBLE OFFICIALS:**

**S REYNEKE-NAUDE  
C LE ROUX  
B KING  
E HOONEBERG  
H VORSTER**

**TARGET DATE FOR IMPLEMENTATION :**

**1 FEBRUARY 2018**

4.8

**MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT FOR DECEMBER 2017****(ITEM 11, PAGE 103 : SPECIAL MAYORAL COMMITTEE MEETING : 24 JANUARY 2018)****RECOMMENDATION TO THE COUNCIL:**that the Mid-Year Budget and Performance Assessment Report **be noted**.**RESPONSIBLE OFFICIAL :****B KING****TARGET DATE FOR IMPLEMENTATION :****TO BE NOTED**

4.9

**SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)  
SECOND QUARTERLY REPORT: OCTOBER – DECEMBER 2017**

**(ITEM 12, PAGE 154 : SPECIAL MAYORAL COMMITTEE MEETING :  
24 JANUARY 2018)**

**RECOMMENDATION TO THE COUNCIL:**

that the content of the report for the second quarter of the 2017/18 financial year on the top level Service Delivery and Budget Implementation Plan **be noted**.

**RESPONSIBLE OFFICIAL :**

**R LOUW**

**TARGET DATE FOR IMPLEMENTATION :**

**TO BE NOTED**

## 4.10

**REPORT ON THE PROPOSED 4th ADJUSTMENTS BUDGET FOR 2016/2017  
(SPECIAL ADJUSTMENTS BUDGET)****(ITEM 13, PAGE 182 : SPECIAL MAYORAL COMMITTEE MEETING :  
24 JANUARY 2018)****RECOMMENDATION TO THE COUNCIL:**

1. that, in terms of section 28(2)(g) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the 4<sup>th</sup> Adjustments Budget for 2016/2017 **be approved**, in order to address the unauthorised expenditure incurred, amounting to R5 833 790 in respect of Vote 8 – Protection Services, as set out in the following schedules:

- Schedule 1:** Budgeted financial performance (revenue & expenditure by municipal vote)  
**Schedule 2:** Budgeted financial performance (revenue by source & expenditure by type)  
**Schedule 3:** Budgeted multi-year capital appropriations by standard classification (vote) and associated funding by source  
**Schedule 4:** Budgeted financial position  
**Schedule 5:** Budgeted cash flow  
**Schedule 6:** Cash backed reserves and acc. surplus reconciliation  
**Schedule 7:** Asset management  
**Schedule 8:** Basic service delivery measurement

2. that the following schedules be noted:

- Schedule 9:** Budgeted financial performance (revenue & expenditure by standard classification)  
**Schedule 10:** Budgeted capital appropriations by municipal vote

**RESPONSIBLE OFFICIAL:**

**BA KING**

**TARGET DATE FOR IMPLEMENTATION:**

**TO BE NOTED**

## 4.11

**HOUSING: APPLICATION TO APPROVE THE COMMENCEMENT OF A PROCESS TO DECLARE IDENTIFIED PROJECTS AND LAND FOR EMERGENCY ACCOMMODATION SITES**

**(ITEM 14, PAGE 245 : SPECIAL MAYORAL COMMITTEE MEETING : 24 JANUARY 2018)**

**RECOMMENDATION TO THE COUNCIL:**

1. that the allocation of as many plots within the Stanford development as are required to meet the needs of those who require emergency accommodation in Paradise Park or elsewhere, with services and structures erected thereon, **be approved**;
2. that the allocation of land identified by the Manager: Property Administration in the alternative for the development of emergency accommodation for all of those who qualify for same in Paradise Park or elsewhere, **be approved**; and
3. that an application to Province for land and/or funding in terms of the Housing Code for emergency accommodation **be approved**.

