Notice is hereby given, in terms of Section 19(b) of the Local Government: Municipal Systems Act, 32 of 2000 as amended, that a SPECIAL MEETING of the MUNICIPAL COUNCIL of Knysna Municipality will be held in the COUNCIL CHAMBER, Clyde Street, Knysna on THURSDAY, 22 AUGUST 2019 at 12:00 to consider the business set forth in the attached agenda.

Kennis geskied hiermee as gevolg van Artikel 19(b) van die Plaaslike Regering: Munisipale Stelsels Wet, 32 van 2000, dat ’n SPESIALE VERGADERING van die MUNISIPALE RAAD van Knysna Munisipaliteit in die RAADSAAL, Clydestraat, Knysna op DONDERDAG, 22 AUGUSTUS 2019 om 12:00 gehou sal word ten einde sake soos uiteengesit in die aangehegte agenda te oorweeg.

Ibhunga likaMASIPALA waseKnysna lazisa ngomthetho okwisolotya 19(b) wenqubo mgaqo olawula oMasipala, 32 of 2000, njengoko utshintshiwe, NGENTLANGANISO EKHETHEKILEYO yeBHUNGA likaMASIPALA waseKnysna eyakubanjelwa KWIGUMBI LEKHANSILE kwisitalato iClydee, Knysna lentlanganiso iyakuba NGOLWESINE, NGOMHLA WE 22 EYETHUPHA 2019 ngentsimbi ye 12:00 umba iyakuba lushishino oluchazwe kwi-agenda.

**Date : 19 August 2019**
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</tr>
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</tr>
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AGENDA

1. OPENING AND WELCOMING

2. SILENT PRAYER

3. ATTENDANCE OF MEMBERS
   3.1 COUNCILLORS PRESENT
   3.2 COUNCILLORS WITH LEAVE
   3.3 COUNCILLORS WITHOUT LEAVE


5. DISCLOSURE OF INTERESTS BY COUNCILLORS
6. **NEW MATTERS SUBMITTED BY THE MUNICIPAL MANAGER**

6.1

---

**SC01/08/19  INTERNAL AUDIT STATUS REPORT**

**REPORT FROM THE MUNICIPAL MANAGER**

**PURPOSE OF THE REPORT**

To provide the Municipal Council with information regarding the Internal Audit Departments progress on the Internal Audit organogram and tender processes.

**Previous resolutions**

“Knysna Municipality
Ordinary Audit Committee 1/2019/2020
Minutes of Meeting held on 31 July 2019 at 09:00

6.2.1 **INTERNAL AUDIT STATUS REPORT**

**RESOLVED**

[a] That the current Internal Audit Department’s status report regarding their organogram and tender process for independent service providers, be noted;

[b] That the report be submitted to Council for information.

*File Number : 9/1/2/14
Execution : Municipal Manager
Manager : Performance, Internal Audit and Risk Management”*

**BACKGROUND**

During the 2018/2019 financial year, two processes took place that directly influenced the internal audit function these were the organogram review and the cancellation of the EY Internal Audit tender.

**Organogram**

During the 2018 review of the organogram, Council indicated that they were in favour of an expanded in house Internal Audit function. As a result, Council approved the creation of a separate Internal Audit function within the Office of the Municipal Manager.

**Tender**

EY was appointed in terms of tender 7 of 2017/2018 for a three-year period to provide a co-sourced internal audit function. The contract was to run for a period of three years ending in December 2020. Both parties had the option to terminate the contract with a one-month notice period “36. This Agreement shall terminate on the Completion of the Services. Either of us may terminate it or any particular Services earlier upon 30 (thirty) days written notice to the
A notice to terminate their service was received from EY on 24 April 2018 with a final date of service as 31 July 2019.

**DISCUSSION**

**Organogram**

The organogram focus was on building capacity and providing administrative support to the Audit Committee by utilising the current co-sourced tender. In addition, the municipalities constraints in regards to available resources such as budget, accommodation and equipment also influenced the organogram process. Currently, the organogram makes provision for an Internal Auditor and Senior Clerk Internal Audit. Planned future Internal Audit posts include a Senior Internal Auditor post and two additional Internal Auditor posts.

Due to current and expected capacity constraints in regards to the in-house internal audit as well as secondments and planned placements during 2019/2020 management started the process of advertising and appointing the two posts reporting to the CAE. The process is expected to be completed in October/November 2020.

**Tender**

Due to the cancellation of the EY IA contract and as there are currently no internal auditors employed by the Municipality we require the services of independent service providers to assist in rendering planned and/or ad hoc requests of the following services.

- Regularity Audits
- Compliance Audits
- Performance Audits
- ICT/IT Audits
- Data Analytics and Technology
- Quality Assurance
- Provide Specialist skills
- Forensic Auditing/Investigation
- Training and capacity transfer

Due to the complexity of highlighted functions above and the limited availability and affordability of specialists, there will always be a requirement for external internal audit service providers.

After consideration and inputs obtained a decision was made to utilise a panel to provide the internal auditing, quality assurance and forensic investigations as this would have several benefits including:

1. Using local auditors to undertake standard internal audits, support the Municipalities local economic development objectives.
2. Specialised firms or auditors can be appointed directly for ICT, Quality Assurance, Forensic, Tax, etc.
3. Various individuals/firms can undertake additional audits at the same time allowing for improved planning and alignment to municipal departments availability.
4. Access to a broad base of skills to enhance internal capacity.

The draft tender based on National Treasuries NT003-2018: “Appointment of a panel service providers to assist the Internal Audit Function in executing its strategic and operational plans for a period of three years” tender issued and awarded in 2018 as well as our tender T81/2017/2018 for “Legal Practitioners to provide Legal Services in Diverse Fields of Law.”
A BSC was held on 11 July 2019 to workshop the tender specifications and possible implications. A follow-up BSC will be arranged as soon as all inputs and changes have been received and included in the draft tender.

**FINANCIAL IMPLICATIONS**

Estimated R 2 500 000.00 for 2019/2020.

**RELEVANT LEGISLATION**


**RECOMMENDATION OF THE MUNICIPAL MANAGER**

That the current Internal Audit Departments status report, be noted.

File Number : 9/1/2/14
Execution : Municipal Manager  
Chief Audit Executive
REPORT FROM THE MUNICIPAL MANAGER

PURPOSE OF THE REPORT

To recommend to the Municipal Council the write off, of Irregular Expenditure identified by the Auditor general in the financial year ended 30 June 2018.

