

# Kareeberg Munisipaliteit

Spesiale Raadsvergadering

## NOTULE

31 Januarie 2017

# MUNISIPALITEIT KAREEBERG

Kantoor van die Munisipale Bestuurder  
Posbus 10  
CARNARVON  
8925  
24 Januarie 2017

## AAN ALLE RAADSLEDE

Kennis geskied hiermee dat 'n Spesiale Raadsvergadering gehou sal word in die Raadsaal, Carnarvon op

**DINSDAG, 31 JANUARIE 2017**

**OM 10:00**

## MUNISIPALE BESTUURDER

### AGENDA

1. **oorweging van aansoeke om verlof tot afwesigheid, indien enige**  
**(3.1.1.6.1.4)**
- 

2. **KONSEP JAARVERSLAG 2015/2016**  
**(5.14.1.1)**
- 

Gemelde verslag is onder aparte omslag gesirkuleer.

**AANBEVELING:** ter oorweging

3. **AANPASSING VAN RAADSLIDTOELAES 2016/2017**  
**(5.11.1.2)**
- 

Die relevante proklamasie dui 'n aanpassing van 4% vir Raadslede aan, en daar is as sulks voorvoorsiening gemaak in die begroting. Die staatskoerant word ingebind as bylae 4.

- AANBEVELING:**
- i) dat die toelae met ingang van 1 Julie 2016 as volg vasgestel word:
    - Burgemeester R59 147.08 per maand (geen aanpassing)
    - Raadslede R18 541.33 per maand
  - ii) dat die uitbetaling geskied na goedkeuring deur die LUR.

**NOTULE VAN 'N SPESIALE RAADSVERGADERING WAT GEHOU IS IN DIE  
RAADSAAL, CARNARVON OP DINSDAG, 31 JANUARIE 2017**

**TEENWOORDIG:** Sy Agbare, Die Burgemeester Raadslid N.S van Wyk  
Raadslid J.E.J Hoorn  
Raadslid E. Hoorn  
Raadslid W.D Horne  
Raadslid G. Saal  
Raadslid B.J.E Slambee  
Raadslid G.P van Louw

**AMPTENARE:** Munisipale Bestuurder  
Hoof Operasionele Bestuurder  
Waarnemende Hoof: Finansies  
Senior Administratiewe Beampte

1. **GEEN**

2. **BESLUIT:** i) dat die verslag aanvaar word.  
ii) dat die gemeenskap se insette ingevolge Artikel 127 (2) van die  
Munisipale Finansiële Bestuurswet ingewag word.

**NOTA:** Raadslid W.D Horne versoek dat sy teenstem teen item (i) aangeteken word.

3. **BESLUIT:** soos aanbeveel.



4. **VERSLAG VAN DIE OUDITEUR-GENERAAL 2015/2016 FINANSIËLE JAAR  
(5.14.1.1)**

---

Ingebind as bylae 4 vind u gemelde verslag.

**AANBEVELING:** ter oorweging.

5. **BETALING VAN GRATIFIKASIE VIR NIE TERUGKERENDE RAADSLEDE 2020.  
(5.11.1.2)**

---

Ingebind as bylae 5 vind u die skrywe ontvang van die Minister van Samewerkende regering.

**AANBEVELING:** ter oorweging.

Notule: Spesiale Raadsvergadering: 31 Januarie 2017

4. **BESLUIT:**
- i) dat die verslag aanvaar word.
  - ii) dat kennis geneem word dat die Munisipale Openbare Rekeningekomitee die aksieplan sal bespreek.

**NOTA:** 'n Verteenwoordiger van die Ouditeur-Generaal se kantoor het tydens die vergadering die verslag voorgelê.

5. **BESLUIT:**
- i) dat kennis geneem word van die skrywe.
  - ii) dat kennis geneem word dat voortaan nie meer 'n gratifikasie betaal sal word nie.

**DATUM:** 27 FEBRUARIE 2017

  
**BURGEMEESTER:**

## SCHEDULE

### PREAMBLE

The salary and allowances of a member of a municipal council is determined by that municipal council by resolution of a supporting vote of a majority of its members, in consultation with the member of the Executive Council responsible for local government in each province, having regard to the upper limits as set out hereunder, the financial year of a municipality and affordability of municipality to pay within the different grades of the remuneration of councillors, including the National Treasury austerity measures.

