

6. CONSIDERATION OF THE 2015/16 ANNUAL REPORT AND ADOPTION OF AN OVERSIGHT REPORT

5/15/1/1

R Louw

(028) 313 8071

Hermanus Administration

10 March 2017

1. Executive Summary

The purpose of this report is to consider the 2015/16 Annual Report and to adopt an Oversight Report. **FOR PURPOSES OF CONSIDERING THIS ITEM COUNCILLORS ARE REQUESTED TO ALSO REFER TO THE ANNUAL REPORT, WHICH WAS TABLED ON 23 JANUARY 2017.**

2. Service Delivery and Budget Implementation Plan - IGNITE

Management Services
Strategic Services

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

Local Government : Municipal Systems Act, 2000 (Act 32 of 2000)
Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)

6. Background/Discussion/Evaluation/Conclusion

Background

In terms of the above legislation a Municipality must prepare an annual report for each financial year. The core components of such an annual report must include:

- a. a performance report;
- b. the financial statements;
- c. and audit report on the financial statements, and
- d. the audit report on the performance evaluation

The purpose of the annual report is to:

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

The draft audited annual report, taking cognisance of the above-mentioned requirements, was tabled by the Executive Mayor at the Special Council meeting of 23 January 2017.

The local community was in terms of section 127(5)(a)(i) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) invited to submit representations in connection with the draft Annual Report to the Municipality by submitting such representations to the Municipal Manager on or before 23 February 2017.

No public comments were received as at the date and time of closure. Comments were however received from Provincial Treasury, attached as **Annexure A**. The comments from the Municipality on the Provincial Treasury assessment is stated on pages 3 and 7 in the Treasury document (Annexure A).

The Municipal Public Accounts Committee (MPAC) also considered the annual report. The minutes of the MPAC are attached as **Annexure B**.

The checklist for considering the annual report is attached as **Annexure C**.

Representatives of the Office of the Auditor-General and Provincial Departments of Local Government and Finance have been invited to attend the council meeting. Likewise will members of the municipality's Audit Committee be present at the meeting. The MFMA furthermore provides for members of the local community to address the council.

For purpose of adopting an Oversight Report the MFMA requires the council to consider the annual report to state whether the council:

- approves the annual report, with or without reservations;
- rejects the annual report or;
- refers the annual report back for revision of those components that can be revised.

7. Financial Implications

Not applicable

8. Staff Implications

Report compiled in-house

9. Comments from other Departments, Divisions and Administrations

Various officials were interviewed during the information gathering phase.

10. Annexures

Annexure A: Comments from Provincial Treasury

Annexure B: Minutes of the Municipal Public Accounts Committee (MPAC)

Annexure C: Checklist for considering the annual report

(Note: The Final Annual Report for 2015/16 is distributed in hard copy)

RECOMMENDATION TO THE COUNCIL:

that, in terms of Section 129 of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) and having duly considered the 2015/16 Annual Report of the Overstrand Municipality and the content of this item, the said report **be approved** without reservation.

RESPONSIBLE OFFICIAL :

R LOUW

TARGET DATE FOR IMPLEMENTATION :

NOT APPLICABLE



OVERSTRAND MUNICIPALITY

PROVINCIAL TREASURY COMMENTS ON THE TABLED 2015/16 ANNUAL REPORT

1. INTRODUCTION

- 1.1 Section 121(1) of the Local Government: Municipal Financial Management Act, Act No. 56 of 2003 (MFMA) 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.
- 1.2 In terms of section 127(2), the mayor of a municipality, must within seven months after the end of a financial year, table in the municipal council the annual report of the Municipality and the municipal entity under the Municipality's sole or shared control.
- 1.3 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

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

National Treasury has further introduced the new annual report template and MFMA Circular No. 63 on 26 September 2012. MFMA Circular 63 aims to provide guidance to municipalities and municipal entities on the Annual Report format and its contents.