BACKGROUND

Municipal Public Accounts committee in its meeting held on 13 August 2019 considered the irregular expenditure, which were identified by the Auditor General during the 2018/19 audit. This expenditure were initially classified as deviations and the auditor general issued audit findings on these. The audit findings are contained in COMAF 4, COMAF 30 and COMAF 34 (initially 33) which are attached as Annexure A with this report.

DISCUSSION

MPAC considered each of the issues/matters as presented below and concluded to make recommendations to council.

1. With regard to COMAF4, the findings relate secondment of staff to positions that did not exist in the organogram and review of the staff establishment. Management responded and disagreed with the Auditor general. The final Auditor general conclusion was that; the expenditure will not be irregular however, the non-compliance will remain. It was therefore an error from administration on the last days of audit not to remove the amount of R72 115.74 on the irregular register.

2. COMAF 30 relates to deviations, which the Auditor general found to be in contravention of regulation 36 and council supply chain management policy. The issue at hand is contained in matter 1 to 6 of the Auditor general findings. Management provided the response to the Auditor general who then made their conclusion on each matter as stated. The conclusion of the Auditor general is that matter 2 (Marce) remains irregular, as the Municipality should have gone for advertisement of the tender. Management agreed with the Auditor general to amend the financial statements to disclose matters, 1 (Clinkscales), 3 (Sikhulile), 4 (Albatross), and 6 (Knysna Tourism) as irregular expenditure and not as deviations.

3. COMAF (33 initially) 34 relate to variations and extension of contracts as provided for in circular 62 and Municipal supply chain regulation 5(1). The Auditor general finding relate to the tenders as contained in COMAF 34. Management provided responses to the Auditor general as contained in the COMAF of which the Auditor general reached its conclusion. Finding 2 (MDL), 3 (B&V) and 4 (Unqondo / Nevaqu) remained irregular and was disclosed as such. With regard to finding 2 and 3, although the extension is within the prescribed limit, the BAC and the Municipal manager never approved it as there was no request for such approval. Finding 4 was more than the prescribed extension limit and management agreed with the Auditor general. Explanation in this regard is attached as Annexure B, which is the memo from the chief fire Officer that was not approved through a BAC.
Irregular Expenditure to be written off

Attention is drawn to MFMA circular 68 as updated in March 2019 read with section 32, 171 and 173 of the MFMA and draw your attention to the following budget regulation:

Regulation 74(1) of the Municipal Budget and Reporting Regulations, 2008 provides that

“(1) A council committee [tasked with investigating] the recoverability of any… [irregular expenditure] must consider -

(a) the measures already taken to recover such expenditure;
(b) the cost of the measures already taken to recover such expenditure;
(c) the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and
(d) submit a motivation explaining its recommendation to the municipal council for a final decision.”

In considering the Budget regulations as quoted above, management is of the view that the matters as listed below, unless differently recommended in the applicable text, should be written off by council as irrecoverable. The quantifying of actual loss incurred will be very difficult as the original situation must be recreated taking into account prevailing prices at the time. The actual loss incurred would be the difference between the amount paid and the amount that should have been paid had the correct SCM procedure been followed and a different supplier appointed.

FINANCIAL IMPLICATIONS

The writing off the irrecoverable irregular expenditure will not result in any additional financial implications as the expenditure has already been accounted for and disclosed. An additional disclosure in the annual financial statements will be required.

RELEVANT LEGISLATION

MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT 56 OF 2003) READ WITH MFMA CIRCULAR 68 UPDATED IN MARCH 2019

5. Section 32
6. Section 62
7. Section 64
8. Regulation 74(1) of the Municipal Budget and Reporting Regulations, 2008

CONCLUSION

Based on the explanation as provided above, it is requested that Council resolve on these matters as recommended by MPAC below.

RECOMMENDATION OF THE MPAC/MUNICIPAL MANAGER

[a] That the report regarding irregular Expenditure identified by the Auditor-General in the 2018/19 financial year, be noted;

[b] That the administration correct the irregular expenditure of R 72 116 incorrectly disclosed, as raised in COMAF 4;
That the irregular expenditure of R 1 432 034 in respect of Marce Marketing, as explained in matter 2 of COMAF 30, be certified as irrecoverable and that it be written off;

That the following approved deviations, raised as irregular expenditure and explained in COMAF 30, be certified as irrecoverable and that it be written off;

<table>
<thead>
<tr>
<th>Matter / Supplier Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Clinkscales</td>
<td>R 456 910</td>
</tr>
<tr>
<td>3) Sikhulile Consulting Engineers</td>
<td>R 1 713 446</td>
</tr>
<tr>
<td>4) Albatross Property Trust</td>
<td>R 3 747 973</td>
</tr>
</tbody>
</table>

That the matter regarding the R 4 000 000 expenditure relating to Knysna Tourism (matter 6 in COMAF 30), be dealt with in terms of the previous resolution of the Municipal Council;

That the approved deviation of R 39 054 paid to Metsi Chem, raised as irregular and explained in COMAF 30 (matter 7), be certified as irrecoverable and that it be written off;

That the administration correct the following incorrect disclosures as irregular expenditure contained in COMAF 34, in so far as it relate to finding 1 and 5;

<table>
<thead>
<tr>
<th>Finding / Tender no</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) T 8 of 2016/2017</td>
<td>R 420 000</td>
</tr>
<tr>
<td>5) T 41(16/17),T 9 and 27 of 2017/2018</td>
<td>R 1 344 349</td>
</tr>
</tbody>
</table>

That following irregular expenditure (Contract extensions not BAC approved) raised as a finding in COMAF 34, be certified as irrecoverable and that it be written off;

<table>
<thead>
<tr>
<th>Finding / Supplier Name</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2) MDL Electrical</td>
<td>R 637 743</td>
</tr>
<tr>
<td>3) B&amp; V Contractors</td>
<td>R 566 917</td>
</tr>
<tr>
<td>4) Unqondo &amp; Nevaqu</td>
<td>R 139 689</td>
</tr>
</tbody>
</table>

That the Municipal Manager be instructed to apply and implement consequence management within 14 days from date of this resolution; and

That the Municipal Manager facilitate appropriate training regarding the SCM processes and procedures and Consequent Management to all relevant officials.

