



MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

OVERSIGHT REPORT - 2015/2016

February 2017

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2 February 2017

Mr T. Godden
The Speaker
Witzenberg Municipal Council
Voortrekker Street
Ceres
6385

Dear Mr Godden

1. Purpose

The purpose of this communication is to report to Council the result on the Witzenberg Municipal Public Accounts Committee (MPAC) oversight review of the Witzenberg Annual Report for 2015/2016 and to enable Council to discharge its oversight responsibility in considering the Witzenberg Municipality's Annual report for 2015/2016 in terms of Section 129 of the Municipal Finance Management Act, no 56 of 2003 (MFMA).

2. Legal requirements

In terms of Section 129 of the MFMA, the Council must adopt an Oversight Report containing the Council's comments on the annual report which must include a statement whether the Council –

- (a) has approved the annual report with or without reservations;
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

In terms of the MFMA Circular Number 32, in order to approve the Annual Report without reservations, Council should be able to agree that the information contained in the report is a fair and reasonable record of the performance of the municipality in the financial year reported upon.

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

3. Adoption

The statutory authority to adopt an oversight report in respect of the Annual Report 2015/2016 rest with the Municipal Council.

4. MPAC mandate

MFMA Circular Number 32 recommends the establishment of an MPAC for the detailed analysis and review of the annual report, following its tabling in Council, receiving and reviewing representations made by the public, inputs from other councillors and stakeholders and then drafting an oversight report that may be taken to the full council for discussion and approval.

MPAC is required to perform the responsibilities as envisaged in the MFMA Circular Number 32 and Section 129 of the MFMA.

5. Consideration of annual report and comments received

MPAC has considered the following reports and comments:

- Draft Witzenberg Annual Report 2015/2016
- 2015/2016 Audit Report of the Auditor General South Africa
- 2015/2016 Performance, Risk and Audit Committee Report
- Submission on the Annual Report from Provincial Treasury; and
- Comments on the Annual report from Mr V. Coetzee.

5.1 Submission on the Annual report from Provincial Treasury

Provincial Treasury has concluded that "Witzenberg Municipality has *produced a detailed and comprehensive 2015/16 Annual Report reflecting accurate information pertaining to the municipality's performance during the year under review*". It is recommended that Council take note of the report as per annexure A.

5.2 Comments the Annual report from Mr V. Coetzee...(Public)

MPAC has taken notice of the comments submitted by Mr V. Coetzee and has resolved to invite Mr Coetzee to meet MPAC on 8 February 2017 to obtain more detail before his comments are made public.

Details of the comments and responses as accepted by MPAC are attached as annexure B.

6. MPAC resolution on Annual Report

Members of MPAC unanimously agreed to recommend that Council approve the Annual Report without any reservations.

Members of MPAC unanimously agreed to recommend to Council to consider the following recommendations.

7. Corrective measures for Council consideration

It is recommended that Council:

- Review the Credit Control Policy to address the issues raised by the AGSA and the PRAC;
- Workshop the financial ratios guideline as prescribed by National Treasury for a financial sustainable municipality;
- Take note of the significant reliance on government grants;
- Inform National Treasury of the discrepancy between circular 11 and the AR template;
- Adopt an ICT strategy that will enhance service delivery; and
- Review its infrastructure back log to assess relevance with emphasis on Tulbagh roads and Council's assets such as Pine Forrest, Eiland and Klipriver Park

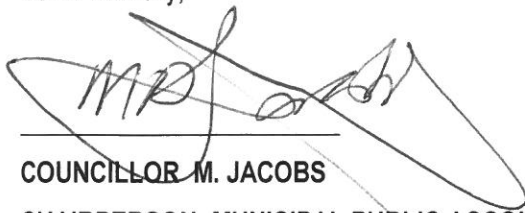
It is recommended that Council note the following concerns of the Performance, Risk and Audit Committee inter alia:

- *The collection of long outstanding debt remains a concern and has a serious negative effect on the cash flow and sustainability of the municipality;*
- *The effectiveness and efficiency of revenue management; and*
- *The process of traffic fine collections.*

8. Recommendation

Having fully considered the 2015/2016 Annual Report of the Witzenberg Municipality, including the submission and comments received, it is recommended that Council adopts the 2015/2016 Oversight Report and approves the 2015/2016 Annual Report without reservations.