2.1 Conformance

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

- a) The Municipality submitted the 2015/16 unaudited draft Annual Report together with the Annual Financial Statements to the Auditor-General by 31 August 2016 as per MFMA Circular 63 of the.
- b) The unaudited Annual report was tabled into Council on 31 August 2016; at least two months at the end of the budget year in accordance with MFMA Circular 63.
- c) The Audited Annual report was tabled to Council within 7 months after the end of the financial year in accordance with section 121(1) of the MFMA.
- d) The Annual report was submitted to Provincial Treasury immediately after being tabled in Council.
- e) The draft Annual report was placed on the website within 5 days after being tabled in council in accordance with section 75 of the MFMA.
- f) The Annual report was made public and public was invited to comment on the Annual report in accordance with section 127(5) of the MFMA.
 - As per the Municipality an advert was placed on the local newspapers inviting public comments until 23 February 2017.
 - In addition the Annual Report was made available to the public at municipal offices and libraries.

2.2 Format of the Annual Report as per MFMA Circular 63

The Annual Report of the Municipality complies with the Annual Report Template as prescribed by MFMA Circular 63.

The information included in the Annual Report is thorough and complete as required by the MFMA Circular 63.

The Annual Report includes almost all Appendices A - T except Appendix J which relates to financial disclosures of senior managers and other section 56 officials of which the Municipality has indicated that this is not applicable. The Municipality has indicated that there is nothing to report to report on financial interest as the Senior Officials do not have financial interest on issues raised on section 7 and 5a of Schedule 1 and 2 of the Local Government: Municipal Systems Act , No. 32 of 2000.

A Council Resolution was forwarded by the Municipality on financial disclosure to Provincial Treasury.

3. RECOMMENDATIONS

None.

3.1 Chapter 1: Mayor's Foreword and Executive Summary

i) High Level Findings

The Mayor's foreword provides a detailed introduction and overview of the functions, geographical area and performance of the Municipality. The Municipality has retained a clean audit status for the 4th executive year and has been ranked seventh amongst SA top ten municipalities by the updated Government Performance Index.

The Municipality's Annual Report includes information on economic growth, employment, unemployment, population growth and basic service access levels. The following are noted in terms of socio-economic information in the Annual Report:

The Municipality is reporting on recent 2016 Community Survey for 2015/16 population figures and has used its own projections for the population figures for 2013/14 and 2014/15. The 2016 Community Survey estimates the population of Overstrand at 93 466. The total number of households is estimated at 32 294 in 2015/16 financial year of which 7512 are indigent households (23.3 per cent).

The Mayor's foreword further reports on housing delivery and installation of services, however, the number of houses built in 2015/16 is not specified. Housing backlog is estimated at 7034 housing units, which is equivalent to 21.8 per cent backlog in 2015/16.

The Municipality refers to an unemployment rate of 23.3 per cent in Overstrand.

With regards to Municipal functions the Municipality reports on access levels for water, sanitation, energy, refuse removal. Electricity service connections is lagging behind other services in terms of access levels at 82 per cent.

ii) Recommendations

Information on housing access levels should be included in the Annual Report. In addition, the actual per cent of households with formal housing should be included in the report on page 8.

Municipality response:

Section 1.4.3 (Pg.40) - The following insertion was made in Final Annual Report
Overstrand Municipality: Provincial Treasury Comments on the Tabled 2015/16 Annual Report

“According to the Municipality’s own records (financial directorate) 29152 households had access to formal housing in Overstrand in 2015/16. (Note: This is the number of houses on the valuation roll and includes residential rate payers as well as pensioner rate payers).

3.2 Chapter 2: Governance

i) High Level Findings

The Municipality participate in a number of Provincial inter-governmental structures including LGSETA, Provincial Air Quality forums, Premiers Coordinating Forum, SALGA working groups’ etc. In addition the Municipality participate in a number of District Intergovernmental structures such as District Coordinating forums, District Air Quality Forum, Overberg District IDP/Public Participation and Communication Forum etc.

