



NEWCASTLE MUNICIPALITY

OVERSIGHT REPORT 2015/16

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Annexure 2	-	Published Advert calling for public input (3 February 2017)
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Annexure 4	-	Minutes of MPAC meetings held on:- <ul style="list-style-type: none">✓ 14th March 2017✓ 15th March 2017✓ 20th March 2017 &✓ 22nd March 2017

OVERSIGHT COMMITTEE MEMBERS

Councillor M E Ngcobo (Chairperson)

Councillor B S Dlamini

Councillor N P Kunene

Councillor S G Miya

Councillor S J Nhlapho

Councillor S E Shabangu

Councillor L G Thwala

Councillor M S Mlangeni

Councillor T M Zulu

Councillor A P Meiring

Councillor M W Twala

Vacancy: Ward 23

EXECUTIVE SUMMARY

In terms of the Municipal Finance Management Act (Act No 56 of 2003) and the Municipal Systems Act (Act No 32 of 2000), each municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

- *To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;*
- *To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
- *To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity*

The 2015/2016 Annual Report was tabled in Council on 25 January 2017.

The final step in the reporting process is for Council to consider the Annual Report in the light of the findings contained in an Oversight Report. This is in terms of section 129 of the MFMA. The Oversight Report is compiled by the Municipal Public Accounts Committee (MPAC) as established by Council. The MPAC represents a separation of powers between the Executive Committee and the Administration and is aimed at enhancing accountability and good governance.

The Oversight Report is prepared using guidelines prepared by National Treasury as per MFMA Circular 32. The MPAC going forward will make submissions to Council on Oversight policy and procedures, clarifying roles and responsibilities of all role-players, and determining steps to be followed in the overall oversight process.

For the purpose of this Oversight report, the MPAC responds to the Annual Report Checklist and comments and submissions made by the community. It further includes observations and recommendations of the MPAC to Council.

BACKGROUND TO ANNUAL REPORT 2015/16

Section 121 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) stipulates that :-

“

1. *Every municipality and every municipality entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a 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.*
2. *The purpose of an annual report is-*
 - (a) *To provide a record of activities of the municipality or municipal entity during the financial year to which the report relates;*
 - (b) *To provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
 - (c) *To promote accountability to the local community for the decision made throughout the year by the municipality or municipality entity*
3. *The annual report of the municipality must include-*
 - (a) *The annual financial statements of the municipality, and in addition, if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section 126 (1);*
 - (b) *The Auditor General report in terms of section 126 (3) on those financial statements.*
 - (c) *The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*
 - (d) *The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.*
 - (e) *An assessment by the municipality 's accounting officer of any arrears on municipal taxes and service charges;*
 - (f) *An assessment by the municipality's accounting officer of the municipality's performance against the measurable performance objectives referred to in section 17 (3) (b) for revenue collection from each revenue sources and for each vote in the municipality's approved budget for the relevant financial year;*
 - (g) *Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports referred to in paragraphs (b) and (d)*
 - (h) *Any explanation that maybe necessary to clarify issues that in connection with the financial statements;*
 - (i) *Any information as determined by the municipality;*
 - (j) *Any recommendations of the municipality's audit committee; and*

- (k) Any other information as may be prescribed.*
4. *The annual report of a municipal entity must include-*
- (a) The annual financial statements of the entity as submitted to the Auditor General for audit in terms of section 126 (2) on those financial statements*
 - (b) The Auditor General's audit report in terms of section 126 (3) on those financial statements;*
 - (c) An assessment by the entity's accounting officer of any arrears on those financial statements;*
 - (d) An assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms the service delivery agreement or other agreement between the entity and its parent municipality*
 - (e) Particulars of any corrective action taken or to be taken in response to issues raised in the audit report referred to in paragraph (b);*
 - (f) Any information as determined by the entity or its parent municipality;*
 - (g) Any recommendations of the audit committee of the entity or its parent municipality; and*
 - (h) Any other information as may be prescribed."*

It is against this background that the annual report in respect of the 2015/2016 financial year was submitted to Council on the 25th January 2017 as per the following process flow :-

**TABLING OF ANNUAL REPORT ON 25
JANUARY TO COUNCIL**



**PUBLISH FOR PUBLIC COMMENT
3 FEBRUARY TO 27 FEBRUARY 2017**




**MPAC TO CONSIDER ANNUAL REPORT AND
PUBLIC COMMENTS AND COMPILE
OVERSIGHT REPORT**

From 10 MARCH 2017



**COUNCIL TO CONSIDER OVERSIGHT
REPORT BY 31 MARCH 2017**



**COUNCIL ADOPTS, REJECT OR REFER
ANNUAL REPORT BACK**

Accordingly, notice was given in terms of section 21 of the Municipal Systems Act, No 32 of 2000 read with section 127(5) of the Municipal Finance Management Act that the Annual Report was open for comments and/or inputs by the community and stakeholders by the 27TH February 2017. The Annual report was placed at all municipal offices, libraries and the municipal website www.newcastle.gov.za.

The only comment received was from the Newcastle Ratepayers Association and was circulated for responses by management and was considered by the MPAC accordingly.

In terms of section 129 of the Municipal Finance Management Act:-

Oversight reports on Annual Reports –

i) The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the Council in terms of section 127, 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.

FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The functions of the MPAC are to:

- ✓ Undertake a review and analysis of the Annual Report.
- ✓ Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- ✓ Consider written comments received on the Annual Report from the public consultation process.
- ✓ Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- ✓ Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.

- ✓ Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council’s Audit Committee and Councillors.

SUMMARY OF COMMENTS RECEIVED FROM STAKEHOLDERS AND RESPONSE THERETO

Management Response thereto is tabulated as follows:

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER’S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
1	(Page 29) Objectives linked to the IDP. A number of objectives linked to the IDP have been recorded with risks identified together with possible serious consequences. Mitigation measures have been proposed with no indication of any programme to address the relevant matters and if so possible outcomes.	Chief Risk Officer	The comment from the Newcastle Ratepayers’ Association is noted, unfortunately we normally provide just the summary in the annual report due to limited space, however the detailed risk management report does include this information, by the way, the municipality reports quarterly to the audit committee on the status of risk management implementation, therefore this information is readily available and can be provided to Newcastle Ratepayers Association.
2	(Page 40) Public Participation. Reference to IDP Representative Forum has been duplicated	Monitoring and evaluation	Noted, this will be edited.
3	(Page 41) Ward Committee Structures. It is stated that the primary objective of a ward committee is to enhance public participation of the community of Newcastle in the programme of the municipality. We are of the opinion that this is not happening.	DPHS	It is indeed correct that the purpose of Ward Committee Structures is to enhance public participation in the programmes of the municipality. The ward committees were functional and they functioned according to the Newcastle Municipality policy on the establishment and operations of Ward Committees and CoGTA guidelines. In terms of the assessment done by CoGTA on the functioning of the ward committees in 2015/16 financial year