For purposes of implementation of this Government Notice, "in consultation with" means that a municipal council must obtain concurrence of the MEC for local government prior implementation of the provisions of this Notice.

### 1. Definitions

In this Schedule, unless the context indicates otherwise, a word or phrase to which a meaning has been assigned in the *Remuneration of Public Office-bearers Act, 1998* (Act No. 20 of 1998) (hereinafter referred to as "the Act") and the *Local Government: Municipal Structures Act, 1998* (Act No. 117 of 1998) (hereinafter referred to as "the Structures Act"), has that meaning and –

"basic salary" means the amount payable to a councillor that excludes travel allowance, housing allowance, municipal contribution to a pension fund and municipal contribution to a medical aid scheme as provided for in items 9(1), 9(2), 12(1) and 12(2) of this Notice;

"Demarcation Act" means the *Local Government: Municipal Demarcation Act, 1998* (Act No. 27 of 1998);

"existing municipality" in relation to this Notice means a municipality that existed prior to the 2016 local government elections which was not affected by the boundary re-determination that only came into effect at the commencement of the first election of the new council of that municipality;

"full-time councillor" means a councillor who has been elected or appointed to an office which has been designated as full-time in terms of section 18(4) of the Structures Act;



“grade” in relation to this Notice means the grade of municipal council as determined in terms of item 4;

“new municipality” in relation to this Notice means the municipality established in terms of section 21 of the Demarcation Act consisting of the disestablished areas of the existing Thulamela Local Municipality and Makhado Local Municipality that came into effect at the commencement of the first election of the council of that municipality following the 2016 local government elections;

“out of pocket expenses” means actual and necessary expenses incurred by a councillor which have been specifically authorised or provided for in terms of the municipality’s policy, in connection with a specific official or ceremonial duty that has been delegated to the councillor in question;

“part-time councillor” means a councillor other than a full-time councillor;

“section 79 committee” means a committee of the municipal council established in terms of section 79 of the Structures Act;

“SETAs” means the Sector Education and Training Authorities established in terms of section 9 of the *Skills Development Act, 1998 (Act No. 97 of 1998)*;

“special risk cover” means an insurance cover, provided to a councillor by the municipality, which covers the loss of or damage to a councillor’s personal fixed or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder;

“superseding municipality” means an incorporating, merged or split municipality that came into effect at the commencement of the first election of the council of that municipality following the 2016 local government elections;

“tools of trade” means the resources provided by a municipal council to a councillor to enable such councillor to discharge his or her duties in the most efficient and effective manner, and at all times remain the assets of the municipality concerned;

“total municipal income” means gross income in respect of a metropolitan, local or district municipality based on actual income received as stated in the audited financial statements of that municipality for the 2015/ 2016 financial year. The gross income for the municipality will include the following:

- rates on property;
- fees for services rendered by the municipality, or on its behalf by a municipal entity;
- surcharges;
- other authorised taxes;



- levies and duties;
- income from fines for traffic offences and contravention of municipal by-laws or legislation assigned to the local sphere of government;
- regional services council replacement grant for district municipalities;
- interest earned on invested funds other than national and provincial conditional grants;
- rental for the use of municipal movable or immovable property; and
- amounts received as agent for other spheres of government.

The gross income excludes the following:

- transfers and / or grants from the national fiscus; and
- all value added tax (VAT) refunds.

“total population” means the official statistics of the population residing in the area of jurisdiction of a metropolitan, local or district municipality, as published in the Community Survey 2016: Statistical Release No. P0301, in terms of the *Statistics Act, 1999* (Act No. 6 of 1999); and

“total remuneration package” means the annual total cost to a municipality of a basic salary component, housing allowance, municipal contribution to a pension fund and municipal contribution to a medical aid scheme payable to a councillor as provided for in items 9(1), 9(2), 12(1) and 12(2) of this Notice.