Community participation is mainly achieved through the Ward Committee System and consultative meetings with the community and sectors. The Municipality’s’ draft annual report provides details of meetings for the 13 wards eight meetings were held for each ward for 2015/16 financial year. In addition, to the Ward Committee System, the Municipality has established an Overstrand Municipal Advisory Forum (OMAF) which functions as the IDP Representative Forum and serve as an advisory body to the Executive Mayor. The Municipality also engage the public by holding public meetings and providing feedback to the community.

In terms of public satisfaction, a satisfaction survey was undertaken during 2013 (page 93). The overall public satisfaction score with service delivery was 78 per cent for 2012/13, a decline of 14.28 percentage points from 91 per cent for 2011/12. The Survey highlighted areas that needed improvement such as Information supplied by the Municipality to the public (64 per cent), opportunities for consultation on municipal affairs (58 per cent) in 2013.

The Annual Report outlines Information on risk management, anti-corruption and anti- fraud. The applicable strategies have been adopted by Council which includes Risk Management Policy, Risk Manage Strategy, Joint Audit and Performance Audit Committee Charter and Fraud Prevention plan.

The Annual Report further reports on the functionality of the Audit committee and Performance Audit Committee.

Supply Chain management issues are dealt with which includes Awards made by the Accounting officer, appeals and supply chain deviations.

ii) Recommendations

None.

3.3 Chapter 3: Service Delivery**i) High Level Findings**

The annual report demonstrates what service delivery has been achieved and what is still outstanding in terms of service delivery.

In terms of service delivery the Annual report reflects that 87 per cent of the top level KPIs were achieved in the 2015/16 financial year. This reflects a variance of less than 15 per cent between actual and planned performance for 2015/16.

In terms of the municipalities overall non-financial performance per strategic objective Strategic Objectives Provision of democratic, accountable and ethical governance(95 per cent of KPIs achieved), and Strategic objective Basic Service Delivery(87.5 per cent of KPIs achieved) had the highest number of Key Performance Indicator that were measured and achieved in 2015/16. This is followed by the Strategic objective the promotion of Tourism with 9 KPIs of which 88.8 per cent of the KPIs were achieved.

The Annual Report indicates that Overstrand has achieved a blue drop score of 90.79 per cent and obtained third position in the Western Cape. The report further refers to the green drop certification; the Municipality achieved a green drop score of 89.13 per cent.

As a response to poverty alleviation prepaid electricity and water flow limited meters were installed in all indigent households at no cost to the consumer. In addition 7512 indigent households received free basic electricity, free basic water, free basic sanitation and free basic refuse removal.

The Key performance areas that have not been achieved in terms of national KPIs include:

- Spending of the approved capital budget actually spent on capital projects identified for 2015/16.

In addition to the National KPIs the following KPI were not achieved during 2015/16 financially year:

- The Key performance areas that have not been achieved in terms of national KPIs include:
 - Report bi-annually to the portfolio committee on LED and Tourism initiatives spending the approved capital budget and maintenance

budget for water.

- o Review the fire Management Plan by the end of June 2016.

KPIs almost achieved include:

- Quality of effluent comply 90% with general limit in terms of the Water Act (Act 36 of 1998).
- Monthly reports on court matters.

ii) Recommendations

Variance between planned and actual performance to be kept below 15 per cent and less.

3.4 Chapter 4: Organisational Development Performance

i) High Level Findings

The Municipality have achieved the following in terms of the National Key performance Indicators required in terms of Local Government Municipal Planning and the Performance Management of 2001 and section 43 of the MSA the performance of the Municipality is as follows:

- 62 people from employment equity target groups were employed in the three highest level of management in compliance with the approved employment equity plan. This reflects 6 per cent of the work force when this number is compared to 1033 of the permanently employed.
- The Municipality allocated R2.00 million for work place skills plan of which 99.7 per cent of the allocation was spent.