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
			<p>Newcastle Municipality ward committees were found to be satisfying the requirements as per the guidelines for their functionality.</p> <p>In order for the ward committees to be declared functional, the following assessment criteria were used:</p> <ul style="list-style-type: none"> • Number of ward committee monthly meetings convened • Number of ward public meetings held quarterly • Number of sectoral reports submitted monthly • Number of ward reports submitted quarterly • Percentage of individual ward committee member attendance <p>These are all measures which the municipality has put in place in order to ensure that the purpose of having a functional structure are adhered to.</p>
4	<p>(Page47) Financial statement. We noted with concern that at the end of June 2016 cash and cash equivalents amounted to R44.5 million whilst total liabilities came to R1.045 billion. This calls for urgent attention and communication to the community because of the effect it could have on the tariff structure of Council. Secondly the financial year closed with a deficit of R891.3 million which could be attributed to the fact that Council's debtors are not properly managed.</p>	BTO	<p>The Newcastle Municipality acknowledges as a fact that that the cash and cash equivalents amounted to R44.5 million while the total liabilities amounted to R1.045 billion, however, a proper comparison should be between the total liabilities and the total assets. Total assets for the same period amounted to R8.40 billion, which indicates a favourable equity position. It must also be taken into account that the total liabilities include, as a larger part, such liabilities that were not immediately due at 30 June 2016.</p> <p>Furthermore, a deficit of R891.3 million was mainly due to depreciation and debt impairment were raised due to asset valuation</p>

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
			and the additional provision for doubtful debtors after engaging the Auditor-General.
5	(Page53) Financial management. With regard to this matter we refer to our correspondence expressing our concern about unauthorised expenditure to the amount of R643 million as well as the fact that Council did not follow the procedure set out in Section 32 of the MFMA to investigate irregular expenditure.	BTO	The unauthorised expenditure of R643 million is due to non-cash items, being the depreciation and the debt impairment were not sufficiently budgeted for due to the impact of the valuation of assets and additional debt impairment that was only recognised after year-end but before the finalisation of the annual financial statements.
6	(Page58) Contribution of Expenditure. It is noted that employee related costs contribution of R489.6 million is 19.06% of total expenditure. Contracted services are 3.3% or R84.6 million. It is noted that no mention is made of consultant fees as well as the appointment of service providers	BTO	The contribution of employee cost to total expenditure of 19.06% is within the generally accepted threshold of 35% and the contracted services of R3.3% , which includes consultant fees and other agent fees, is also within acceptable level. There is no requirement of in the Standards of Generally Recognised Accounting Practices (GRAP) to separately disclose consultant fees and all disclosures in terms of the Standards of GRAP were audited by Auditor-General to be satisfactory.
7	(Page61) Major expenditure items. Contribution to the debt impairment reserve increased by 4.9% (R553.9 million). We believe particulars should have been given here of the collection of outstanding debt which according to information is not managed satisfactorily with no indication of any remedial steps to be taken	BTO	The increase in debt impairment by R553.9 million is due to additional provision which was not raised in previous financial years. This was discussed with the AG and a decision was reached to raise the entire amount in one financial year, being 2015/16. This provision is in line with the best accounting practices in order to reflect the correct amount the municipality is likely to collect from outstanding debtors.
8	(Page61) Net operational performance. Reference is made to the deficit of R891.3 million which is regarded as	BTO	The comment is noted and acknowledged. As explained in 4 above, the main reason for the deficit was due to non-cash items.

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
	<p>the inclusion of non-cash items such as depreciation and debt impairment which have no impact on the municipality's cash flow. The fact of the matter is however that these amounts are included in the budget in order to provide for a contribution to the relevant reserve funds. If is to be excluded then it would have an effect on the tariff provide funding for bad debts and also replacement of assets. This is confirmed on page 62 item 4.1.1 that debt impairment was used to write off approximately R360 million during the year whilst at the same time it is stated that bad debt is having a negative impact on Council's liquidity with no indication how it will be addressed.</p>		<p>Management hereby acknowledge that this practice is not condoned and will ensure that these items are properly budgeted for in future financial years.</p>
9	<p>(Page 64) Cash and cash equivalents. Reference is made to the utilisation of cash and cash equivalents to finance capital expenditure which has proved that it had a negative impact on Council's liquidity. Reference is made to the decrease of 86% (283 million) in cash from 2014 and supposedly to 2015/16 and not 2014.</p>	BTO	<p>The comment is noted and appreciated. Management, together with Executive committee is working hard to turn around this situation. A commitment has also been made that no internal reserves shall be utilized to finance capital expenditure until the municipality is financially stable.</p>
10	<p>(Page 64) Item 4.2 Liabilities. Reference is made to the total liabilities in excess of R1 million but that Council's assets in excess of R8 billion is not a matter of concern however we have stated before that liabilities should be set off against assets that</p>	BTO	<p>The comment is noted, however Standards of GRAP which deals with the presentation and disclosure of financial statement prohibits the off-setting of the liabilities against the assets as this will distort the correct financial position in terms of what the municipality owes and what is being owed to the municipality.</p>

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
	are likely to be converted into cash and which is currently amounting to R560 million meaning Council IS insolvent.		Management is confident that the disclosure applied in the statements is correct and compliant with prescripts and standards.
11	Page 65) Item 4.2.2 Landfill site. No reference is made of the acquisition of the farm Greenwich Farm for a new landfill site at the cost of R3.8 million for which no provision has been made on the budget and the fact that impact studies are only now being carried out. In other words the purchase was done prematurely.	BTO	<p>It cannot be correct to say that the landfill site was bought prematurely, it seems to suggest that we did not apply good measures when acquiring this site. The process was influenced by a preliminary scientific research which prior to acquiring the site confirmed that geotechnically& hydrologically the site is usable as the landfill. What is now outstanding is to rationalise& mitigate convincingly from an ecological & biodiversity point of view the extent to which the site can be used for landfill purposes.</p> <p>The land was acquired based on the preliminary studies that suggested that the site was the most suitable in terms of ranking conducted by the consultant compare with other three sites. This is not regarded as a fruitless expenditure because the Municipality has an asset that may derive more value in terms of the market.</p>
12	(Page65) Item4 .2.4 None current provisions. Plan? Obligations. We believe more information is required about this matter. With an indication under which vote provision has been made for this eventuality.	BTO	The information disclosed under this section was audited to be correct and satisfactory by the Auditor-General.
13	(Page67) Item 5.1 Solvency Ratio. See our comments above to the effect that Council is not solvent.	BTO	The comment is noted with regards to solvency of the municipality. The municipality has developed a plan in the current financial year to turn the situation around.
14	(Page68) Item 5.2 Liquidity	BTO	The comment is noted and