APPENDIX / ADDENDUM

Annexure A – COMAF 4, 30 AND 34
Annexure B – Memo from the Chief Fire Officer

File Number : 9/1/2/14
Execution : Municipal Manager
Director : Financial Services
DETAILED AUDIT FINDING

13. Human Resource Management - Staff Establishment (COMAF 4)

Audit Finding

Finding 1

Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers 4 (3) states that the municipal manager must review the municipality's staff establishment within 12 months in any of the following instances:

(a) the election of a new municipal council;
(b) the adoption of the integrated development plan of the municipality as contemplated in section 25 of the Act;
(c) material changes to the functions of the municipality; or
(d) the determination of new municipal boundaries.

Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers 4 (6) states that the municipal manager must, within 14 days of finalising the staff establishment, submit the staff establishment, a detailed report and recommendations on the staff establishment to the municipal council for approval.

Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers 4 (6) states that the municipal council must at its next meeting following receipt of the staff establishment, approve the staff establishment, with or without amendments, as proposed by the municipal manager.

It has been identified that the municipality’s organogram (staff establishment) is dated 20 January 2012 as approved by the municipal manager and by council on 1 October 2012. There is no evidence of subsequent amendments or reviews of the organogram even though there was an election of a new municipal council after the 2016 local government elections.

This results in non-compliance with regulation 4 (3) of the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014.

Finding 2

Section 66 (1) of the Municipal Systems Act 32 of 2000: Staff establishments; states that a municipal manager, within a policy framework determined by the municipal council and subject to any applicable legislation, must —

(a) develop a staff establishment for the municipality, and submit the staff establishment to the municipal council for approval;
(b) provide a job description for each post on the staff establishment;
(c) attach to those posts the remuneration and other conditions of service as may be determined in accordance with any applicable labour legislation; and
(d) establish a process or mechanism to regularly evaluate the staff establishment and, if necessary, review the staff establishment and the remuneration and conditions of service.

Section 66 (3) of the Municipal Systems Act states that no person may be employed in a municipality unless the post, to which he or she is appointed, is provided for in the staff establishment of that municipality.
Section 66 (4) of the Municipal Systems Act states that a decision to employ a person in a municipality, and any contract concluded between the municipality and that person in consequence of the decision, is null and void if the appointment was made in contravention of subsection (3).

Section 66 (5) of the Municipal Systems Act states that any person who takes a decision contemplated in subsection (4), knowing that the decision is in contravention of subsection (3), may be held personally liable for any irregular or fruitless and wasteful expenditure that the municipality may incur as a result of the invalid decision.

It has been established that the municipality had secondments during the year to the position of Contract Management and Secretarial Support posts in the Office of the Municipal Manager. These are not in line with the requirements of the Municipal Systems Act as the posts were not on the approved organogram of the municipality.

Even though a secondment might be seen as a temporary transfer of a worker into another position and not an appointment or employment of a person into a post as contemplated in section 69(3) of the Municipal Systems Act 32 of 2000, the post that the employees are transferred to should exist in the municipality’s approved organogram. Details of the posts are as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Period</th>
<th>Basic Salary paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract Management</td>
<td>17 May - 30 June 2018</td>
<td>34 523.74</td>
</tr>
<tr>
<td>Secretarial Support to the MM</td>
<td>1 May - 30 June 2018</td>
<td>37 692.00</td>
</tr>
<tr>
<td><strong>Total cost:</strong></td>
<td></td>
<td><strong>72 115.74</strong></td>
</tr>
</tbody>
</table>

This results in irregular expenditure of R72 115.74 as it is in contravention of section 66(3) of the Municipal Systems Act.

**Internal control deficiency**

**Leadership**

Implement effective HR management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.

Council did not prioritise the finalisation of the organisational structure and staff establishment of the municipality.

**Financial and Performance Management**

Review and monitor compliance with applicable legislation.

Management did not ensure that the secondment of the Manager: Communications was to a position that is on the staff establishment. Management also did not ensure that the staff establishment of the municipality is reviewed and approved by council within 12 months of the election of a new municipal council.

**Recommendation**

It is recommended that management finalise the amended organisational structure and staff establishment for urgent submission to council for approval and implementation.
Management report of Knysna Municipality

It is further recommended that management investigate all current year appointments including secondments against the approved organogram in order to identify all appointments made in contravention of section 66(3). Where cases have been identified, a consideration should be made to raise the irregular expenditure thereon.

The financial statements should also be amended to appropriately account for the irregular expenditure raised as a consequence of any non-compliance identified.

Management response

Management comment on audit finding

Management response regarding finding 1

Management disagrees with the finding that there is no evidence of subsequent amendments or reviews of the organogram. Knysna Municipality engaged in an organizational review in January 2014, which resulted in a draft Organizational Structure that was submitted to Council during March 2016. Due to the Elections, which was held in August 2016, this proposed draft structure was held in abeyance until the inception of the new Council in September/October 2016. (See draft org structure of 2016, council minutes and close out report from the ODA Consultants). The Municipal manager’s have done the review in an unstable political environment with different personnel acting as Municipal manager’s.

During November 2017, another new review process was entered into resulting in a final draft organizational structure, which was approved by Council at its meeting on 29 October 2018. The Municipal manager must ensure proper consultation when reviewing the organizational structure. This is to ensure that all stakeholders are kept informed of the need for review, need for amendments and they are allowed to make their input.

Management response regarding finding 2.

Management partially agree with the finding. The positions were not in an approved organogram as required by the systems Act. however management disagree that the expenditure are irregular or fruitless and wasteful and to the extent that this is non compliance.

Reliance by the previous Municipal manager was on the labor relation Act. The following section applies, 198B (3) (see attached Act).

An employer may employ an employee on a fixed term contract or successive fixed term contracts for longer than three months of employment only if-

(a) the nature of the work for which the employee is employed is of a limited or definite duration; or

(b) the employer can demonstrate any other justifiable reasons for fixing the term of the contract.

Further to the above section 198B (4) provides as follows:

Without limiting the generality of subsection (3), the conclusion of a fixed term contract will be justified if the employee-

(b) is employed on account of a temporary increase in the volume of work which is not expected to endure beyond 12 months;

(e) is employed to work exclusively on a specific project that has a limited or defined duration.
From the above and the fact that the Municipal manager sleeved council resolution and approval for such appointments, it is evident that the appointments were justifiable.

**Management comment on internal control deficiencies**

Council tried to finalize the review of the organogram as can be seen from the attached documents. Management notes the delays and will try to ensure that the review process is done within defined period.

**Management comment on recommendation**

Management notes the recommendations and disagrees that irregular expenditure was incurred.

The final version of the new organizational structure was tabled and approved by Council on 29/10/2018. See council resolution attached hereto.