**RESPONSIBLE OFFICIAL :****D HENDRIKS  
B LOUW  
F FRANS****TARGET DATE FOR IMPLEMENTATION :****N/A**

**5. CONSIDERATION OF REPORTS****5.1****SUBMISSION OF THE DRAFT AUDITED ANNUAL REPORT FOR THE FINANCIAL YEAR 2016/17**

5/15/1/1

R Louw

(028) 313 8071

Corporate Head Office

13 December 2017

---

**1. Executive Summary**

The purpose of this report is to present the draft audited Annual Report, for the 2016/17 financial year to Council.

**2. Service Delivery and Budget Implementation Plan Reference: IGNITE**

Directorate: Management Services  
Strategic Planning

**3. Compliance with Strategic Priority**

Provision of democratic, accountable and ethical governance

**4. Delegated Authority**

None

**5. Legal Requirements**

Section 46 of the Municipal Systems Act 2000 (Act 32 of 2000)  
Section 121 of the Municipal Finance Management Act (MFMA)  
(Act 56 of 2003)

**6. Background/Introduction/Discussion/Motivation/Proposal/Evaluation**

In terms of the above legislation a Municipality must prepare an annual report for each financial year. Some of the key purposes of the annual report are:

- to provide a record of the activities of the municipality or entity
- to provide a report on performance in service delivery and budget implementation
- to provide information that supports the revenue and expenditure decisions made
- to promote accountability to the local community for decisions made.

The annual report provides an authoritative record of the activities and performance of the municipality for each financial year. In time it will serve as a key historical record on the municipality, revealing its progress, growth and development of municipal services and performance.

The MFMA requires that the annual report of a municipality must inter alia include the following:

- the annual financial statements
- the Auditor-General's audit report on the financial statements
- any explanations that may be necessary to clarify issues in connection with the financial statements
- an assessment by the accounting officer on any arrears on municipal taxes and service charges
- particulars of any corrective action taken or to be taken in response to issues raised in the audit reports
- other information as determined by the municipality or as may be prescribed
- any recommendations of the audit committee.

The format of the consolidated report is as follows:

Chapter 1: Mayor's Foreword and Executive Summary  
Chapter 2: Governance  
Chapter 3: Service Delivery Performance  
Chapter 4: Organisational Development Performance  
Chapter 5: Financial Performance  
Chapter 6: Auditor-General Findings

National Treasury in September 2012 issued MFMA Circular 63- Annual Report-update that amongst other aims to expedite the timelines for producing the Annual Report.

*Circular 63 states:*

***"Timelines for producing the Annual Report***

*The Annual Report of a municipality and every municipal entity must be tabled in the municipal council on or before 31 January each year (MFMA S127). In order to enhance oversight functions of Councils, please note that this must be interpreted as an outer deadline; hence municipalities must submit the Annual Reports as soon as possible after year end, namely, August. The entire process is concluded in the first or second week of December for all municipalities, the same year in which the financial year ends and not a year later, as is currently the case. The activities, implications, process/role-player and timeframes are described below for*



*ease of reference and implementation. It is expected that effective management of performance will also result from this change.*

<b>Activity</b>	<b>Legislation and Guidance</b>	<b>Process Owner Role Player</b>	<b>Timeframe</b>
Consideration of next financial year's Budget and IDP process plan. In-year reporting formats should ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the beginning of the Budget / IDP implementation period	MSA S41(1)(e)	MM Assisted by other s56 managers & the CFO	July
Implementation and monitoring of approved Budget and IDP through the approved SDBIP commences (In-year financial reporting and quarterly performance reports).	MSA S41(1)(e)	MM Assisted by other s56 managers & The CFO	
Finalise 4th quarter report of previous financial year	MFMA S52(d)	MM Assisted by other s56 managers & CFO	
Submit draft previous financial year Annual Report and evidence to Internal and the Auditor General including annual financial statements and financial and non-financial information <sup>1</sup> .	Submission of annual financial statements as per section 126(1) of the MFMA. Additional step, a draft Annual Report is prepared. Annual Performance report needs to be included as per section 46 of the MSA.	MM & CFO	
Municipal entities submit draft Annual Reports to MM.		Entity AO & CFO	
Submit Annual Report including annual financial statements and Annual Performance Report to the Combined Audit/Performance Committee.	Joint Committee assessing both financial and non-financial performance advances accountability and expedites corrective measures	MM & CFO	July/ August
Combined Audit/Performance committee considers unaudited Annual Report of municipality and entities (where relevant).		Audit and Performance Audit Committee	