## 2. Allocation of number of points for total municipal income

The number of points allocated for the total municipal income of a municipality is as follows:

TOTAL MUNICIPAL INCOME		NUMBER OF POINTS
R 0	- R 10,000,000	8.33
R 10,000,001	- R 50,000,000	16.67
R 50,000,001	- R 200,000,000	25.00
R 200,000,001	- R 1,500,000,000	33.33
R 1,500,000,001	- R 2,000,000,000	41.67
More than R2,000,000,000		50.00



**3. Allocation of number of points for total population**

The number of points allocated for the total population within a municipality, is as follows:

TOTAL POPULATION			NUMBER OF POINTS
0	-	50,000	8.33
50,001	-	100,000	16.67
100,001	-	250,000	25.00
250,001	-	550,000	33.33
550,001	-	1,800,000	41.67
More than 1,800,000			50.00

**4. Determination of grade of municipal council**

(1) The sum of the number of points allocated to a municipal council, other than a municipal council referred to in sub-items (2), (3) or (4), in terms of items 2 and 3 respectively, determines the grade of such municipal council as follows:

GRADE OF MUNICIPAL COUNCIL	POINTS
1	0 to 16.66
2	16.67 to 33.33
3	33.34 to 50.00
4	50.01 to 66.67
5	66.68 to 83.35
6	83.36 and above

(2) The criteria for determination of the grading of municipality affected by the redetermination of boundaries is provided for under item 18 dealing with transitional measures.

**5. Upper limits of the annual total remuneration packages of full-time councillors**

The upper limits of the annual total remuneration packages of full-time councillors are as follows:

GRADE	MAYOR OR EXECUTIVE MAYOR	SPEAKER, DEPUTY MAYOR OR DEPUTY EXECUTIVE MAYOR	MEMBER OF THE EXECUTIVE COMMITTEE OR MAYORAL COMMITTEE, WHIP OR CHAIRPERSON OF A SUBCOUNCIL	CHAIRPERSON OF A SECTION 79 COMMITTEE
	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE
6	1 242 409	1 003 393	940 680	913 086
5	921 912	737 529	691 433	671 152
4	787 061	629 647	590 296	572 979
3	758 012	606 410	568 510	551 832
2	709 765	567 812	532 323	516 708
1	689 087	551 266	516 811	501 651

The mayor of a plenary type municipality should be remunerated according to the total remuneration package column of mayor/ executive mayor.

**6. Upper limit of annual total remuneration package or allowance in respect of appointed councillors**

(1) A councillor appointed to a district council in terms of section 23(1)(b) of the Structures Act, may be paid the upper limit of the total remuneration package or allowance as follows:

- (a) If a councillor is elected or appointed as speaker, mayor, executive mayor, member of a mayoral committee, member of an executive committee, chairperson of a section 79 committee or part-time member of a district council, such councillor is entitled to an amount equal to the difference between the total remuneration package that a councillor receives as a member of the local council and the total remuneration package allocated to that office in the district council in terms of items 5, 6, 7, 8, 9, 10 and 11, as the case may be.
- (b) If the total remuneration package payable to a councillor as a member of the local council is equal to or higher than the total remuneration package that an appointed councillor to the district council receives, such a councillor is, in addition to the total remuneration package, entitled to a sitting allowance not exceeding R962: Provided that this allowance is limited to R962 per day, regardless of the number of meetings

of the district council or committees of that council that are attended by such councillor on a specific day.

(2) A district municipality is responsible for –

- (a) the payment of the remuneration or the allowance referred to in sub-item (1);
- (b) the reimbursement of travel expenses not exceeding the applicable tariffs prescribed by the national department responsible for transport for the use of privately-owned vehicles incurred by a councillor for the execution of official duties on behalf of that district municipality, in terms of that district council's policy; and
- (c) the reimbursement of cell phone expenses not exceeding 50% of the applicable allowances as prescribed under item 10 incurred by a part-time councillor for the execution of official duties on behalf of that district municipality, in terms of that district council's policy.

**7. Upper limit of allowance in respect of councillors serving in the governance and intergovernmental structures of organised local government**

(1) A councillor elected or appointed to serve in a governance structure of organised local government must, in addition to the total remuneration package applicable to that councillor, be paid an allowance not exceeding R962 per sitting and actual attendance of any meeting: Provided that the allowance is limited to R962 per day, irrespective of the number of meetings attended by such councillor on a specific day.