All secondments have been investigated and the Municipal manager will report to council on this matter.

**Remedial action**

<table>
<thead>
<tr>
<th>What actions will be taken: Job placement and advertising of vacant positions will commence due to the new Organizational structure being approved on 29/10/2018.</th>
<th>By whom: MM &amp; HR</th>
<th>By when: 31/01/2019</th>
</tr>
</thead>
</table>

If the above finding affects an amount(s) disclosed in the financial statements:

Please give an indication of whether a correcting journal entry shall be processed

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
</table>

If yes, please indicate the accounting entry: N/A

If no, please provide the reason why such a conclusion has been reached: N/A

**Name:** M Memani  
**Position:** CFO  
**Date:** 7 Nov 2018

**Auditor's conclusion**

Management response is noted. We have reviewed the steps taken to finalise the staff establishment and encourage council to finalise the matter to avoid repeat findings on this and note that the appointment of temporary staff was approved by council. Therefore no irregular expenditure noted, however the non-compliance will remain and will be followed up during the review of management action plans as part of the status of records review process.
DETAILLED AUDIT FINDING

11. Deviations (COMAF 30)

Audit finding

Regulation 36 (1) (a) of the Municipal Supply Chain Management Regulations states that a supply chain management policy may allow the accounting officer to dispense with the official procurement processes established by the policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –

(i) in an emergency;
(ii) if such goods or services are produced or available from a single provider only;
(iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;
(iv) acquisition of animals for zoos; or
(v) in any other exceptional case where it is impractical or impossible to follow the official procurement processes.

Section 19.5.11 on deviations in Knysna Municipality’s Supply Chain Management policy provides that deviations are only to be used if justification exists and the necessary approval has been obtained, and in regard to the approval, the policy requires that the reasons for employing deviations must be approved in writing by the accounting officer or delegated authority prior to an award being made.

Paragraph 44 of Standard of Generally Recognised Accounting Practice: Presentation of Financial Statements (GRAP 1) states that except when a Standard of GRAP permits or requires otherwise, comparative information shall be presented in respect of the preceding period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period’s financial statements.

1. Disclosure of comparative information

No comparative information is disclosed relating to deviations. This results in non-compliance with paragraph 44 of GRAP 1 as the disclosure is not complete.

2. Regulation 36 evaluation of justification for deviations

The following deviations were evaluated and found to be in contravention of Regulation 36 and the municipality’s Supply Chain Management Policy:
<table>
<thead>
<tr>
<th>No</th>
<th>Supplier</th>
<th>Deviation Reference</th>
<th>Expenditure</th>
<th>Reason for classification as irregular expenditure:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>R213 216.15</td>
<td>Management states that the reason for the deviation was that the previous Municipal Manager, Brani Easton, appointed Clinkscale on a one-year contract without going through any procurement process, to perform general electrical consulting work for Krynau Municipality as from August 2010 and therefore requests that the order for the services rendered be approved. The reasons provided is indicative of favouring the supplier or avoiding going through the procurement process instead of circumstances catered for in regulation 36. Furthermore, the reasons provided are not justifiable and the deviation can therefore not be considered as an exceptional case. It could also not be determined whether the procurement was economical and obtained at a reasonable price. We have also noted that the award was made to the supplier prior to the accounting officer’s approval as required by the municipality’s SCM policy. This is evidenced by the invoice: GS1495 (dated 26 June 2017) which relates to a period prior to the date on which the accounting officer granted approval (5 September 2017).</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D9319</td>
<td>R193 013</td>
<td></td>
</tr>
<tr>
<td>Matter 1</td>
<td>Clinkscale Maughan-Brown</td>
<td>D9027</td>
<td>R1 432 033.80</td>
<td>Management states that the reason for deviation was that, due to the recent fires, Mercedes Benz East Rand pledged an amount of R129 916 towards a new fire engine to assist the municipality in any future incidents. A tender was advertised during the 2016/2017 financial year but no responses were received and it would therefore be recommended that the municipality take up this offer for the discount from Mercedes Benz and purchase a vehicle from Marco firefighting to assist in future fires. It has been noted as par inspection of the minutes to the BAC meetings held for tender T10/2016 that bids were received from 3 suppliers. However, the tender was cancelled as the specifications were set out incorrectly. The auditor is therefore of the opinion that this matter should have gone out on tender again as the municipality was aware of the matter that gave rise to the cancellation of the tender and therefore had sufficient time to rectify the specifications. The deviation can therefore not be considered as an exceptional case.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>D9494</td>
<td>R972 356.00</td>
<td>Management states that the reason for the deviation was that Sikhulile (Sintec) was the consulting engineers on the Vision Housing project since 2005 and is currently the only consultant that is familiar with the challenges of the current projects, site terrains, slopes and beneficiary communities. It is therefore of utmost importance that the services of Sikhulile (Sintec) be retained as consulting engineers and project managers on the project to complete the management of phase 5.</td>
</tr>
<tr>
<td>No</td>
<td>Supplier</td>
<td>Deviation Reference</td>
<td>Expenditure</td>
<td>Reason for classification as irregular expenditure:</td>
</tr>
<tr>
<td>----</td>
<td>-------------------------</td>
<td>---------------------</td>
<td>-------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>4</td>
<td>Albatross Property Trust</td>
<td>D9420</td>
<td>R949 451.96</td>
<td>Management states that the reason for the deviation is that the current office accommodation lease for the Customer Care Building in the Old Standard Bank building, erf 822, Knysna expired on 31 July 2017. A further extension has been granted by Albatross property trust for a period of 1 year commencing 1 August 2017 and will be terminated on 31 July 2018. No alternative accommodation is in place but a request for proposals will be advertised in the new year for the supply of office space. It has been noted through inspection of previous deviations for Albatross Property trust that the same reasons were provided year-on-year. The auditor is of the opinion that the municipality should have tested the market to determine whether there are other service providers who can render the same services at more economical rates. As a result, the deviation can therefore not be considered as an exceptional case as it is considered practical to test the market.</td>
</tr>
<tr>
<td>5</td>
<td>Northfield Engineering</td>
<td>D9745</td>
<td>R297 361.49</td>
<td>Management states that the reason for the deviation was that Northfield engineering assisted the municipality by performing emergency work during the fire disaster as they are well known with the municipality's system and had the necessary human resources and supplies available to assist during the disaster. They have performed various projects and is an agent within the water supplies field with the most competitive price range. The auditor has noted that there is a substantial delay between the date of the event (the fire), the approval of the deviation (1 March 2018), date of the order (5 March 2018) and the date of the invoice (19 January 2018).</td>
</tr>
<tr>
<td>6</td>
<td>Knysna Tourism</td>
<td>D35</td>
<td>R4 000 000</td>
<td>Management stated that the reason for deviation was that Knysna experienced a fire disaster of which the municipality regards the deviation as an emergency due to the fires and the effect it would have on the Knysna economy. Based on inspection of the application, it can be confirmed that the reason regarded as an emergency is not valid as tourism services would still have been required regardless of the fire disaster and these costs are the same as the costs incurred in the prior year for these services. The municipality should have gone out on a tender process to appoint a service provider.</td>
</tr>
</tbody>
</table>
The reasons for the above deviations are not in line with regulation 36 and therefore results in non-compliance and possible irregular expenditure of R8 057 452,32.