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
	Ratio. Pleasing to note that disposable assets are now being used to determine the liquidity of the municipality but the last sentence needs to be re-written as it's nonsensical however it is agreed that Council is facing a financial crisis.		appreciated by management.
15	(Page70) Item 5.3 Cash Position. Whilst concern is expressed about the declining cash position of the municipality no real plans are put forward how to address this problem and what is stated in the last paragraph is just a general overview with no specifics.	BTO	Management and the Executive Committee has analysed the situation and causes thereof, and subsequently developed and a plan to turnaround the municipality's financial situation. This has been addressed through the adjustments budget and will still be addressed in the 2017/18 budget, where expenditure has been cut drastically, to respond to challenges at hand.
16	(Page72) Charter4. Staff Complement. The schedule shows the number of employees but we believe somewhere it should have been stated the number of consultants, service providers and interns appointed in each department.	Corp Services	<p>Number of students per department: BTO : 1 DPHS : 1 E/M : 1 MM : 1</p> <p>Number of interns per department: Corp Services : 4 BTO : 12 DPHS : 3 MM : 3 TS : 8 E/M : 14</p>
17	(Page82) Capital Expenditure Performance. One of the reasons for under performing was stated that the turnaround in awarding bids and the functionality of the bid committees were not up to standard. It was stated that certain interventions were agreed upon but	Monitoring and evaluation	The interventions formed the basis of the recommended corrective action against individual projects. This is detailed in the Capital Status report which is included as Appendix 5 to the Annual Report

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
	unfortunately no information on such actions are given.		
18	(Page84) Financial Performance. The overall comment (page85 and 86) contains serious allegations against the ability to execute capital projects and we can only trust that the recommendations to address these matters will be implemented as soon as possible with monthly feedback reports.	Monitoring and evaluation	The recommendations to improve on the implementation of the capital programme are primarily administrative in nature. Capital progress reporting is monitored monthly, and reports submitted to the EXCO and Audit Committee quarterly. Going forward, regular progress reports will be presented to the IDP RF and ward committees.
19	(Page89) Auditor General's report. We refer you to our letter addressed to you in this regard	MM	The content of the letter congratulating the municipality on it first "Unqualified" audit outcome in 8 years is acknowledged. The issues raised by the NRA are to be addressed through the Management Action Plan as included in the Annual report.
20	(Page95) Action Plan AG's findings. We noted the target dates set to address the findings of the Auditor General and can only express the hope that it will be adhered to.	MM	Noted. The action plan on AG findings for both the AG report and Management report is monitored monthly by the Chief Risk Officer and quarterly progress reports are submitted to the Audit Committee. Going forward, this will also be submitted to the EXCO, Council and MPAC
21	(Page111) Audit Committee Report. No indication whether recommendations of audit committee have been attended to and to what extent.	Chief Audit Executive	Attached please find the finance and performance audit committee resolution register with updated progress on audit committee resolutions as reported to audit committee. (Annexure 1 &2)
22	(Page116) Chapter9. Outstanding Debtors. We noted with concern the outstanding debt in respect of Councillors and employees but have noted remedial steps that were implemented. We noted the measure that were introduced with no	BTO	The comment is noted and appreciated. Management shall consider option of the debit order and its strategies to collect debt. However as indicated by yourselves, management is currently implementing a number of measures to deal with non-payment of accounts.

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	indication what the real results were since he introduction to date. Guaranteed results will be obtained if the municipality introduces the debit order system of consumers with outstanding debt which includes employees and councillors.		
23	(Page122) Departmental Highlights. We have noted the organogram of each department but felt that it should have been indicated which positions are vacant.	Corp Services	The vacant positions are not indicated on the organogram itself, but attached as annexure 3 is a list of all vacant posts with the corresponding post ID numbers.
24	(Page134) Environmental Health Services. No indication whether premises of caterers providing meals to Council have been approved adhering to health standards.	Community Services	SCM will be advised to include this requirement as part of their specifications when evaluating the selection of caterers
25	(Page139) Parks Recreation and Cemeteries. Which golf course is being maintained by the department?	Community Services	We do not maintain the golf course except the areas around the golf course
26	(Page143) Phelindaba Swimming Pool. No indication when this facility will be opened for public use.	Community Services	The contractor is still busy with the snag lists. Expected to be opened mid-October this year.
27	(Page151) Service delivery challenges. Fire Services. Challenge. Late Payment to Suppliers. This entry does not portray a positive image of Newcastle which according to the Mayor is one of the best in South Africa.	Community Services	The invoices for SM two way radios and industrial safety Services where submitted on time to BTO, the payment processing thereof was delayed.
28	(Page152 to 155) Challenges experienced. We have noted the challenges faced by the relevant departments and solutions proposed. No	Community Services	In respect of certain challenges listed, where resources where made available, interventions where/are being implemented. However, where specified, and additional

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
	indication whether a programme has been prepared to address this problem.		resources/funding is required – these are being referred to the 4 th Generation IDP and Budget process for prioritisation
29	(Page159) Adhoc Deliverables Human Resources. 55 Exits duplicated.	Monitoring and evaluation	Noted, will be edited
30	(Page159) HR Performance highlights. We noted the number of people who have been trained in various disciplines. Unfortunately the cost has not been mentioned. Can it be assumed that less service providers will now be appointed to fulfil these requirements? And will some of those who acquired driver's licences be transferred to Waste Management where there is a need for drivers.	Corp Services	HRD Expenditure for 2015/2016: Training : R4 012 814 Stipend : R1 407 964 Bursary : R367 947 ABET : 21 227 Study Assistance : R158 929 SDL Grant : R665 292
31	(Page160) Challenges and Intervention HR Department. No indication when policies will be reviewed and submitted for approval i.e. a date needs to be given.	Corporate Services	Human Resource Management is in a process of reviewing the following policies:- <ul style="list-style-type: none"> • Acting policy • Recruitment and Selection policy (permanent employees) • Overtime policy • Leave policy <p>The following policies were formulated:</p> <ul style="list-style-type: none"> • Recruitment and Selection policy (Temporary/Contract workers) • Dress code policy <p>Currently the policies are with the Local Labour Forum and Legal Services for comments, the</p>