When the Employment equity targets are disaggregated by racial classification; targets for African and Coloured Groups were not achieved while that of White employees was exceeded in the three highest level of Management.

In terms of gender classification the target for males was exceeded by 60 employees and that of females was not met by 167 employees. The Municipality's administrative Component is stable and has 7 section 57 and 56 post levels of which all are filled. The Municipality has a vacancy rate of 7.19 per cent (80 posts) as at 2015/16 financial year.

The report details the number of employees at each Occupational level and gender classification who have been identified for training opportunities during the financial year. The Municipality allocated R2.00 million for work place skills plan of which 99.7 per cent of the allocation was spent.

ii) Recommendations

The Municipality has to indicate if the vacant posts are budgeted for.

The Municipality should ensure that measures are put in place to ensure that vacancies are filled in line with the approved Municipal Employment Equity plan.

Municipality response:

Section 4.2.1 (Pg. 317) – Insertion made to Final Annual Report

“The Employment Equity targets and goals are presented to Management at shortlisting’s during the recruitment and selection process. Employment Equity targets and goals which include the three highest levels of Management are provided to Directors on a monthly basis to create awareness of targets and goals set within the Employment Equity Plan. Employment Equity meetings are set to outline the targets and goals achieved during the year”.

Section 4.2.2 (Pg. 319) – Insertion made to Final Annual Report

“Vacant posts are budgeted for”.

3.5 Chapter 5: Financial Performance**i) High Level Findings**

Chapter 5 of the annual report on financial performance includes information divided into the following sections:

- a) Statement of financial performance
- b) Spending against Capital budget
- c) Cash flow management and investment

ii) Recommendations

None.

3.6 Chapter 6 :Auditor General Findings**i) High Level Findings**

Chapter 6 of the annual report includes the Auditor-General's Report as submitted by the Auditor-General.

The Municipality is commended for achieving the Clean Audit report for the 4th consecutive years. This shows dedication and continuous improvement in terms of service delivery.

The annual report includes Auditor-General Report on financial performance and service delivery performance for 2014/15 and 2015/16. There were no material issues raised during the previous financial year that required remedial action and preventative measures.

ii) Recommendations

None.

4. CONCLUSION

The Municipality is complying with the implementation of MFMA circular 63 in terms of tabling the unaudited draft annual report by August 2016

The Annual report complied fully regarding tabling, submission to Provincial Treasury and publishing, on the website within the time frames prescribed in the MFMA section 121.

The Municipality produced a detailed 2015/16 Annual Report reflecting comprehensive information pertaining to the Municipality's performance during the year under review.

All the relevant appendices have been included as per MFMA circular, except appendix for financial interest disclosure which the Municipality has indicated that this is not applicable.



**MEETING OF THE MUNICIPAL
PUBLIC ACCOUNTS COMMITTEE**

**VERGADERING VAN DIE MUNISIPALE
OPENBARE REKENINGE KOMITEE**

MINUTES / NOTULE

DATE / DATUM : 9 MARCH / MAART 2017
VENUE / PLEK : MAYOR'S COMMITTEE ROOM (GLASKAS)
BURGEMEESTER SE KOMITEEKAMER
(GLASKAS)
HERMANUS
TIME / TYD : 08:00

OVERSTRAND**MUNICIPALITY / MUNISIPALITEIT / U-MASIPALA****MINUTES OF A MEETING OF THE MUNICIPAL PUBLIC ACCOUNTS
COMMITTEE HELD IN THE MAYOR'S COMMITTEE ROOM (GLASKAS),
HERMANUS ON 9 MARCH 2017 AT 08:00**

PRESENT / TEENWOORDIG: Cllr S Tebele (Chairperson)
Ald N Botha-Guthrie
Cllr A Klaas