Yours faithfully,



COUNCILLOR M. JACOBS

CHAIRPERSON: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

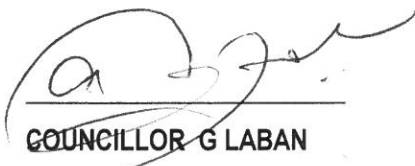
DATE: 2 FEBRUARY 2017



COUNCILLOR P HERADIEN

MEMBER: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

DATE: 2 FEBRUARY 2017



COUNCILLOR G LABAN

MEMBER: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

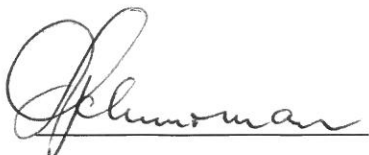
DATE: 2 FEBRUARY 2017



COUNCILLOR C LOTTERING

MEMBER: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

DATE: 2 FEBRUARY 2017



ALDERMAN JW SCHUURMAN

MEMBER: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

DATE: 2 FEBRUARY 2017

Annexure A : Submission from Provincial Treasury



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WITZENBERG 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.
- b) The unaudited Annual Report was tabled into Council 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.
 - The Annual Report was published on the municipal website and notification was placed in local newspapers. The public was invited to comment from 13 December 2016 until 13 January 2017.

2.2 Format of the Annual Report as per MFMA Circular 63

- The Annual Report partially complies with the Annual Report Template as described by MFMA Circular 63 as it does not include any of the required Appendices.
- The Annual Report does however contain all of the information required in the appendices in the body of the Annual Report.

3. FINDINGS AND RECOMMENDATIONS

3.1 Chapter 1: Mayor's Foreword and Executive Summary

i) High Level Findings

- The Mayor's Foreword has not been included in the Annual Report at this stage. The report indicates that it will be included once the audit has been completed.

- The Annual Report provides comprehensive overview of the demographics, population, growth and development structure of the municipal area. However, the demographic and population data provided still uses Stats SA Census 2011 data.

ii) Recommendations

- It is recommended that the Annual Report uses the StatsSA Community Survey 2016 report as a source of data to improve that accuracy of the population estimates.

3.2 Chapter 2: Governance

i) High Level Findings

- All the details of the all the public meetings are clearly stated in the Annual Report.
- Issues related to risk management are addressed in the Annual Report.
- Chapter 2.6.1 highlights the new Anti-Fraud and Corruption Strategy as well as the Fraud and Corruption Prevention Policy and response plan adopted in June 2015.
- Supply chain issues and all information related to supply chain management are provided in Chapter 2.
- Chapter 2 details all the information regarding the municipality's Performance Risk and Audit Committee comprehensively. This includes information related to the committees, their members and their attendance at required meetings.
- The Municipality's Performance Risk and Audit Committee made several recommendations to council during the financial year which was consequently adopted by council.

ii) Recommendations

- None.

3.3 Chapter 3: Service Delivery

i) High Level Findings

- Chapter 3 indicates that the municipality did not meet 6 of its 36 annual targets. For each target not met, the municipality has listed corrective actions.
- All the service delivery targets are listed in a structured manner which allows for ease of comparison between planned targets and actual achievements.

ii) Recommendations

- None.

3.4 Chapter 4: Organisational Development Performance

i) High Level Findings

- The report details the number of employees at each level who have been identified for training opportunities during the financial year.
- The municipality achieved 68 per cent of its planned training interventions for the year, however over 100 per cent of the budget allocated to capacity building was spent.

ii) Recommendations

- It is recommended that budgeting for future training interventions could be improved in order to achieve planned targets.

3.5 Chapter 5: Financial Performance

i) High Level Findings

- Chapter 5 of the Annual Report includes information on financial performance divided into the following framework:
 - a) Statement of financial performance
 - b) Spending against Capital budget
 - c) Cash flow management and investment
 - d) Other financial matters

ii) Recommendations

- None.

3.6 Chapter 6: Auditor-General Audit Findings

i) High Level Findings

- The Auditor-General's Report as submitted by the Auditor-General is included as Annexure B in the Annual Report and not in Chapter 6.
- Chapter 6 includes details on issues raised during the previous financial year by the Auditor-General.
- The Annual Report include remedial action taken to address issues raised during the previous financial year by the Auditor-General and corrective measures.

ii) Recommendations

- None.

4. CONCLUSION

Witzenberg Municipality complied fully with legislation regarding tabling, publishing document for comments, submission to Provincial Treasury and placement on the website within the time frames prescribed in the MFMA section 121.

The 2015/16 Annual Report is in the new format, however it only partially complies with MFMA circular 63 as it did not include any of the recommended appendices. This is a repeat finding from last year.

It is noted that the municipality intends to include the Mayor's foreword and the Municipal Manager's foreword in the report once the audit has been completed. It is recommended that the foreword includes all the relevant information as prescribed in MFMA Circular 63.

The Executive Summary provides a comprehensive overview of the socio-economic reality in Witzenberg. However, it is recommended that the municipality utilises the most recent data available as provided in StatsSA Community Survey 2016 where possible.

In the Governance section in Chapter 2, the Annual Report provides a thorough and detailed overview of the political and administrative structure within the municipality.

The performance report included in pages 56-132 indicates that the municipality achieved 83.3 per cent of its targets for 2015/16 (30 out of 36 targets were met). Of the six targets not achieved, the municipality has ensured that corrective actions will be taken to meet the targets in the future.