**Internal control deficiency**

**Financial and Performance Management**

Review and monitor compliance with applicable laws and regulations.

Management did not adequately review the reasons presented for deviations before approving them to ensure that they are in line with SCM regulations and the SCM policy of the municipality. Management did not perform a complete review of the AFS submitted for audit to ensuring that disclosures are presented with comparative information in accordance with GRAP.

**Recommendation**

It is recommended that management communicates the supply chain management policy to all members of staff and when approving deviations ensure that they are in line with the policy and SCM regulations.

It is recommended that management review the disclosure of the items in the financials and ensure that comparative information is disclosure where applicable. Management should consider the irregular expenditure and the disclosure thereof in the financial statements.

**Management response**

**Management comment on the audit finding:**

Management disagree with the finding 1 as it relate to comparative information on deviations.

The deviation disclosure is additional disclosure as required and regulated by the Municipal Supply Chain Management Regulations.

This is consequently additional disclosure as required by legislation and not by GRAP.

GRAP 1.16 state that “entities are also encouraged, or may be required by legislation, regulations or similar documents described in legislation or regulations, to disclose information about compliance with legislative, regulatory or other externally imposed regulations. When information about compliance is not included in the financial statements, it may be useful for a note to refer to any documents that include that information.”

Section 39(2) of the Supply Chain Management regulations state that “the accounting officer must record the reasons for any deviations in terms of subregulation (a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.” It is clear from this requirement that this refers to deviations recorded and reported during the financial year.

No reference is made in this disclosure requirement that comparative figures should be disclosed and therefore this cannot be non-compliance.

Management disagree with the finding 2 as it relate to the following matters on deviations.
Matter 1.
Attached on the deviation is a letter appointing Clinkscale for the type of work based on quotation that was submitted. The letter signed and approved by the previous Municipal manager state ‘this appointment will take effect from 1 August 2016 for a period of one year, which could be extended for another year.

The user department used the service of Clinkscale based on this appointment by the municipal manager. When the current CFO wanted to cancel this arrangement it became very clear that the service provider has a legal claim on the following two reasons. (a) They were appointed by the accounting office (b) the Municipality has already used these services for similar work and paid in the previous financial year. The Municipality could therefore not cancel only the last invoices and claim irregularity, which is in any case an internal matter and not the service provider issue.

After deliberations the new management team although disagrees with the appointment, as it did not follow an SCM process, concluded that the only way to recognise the transaction was through a deviation. At that point, in time it was impractical to follow an SCM process since the previous MM already made an irregular appointment and the Municipality was liable. This is clearly stated and was made transparent by management in the deviation form. These were the last invoices before the lapse of one year appointment as signed by previous MM, therefore it was impractical and impossible to follow any SCM process other than to dispute the payment and go for litigation which the municipality would highly likely have lost.

After deliberation, please find the following amendment and or addition with regard to matter 1.
Management does not dispute the fact the expenditure was irregular from the onset. This dating a year back. Management was left with no other option other than deviation as impractical and impossible in order to process the last invoices for year under review. It has since been the consideration of management that the most appropriate and correct disclosure for all transactions related to this appointment letter is classified as irregular.

Matter 2.
Management disagree with the finding. The tender was cancelled as per letter dated 22/06/2016 but was re-advertised and no bids were received. See attached opening of bid document dated 12/04/2017 and the Re-advertisement. Subsequently we had the fires and Mercedes pledged an amount of R129,916 towards the fire vehicle. You will note that from April 2017 and the deviation in June management only considered Mercedes pledge after the fire. This is the time the consideration was made for the deviation and it is normal that your manufacture do not normally tender for one vehicle but the distributors would submit bid and buy from manufactures.

Matter 3.
Management agrees with the finding.

Matter 4.
Management agrees with the finding that the market should have been tested. Management however wish to state that there were a serious challenge of rental of building for the purpose to which council want to rent a building. There is very limited space hence our buildings are scattered all over the town. It is known that even if the market is tested, the municipality will not get a building that meet the requirements and need of the Municipality.
Matter 5.
Management disagree with the finding. Northfield was appointed on an emergency basis after the fire to ensure connection to the water network infrastructure. The invoices were submitted to the Municipal insurance who approved the insurance. Most of the invoices of Northfield were approved by the insurance. Only the ones on this deviation were not approved because the municipality was under insured. The invoices in question were part of the insurance claim and were dated in June 2017. For some reason the supplier, change the invoice date to January. As can be seen from records at insurance section that these invoices are the same but the supplier changed the dates when the claims were not approved. Proof documentation is with the insurance section in a file (contact Netelle).

Matter 6.
Management disagree with the finding. The deviation reasons given may not have addressed the matter in context and or totality. Management wish to raise the following to the AG.

The previous municipal manager took an item to council regarding this matter. The reasons as contained in the council item were “As per above, the deviation memorandum is attached as Annexure “B”. The reason for the deviation is recorded as being an emergency situation.

Following instructions from the then Acting Municipal Manager, Mr J Douglas, a legal opinion was sought on the use of section 67 of the Municipal Finance Management Act, as funding model.

Attached as Annexure “C” is a legal opinion obtained from Cliffe Dekker Hofmeyr. Under paragraph 4.7.10 of the opinion it is stated that “The SCM Policy provided that a deviation may only be used if justification exists and the necessary approval has been obtained within the provisions of the Delegation Framework”.

In summary, the opinion advise that the payments for services by Knysna & Partners falls outside the scope of section 67 of the MFMA and that the municipality is required to follow the prescribed supply chain management processes.