APOLOGY / VERSKONING: Cllr F Africa

**OFFICIALS PRESENT /
AMPTENARE TEENWOORDIG:** Mr C C Groenewald
Ms D Arrison
Mr R Rust
Ms R Louw
Ms H van Tonder

MUNICIPALITY OVERSTRAND MUNISIPALITEIT
ATTENDANCE REGISTER / BYWONINGSREGISTER

MEETING: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
VERGADERING: MUNISIPALE OPENBARE REKENINGE KOMITEE

DATE OF MEETING / DATUM VAN VERGADERING
9 MARCH 2017 / 9 MAART 2017

CLLR TEBLE S	
ALD BOTHA-GUTHRIE N	Ny other. Guthrie
CLLR AFRICA F	Apology
CLLR KLAAS A	
CLLR MOLEFE B	
MR GROENEWALD C	
MS ARRISON D	
* MS REYNEKE-NAUDE S	Apology.
MS LOUW R	
MS VAN TONDER H	
* R Rust.	
K Brice	

**MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
9 MARCH 2017**

1. OPENING

The meeting was opened with prayer by Cllr A Klaas.

The Chairperson, Cllr S Tebele, welcomed everyone present.

The Municipal Manager, Mr C Groenewald, read the notice convening the meeting.

2. APPLICATIONS FOR LEAVE OF ABSENCE

Cllr F Africa

RESOLVED

that the above-mentioned application for leave of absence **be granted**.

Cllr B Molefe

RESOLVED

that **cognisance be taken** that Cllr B Molefe was **absent without leave**.

3. CONSIDERATION OF THE 2015/2016 ANNUAL REPORT

The Municipal Public Accounts Committee considered the content of the Municipality's 2015/2016 Annual Report.

RESOLVED TO RECOMMEND TO THE COUNCIL:

that the draft Annual Report for the 2015/2016 financial year be approved without reservations.


**MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
9 MARCH 2017**

4. CLOSURE

The meeting closed at 08:09

10/3/2017

DATE



CHAIRPERSON

ANNEXURE C TO MFMA CIRCULAR NO 32

CHECKLIST FOR CONSIDERING THE ANNUAL REPORT

The MFMA provides that the purpose of the annual report of a municipality or a municipal entity for each financial year is:

- to provide a record of activities;
- to provide a report on performance against the budget; and
- to promote accountability to the local community for decisions made throughout the year.

The MSA provides that an annual *performance report* must be prepared for each financial year to report on the performance of the municipality and each external service provider, compared with targets set for performance.

The annual report requirements are provided in Chapter 12 of the MFMA, section 45 and 46 of the MSA and the annual Division of Revenue Act.

The following checklist summarises what must be included in the annual report and is designed to support and guide councillors and officials. It should be noted however, that this list is not exhaustive and from time to time other information requirements may be prescribed. Consideration must also be given to specific circumstances and conditions in which other questions may be appropriate. Councillors and officials are encouraged to make suggestions to enhance this checklist and send these to the National Treasury.

Council should verify that the required information is contained in the annual report and then consider the relevance and accuracy of information accordingly. The checklist provides guidance on how matters could be considered.

The oversight committee and the full council may use this checklist as a means to organise the report and to manage requests for additional information. The questions suggested may be used by all councillors to gain clarification on contents of reports and also to verify compliance with the MFMA and MSA. Responses to many of these questions should be provided by the accounting officer of the municipality and/or municipal entities.

Note that the views of the Audit Committee and the findings of the Auditor-General are primary sources of information to assist council in determining a decision on the annual report.