(2) **Organised local government is responsible for –**

- (a) the payment of the allowance referred to in sub-item (1);
- (b) the payment of accommodation expenses incurred for attending a meeting of governance and intergovernmental structures in terms of applicable organised local government policy; and

- (c) reimbursement of travel expenses, not exceeding the applicable tariffs prescribed by the national department responsible for transport for the use of privately-owned vehicles, incurred by a councillor for attending a meeting of governance and intergovernmental structures.

#### 8. Upper limits of the annual total remuneration packages of part-time councillors

The upper limits of the annual total remuneration packages of part-time councillors are as follows:

GRADE	MAYOR / EXECUTIVE MAYOR	SPEAKER, DEPUTY MAYOR OR DEPUTY EXECUTIVE MAYOR	MEMBER OF THE EXECUTIVE COMMITTEE OR MAYORAL COMMITTEE OR WHIP	CHAIRPERSON OF SECTION 79 COMMITTEE	OTHER PART-TIME MEMBERS
	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE	TOTAL REMUNERATION PACKAGE
6	693 101	586 335	519 826	504 578	458 706
5	509 454	407 564	382 091	370 882	288 998
4	434 935	347 947	326 201	316 632	246 725
3	418 883	335 106	314 168	304 945	237 620
2	392 221	313 776	294 166	285 537	222 496
1	380 791	304 632	285 594	277 215	215 753

The mayor of a plenary type municipality should be remunerated according to the total remuneration package column of mayor/ executive mayor.

#### 9. Upper limits of allowances of full-time and part-time councillors

The upper limits of allowances of full-time and part-time councillors, that constitute part of the annual total remuneration package, are as follows:

##### (1) Motor vehicle and travel allowance

- (a) A full-time or part-time councillor listed in item 5 and 8 of this Notice may structure his or her basic salary to provide for motor vehicle allowance;
- (b) If a councillor contemplated in paragraph (a) is unable to utilise his own vehicle for official purposes, such a councillor may utilise a municipal-owned vehicle: Provided that the municipal council must, in line with the approved municipal policy, exercise

prudent financial management to ensure that the provision of motor vehicle does not undermine the need to prioritise service delivery and sustain viable municipalities.

- (c) Nothing herein contained prevents any other councillor other than a mayor, deputy mayor or speaker from making use of a municipal-owned vehicle for attendance at a specific function which that councillor has been delegated to attend, outside of the ordinary scope of work of such councillor.
- (d) A councillor who utilises his or her motor vehicle must, for purpose of claiming kilometres travelled, keep a travel logbook containing the following information relating to actual official and private kilometres travelled per month as may be determined from time to time by the South African Revenue Service:
  - (i) Date of travel;
  - (ii) Kilometres travelled; and
  - (iii) Travel details, where to and reason for the trip.
- (e) If a councillor uses a municipal-owned motor vehicle for official purposes, such councillor will not be reimbursed for kilometres travelled.

(2) Housing allowance

A councillor may structure his or her salary to provide for housing allowance as part of the total remuneration package.

(3) Out of pocket expenses

A councillor may, in addition to the total remuneration package, be reimbursed for reasonable and actual out of pocket expenses incurred during the execution of official or ceremonial duties, in accordance with the applicable council policy.



**10. Upper limits of cell phone allowance for councillors**

A councillor may, in addition to the annual total remuneration packages provided for in terms of items 5 and 8 respectively, be reimbursed for the expenditure on the use of cell phone allowance not exceeding the following amounts:

(1) R3400.00 per month to a executive mayor or mayor, deputy mayor and speaker of only a grade 6 municipal council;

(2) R2400.00 per month to an executive mayor or mayor, deputy mayor and speaker of grade 4 and 5 municipal councils; and

(3) R1900.00 per month to an executive mayor or mayor, deputy mayor and speaker of grade 1, 2 and 3 of a municipal council, including any other councillor.

**11. Upper limits of mobile data bundles for councillors**

A councillor may, in addition to the annual total remuneration packages provided for in terms of items 5 and 8 respectively, be reimbursed for the expenditure on the use of data bundles not exceeding R300 per month.

**12. Upper limits of pension fund contributions and medical benefits of councillors**

(1) Pension fund

(a) Every councillor shall contribute to a pension fund registered in terms of the Pension Fund Act, 1956 (Act No. 24 of 1956).