<b>Activity</b>	<b>Legislation and Guidance</b>	<b>Process Owner Role Player</b>	<b>Timeframe</b>
Mayor tables the unaudited Annual Report in Council	The Annual Report submitted complies with the requirements of Section 121(3)(a-k). Information on pre-determined objectives to be included. Note that it is unaudited and will not include any of the Auditor-Generals reports as the auditing thereof will still be in progress. (Municipalities with Municipal entities to submit a consolidated Unaudited Annual Report by September)	Mayor	August
Municipality submits Annual Report including final annual financial statements and annual performance report to Auditor-General for auditing purposes – due 31 August. Council to submit unaudited tabled annual report to MPAC for vetting and verification of councils' directive on service delivery & the committee to evaluate senior managers' performance against agreement entered into		CFO	
Commencement of IDP analysis of institutional, services and infrastructure provision, backlogs and priorities. Unaudited Annual Report as submitted to Auditor-General to be used as input into the IDP strategic phase process and community verification & input by MPAC on reported performance. Such information includes that of various entities incorporated into the information of the parent entity.	If the above process is followed, the unaudited Annual Report can add value to the IDP/Budget planning process for the next year as well as oversight by MPAC on the reported deliverables by communities and achievements targets reached.	Council	
Auditor-General audits the unaudited Annual Report and submit an audit report to the accounting officer for the municipality / municipal entity.	Section 126(3)(b) require the Auditor-General to submit an audit report within three months after receipt of statements from the municipality.	Auditor-General	

Annual Report and oversight report process for adoption to be used as input into public participating meetings for the IDP review process.	Section 127,128,129 and 130	Council	September November
The Auditor-General's reports are issued during the period of Oct/Nov. Once the AG audit reports have been issued no further changes are allowed as the audit process is completed	Section 129, 130 and 131. Tabling the audited Annual Report within 5 or 6 months after the end of the financial year. Section 75 for publication on website.	MM	November/ December
Mayor tables audited Annual Report and financial statements to Council		Mayor	
Audited Annual Report is made public, e.g. posted on municipality's website.		IT Director Accounting officer	
Oversight committee finalises assessment on Annual Report. This must be concluded within 7 days of receipt of AGs report. Council is expected to conclude on this matter before going on recess in December.			
Council adopts Oversight report.	The entire process, including oversight reporting and submission to provincial legislators is completed in December and not in March the following year.	Council	December
Oversight report is made public.		MM	
Oversight report is submitted to Legislators, Treasuries and DCoG		Mayor	

*Extract, MFMA Circular 63, September 2012*

*Circular 63 addresses the need to streamline the Annual Report process by municipalities and municipal entities. In future, all municipalities and municipal entities are required to prepare and submit their draft Annual Reports to the Auditor-General by 31 August each year. Municipalities are encouraged to implement or phase-in the requirements of the new Annual Report by 2013/14 financial year. "*

The draft unaudited annual report for 2016/17 was submitted to the Auditor-General on 31 August 2017 with the financial statements. The document presented now is the draft audited annual report for 2016/17.

#### 7. Financial Implications

Not applicable

#### 8. Staff Implications

Report complied in-house.

#### 9. Comments from other Departments, Divisions and Administrations

Information was requested from various officials during the information gathering phase.

#### 10. Annexures

CD copy: Draft audited Annual Report for 2016/17 to be tabled.

#### RECOMMENDATION TO THE COUNCIL:

1. that the tabling of the 2016/17 draft audited Annual Report by the Executive Mayor, **be noted**;
2. that the draft audited Annual Report **be made public** immediately after the tabling in Council; and
3. that the local community **be invited** to submit representations in connection with the draft annual report.