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
			envisaged date for Council approval is 28 June 2017
32	(Page166) The wrong structure has been given	Monitoring and evaluation	Noted, this will be corrected.
33	(Page167) Urban Renewal Interventions. Fourth bullet is not part of this subject. The cost to develop portion 1 of erf 782d shown as R11 million. The tender to provide services came to just over R8 million. What constitutes the difference? When will these sites be put up for sale and at what cost per site in order to recover the R11 million? New Mzamo High School. R37 million. What was Council's Contribution towards this project? The same applies to the Blaaubosch Youth Centre of R25 million. The last 4 bullets on this page should be deleted as it has been duplicated	DPHS	<p>The difference in the bid amount and the total project is as a result of a court interdict on the project on 20 February 2014. After settlement of the court matter, a year later this resulted in additional project costs. There was the site re-establishment, extended Preliminary and General Costs, and the rehabilitation of abandoned works during the stoppage period. There was also a review of professional fees in light of the increased project costs. The approval of variations were requested and granted as per the procedures in the municipality.</p> <p>The sites have to date, been advertised and bids were invited based on the market value. The tender returns indicate that the municipality might get in excess of R18 million as the bids were way above the market value and were awarded as per the bidding price.</p>
34	(Page172) Town Planning Directorate. Spatial Planning. We believe the areas where population density must be intensified should be demarcated and brought to the attention of the community at large. The said areas should be investigated to establish infrastructural demands. The fourth intervention in the municipality? We caution Council to ensure that development should not be distorted by special	DPHS	<p>We agree with the sentiments saying area where new densities are promoted must be communicated. Indeed this is how the department undertake its business. To this end areas where high densities are encouraged are compromised on our Spatial Development Framework (SDF) which goes through public participation prior to its approval. Amongst other stakeholders which the departments consults with is the NRA during the IDP representative forum. Moreover, development applications for an increase in densities such as town houses, the</p>

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
	fragmentation to the detriment of existing home owners.		<p>department complies with SPLUMA & Systems Act requirements in relation to public participation.</p> <p>Spatial Restructuring in the simplest terms means that the municipal is not entirely happy with the spatial structure of the town where certain societal classes are systematically secluded from enjoying privileges of the few. Therefore the structure of the town has to be transformed to reflect spatial equity in line with the national agenda,</p> <p>We also agree that indeed development should not be fragmented. we achieve such by concentrating development within the development boundary area as well as the urban edge. It's important for smart cities and towns.</p>
35	(Page173) Can an explanation be given what is meant by or covered under 'completion of the geotechnical investigation for THE RIVERSMENT CEMETERY'	DPHS	Completion of the Geotechnical Investigation actually means exactly that. It means an environmentally scientific study to test suitability of the ground to host grave yard. That study has been completed.
36	(Page174) Traffic and Transportation study. A number of studies have been done approved without proper consultation with the community and/or community representation on the committee appointed by Council.	DPHS	It was the first time that the municipality undertook the traffic and transportation study for the entire area, previously other transportation studies had been limited to site specific. The next phase is to allocate budget when becomes available to some identified projects, such as extension of the link road to intersect with Allen Street behind the Garden Court Development,
37	(Page175) Land Use Management. Newcastle Place Naming Policy has been approved without	DPHS	We however, disagree that proper consultation was not undertaken for the Place Naming Policy as we have minutes suggesting otherwise.

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
	proper consultation with the community and /or community representation on the committee appointed by Council.		However, this matter will be looked at, because by implication of your statement one deduces that, your structure would like to see further engagement on this item. We would have an open mind to engage on issues which you raise if you so desire. Therefore, comments may be forwarded to the SED for the department who will acknowledge the same.
38	(Page187) Flips Scheme. What is meant by Flips? Can you be more specific about shortage of qualified construction managers within the municipality? Can details be supplied of a land audit that has been completed in an effort to address shortage of suitable land for housing?	DPHS	<ul style="list-style-type: none"> • Finance Linked Individual Subsidy Programme (FLISP) – This is a government programme which offers down payment assistance in a form of a subsidy by Government to qualifying beneficiaries who are in a financial position to secure a Home Loan (Mortgage Loan) from a Lender (Bank) to acquire a home. It's a critical programme introduced by government to provide affordable housing to individuals who do not qualify for RDP housing and do not qualify for bond loans from the bank and within the Gap market of (R3501 to R15000). The subsidy is based on a sliding scale of R 58 000 down to R 15 000. This mean that individuals that earn R 3 600 may be assisted with R58 000, those who earn above R15 000 may get less than that. • Land Audit – The Land Audit Study was undertaken by municipality and completed last year in 2016. The primary aim of the study was to audit all vacant land assets with Newcastle Municipality in order to establish status of all land parcels in its jurisdiction for informed decision making on land use and

COMMENT NUMBER	COMMENT FROM NEWCASTLE RATEPAYER'S ASSOCIATION	DEPARTMENT/UNIT	MANAGEMENT COMMENT
			development.
39	(Page191) Industrial Development. For purposes of the report details should have been given of the 11 factories.	DPHS	At the time of the report 11 factories were being erected (Moteko site 4805, 6 factories which are going to manufacture materials for housing construction projects) 3 factories are being constructed on Lot 4821 (new cardboard box factory originating from our sister city in China) 1 factory on Lot 14815 clothing factory 1 factory on Lot 4808 clothing factory Since the date of the report there are also further factories being erected
40	(Page192) International Relations. We believe particulars should have been given of the pilot project between a Newcastle UK based company and the Electricity department.	DPHS	In terms of International relations we have partnered with a company from Newcastle in the U.K. who has implemented energy saving pilot project. This project is funded by the British Department of Foreign Affairs. The pilot project was about installing the load shifting equipment/system to assist in optimising payments to Eskom. This is achieved by shifting loads from high to low peak periods. The Pilot has been completed at Arbor Heights area and currently assessing performance.
41	Page195) Performance highlights. A duplication which should be removed.	Monitoring and evaluation	Noted, this will be edited

The MPAC acknowledges the comments from the Newcastle Ratepayer's Association and notes the Management responses thereto. Where applicable, it is recommended that Management implement same as agreed, and formally give feedback to the NRA in response to the representations made.

CHECKLIST FOR CONSIDERATION OF THE ANNUAL REPORT

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
<p>The annual financial statement (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General</p>	<p><i>Have the required standards been met – refer audit report and report of audit committee for views on this?</i></p>	<p>Included in Chapter 3 and Appendix 1 of the Annual Report 2015/16</p>	<p>1} As per the Auditor-General’s report, the required standards have been met and has received an “UNQUALIFIED” audit opinion.</p> <p>2} That concerns around the misstatements corrected be noted ;</p>	<p>1} That controls be implemented to ensure that misstatements do not recur in future.</p> <p>2} That regular reconciliations be done by the Assets Section to ensure that any misstatements are addressed.</p> <p>3} That vacant positions in the Assets unit be prioritised to be filled as opposed to using Consultants</p> <p>4} That consideration be given to the appointment of a member on the Audit Committee with IT Expertise/skills</p>
<p>The Auditor-General’s reports on the financial statement 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</i></p>	<p>Included in Chapter 6 of the Annual Report 2015/16</p>	<p>MPAC confirms the inclusion of the Auditor-General’s Report in the Annual Report</p>	<p>n/a</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	<i>report?</i>			
Any explanations that may be necessary to clarify issues in connection with the financial statements	<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>	Notes to the financial statements Page 45-84	1} Significant uncertainties -	1} that a report be submitted to MPAC regarding the lawsuits mentioned in the AG Report for further consideration and recommendations;
			2} Restatement of corresponding figures	1} That controls be implemented by Management to ensure that misstatements do not recur in future.
			3} Material losses and impairments	
			3.1 Water Losses	3.1 That programs to fast track the rehabilitation of the ageing infrastructure be prioritised; 3.2 that a policy on water conservation be submitted for approval and be fast tracked accordingly; 3.3 that the WCDM program be fast tracked ; 3.4 That business plans be compiled and