CHECKLIST FOR CONSIDERING THE ANNUAL REPORT FOR THE 2015/16 FINANCIAL YEAR, OVERSTRAND MUNICIPALITY

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p>Financial Matters</p> <p>The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General</p>	<p>Financial Reporting Matters to be Considered</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. <i>Have the required standards been met – refer audit report and report of audit committee for views on this?</i></p>	<p>Yes, Annexure A: Financial Statements (AFS) (pg.1 -84)</p>
	<p>The above applies also to the AFS of municipal entities.</p>	<p>n/a</p>
<p>The Auditor-General's reports on the financial statements of the municipality and the entities</p>	<p><i>Is the audit report included in the annual report as tabled? If not, when will the audit report be tabled? What are causes of the delays? What actions are being taken to expedite the report?</i></p>	<p>Yes, Annexure B: Report of the Auditor-General</p>
	<p>The above applies also to the AFS of municipal entities.</p>	<p>n/a</p>
<p>Any explanations that may be necessary to clarify issues in connection with the financial statements</p>	<p>The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS. <i>Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?</i></p>	<p>Yes, Notes attached as part of Annexure A, (pg.26-60) of the AFS</p>
	<p>The above applies also to the AFS of municipal entities.</p>	<p>n/a</p>
<p>An assessment by the accounting officer on any arrears on municipal taxes and service charges including municipal entities.</p>	<p><i>Has an adequate assessment been included? Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation? Is any other action required to be taken?</i></p>	<p>Yes, Chapter 5, Section 5.11-5.12 (pg.372-374)</p>
	<p>The conclusions of the annual audit may be either –</p>	<p>Yes,</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p>Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports</p>	<ul style="list-style-type: none"> • 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 • the auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. <p>The objective of the municipality should be to achieve an unqualified audit opinion. <i>Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</i></p> <ul style="list-style-type: none"> • <i>To what extent does the report indicate serious or minor financial issues?</i> • <i>To what extent are the same issues repeated from previous audits?</i> • <i>Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?</i> • <i>Has a schedule of action to be taken been included in the annual report, with appropriate due dates?</i> <p>Note that actions taken on audit issues are to be reported to the provincial legislature, the MEC's for local government and finance to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MEC's.</p>	<p>Chapter 6 (section 6.2), pg. 379</p> <p>Annexure B- AG report, paragraph 6 (opinion)</p>
<p>An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget</p>	<p>The above applies also to the AFS of municipal entities.</p> <p>The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA's 17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly. <i>Has the performance met the expectations of council and the community?</i> <i>Have the objectives been met?</i> <i>What explanations have been provided for any non-achievement?</i> <i>What was the impact on the service delivery and expenditure objectives</i></p>	<p>n/a</p> <p>Yes, Chapter 3, Service delivery performance, (pg. 100 -315)</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
	<p><i>in the budget?</i> Council should comment and draw conclusions on performance and explanations provided.</p>	
<p>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 other agreement between the entity and the municipality</p>	<p>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. The entity's annual report must include an assessment by the accounting officer, or 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.</p> <p><i>Has the performance met the expectations of council and the community?</i> <i>Have the performance objectives been met?</i> <i>What explanations have been provided for any non-achievement?</i> <i>What was the impact on the service delivery and expenditure objectives in the budget?</i> Council should comment and draw conclusions on performance and explanations provided.</p>	<p>n/a- no municipal entities</p>
<p>Any information as determined by the municipality, the entity or its parent municipality</p>	<p>Review any other information that has been included in regard to the AFS.</p>	
<p>Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities.</p>	<p>The above applies also to the AFS of municipal entities.</p> <p><i>Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity?</i> <i>What actions need to be taken in terms of these recommendations?</i> Conclusions on these recommendations and the actions required should be incorporated in the oversight report.</p>	<p>n/a- no municipal entities</p> <p>Yes, Annexure C: Report of the Audit Committee Pg. 3, Paragraphs 4, 5, 6</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p>Allocations received and made</p> <p>Allocations received by <u>and</u> made to the municipality</p>	<p>Considerations</p> <p>The report should disclose:</p> <ul style="list-style-type: none"> • Details of allocations received from another organ of state in the national or provincial sphere. • Details of allocations received from a municipal, entity or another municipality. • Details of allocations made to any other organ of state, another municipality or a municipal entity. • Any other allocation made to the municipality under Section 214(1)(c) of the Constitution. <p><i>Have these allocations been received and made?</i> <i>Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</i> <i>Does the audit report or the audit committee recommend any action?</i> Council should comment and draw conclusions on information and explanations provided.</p>	<p>Comments</p> <p>Yes, Chapter 5: Financial performance, Section 5.3.1 – grant performance (pg. 344-345); Section 5.13.3 (pg.375-378)</p> <p>Also- notes of AFS provides detail of government grants and subsidies</p>
<p>Allocations received <u>and</u> made to the municipal entity</p>	<p>The report should disclose:</p> <ul style="list-style-type: none"> • Details of allocations received from any municipality or other organ of state. • Details of any allocations made to a municipality or other organ of state. • Other information as may be prescribed. <p><i>Have these allocations been received and made?</i> <i>Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</i> <i>Does the audit report or the audit committee recommend any action?</i> Council should comment and draw conclusions on information and explanations provided.</p>	<p>n/a</p>
	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <ul style="list-style-type: none"> • 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 	<p>Yes, Chapter 5: Financial performance, Section 5.3.1 – grant performance (pg. 344-345); Section 5.13.3 (pg.375-378)</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p>Allocations received and made</p> <p>Information in relation to the use of allocations received</p>	<p>Considerations</p> <p>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.</p> <ul style="list-style-type: none"> 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, details of the reasons for non-compliance are to be provided. Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this. <p>This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation.</p> <p>The Auditor-General will ensure that the audit process includes 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.</p> <p><i>Council should be satisfied that –</i></p> <ul style="list-style-type: none"> <i>the information has been properly disclosed;</i> <i>conditions of allocations have been met; and</i> <i>that any explanations provided are acceptable.</i> <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>Comments</p>
<p>Information in relation to outstanding debtors and creditors of the municipality and entities</p>	<p>Municipalities and entities are reminded of the requirements to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>It is also a requirement to report on whether the municipality or entity</p>	<p>Pg. 372-374, only cites debtors per service. The differentiation by national and provincial is available, but not included because it's not a requirement for inclusion in the AR by neither the MFMA, GRAP nor the AG.</p>