In order for the municipality to engage in the procurement of such services and or goods. It becomes apparent that a section 76 to 78 of the MFMA needed to be followed. This investigation takes quite a bit of time to conclude. The municipality has started the process and advertised for such investigation. At the same time, the municipality has entered into agreement with WESGRO as a government entity to avoid a repeat of the deviation to Knysna partners.

Management agrees that the services would have been needed. However, the only remedy considered to be available by the previous municipal manager was through a deviation considering that a section 76-78 process of the MFMA needed to be completed first before the municipality decide on procurement process. This investigation include a determination as to whether which services can be done internally and or must be outsourced. See attached council resolution. The matter has thus been disclosed as per council resolution.

After deliberation, please find the following amendment and or addition with regard to matter 6.
Management agrees with the AG that irrespective of the fire the service would have been needed. Management has reconsidered the disclosure as it was based on council resolution. Management concluded to disclose this as irregular expenditure.

Management comment on the root cause identified within the audit finding:
Matter 1
The root cause is the letter of appointment by then municipal manager which management agrees was not through a procurement process. However, there was a legal obligation, which made it impractical to follow a SCM process. Management has gone out through a formal SCM process after the expiry of the one-year appointment.

Matter 2
Root cause is a miscommunication between relevant municipal officials and the audit team as the documents are available.

Matter 3
The root cause was a result of not aligning the project management tender with the implementation. These were done as separate tenders with different expiry dates.

Matter 4
The root cause is due to unavailability of rental space

Matter 5
The changing of invoice data by the service provider after the insurance was not approved led to this confusion and what appear to be fraudulent. Some invoices were submitted with all other invoices during June 2017.

Matter 6
The disclosure is in terms of council resolution and the matter is part of the investigation against the previous municipal manager.

Management comment on the recommendation:
Management note the recommendation in communicating the SCM policy to all staff.

Reason for non-compliance:

Remedial action:
Management test the market to see if there is no other service providers before considering deviations. Staff will be trained and on the deviation criteria that must be satisfied before consideration of a deviation.

<table>
<thead>
<tr>
<th>What actions will be taken:</th>
<th>By whom:</th>
<th>By when:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Management test the market to see if there is no other service providers before considering deviations.</td>
<td>SCM Manager</td>
<td>30 November 2019 and then 30 April 2019</td>
</tr>
<tr>
<td>• Staff will be trained and on the deviation criteria that must be satisfied before consideration of a deviation.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• The two matters contained in 1 and 6 above will be amended and disclosed as irregular expenditure.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If the above findings affects an amount (s) disclosed in the financial statements: N/A

Please give an indication of whether the correcting journal entry shall be processed: N/A
Management report of Kynsna Municipality

If yes, please indicate the accounting entry: N/A

If no, please provide the reason why such a conclusion: N/A

Name: M Memani  
Position: CFO  
Date: 19 Nov 2018

Auditor's conclusion

Subsequent to the submission of this comaf, it was noted upon reviews that the following awards were approved subsequent to receiving the supply and delivery of goods and services.

Matter 7: Metsi Chem (D9619) R 39 054.12
We have noted that services were provided by the supplier prior to the accounting officer’s approval as required by the municipality’s SCM policy. This is evidenced by the date on the invoice (IK11387 and IK40) and the date of the approval by the accounting officer (20 July 2017)

Management responded as follows:

Matter 7
With regard to Metsi Chem. Find attached the deviation recommended and approved on 17 July 2017. The reasons and comment made by the CFO and SCM manager indicate that there was old tender lapsed and there is issue of timing between the lapsed tender and award of new tender. The SCM manager recommended irregular. CFO and MM consideration was that due to the water infrastructure being affected after the fire, the water purification process was urgent to avoid health hazard. This is one of the matters that is going to be investigated by management as the process is to get approval for the deviation first. You will notice that the approval was for R800,00 taking into account the urgent need to clean the water. However, it appears that the user department had already procured some of the work before this approval. Management will recognise this as irregular and it will form part of the investigation. The following invoices IK11387 R14 364,00 (6 July 2017) and IK40 - R 24 690,12 (11 July 2017) were received before the approval.

Auditor's conclusion:

Managements response is noted and accepted per inspection of the amended financial statements provided and the irregular expenditure included therein for matters 1, 3, 4, 6 and 7. Matter 5 has been resolved per inspection of additional documentation provided. Management’s response for matter 2 is not accepted resulting in irregular expenditure. Management has not agreed with the finding this will remain as an uncorrected misstatement and will be included in the summary of uncorrected misstatements and assessed in aggregate with other uncorrected misstatements.
DETAILED AUDIT FINDING

28. Procurement and Contract Management – Contract Management (COMAF 33)

Audit Finding

The Municipal Finance Management Act no. 56 of 2003, section 116 (3) (a) states that a contract or agreement procured through the supply chain management policy of the municipality may be amended by the parties, but only after the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality.

Municipal Finance Management Act no. 56 of 2003, section 52 (1) (b) states that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Municipal Supply Chain Regulation 5 (1) states that an accounting officer may in terms of section 79 or 106 of the Municipal Finance Management Act no. 56 of 2003, sub-delegate any supply chain management powers and duties.

Furthermore, according to the Municipalities delegation of powers and duties of the Accounting Officer, extensions of contracts should be approved as follows:

- Up to R200 000: SCM manager, upon recommendation from the Manager of the user department.
- Over R200 000: Municipal Manager, upon recommendation of the BAC.

Municipal Finance Management Act Circular 62 states that contracts may be expanded or varied by not more than 20% for construction related goods, services and/or infrastructure projects and 15% for all other goods and/or services of the original value of the contract.

The following issues have been noted under contract management:

1. Tender T8 of 2016/2017

The extension of the contract was above the 15% threshold as per circular 62 of the Municipal Finance Management Act.

<table>
<thead>
<tr>
<th>Tender</th>
<th>Contract Value (Inc; VAT)</th>
<th>Extension Value</th>
<th>Extension Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>T8 of 2016/2017</td>
<td>R 1 149 438.00</td>
<td>R 429 000.00</td>
<td>36.5%</td>
</tr>
</tbody>
</table>

Furthermore, it was noted that the reasons for the proposed amendments for the tender mentioned above were not tabled to council and therefore results in non-compliance with s116 (3) (a) of the Municipal Finance Management Act.

2. Tender T54 of 2016/2017

It was noted per inspection of the monthly progress meetings minutes that the following contract was subject to an extension, however the memorandum detailing the reasons for the extension as
well as the BAC minutes of meetings for recommendation or approval of the extension could not be provided.
Consequently, we could not confirm whether the extension was approved by the appropriate delegated official and whether the extension was within the applicable threshold of 15%. The non-compliance herein results in possible irregular expenditure of R 637 743.00.