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
				<p>submitted to relevant authorities/funders to support the WCDM program, and that the EXCO approve same to fast track funding opportunities</p> <p>3.5 that Council prioritise high loss areas with the available funding ;</p> <p>3.6 That the maintenance budget allocation not be compromised for basic service delivery infrastructure</p> <p>3.7 That the Development of a Master plan water & sanitation, and Roads & Storm water by March 2018 be prioritised.</p>
			4} Electricity Losses	<p>4.1 That programs to fast track the rehabilitation of the ageing infrastructure be prioritised;</p> <p>4.2 That business plans be compiled and submitted to relevant authorities/funders to support projects in the Electricity Master Plan; and that the EXCO approve same to fast track funding opportunities;</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
				4.3 That the Development of an Electricity Master plan by March 2018 be prioritised.
			5} Impairment of receivables due to poor collection be noted	5.1 That the action plan to improve the payment factor to address poor collection as per the Credit Control Policy and approved by Council be accelerated by the RITT, and progress reports be submitted to Council accordingly and that this be a standing item on the EXCO agenda;
				5.2 that Indigent verification be fast tracked
				5.3 That an outreach/awareness program with the community on the implementation of the debt collection strategies be rolled out immediately administratively and through ward committee systems and public meetings ;
				5.4 that internal capacity be built to implement debt collection processes
				5.5 That the Credit Control policy be reviewed taking into consideration community awareness programs
				5.6 That a target of reducing debt impairment provision by 10% per annum be approved to ensure that action plan on debt collection is implemented.

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
An assessment by the accounting officer on any matters on municipal taxes and services charges, including municipal entities	<p><i>Has an adequate assessment been included?</i></p> <p><i>Is there sufficient explanation of the causes of the arrears and of Actions to be taken to remedy the situation?</i></p> <p><i>Is any other action required to be taken?</i></p>	Included under Chapter 9 of the Annual Report	1} An adequate assessment has included and sufficient explanation of the causes has been expressed.	1} That this matter be referred to Council for further discussion
Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	<p><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</i> 	Included in Chapter 6 of the Annual Report 2015/16	<p>1} A Management Action is included in the Annual Report</p> <p>2} The committee have identified recurring issues on the AG report</p> <p>3} The committee notes that no comments from CoGTA was received</p>	<p>1} A monitoring and reporting process be implemented to ensure the implementation on the Management Action plan to AG Findings</p> <p>2} A commitment has been made to AG that these recurring issues will be addressed, which will be monitored by MPAC on a regular basis;</p> <p>3} That in the event of CoGTA input being received, that the Action plan be revised accordingly;</p> <p>4} In respect of irregular, fruitless and wasteful expenditure action plan be monitored by MPAC as specified in the Action plan</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	<p><i>considered to be adequate to effectively address the issues raised in the audit report?</i></p> <ul style="list-style-type: none"> <i>Has a schedule of action to be taken been included in the annual report, with appropriate due dates?</i> 			
<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><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</i> <i>Objectives in the budget?</i> Council should comment and draw conclusions on performance and Explanations provided.</p>	<p>Statement of comparison of Budget and Actual Information Page 11. Appropriation Statement page 16</p>	<p>1} Note challenges in respect of revenue billed against budgeted, based on the shortfall of (77,800,767) as reflected on AFS (Page 15) 2} Adjustment budget (downward), and cost saving measures to ensure cash flow is maintained</p>	<p>1} That Management accelerate revenue collection strategies 2} That future budgets take into considerations Usage patterns over the past 2 years 3} that management ensure billing correctness 4} That management continue with cost saving measures in line with cash management strategies</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
<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 agreements or other agreement between the entity and the municipality</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>Included as Appendix 6 in the Annual Report 2015/16 (Pages 22-28)</p>	<p>1} The assessment of the Accounting Officer of UThukela Water expresses concerns about the ability of the entity to meet its agreed objectives by the Shareholders for amongst others, the financial challenges by the Shareholders themselves. This impacts negatively on the UTHUKELA specifically in terms of its cash flow obligations and resulting reduction in revenue of 10% for the year under review. Furthermore, the ability of the Entity to invest in capital infrastructure is negatively affected due to non-allocation for capital programmes by the Shareholders. The interest of Newcastle Municipality in the Entity as the major shareholder must be re-assessed against internal challenges of the municipality and those expressed by the Entity.</p> <p>2} Whilst the Entity received an "Unqualified" audit opinion by</p>	<p>1} that the MEC's office clarify whether entity is still under administration 2} That the appointment of AO and CFO be accelerated 3} That Council to monitor Entity through effective oversight mechanisms immediately 4} That Council consider a section 78 process to take back the bulk services from UTHUKELA , to include an assessment of financial implications and impact on municipality 5} That progress reports be submitted based on Oversight Report 2014/15</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
			<p>the Auditor-General, following issues were highlighted in the AG report :</p> <ul style="list-style-type: none"> a] Material uncertainty on the Entity's ability to operate as a going-concern b] Material impairment based on the long outstanding debt of the shareholders c] Material findings on the usefulness and reliability of performance information d] Non-compliance on the extension of contracts without engaging Share-holders e] Non-payment of creditors within 30days indicating cash flow challenges by the Entity f] Vacancies of the Accounting officer and Chief Financial Officer 	

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
			<p>over a prolonged period of time</p> <p>g] Ineffective systems to mitigate risks</p> <p>3} Concerns are accordingly raised that the CFO and AO (Acting) is held by one person, who is also a Consultant to the Entity and not an employee of Entity – this too whilst the Entity is considered to still be “under administration” by the MEC</p> <p>4} Note that recommendations on previous Oversight Report have not yet been resolved or reported on</p>	
Any information as determined by the municipality, the entity or its parent municipality	Review any other information that has been included in regard to the AFS.	None	None	None