Information Required to be Included in Annual Reports	Council Considerations and Questions	Comments
<p>Allocations received and made</p>	<p>Considerations</p> <p>has met its statutory commitments, included the payment of taxes, audit fees, and contributions for pension and medical aid funds.</p> <p><i>Council should be satisfied that –</i></p> <ul style="list-style-type: none"> • <i>the information has been properly disclosed;</i> • <i>conditions of allocations have been met; and</i> • <i>also that any explanations provided are acceptable</i> <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>Comments</p>

Disclosures in notes to AFS	Considerations relating to section 124	Comments
<p>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> <ul 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; • contributions for pensions and medical aid; • travel, motor car, accommodation, subsistence and other allowances; • housing benefits and allowances; • overtime payments; • loans and advances; and • any other type of benefit or allowance related to staff. <p><i>Council should be satisfied that –</i></p> <ul style="list-style-type: none"> • <i>the information has been properly disclosed;</i> • <i>conditions of allocations have been met; and</i> • <i>that any explanations provided are acceptable.</i> 	<p>Comments</p> <p>Yes,</p> <p>Notes 28 and 29 in AFS (pg. 47-48 of AFS)</p>

Disclosures in notes to AFS	Considerations relating to section 124	Comments
	<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>Municipal Performance The annual performance reports of the municipality and entities</p>	<p>Considerations 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 measurers taken to improve performance. The report must form part of the annual report. Questions that may be considered are –</p> <p><i>Has the performance report been included in the annual report?</i> <i>Have all the performance targets set in the budgets, SDBIP, service agreements, etc been included in the report?</i> <i>Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?</i> <i>In terms of key functions or services, how has each performed? Eg, have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics, etc?</i> <i>To what extent has performance achieved targets set by council?</i> <i>Is the council satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</i> <i>What actions have been taken and planned to improve performance?</i> <i>Is the council satisfied with actions to improve performance?</i> <i>Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</i> <i>Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</i> <i>Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</i></p>	<p>Comments Yes, Chapter 3, Service delivery performance, pg. 100-315</p>