**RESPONSIBLE OFFICIAL :**

**R LOUW**

**TARGET DATE FOR IMPLEMENTATION :**

**1 FEBRUARY 2018**

**5.2****APPOINTMENT OF MEMBERS: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)****3/2/3/7****H van Tonder****(028) 313 8037****Council Support Services****11 January 2018**

---

**1. Executive Summary**

The purpose of this report is to afford Council an opportunity to appoint members to serve on the Municipal Public Accounts Committee (MPAC).

**2. Service Delivery and Budget Implementation Plan - IGNITE**

None

**3. Compliance with Strategic Priority**

Provision of democratic, accountable and ethical governance

**4. Delegated Authority**

None

**5. Legal Requirements**

- Constitution of the Republic of South Africa, 1996 (Constitution)
- Local Government: Municipal Structures Act, 1998 (Act 117 of 1998) (Structures Act)
- Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)
- Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) (Systems Act)

**6. Background/Introduction/Discussion/Motivation/Proposal/Evaluation**

Council resolved on 25 October 2017 to rescind Council Resolution 12 (paragraphs 2 – 4) of 12 August 2016 to appoint a MPAC. At that stage the MPAC consisted out of the following Councillors:

Cllr S Tebele (Chairperson)  
Cllr B Molefe (Secundus for Chairperson)  
Cllr N Botha-Guthrie  
Cllr K Brice  
Cllr G Cohen

Paragraph 3.1 of the MPAC Charter provides as follows:

The MPAC comprises of five (5) Councillors excluding any Councillor who is serving as Executive Mayor or Deputy Executive Mayor, Speaker or a member of the Mayoral Committee.

Paragraph 4.3 of same provides as follows:

In deciding on the Chairperson, the Council may consider appointing Councillors from parties other than the majority parties in Council.

Council is vested with the responsibility to oversee the performance of the Municipality, as required by the Constitution, the MFMA and the Systems Act. This oversight responsibility of Council is particularly important for the process of considering, *inter alia*, annual reports.

The MFMA and Systems Act recognise that Council has a critical role to play to ensure better performance by Municipal directorates. There now exists an explicit linkage between the strategic goals, set by Council through the Integrated Development Plan (IDP), which are translated into the budget, and the delivery of those goals, which is reported in the Annual Report. It is important for Council to ensure that the budget gives effect or expression to priorities contained in the IDP. A good budget will lay a basis for better oversight and cement the contracts between the Executive Mayor/Council, the administration and the public.

The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on Directors and Managers and makes them more accountable for performance. Whilst, in the first instance it is left to the Executive Mayor to resolve any performance failures, ultimately the Council is vested with the power and responsibility to oversee both the executive and administration. Oversight occurs at various levels in a Municipality and is explained in the following table:

#### **Financial governance framework applicable to local government**

	<b>Responsible for</b>	<b>Oversight over</b>	<b>Accountable to</b>
<b>Council</b>	Approving policy and budget	Executive Mayor	Community
<b>Executive Mayor</b>	Policy, budgets, outcomes, oversight over municipal manager	Municipal Manager	Council

<b>Municipal Manager</b>	Outputs and implementation	The Administration	Council via Executive Mayor
<b>Chief Financial Officer and Senior Managers (Directors)</b>	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

### 6.1 Separation of roles

The separation of roles between the Council and Administration is intended to strengthen the oversight function of Councillors. Good governance and effective oversight and accountability are predicted on there being this separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government. Council oversees the performance of the Administration through Council and Committee meetings. The Executive Mayor provides the link between the Council and Administration and is responsible for regular monitoring and for tabling reports before the Council. Therefore, the Administration is responsible for the day-to-day operations. This separation avoids conflict of interest and a “referee/player” situation arising and is similar to the role played by Parliament.