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
<p>Recommendations of the audit committee in relation to the AFS and the audit report of the municipality and its 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>Included in Chapter 7 of the Annual Report 2015/16</p>	<p>Noted that Audit Committee report made recommendations on the following :-</p> <p>a) Risk Management b) Internal Controls c) Fixed Assets Register compilation and the filling of the critical vacancy of Assets Manager d) Financial Management</p> <ul style="list-style-type: none"> • <i>The position of the CFO should be filled</i> • <i>The municipality should consider updating the debtors collection policy</i> • <i>The municipality should consider updating the valuation roll</i> • <i>Indigent policy should also be updated</i> • <i>Indigent register should be updated in line with the updated indigent policy</i> • <i>Improve the collection of outstanding debt</i> • <i>A plan to address the cashflow of the municipality be drawn</i> 	<p>1} That an Action plan be developed to implement recommendations of Audit Committee and be monitored by Audit Committee and MPAC on a quarterly basis</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
			<p><i>up and approved by the council</i></p> <ul style="list-style-type: none"> • <i>The council should monitor the implementation of this plan in all its meetings</i> <p>e] Performance Management</p> <ul style="list-style-type: none"> • <i>The accounting officer should ensure compliance with the performance management framework on a monthly basis</i> • <i>A formal plan with dates for the assessment of senior managers should be compiled and complied with</i> <p>f] Improvement in Audit Opinion</p> <ul style="list-style-type: none"> • <i>Monthly reconciliations on the major accounts be undertaken</i> • <i>Fixed asset register should be updated monthly</i> • <i>Reconciliation of the leave balances should be compiled on</i> 	

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
			<p>monthly basis</p> <ul style="list-style-type: none"> Interim Financial Statements should be compiled in January 2017 and audited by Internal Audit <p>g] Filling of critical top management positions</p>	

ALLOCATIONS RECEIVED AND MADE	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
Allocations received by <u>and</u> made to the municipality	<p><i>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</i></p> <p><i>Does the audit report or the audit committee recommend any action? Council should comment and draw conclusions on information and explanations provided.</i></p>	Statement of financial performance and Notes page 61 - 64	<p>1} it is noted that No issues were identified as expressed by AG or Audit Committee</p> <p>2} In terms of Section 123 (MFMA)</p> <p>JBC Halls and Charlestown Halls allocation of funds over the multi-year period be reviewed and corrected ;</p> <p>3} That a Prioritisation of</p>	<p>1} A report be submitted on expenditure on allocations received as required in terms of Section 123 MFMA retrospective to 2014/15 financial year.</p> <p>2} That MPAC conduct site visits to identify challenges to be addressed on specific projects as per report (1) above ;</p> <p>3} That a prioritization model be considered to ensure equitable allocation of funding against community needs for the new term of Council through the 4th Generation IDP</p>

ALLOCATIONS RECEIVED AND MADE	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
			Allocations received to cater for Community based needs and other needs be addressed through the 4 th Generation IDP	
Allocations received <u>and</u> made to the municipality entity	<p><i>Have these allocations been received and made? Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action? Council should comment and draw conclusions on information and explanations provided.</i></p>	None	<p>1} That it be noted that there are unresolved issues iro Charlestown and JBC Halls.</p> <p>* Charlestown Hall – Contractor need to finalise a few outstanding issues</p> <p>* JBC – termination letter issued to Contractor, and to determine any additional funds requirements pending quotations to be received.</p> <p>Noted that a retention is catered for all infrastructure projects, and the contractor/s responsible for projects submit a report for projects identified above</p> <p>2} that in respect of Ward 26 – MD11 and MD6 , the information in the Annual</p>	<p>1} that a report indicating the status of all incomplete projects be submitted to MPAC for review;</p> <p>2} that in the event that a need exist for recovery of funds, options be investigated to recover funds, if applicable, from the Contractors that have defaulted for all projects were contracts have been terminated;</p> <p>3} that it be Noted that a retention is catered for all infrastructure projects, and the contractor/s responsible for projects submit a report for projects that were terminated</p>

ALLOCATIONS RECEIVED AND MADE	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
			Report be reviewed and corrected	
Information in relation to the use of allocations received	<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>	Notes to the financial statements page 57 appendix F	<ul style="list-style-type: none"> 1} Clarity on consequences, if any, on unspent grants from funding authorities 2} That it be noted that a roll-over between financial years is allowed and addressed through an Adjustment Budget process 	<ul style="list-style-type: none"> 1} That a report on the current status of all grant funded projects that were unspent as at 30 June 2016, (if still unspent), be submitted to MPAC on a quarterly basis to be monitored and address any bottlenecks to meet the conditions of the grants. 2} That Management ensure that all conditions of a grant is complied with and projects are implemented timeously to avoid roll-overs
Information in relation to outstanding debtors and creditors of the municipality and entities	<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> 	Statement of financial position and notes to the financial statements page 53	<ul style="list-style-type: none"> 1} Noted that it is disclosed in the Annual Report and Annual Financial statements 2} Note that improvement in the payment factor, but concerns regarding escalating outstanding debt of the municipality and the need to implement cash management 	<ul style="list-style-type: none"> 1} That a further report be submitted to MPAC analyzing the current financial position of the municipality with specific reference to financial viability 2} That the Revenue Enhancement Strategy of the Municipality be revised urgently 3} That Debt collection processes be accelerated with the inclusion of engagement with Councilors and the

ALLOCATIONS RECEIVED AND MADE	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	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.		and cost containment measures 3} Need to review the Revenue Enhancement Strategy of the Council and accelerate especially debt collection process	community on these processes 4} That the Credit Control policy be workshopped with Council 5} That the Cash Management Strategies and cost containment measures being implemented by Management be formalized;

DISCLOSURES IN NOTES TO AFS	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
Information relating to the benefits paid by municipality and entity to councillors, directors and officials	<i>Council should be satisfied that –</i> <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> 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.	Statement of financial performance and notes to the financial statements page 67 – 69 (387)	Noted that it is included in AFS and Annual report	Noted that it is included in AFS and Annual report

DISCLOSURES IN NOTES TO AFS	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
<p>The annual performance reports of the municipality and entities</p>	<p><i>Has the performance report been included in the annual report? Have all the performance targets set in the budgets, SDBIP, Service Agreements etc., been included in the report? Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? 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? To what extent has performance achieved targets set by council? Is the council satisfied with the performance levels achieved? Is the community</i></p>	<p>Included as Appendix 6 in the Annual Report 2015/16</p>	<p>1} Status of projects completed against maintenance of project 2} Have recommendations for improvement been implemented? 3} Noted regression from 75% (2014/15) to 63% (2015/16) for National Key Performance Area 4} Noted that top management positions not filled and occupied in an Acting capacity, and no performance agreement in place for acting positions, and delays in completing re-engineering process 5} Note the poor turnaround time in awarding of bids which impacts on performance, in some instances relate to legislated processes and/or objections received. Note that existing Bid Committees are effective – convene as per scheduled calendar. 6} Note the delays in acquiring external loans for implementation of projects is due to processes as legislated (Advertise bids etc.) 7} Improve monitoring system for Entity</p>	<ol style="list-style-type: none"> 1. Noted that provisions in contract to be invoked where conditions of contract have not been met, and additional controls to monitor the engineering compliance of projects be implemented internally; 2. Accelerate the filling of top management positions to ensure administrative stability to improve performance holistically 3. Report be submitted quarterly to MPAC to monitor the implementation of recommendations made in Annual Report 4. Finalise re-engineering process to roll out individual performance 5. Alignment of Procurement planning and project implementation plans 6. Improve revenue enhancement and debt collection to reserve internal funds for future capital development