Municipal Performance	Considerations	Comments
	<p>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 or future years? If so, are any explanations been provided by the municipal manager and are these satisfactory?</p> <p>Council should comment and draw conclusions on information and explanations provided.</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>Have the recommendations of internal audit been acted on during the financial year? Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</p>	<p>Yes, Chapter 2: Good Governance, Section 2.11 (Internal Auditing, pg.85) :</p> <p>Chapter 6: Section 6.2- AG report 2014/15 (pg.379)</p> <p>Annexure C- Report of the AC- pg.3 paragraphs 6</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. 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.</p> <p>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>Yes, only for contracted service providers, Chapter 3, Section 3.2.2 (pg. 121-163)</p> <p>No municipal entities.</p>
<p>For municipal entities – an assessment of the entity's performance against any measurable performance objectives set in terms of the</p>	<p>This is the separate report of the municipal entity and 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 to determine a view on the performance of municipal entities.</p> <p>To what extent were the objectives and performance measures of the</p>	<p>No municipal entities- not applicable</p>

Municipal Performance	Considerations	Comments
service delivery agreement or other agreement between the entity and municipality	<p>entity aligned to the overall strategic objectives of the municipality and its IDP?</p> <p>Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality?</p> <p>What specific actions should be taken by the entity and the municipality to improve performance?</p>	
General Information	The following general information is required to be disclosed in the annual report	Comments
Relevant information on municipal entities	<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>What donor funding has the municipality received?</p> <p>Have the purpose and the management agreements for the funding been properly agreed upon?</p> <p>Have the funds been used in accordance with agreements?</p> <p>Have the objectives been achieved?</p> <p>Has the use of funds been effective in improving services to the community?</p> <p>What actions need to be taken to improve utilisation of the funds?</p>	<p>No municipal entities - not applicable</p> <p>Yes, Chapter 5, Section 5.3.3- Grants received from sources other than the DORA (pg.349)</p>
The use of any donor funding support		
Agreements, contracts and projects under Private-Public Partnerships	<p>Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.</p>	<p>No municipal entities - not applicable</p>
Service delivery performance on key services provided	<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.</p> <p>Overall results on the strategic functions and services should be summarised.</p> <p>This should cover all services whether provided by the municipality, entities or external mechanisms.</p> <p>Council may draw conclusions on the overall performance of the municipality.</p>	<p>Yes, Chapter 3- Service Delivery performance, Graph 4: Overall performance per Strategic objective (pg.109) Pg.181- 198- Overall performance per directorate</p>

General Information	The following general information is required to be disclosed in the annual report	Comments
	This information may be found in an executive summary section of the annual report and or in statistical tables.	
Information on long-term contracts	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.	Yes, Chapter 5- Financial Performance, Section 5.13- Borrowings and Investments (pg. 374)
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	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 be summarised. Council should comment and draw conclusions on the information provided.	Yes, Chapter 3- Section 3.10.4 ICT services (pg.304-305)
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	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 council and needs of the community.	Pg. 362-370- MIG spending for 2015/16
Other considerations recommended		
Timing of reports	Was the report in the time prescribed? Has a schedule for consideration of the report been adopted?	Comments Yes, draft audited tabled at Special Council meeting on 23 Jan 2017, 1 month public comments period,

Other considerations recommended		Comments
Oversight committee or other mechanisms	<p><i>What mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?</i></p>	<p>Final report to Council on 29 March 2017 MPAC meeting scheduled, 9 March 2017</p>
<p>Payment of performance bonuses to municipal officials</p>	<p>Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or 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. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. <i>Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council? If so, has a proper evaluation of performance been undertaken? Was the evaluation approved by council? 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? Are the payments justified in terms of performance reported in the annual report?</i></p> <p>Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p>	<p>Overstrand municipality pays no performance bonuses for Section 56 appointees.</p>