The MFMA further assumes a separation between Councillors serving on the executive (i.e. Executive Mayor in conjunction with the Mayoral Committee) and non-executive Councillors. This separation is vital to ensure Council maintains oversight for the performance of specific responsibilities and delegated powers to the Executive Mayor.

The MFMA gives Council a number of financial management tasks to fulfil its oversight role. The adoption of an “Oversight Report” is one such task.

### 6.2 Annual report

Each Municipality and each municipal entity must prepare an annual report for each financial year in accordance with the MFMA and the Systems Act. The purpose of the annual report is:

- To provide a record of the activities of the Municipality or entity;
- To provide a report on performance in service delivery and against the budget;
- To provide information that supports the revenue and expenditure decisions made; and

- To promote accountability to the local community for decisions made.

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are therefore required to contain information on service delivery and outcomes, in addition to financial statements. It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended. It must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

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

### 6.3 Oversight report

The oversight report is the final major step in the annual reporting process of a Municipality. Section 129 of the MFMA requires the Council to consider the annual reports of its municipality and municipal entities and to adopt an "oversight report" containing the Council's comments on each annual report.

The oversight report must include a statement whether the Council:

- Has approved the annual report, with or without reservations;
- Has rejected the annual report; or
- Has referred the annual report back for revision of those components that can be revised.

The oversight report is thus clearly distinguished from the annual report. The annual report is submitted to the Council by the Accounting Officer and the Executive Mayor and is part of the process for discharging accountability by the executive and Administration for their performance in achieving the goals set by Council. **The oversight report is a report of the Municipal Council** and follows consideration and consultation on the annual report by the council itself. Thus the full



accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

#### **6.4 Managing the process and forming committees**

Once the annual report is tabled, Council has effectively two months in which to consider the report, invite public submissions and to finalise its oversight report. Given there are a number of steps and many stakeholders, the review can be made more manageable if a committee process is established breaking it down into more easily managed parts.

The MPAC established under section 33 and 79 of the Structures Act and, if needed, Sub-Committees could be responsible for the detailed analysis and review of the *annual report* and then drafting an *oversight report* that may be taken to full Council for discussion. Such a Committee may receive and review representations made by the public and also seek inputs from other Councillors and Council Portfolio Committees.

The MPAC should be made up of only **non-executive** Councillors to deal with the annual report. Municipal officials cannot be members of an Oversight Committee as this would pose a conflict of interest. Assistance from the Municipality's Joint Audit and Performance Audit Committee in the review process is also recommended as a major source of independent specialist advice.

All meetings of Council and the MPAC at which an annual report is considered must be open to the public and a reasonable time must be allowed for discussion of any written submissions received and for members of the community and organs of state to address the meetings. Representatives of the Auditor-General are entitled to attend and to speak at any meetings held to discuss the annual report. Timely notice of meetings should be given to enable representations to be made. Making representations to the MPAC should not necessarily preclude representations by the same individuals to the full Council as this promotes transparency in the process.

#### **6.5 Matters of Fruitless and Wasteful Expenditure**

Section 32(2)(b) of the MFMA *inter alia* provides for the Municipality to recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless, in the case of irregular or fruitless and wasteful expenditure, the expenditure is, after investigation by a Council Committee, certified by the Council as irrecoverable and written off by Council.

The MPAC, in terms of its Charter, is responsible for this function.

**7. Financial Implications**

The Chairperson of MPAC receives additional remuneration as is provided for annually in the Government Notice regarding the Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils.

**8. Staff Implications**

None

**9. Comments from other Departments, Divisions and Administrations**

None

**10. Annexures**

None

**RECOMMENDATION TO THE COUNCIL:**

1. that five (5) non-executive members for the Municipal Public Accounts Committee **be appointed**;
2. that a Chairperson **be appointed**; and
3. that a **secundus** for the Chairperson **be appointed**.

**RESPONSIBLE OFFICIAL:****H VAN TONDER****TARGET DATE FOR IMPLEMENTATION:****24 JANUARY 2018**