(b) A municipality shall deduct an amount equal to 15% from a councillor's monthly basic salary and pay it over to a pension fund to which a councillor is a member.

(2) Medical Scheme

- (a) A councillor may participate in a medical scheme registered in terms of the Medical Schemes Act, 1998 (Act No. 131 of 1998).
- (b) A municipality shall deduct the relevant membership fee from a councillor's monthly basic salary and pay it over to a medical scheme of which a councillor is a member.
- (c) If a councillor already belongs to another medical scheme, such councillor may annually submit proof of membership of the medical scheme to the municipality.

13. Special risk cover

(1) A municipality must, in addition to the annual total remuneration packages provided for in items 5 and 8 respectively, take out risk insurance cover, to provide for the an insurance cover, provided to a councillor by the municipality, which covers the loss of or damage to a councillors personal fixed or moveable property and assets, excluding property used by such councillor for business purposes, as well as life and disability cover, for any loss or damage caused by riot, civil unrest, strike or public disorder. The special risk insurance on residential property will be limited to R1, 5 million while on vehicles it is limited to R750 000. The life and disability insurance cover is limited to 2 times the total remuneration package of a councillor.

(2) In the event where the residential property of a councillor was damaged or destroyed as a result of riot, civil unrest, strike or public disorder, the municipality may, subject to affordability, provide alternative accommodation to the affected councillor, for a period of 30 days from the date of such an incident.

(3) Notwithstanding sub-item (2), the municipal council may, on good cause shown, review its decision referred to in sub item (2), limited to 30 days per incident.

(4) A councillor is obliged to submit to the municipality details of property, assets and beneficiaries to be covered by the special risk insurance upon request. A councillor who fails to submit the required details referred to herein will forfeit the benefits associated with the special risk insurance cover.

(5) If a councillor already belongs to another special risk cover, such councillor must declare to the municipality the details of property, assets and beneficiaries to be covered by the special risk insurance.

#### 14. Tools of trade

(1) A municipal council may extend the following tools of trade to a councillor:

	TOOLS OF TRADE	APPLICABLE TO:
(a)	Braille reader	All visually impaired councillors.
(b)	Office space and furniture; Parking bay; Business cards; Calculators; Letter-heads; Stationery; Toner cartridges; Diaries; Postage costs; Office telephone; and Appropriate mobile technology and multi-digital office (excluding cell phones and mobile data card as per item 10 and 11), including laptop and or desktop computer, facsimile, printer, photocopier and scanner.	Full-time councillors, part-time Executive Mayors or Mayor, part-time Deputy Executive Mayors or Deputy Mayors, part-time Speakers, part-time Members of Mayoral Committee or Members of Executive Committee and part-time Chairpersons of Section 79 Committees.
(c)	Business cards; Calculators; Letter-heads; Stationery; and Diaries.	Part-time councillors and the usage must comply with policy directives of the municipality.
(d)	Postage costs; Office telephone; and Multi-digital office, facsimile, printer, photocopier and scanner.	Part-time councillors to have access to these tools of trade at the municipal offices.
(e)	Personal security	All councillors, subject to a threat and risk analysis conducted by the South African Police Service.

(2) If a municipal council makes available tools of trade in terms of sub-item (1), such a municipal council must take into account accessibility, affordability and cost control, equity, flexibility, simplicity, transparency, accountability and value of tools of trade.



# Report of the auditor-general to the Northern Cape Provincial Legislature and the council on Kareeberg Local Municipality

## Report on the financial statements

### Introduction

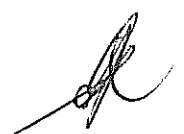
1. I have audited the financial statements of the Kareeberg Local Municipality set out on pages X to X, which comprise the statement of financial position as at 30 June 2016, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2015 (Act No. 1 of 2015) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kareeberg Local Municipality as at 30 June 2016 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and DoRA.

### **Emphasis of matter**

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### **Restatement of corresponding figures**

8. As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2016 have been restated as a result of errors discovered during 2016 in the financial statements of the municipality at, and for the year ended, 30 June 2015.