<table>
<thead>
<tr>
<th>Tender</th>
<th>Supplier</th>
<th>Initial contract amount</th>
<th>Total payments</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>T54 of 2016/2017</td>
<td>MDL Electrical</td>
<td>R 5 070 771.00</td>
<td>R 5 708 514</td>
<td>R 637 743.00</td>
</tr>
</tbody>
</table>

Furthermore, it was noted that the reasons for the proposed amendments for the tender mentioned above were not tabled to council and therefore results in non-compliance with S110 (3) (a) of the Municipal Finance Management Act.

3. Tender 24 of 2016/2017

We have noted that total payments made for this tender as at 30 June 2018 exceeded the initial contract amount. It was established that there was a variation order for R1 million that was appropriately approved by the accounting officer but no approvals could be provided for the additional expenditure amount of R556 917.24 incurred in addition to the approved R1 million. This results in possible irregular expenditure of R 556 917.24.

<table>
<thead>
<tr>
<th>Tender</th>
<th>Supplier</th>
<th>Initial contract amount</th>
<th>Total payments</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>T24 of 2016/2017</td>
<td>B &amp; V Contractors</td>
<td>R 29 603 260.76</td>
<td>R 31 170 178</td>
<td>R 556 917.24</td>
</tr>
</tbody>
</table>

It was also noted that the reasons for the proposed amendments for the above tender were not tabled to council and therefore results in non-compliance with S116 (3) (a) of the Municipal Finance Management Act.

4. Contract vs Actual expenditure

It was noted that total payments made for the below tenders as at 30 June 2018 exceeded the initial contract amount and no evidence could be provided for the required approval for extending the contracts. This results to possible irregular expenditure of R139 689.15.

<table>
<thead>
<tr>
<th>Tender</th>
<th>Supplier</th>
<th>Initial contract amount</th>
<th>Total payments</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>T34 of 2017/2018</td>
<td>Unqondo Projects</td>
<td>R 107 519.91</td>
<td>R 157 803</td>
<td>R 50 363.09</td>
</tr>
<tr>
<td>T35 of 2017/2018</td>
<td>Nevaqvi</td>
<td>R 306 526.44</td>
<td>R 397 851.59</td>
<td>R 89 326.06</td>
</tr>
<tr>
<td>SUM of Above</td>
<td></td>
<td></td>
<td>R 139 689.15</td>
<td></td>
</tr>
</tbody>
</table>

Furthermore, T34 of 2017/18 was found to be incorrectly tabled to council for approval as the submission was based on T37 of 2017/2018 and not for T34 of 2017/2018 to which it relates.

5. Tenders not tabled

The tenders listed below were found to be subject to an extension/variation order. It was however noted that the reasons for the proposed amendments for the tenders listed were not tabled to the council of the municipality resulting in non-compliance with S110 (3) (a) of the Municipal Finance Management Act:
Management report of Kynana Municipality

<table>
<thead>
<tr>
<th>No.</th>
<th>Tender Number</th>
<th>Tender name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>T41 of 2016/2017</td>
<td>Ivwe Engineering Solutions (Upgrade of the Heads Water Reticulation System)</td>
</tr>
<tr>
<td>4</td>
<td>T27 of 2017/2016</td>
<td>MDL Electrical (Electrification of Various areas)</td>
</tr>
<tr>
<td>5</td>
<td>T9 of 2017/2018</td>
<td>B&amp;V Contractors (ABSA Heidevlei Project)</td>
</tr>
</tbody>
</table>

Therefore, the total irregular expenditure identified above is R1 344 349.24 for all the contract extensions or variations that were not approved by a delegated official or lack of evidence thereof.

Internal control deficiency

Financial and performance management:

Management did not review and monitor compliance with applicable laws and regulations.

Management did not put in controls in place to monitor expenditure against contracts to ensure that extensions and/ or variations to contracts are appropriately approved by the correct delegated authority and that these approvals are readily available when requested for audit purposes.

Recommendation

Management should strengthen its contract monitoring processes to adequately track actual spending against the contract amounts and to ensure that all approval documentation pertaining to contract extensions and variations are appropriately tracked and safeguarded and easily available for inspection when needed.

Management response

Management comment on the audit finding:

1. Management disagree with the finding as it relate to tender T8 of 2016/2017
   There is no extension on this tender. The bidder submitted a bid for R1, 149,430.06. The R420, 000 alluded to is the confirmation of available funding and not an extension.

2. Management agrees with the finding as it relate to tender T54 of 2016/2017
   Management agrees with the finding. Although this is still within 15%, the manager electrical did not have authority to extend the tender. Only the BAC has delegation to make extension within 15% or 20% of contract value.

3. Management agree with the finding as it relate to tender T24 of 2016/2017
   Management agrees with the finding. Only the variation order of R1 million was brought to the attention of the BAC and the accounting officer, which was approved. Although this is still within 15%, there was no request for extension submitted and approved by the BAC. Only the BAC has delegation to make extension within 15% or 20% of contract value.

4. Management agree with the finding as it relate to tender T34 & T33 of 2016/2017
   Management agrees with the finding.

5. Management disagree with the finding as it relate to tender T41, T27 and T9
   Management disagrees with the finding. S116 (3) A contract .........., but only after-(a) the reasons for the proposed amendment have been tabled in the municipal council, .......... and
The three tenders in question were not amended but rather extension were given through variation order and or BAC approval. Therefore there is no irregular expenditure.

Management comment on the root cause identified within the audit finding:

Root cause is weakness in contract management and monitoring.

Management comment on the recommendation:

Management note the recommendations.

Remedial action:

All contracts will be reviewed against the expenditure on quarterly basis to identify potential over spending earlier.

<table>
<thead>
<tr>
<th>What actions will be taken</th>
<th>By whom:</th>
<th>By when:</th>
</tr>
</thead>
<tbody>
<tr>
<td>All contracts will be reviewed against the expenditure on</td>
<td>Manager</td>
<td>30 May</td>
</tr>
<tr>
<td>quarterly basis to identify potential over spending earlier.</td>
<td>expenditure</td>
<td>2019</td>
</tr>
<tr>
<td>If the above findings affects an amount(s) disclosed in the</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>financial statements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Please give an indication of whether the correcting journal</td>
<td>NO</td>
<td>N/A</td>
</tr>
<tr>
<td>entry shall be processed:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If yes, please indicate the accounting entry:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NO</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If no, please provide the reason why such a conclusion:</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Name: M Memani
Position: CFO
Date: 19 Nov 2018

Auditor's conclusion

Management comments are noted and agreed with in respect to findings 1 and 5 per audit inspection of the evidence presented herein. Management agrees with findings 2, 3 and 4 and the amendments were also agreed to the adjusted financial statements submitted to audit.