DISCLOSURES IN NOTES TO AFS	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	<p><i>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></p> <p><i>What actions have been taken and planned to improve performance?</i></p> <p><i>Is the council satisfied with actions to improve performance?</i></p> <p><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></p> <p><i>Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</i></p> <p><i>Taking into account the</i></p>			

DISCLOSURES IN NOTES TO AFS	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	<p><i>audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?</i></p> <p><i>To what extent have actions planned for the previous year been carried over to the financial year reported upon?</i></p> <p><i>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?</i></p> <p>MFMA Circular No 32 The Oversight Report 15 March 2006 Page 16 of 17</p> <p>Council should comment and draw conclusions on information and explanations provided.</p>			
Audit report on performance	<i>Have the recommendations of internal audit been acted</i>	Included in Chapter 6 of the Annual Report	1. Note usefulness and reliability of	1. Management to accelerate the action plan to undertake a Baseline

DISCLOSURES IN NOTES TO AFS	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	<p><i>on during the financial year?</i> <i>Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?</i></p>	2015/16	<p>performance objectives, and use of STATS SA Census 2011 information as raised by AG</p>	<p>study, with the option of using VD verification and Ward profiling through OSS and Ward Committee system</p> <p>2. Investigate IT solutions/options to maintain a database of all basic service delivery issues relating to households serviced and backlogs per service</p>
<p>Performance of municipal entities and municipal service providers</p>	<p><i>Is the council satisfied with the evaluation and conclusions of the municipality?</i> <i>What other actions are considered necessary to be taken by the accounting officers?</i></p>	<p>Refer to AG report and Annual Report of the Entity</p>	<p>1. Noted that the Annual Performance Report included an assessment of service providers ; 2. Noted that AG raised issues regarding the usefulness of performance information relating to the UTHUKELA</p>	<p>1. That a Monitoring System be implemented for the Entity based on agreed objectives by the Shareholders and that this be submitted to Council for regular monitoring</p>
<p>For municipal entities –an assessment of the entity’s performance against any measurable performance</p>	<p><i>To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP?</i> <i>Is the report of the</i></p>	<p>Included as Appendix 6 in the Annual Report 2015/16</p>	<p>1. Noted that AG raised issues regarding the usefulness of performance information relating to the UTHUKELA</p>	<p>. That a Monitoring System be implemented for the Entity based on agreed objectives by the Shareholders and that this be submitted to Council for regular</p>

DISCLOSURES IN NOTES TO AFS	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
objectives set in terms of the service delivery agreement or other agreement between in entity and municipality	<i>municipal entity consistent with the conclusions on performance evaluation by the municipality? What specific actions should be taken by the entity and the municipality to improve performance?</i>			

GENERAL INFORMATION	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
Relevant information on municipal entities	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	Included as Appendix 6 in the Annual Report 2015/16 and consolidated AFS	<ol style="list-style-type: none"> 1. Noted that this is Included in Annual report and the AFS, 2. Note that the Chairperson of the Board remains as per the MEC intervention and clarity is required in this regards 	1.that clarity be obtained from the MEC's office regarding the "intervention" at UThukela Water for consideration by Council

GENERAL INFORMATION	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	type and term of service level agreements with the entities.			
The use of any donor funding support	<p><i>What donor funding has the municipality received?</i></p> <p><i>Have the purposes and the management agreements for the funding been properly agreed upon?</i></p> <p><i>Have the funds been used in accordance with agreements?</i></p> <p><i>Have the objectives been achieved?</i></p> <p><i>Has the use of funds been effective in improving services to the community?</i></p> <p><i>What actions need to be taken to improve utilisation of the funds?</i></p>	None	NONE	None
Agreement, contracts and projects under Private -Public- Partnerships	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.	None	NONE	None

GENERAL INFORMATION	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
<p>Service delivery performance on key service provided</p>	<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. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, MFMA Circular No 32 The Oversight Report 15 March 2006 Page 17 of 17 entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report and or in statistical tables.</p>	<p>Included – Appendix 2 in the Annual Report 2015/16 and Chapter 11</p>	<ol style="list-style-type: none"> 1. Noted that it is included in the Annual Report 2. Concerns were raised regarding the effectiveness of the mechanical workshop and fleet management holistically 3. Concerns were raised regarding contradictions on service delivery issues relating to the provision of trucks 4. Concerns were raised regarding organisational integration and organisational culture (discipline, complacency etc.) 	<ol style="list-style-type: none"> 1. A presentation be made by relevant departments to clarify challenges expressed in the Annual Report (service departments), and progress made on the proposed solutions thereto ; 2. In respect of service delivery interruptions, where applicable), options to address down time when vehicles are in the mechanical workshop for repairs be considered by Management 3. That a report on the functioning of the Mechanical workshop (servicing all departments) be submitted to MPAC 4. That MPAC play oversight on all issues that may give rise to service delivery interruptions and interventions to address same 5. That issues of organisational culture be addressed by Management, and relevant Portfolio Chair be engaged accordingly 6. That status reports of the departments submitted to MPAC and Portfolio committees be reconciled, and issues of integration

GENERAL INFORMATION	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
				<p>and under performance be identified and addressed at management level</p> <p>7. Ensure application of Batho Pele Principles within the organisation</p>
<p>Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations</p>	<p>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.</p>	<p>Included in Chapter 2 Information Technology – Page 44 in the Annual Report 2015/16</p>	<ol style="list-style-type: none"> 1. Note is included 2. That concerns on the costs, challenges and Roll out of EDRMS be noted 3. Note no IT solution to address customer complaints 4. IT Strategy to address innovative infrastructure requirements (<i>broadband, wifi etc.</i>) to be progressive as a municipality 	<ol style="list-style-type: none"> 1. That the costs , challenges on for the project and the current progress report be submitted to MPAC regarding the roll out of EDRMS 2. That an integrated system be developed and implanted to address customer relations issues 3. That the IT Strategy be revised to address innovative infrastructure requirements (<i>broadband, wi-fi etc.</i>) and investigate strategic partnerships to be progressive as a municipality.
<p>Three year capital plan for</p>	<p>A summary of the long-term capital plans and how these address the backlogs of services in</p>	<p>Included in Chapter 10 of the Annual Report 2015/16.</p>	<ol style="list-style-type: none"> 1. Noted that this is Included in Annual Report 	<p>None</p>

GENERAL INFORMATION	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	<p>the municipality should be provided.</p> <p>This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved.</p> <p>The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets.</p> <p>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.</p>			
Other considerations recommended				
Timing of reports	<i>Was the report tabled in the time prescribed?</i>	Annual Report tabled to Council on the 25 January	Noted that this tabling of Annual Report within timelines as per	None