### **Additional matters**

9. I draw attention to the matters below. My opinion is not modified in respect of these matters.

### **Unaudited Supplementary Schedules**

10. The supplementary information set out on pages X to X does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

### **Unaudited disclosure notes**

11. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

### **Report on other legal and regulatory requirements**

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.



### Predetermined objectives

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected objectives presented in the annual performance report of the municipality for the year ended 30 June 2016:
- Objective 2: Budget and Treasury office on pages x to x.
  - Objective 11: Solid Waste management on pages x to x.
  - Objective 12: Waste Water Management on pages x to x.
  - Objective 13: Road Transport on pages x to x.
  - Objective 14: Water services on pages x to x.
  - Objective 15: Electrical services on pages x to x.
14. I evaluated the usefulness of the reported performance information to determine whether it was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPP)*.
15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
16. The material findings in respect of the selected objectives are as follows:

### **Objective 2: Budget and Treasury office**

#### Usefulness of reported performance information

17. Section 25(1) of the Municipal Systems Act requires the municipal council to adopt an integrated development plan within the prescribed period after the start of the elected term. Section 46 of the Municipal Systems Act also requires an annual performance report to be prepared annually. In addition, section 53(1)(c) of the MFMA requires the mayor to approve the service delivery and budget implementation plan. The consistency of planned and reported objectives could not be assessed, as the annual performance report had not included any performance objectives. This was due to the annual performance report not being reviewed and agreed to the planning documents before submission for audit purposes.
18. The measurability of important planned targets and indicators could not be assessed due to a lack of a proper systems and processes and formal standard operating procedures or documented system descriptions.

#### Reliability of reported performance information

19. The FMPP requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of



actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems and the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

## **Objective 11: Solid Waste management**

### Usefulness of reported performance information

20. Section 25(1) of the Municipal Systems Act requires the municipal council to adopt an integrated development plan within the prescribed period after the start of the elected term. Section 46 of the Municipal Systems Act also requires an annual performance report to be prepared annually. In addition, section 53(1)(c) of the MFMA requires the mayor to approve the service delivery and budget implementation plan. The consistency of planned and reported objectives could not be assessed, as the annual performance report had not included any performance objectives. This was due to the annual performance report not being reviewed and agreed to the planning documents before submission for audit purposes.
21. The measurability of important planned targets and indicators could not be assessed due to a lack of a proper systems and processes and formal standard operating procedures or documented system descriptions.

### Reliability of reported performance information

22. The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems and the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

## **Objective 12: Waste Water Management**

### Usefulness of reported performance information

23. Section 25(1) of the Municipal Systems Act requires the municipal council to adopt an integrated development plan within the prescribed period after the start of the elected term. Section 46 of the Municipal Systems Act also requires an annual performance report to be prepared annually. In addition, section 53(1)(c) of the MFMA requires the mayor to approve the service delivery and budget implementation plan. The consistency of planned and reported objectives could not be assessed, as the annual performance

report had not included any performance objectives. This was due to the annual performance report not being reviewed and agreed to the planning documents before submission for audit purposes.

24. The measurability of important planned targets and indicators could not be assessed due to a lack of a proper systems and processes and formal standard operating procedures or documented system descriptions.

#### Reliability of reported performance information

25. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems and the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

### Objective 13: Road Transport

#### Usefulness of reported performance information

26. Section 25(1) of the Municipal Systems Act requires the municipal council to adopt an integrated development plan within the prescribed period after the start of the elected term. Section 46 of the Municipal Systems Act also requires an annual performance report to be prepared annually. In addition, section 53(1)(c) of the MFMA requires the mayor to approve the service delivery and budget implementation plan. The consistency of planned and reported objectives could not be assessed, as the annual performance report had not included any performance objectives. This was due to the annual performance report not being reviewed and agreed to the planning documents before submission for audit purposes.
27. The measurability of important planned targets and indicators could not be assessed due to a lack of a proper systems and processes and formal standard operating procedures or documented system descriptions.

#### Reliability of reported performance information

28. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems and the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.