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

Annexure B : Comments the Annual report from Mr V. Coetzee...(Public)

Enquiries and comments regarding Annual Report Witzenberg Municipality 2015/2016

Re: Paragraph 1:2:1 "information" Citizens must receive full and accurate information

No Comment received

Paragraph 1.3.1. " Pine Valley Housing Project"

Is it true that most of the 160 serviced plots of the Zakhele Project were given to persons who did not have South African Citizenship?

The statement is false. Awards were made in accordance with the municipality's allocation criteria. Only residents with South African citizenship and persons whose names were on the list from the 2013 survey were included. A total of 408 persons qualified for serviced plots.

According to Chapter 3 page 90, you plan to give homes to the residents, "construction of houses will start at later stage."

The provision and allocation of housing is in terms of provincial housing approval and is also financed by province.

Paragraph 1.4.5. Repairs and maintenance - 4.23%

With a staff total of 559 that will increase to 865 in the new year, certainly spending on maintenance can increase as maintenance is regarded as essential?

Although the organizational chart provides for the number of jobs, no mention is made in the report that the number of staff will be increased to 865 in the new financial year. Appointment of new staff can only be made if budgeted.

Only external expenditure, i.e. work performed by external service providers to repair and maintain assets, is included in the rate of 4.23%. Expenditure on the repair and maintenance of assets incurred with own staff and equipment is not included.

Paragraph 1.6.1 Unqualified audits 2009-2015

Is it true that fraud, corruption and mismanagement have been proven in a special investigative report issued by the (Special Investigation Unit) SIU in 2010?

The statement made is unfounded as no study has been conducted by any Special Investigation Unit.

Enquiries and comments regarding Annual Report Witzenberg Municipality 2015/2016

Is it true that another special investigation was also done in 2012? Both investigations are under control of the same Municipal Manager currently?

The said statement is unfounded and untrue.

Paragraph 2.1.2. Councillor S. Louw

Is it true that this mayor has delegated all his powers to the Municipal Manager?

The said statement is unfounded and untrue.

2.2. D. Nasson Municipal Manager and M. Mpeluzza Director Corporate Services

Is it true that both officials were appointed conditionally in 2013 without councillors seeing their CVs or contracts?

The said statement is unfounded and untrue.

Paragraph 2.4 PUBLIC MEETINGS

IDP Public Meeting 11 April 2016 Wolseley: Were eleven persons were present?

IDP Public Meeting 14 April 2016 PA Hamlet: Only three members of the public and no councillor.

Is the municipality committed to inform or involve the public in decision making?

The municipality advertises the community meetings in the local media, leaflets are delivered to homes and the meetings are announced by loudspeakers. Residents, however, decide whether they want to attend the meetings or not.

Witzenberg is one of the few municipalities that have two public meetings per area each year.

Paragraph 2.4.2 WARD COMMITTEES.

Ward 5: The council member is a member of the executive committee that takes the highest percentage of decisions whilst the ward committee operates improperly? This against the average salary of R55,675.00 per ward per year?

The Councillor has no control over the attendance of meetings by ward committee members.

Paragraph 2.6.2 Fraud Prevention Policy - Supply Chain Management.

Enquiries and comments regarding Annual Report Witzenberg Municipality 2015/2016

Are directives and procedures followed, or are questionable processes as in the case of tender 08/2/12/27 still the order of the day?

The person to whom the tender was awarded is apparently, according to his own testimony, friends with staff members and a council member and never had funds available to buy the premises.

According to the prospective buyer he occupied the property with livestock on instruction of a senior municipal official.

In the 2014/2015 Annual Report the property is valued at R4,935,885.00. The "successful" tender was for R2,280,000.00.

As prescribed by legislation tender 08/2/12/27 was invited as a competitive bid. The bid was awarded in terms of relevant legislation and regulations to the highest bidder by the tender adjudication committee of the municipality. The municipal manager is not a member of the said committee.

The total value of all assets identified for sale was R 4,935,855.00 and not just the property in question.

NOTES: Receivables from exchange transactions P.25 of Annual Financial Statements

Water Ageing:

2015- R48,240,977.00

2016- R46,519,206.00

Faulty and fictitious accounts of amounts over R402, 534.00 are available.

The unsubstantiated allegation can only be investigated if details of the alleged erroneous accounts are provided.

NOTES 35 Annual Financial Statements: General Expenses

Is it really true that R13,354.59 use every workday and was classified as "other"?

Other General Expenses in the amount of R 3,031,492 represent only 0.67% of Total Expenses of R 449,409,406 and 7.0% of Total General Expenses of R 43,547,125. This is within the general accepted practice of 10% of Total General Expenses.

Other General Expenses can only be incurred if it is provided for in the budget, and after the normal supply chain processes were followed.

I would like to hear from you

With thanks

A.J Coetzee