GENERAL INFORMATION	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	<i>Has a schedule for consideration of the report been adopted?</i>	2017	the MFMA and approved Process Plan	
Oversight committee or other mechanism	<i>What mechanisms have been put in place to prepare the oversight report? Has a schedule for its completion and tabling been adopted?</i>	The Annual Report Process Plan was approved by Council in October 2016	Noted that the Annual Report Process Plan was approved by Council in October 2016	1. That provision be made for the Annual Report roadshow in the new financial year
Payment of performance bonuses to municipal officials	<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?</i>	None	<ol style="list-style-type: none"> 1. Noted no bonuses paid in the year under review 2. Note that some top management posts remains vacant 	<ol style="list-style-type: none"> 1. That the Evaluation processes be finalized for further consideration of Council

GENERAL INFORMATION	CONSIDERATIONS	FINANCIAL REPORTING TO BE CONSIDERED	MPAC INPUT /CONSIDERATIONS	MPAC RECOMMENDATIONS
	<p><i>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>			

CONCLUSIONS ON THE ANNUAL REPORT OF THE MUNICIPALITY

The MPAC acknowledges with appreciation the improvement in the quality of annual reporting made by the management.

As indicated in the Checklist for Annual Report as issued by CoGTA and included in this report, the MPAC is also pleased to note that all components of the Annual Report are included as is required in terms of section 121(3) of the MFMA as follows :-

- *The annual financial statements of the municipality,*
- *The Auditor General report*
- *Report of the Audit Committee*
- *The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act;*
- *The Auditor General's audit report in terms of section 45 (b) of the Municipal Systems Act.*
- *An assessment by the municipality 's accounting officer of any arrears on municipal taxes and service charges;*
- *Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports*
- *Any explanation that maybe necessary to clarify issues that are in connection with the financial statements;*

It is pleasing that the Municipality have received an **"UNQUALIFIED"** audit opinion from the Auditor-General, the first in the 7 years. The MPAC further acknowledges the steps taken by Management to ensure that the municipality works towards a clean audit. It is noted however, that some of the findings raised previously have been repeated in the year under review. In this regard, it is imperative that in order to achieve the clean audit goals of the Municipality that the Audit Response Action Plan is monitored by all relevant governance structures including the MPAC on at least a quarterly basis. In this regard, progress reports from management must be a standing item on the EXCO, Council, and Audit Committee and MPAC agenda. It is expected that monthly monitoring will be done by management and systems will be implemented accordingly.

The Committee also acknowledges the role played by the Audit Committee in so far as its advisory role in concerned. In this regards, the recommendations made by the Audit Committee must be implemented timeously by management.

It is noted that the entity, UThukela Water (Pty) Ltd has received an unqualified audit opinion for the year under review. Of concern however, is the issues raised by the Auditor-General on the financial sustainability of the Entity with specific reference to its ability to operate as a going concern now for 2 consecutive years. In this regards, the MPAC emphasize the recommendation that an section 78 process be initiated urgently to consider taking back the bulk services

The MPAC notes the improvement in the payment factor in the year under review, but raise concerns on the ability of the municipality to collect outstanding debt and implementation of the Credit Control

policy as approved by Council. This however, is not unique to Newcastle Municipality, as the local government sphere in general remain with debt collection as a huge challenge. Furthermore, the Council need to review its Revenue Enhancement Strategy urgently, and monitor its implementation more regularly to ensure the future financial viability and sustainability of the municipality. In this regards, measures to ensure that all departments implement relevant action plans must be implemented by management.

Newcastle is not immune to the global economic decline, and accordingly the MPAC acknowledges the efforts of management and the EXCO to curtail costs in the year under review, without compromising on service delivery standards. In this regards, it is noted that that a downward adjustment on the budget as approved by Council in the year under review was necessary. Going forward, it is necessary for management and Council to develop policies and systems to build on our own reserves to ensure a progressive infrastructure investment programme. In this regards, innovation funding models and options must be explored.

The MPAC is further concerned on the regression on the audit of performance objectives, and notes that the issues giving rise to this primarily, is the inability of Council to reconcile its performance information to the STATS SA information. Furthermore, the filling for critical positions in top management contributes to the challenges on rolling out an effective and efficient performance management system for the municipality. It is emphasized that Council accelerate the filling of especially the CFO position and other critical vacancies, and this is essential to ensuring administrative stability and financial discipline within the organization.

CLOSING REMARKS

This has indeed been a difficult Oversight process as can be seen by the number of meetings the MPAC and Management have had to convene to finalise this report. Considering that the MPAC is new, and is playing oversight on an Annual Report compiled for the previous Council, this is under the circumstances expected!

The Committee wishes to thank the Speaker of the Newcastle Municipality, Councillors, the Mayor, Municipal Manager, the management team, the Auditor General, and COGTA , for their support and co-operation in completing this annual report oversight process. The MPAC also acknowledges the efforts of the previous Council in steering the municipality over the previous term achieving an “unqualified “audit outcome and many service delivery achievements and accolades.

The MPAC strongly believes that Newcastle Municipality and its citizens will realize substantial and tangible benefits if a similar process is consistently followed in the following years. The Committee is grateful for the opportunity to be of service to Newcastle Municipality and its citizens.

RESOLUTIONS AND STATEMENT

Resolved to Recommend:-

- a) That in terms of section 129 of the Local Government : Municipal Finance Management Act 56 of 2003, that Council having fully considered the Annual Report of the Newcastle Municipality and the municipal entity – UThukela Water (Pty) Ltd for the 2015/16 Financial Year, and representations thereon, adopt the Oversight Report for the 2015/16 Financial Year and approves the annual report with reservations as contained in the comments in the oversight report ;
- b) That the submissions as received and included as Annexure 1 to the Oversight Report be acknowledged, and the related management response be noted. Accordingly, management is required to engage with and communicate the management responses to the Newcastle Ratepayers Association, and where relevant implement the recommendation made ;
- c) That Council initiate a public awareness and consultation process as part of its campaign to reduce outstanding debt ;
- d) That the Management Response Plan to the Auditor-General Report be a standing item on the MPAC agenda and progress reports be submitted to MPAC accordingly;
- e) That the recommendations made by the MPAC be implemented and progress reports on the 2014/15 and 2015/16 Oversight reports be submitted to MPAC as per the recommendations above ;
- f) that the MPAC develop an Oversight Policy and Procedure considering the guidelines from National Treasury and other best practices for approval by Council ;
- g) That the Newcastle Oversight Report 2015/16 be made public in accordance with Section 129(3) of the Municipal Finance Management Act 56 of 2003.
- h) That the Oversight Report be submitted to the Provincial Legislature in accordance with Section 132(2) of the Municipal Finance Management Act 56 of 2003.