## **Objective 14: Water services**

### Usefulness of reported performance information

29. Section 25(1) of the Municipal Systems Act requires the municipal council to adopt an integrated development plan within the prescribed period after the start of the elected term. Section 46 of the Municipal Systems Act also requires an annual performance report to be prepared annually. In addition, section 53(1)(c) of the MFMA requires the mayor to approve the service delivery and budget implementation plan. The consistency of planned and reported objectives could not be assessed, as the annual performance report had not included any performance objectives. This was due to the annual performance report not being reviewed and agreed to the planning documents before submission for audit purposes.
30. The measurability of important planned targets and indicators could not be assessed due to a lack of a proper systems and processes and formal standard operating procedures or documented system descriptions.

### Reliability of reported performance information

31. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems and the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

## **Objective 15: Electrical services**

### Usefulness of reported performance information

32. Section 25(1) of the Municipal Systems Act requires the municipal council to adopt an integrated development plan within the prescribed period after the start of the elected term. Section 46 of the Municipal Systems Act also requires an annual performance report to be prepared annually. In addition, section 53(1)(c) of the MFMA requires the mayor to approve the service delivery and budget implementation plan. The consistency of planned and reported objectives could not be assessed, as the annual performance report had not included any performance objectives. This was due to the annual performance report not being reviewed and agreed to the planning documents before submission for audit purposes.
33. The measurability of important planned targets and indicators could not be assessed due to a lack of a proper systems and processes and formal standard operating procedures or documented system descriptions.

### Reliability of reported performance information

34. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems and the fact that the auditee could not provide sufficient appropriate evidence in support of the reported performance information and the auditee's records not permitting the application of alternative audit procedures.

### Additional matters

35. I draw attention to the following matters:

### Achievement of planned targets

36. Refer to the annual performance report on pages x to x; x to x for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs x; x; x of this report.

### Unaudited supplementary information

37. The supplementary information set out on pages x to x does not form part of the annual performance report and is presented as additional information. I have not audited these schedules and, accordingly, I do not report on them.

### Compliance with legislation

38. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

### Strategic planning and performance management

39. The municipality did not establish a performance management system as required by section 38(a) of the MSA or the Municipal planning and performance management regulation (8).
40. The KPIs set by the municipality did not include indicators on percentage of households with access to basic level of water, sanitation, electricity and solid waste removal were not set by the municipality as required by section 43(2) of the MSA and the Municipal planning and performance management regulation 10(a).



41. The service delivery and budget implementation plan (SDBIP) for implementing the municipality's delivery of municipal services and annual budget did not indicate projections for each month of the revenue to be collected, by source as required by section 1 and 53(1)(c) of the MFMA.

### **Financial statements, performance and annual reports**

42. The annual performance report for the year under review did not include a comparison with the previous financial year and measures taken to improve performance, as required by section 46 (1)(b) and (c) of the MSA.

### **Asset management**

43. Capital assets were permanently disposed without the approval of the council, as required by section 14(2)(a) of the MFMA

### **Internal control**

44. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

### **Leadership**

45. Leadership did not oversee performance reporting, compliance with laws and regulations and internal control.
46. The municipality did not have sufficient monitoring controls to ensure the proper implementation of the overall process of planning, budgeting, implementation and reporting relating to the setting of predetermined objectives and the reporting thereof.

### **Financial and performance management**

47. Non-compliance with laws and regulations could have been prevented had compliance been properly reviewed and monitored. A lack of consequences for poor performance resulted in non-compliance with laws and regulations re-occurring.
48. Management did not document and approve internal policies and procedures to address the process of collecting, recording, processing, monitoring and reporting on predetermined objectives. This was due to a lack of understanding of the processes that should be performed to prepare a complete and valid report on predetermined objectives.





## Governance

49. The audit committee was not fully established during the year. Thus it could not discharge its duties and responsibilities thoroughly. The audit committee did not adequately promote accountability and service delivery by evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment, including financial, performance reporting and compliance with laws and regulations.

*Auditor General*

Kimberley

30 November 2016



AUDITOR GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*





MINISTRY  
COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS  
REPUBLIC OF SOUTH AFRICA

Private Bag x 802, PRETORIA, 0001 Tel: (+27 12) 334 0705 Fax: (+27 12) 3365960  
Private Bag x 9123, CAPE TOWN, 8000 Tel: (+27 21) 469 6701 Fax: (+27 21) 461 0851

TO:

- (i) MECs RESPONSIBLE FOR LOCAL GOVERNMENT IN THE PROVINCES
- (ii) CHAIRPERSON OF SALGA

**ONCE-OFF GRATUITY PAYMENT TO NON-RETURNING COUNCILLORS POST THE 2021 LOCAL GOVERNMENT ELECTIONS**

**Background:**

1. My letter dated 16 November 2016 (copies attached) and Circulars issued by the Department of Cooperative Governance ("the Department") relating to the above matter refers.

**Recommendations Made by the Commission: Gratuity Payments**

2. On 11 November 2016 the Independent Commission for the Remuneration of Public Office-bearers ("the Commission") published their recommendations for the 2016 / 2017 financial year in *Government Gazette* No. 40422.

A copy of the gazette is available for download at the following link:

[http://www.gpwonline.co.za/Gazettes/Gazettes/40422\\_11-11\\_Presidency.pdf](http://www.gpwonline.co.za/Gazettes/Gazettes/40422_11-11_Presidency.pdf)

3. The following specific comments were made by the Commission in paragraph 54 of their recommendations:

*"54. The Commission, after considering the proposals contained in the Minister's submission, conveyed the following views to the Minister in his correspondence dated 13 October 2016:*

*54.1 Councillors receive remuneration for work discharged and the time spent in the office. Many Councillors are immediately redeployed, others return to their previous employment and there are those who hold two jobs while being Councillors. The rationale for a termination bonus thus becomes questionable.*

Lêer 5.11.1.2: Spesiale Raadsvergadering: 31 Januarie 2017: Bylae 5

54.2 Public office bearers should be aware that their term of office is limited and there are no termination guarantees. They should plan for the eventuality. The planning for the end of the term should be managed during the tenure of the individual which includes providing for a pension and short term savings safety net.

54.3 A theoretically more appropriate long term strategy may be a savings vehicle where Councillors contribute a portion and perhaps the Municipality or National Treasury contributes a matching portion so that the savings vehicle can be accessed on short notice following the end of their term of office.

54.4 The Commission conceded that there is a precedent based on the recommendation for the 2011 term of office and this may have created a legitimate expectation. The Commission understands from the Minister's submission that funds have already been sourced for this purpose. This model is however not sustainable and should be revisited."

4. It should be noted that in response to the correspondence dated 13 October 2016, on 16 October 2016 the Commission was advised as follows:

*"The Commission's proposal that the practice of providing an ex-gratia payment to members of municipal councils should be eradicated is noted. However, in the spirit of upholding the "provision of uniform norms and standards nationally to address disparities" as provided for in the Remuneration of Public Office-Bearers Act No. 20 of 1998, the abolition of ex-gratia payments should be extended to all public office-bearers."*

5. In my speech to the SALGA Conference that was held on 29 November 2016, I stated as follows:

*"... the Commission has expressed its reservations with regard to this payment and we need to ensure that we plan for a future without this. We presume 2016 to be the last time that this payment is effected. SALGA must accelerate the issue of a social plan for Councillors."*

#### Way Forward

6. In light of the recommendations made by the Commission, and the "issue of the deteriorating state of the South African economy and increasing constraints exerted on the fiscus", it is unlikely that financial resources will be made available to make an ex-gratia payment to councillors who do not return to office post the 2021 local government elections.
7. You are therefore requested to:
- (i) Bring the contents of the Commission's recommendations to all serving councillors;
  - (ii) Advise serving councillors that financial resources from the national fiscus may not be available in 2021 to fund an ex-gratia payment; and



Lêer 5.11.1.2: Spesiale Raadsvergadering: 31 Januarie 2017: Bylae 5

- (iii) Submit proposals by 15 February 2017 on options to provide financial and other support to councillors who do not return to office post the 2021 local government elections.

**Enquiries:**

8. Your office is welcome to contact Dr Kevin Naidoo, Executive Manager: Municipal Governance by e-mail at: [kevin@coqta.gov.za](mailto:kevin@coqta.gov.za), or by telephone at: 012-3954616 for further enquiries relating to this matter.

I would like to thank you for your ongoing support in making a positive difference in all aspects in the local government sphere.

Wishing you a safe and blessed festive season and a prosperous 2017.

With kind regards,



**DES VAN ROOYEN, MP  
MINISTER**

DATE: 28/12/2016