Matter will however remain in the management report for follow up during the status of records review for progress on management action plans to address the root cause identified.
## SPECIAL MUNICIPAL COUNCIL MEETING
### AGENDA
#### 22 AUGUST 2019

### SCM Form 001 - Application for Deviation

**3. Corrective Action to Prevent Re-occurrence (If possible):**

<table>
<thead>
<tr>
<th>Tender process at the BEG stage.</th>
<th>R800,000 VAT included</th>
</tr>
</thead>
</table>

**4. Recommended price (Please calculate the cost value for the services rendered or the goods to be procured):**

17/07/2017

**5. Delivery / Date of completion:**

**DEPARTMENT:** Technical Services

**NAME: REQUESTING OFFICIAL:** Shane Mopp

**SIGNATURE: REQUESTING OFFICIAL:**

**SIGNATURE: MANAGER of REQUESTING OFFICIAL:**

**DATE:**

**SIGNATURE: DIRECTOR:**

**DATE:**

6. Budget section to confirm that funds are available on the indicated vote:

**7. Signature: Cudge section:**

**8. Vote opinion:**

**9. SIGNATURE DELEGATED AUTHORITY:**

- SCM
- CFO
- MM

**10. DATE:**

**11. COMMENT DELEGATED AUTHORITY:**

Recommended New Tender awarded deviation as a result of time between old tender lose and award

As instructed by CFO.
BAC AGENDA

Notice is hereby given of a bid adjudication meeting which will be held on

THURSDAY 14 DECEMBER 2017 from 08:30 in the CFO Boardroom
AGENDA ITEMS

1. Welcome, declaration of interest, leave of absence and administrative matters.

2. Noting of the roles and responsibilities of BAC members:
   • To consider the report and recommendations made by the Bid Evaluation Committee or the delegated official(s) who performed the evaluation.
   • To assess the process followed in making the recommendation to ensure that the SCM Policy have been complied with in full.
   • To obtain clarity from members of the Bid Evaluation Committee if required.
   • To make the final award in bids less than R 10 m and to comment on the recommendations made and forward it together with the report to the AO for bids in excess of R 10m
   • To comment on the recommendations made and forward it together with the report to the AO or delegated authority, who shall finally award the contract.
   • To refer the recommendation back to the Bid Evaluation Committee if they do not agree with the recommendation in order to endeavour to sort out the differences if they are process related.
   • If a Bid Adjudication Committee decides to award a bid other than the one recommended by the Bid Evaluation Committee, the bid adjudication committee must prior to awarding the bid—
     ✓ Check in respect of the preferred bidder whether that bidder’s municipal rates and taxes and municipal service charges are not in arrears; and
     ✓ Notify the Accounting Officer.
   • Should the Bid Adjudication Committee and/or the AO not agree with the recommendations made by the Bid Evaluation Committee, only the AO may make the final award, within 10 working days, subject to the provisions of section 114 of the NFMA.
   • Meetings of the BAC may be open to the public at the discretion of the Chairperson.
   • To extend tenders within the prescribed frameworks.

3. MEMORANDUM – INSURANCE CLAIMS.
   • Item attached to agenda 1 – 5.

4. TENDER 12/2017.18: HIRE OF PLANT AND EQUIPMENT FOR A PERIOD OF
MEMORANDUM

TO: Manager Expenditure: Mrs F Kruger
FROM: Station Commander Fire and Rescue Service W Sterndorf
cc: Chief Fire Officer C Manuel
DATE: 11 December 2017

REGARDING: Insurance Claims

PURPOSE:
To effectively replace items lost during the June 2017 Knysna Fire

BACKGROUND:
Items were damaged and lost during the Knysna Fire in June 2017. Claims were lodged, however the items for Sedgefield fire station and Knysna Fire Station were claimed for separately. Mr Bezuidenhout submitted tenders for the following: Fire Gear 34/2017/18, Fire Fighting equipment 34/2017/18. The Radio tender was submitted by the Technical Services Department

MOTIVATION:
That the items listed in the Sedgefield Fire Claims not be re-advertised as a tender, as this process has already been done by Knysna Fire station’s Mr Ian Bezuidenhout. The tender Process is completed and the tenders have been awarded. Being the same organization, instead of going through the entire process for a second time, extending the tender to include the few Sedgefield items. The other reason is so that the items are standardized throughout the fire service and we do not end up with mismatched products.

FINANCIAL OR LEGAL IMPLICATIONS:
To be granted permission to extend the current tenders.
THREE YEARS.

- Item attached to agenda 6 - 11

5. TENDER 18/2017: SUPPLY & DELIVERY OF BUILDING MATERIALS.

- Item attached to agenda 12 - 18

6. TENDER 18/2017: TO PERFORM ELECTRICAL RETICULATION CONSTRUCTION AND REPAIR WORK FOR A PERIOD OF THREE YEARS.

- Item attached to agenda 18 - 50

7. Matters arising
8. Closure
9. Date and time of next meeting
Fire & Rescue Service

12 July 2017

TO: Chief Fire Officer, Mr C Manuel
RE: Insurance Claim – Fire Gear

Sir,

During the fires in Knysna from 7 June 2017, I can report that four sets of bunker gear went missing from Sedgefield Fire Station.

- 4 Full sets bunker gear
- 4 Helmets
- 4 prs Structural fire fighting boots
- 4 prs Fire Fighting Gloves (Structural)

The following are the members effected:

- Mr Sidney De Doncker’s gear went missing from E09 whilst he was away from the vehicle. This was his structural fire fighting gear, as he was wearing his wildfire fighting gear. The vehicle was busy at the fire line when the gear went missing.
- Mr JP Ellis, M J Gelant and Mr W Oelf’s fire gear was removed from the Sedgefield Fire Station, presumably by people that came to the fire station to volunteer and found the gear hanging on the pegs where it is usually stored. When reporting for duty they found that their gear was missing and it has not been returned.

The above needs to be replaced as soon as possible, as the lack of Personal Protective Clothing hampers the staff to effectively carry out their job functions.

I trust that you find the above in order.

Wayne Stiensdorf
Station Commander
5. **RECOMMENDATION:**

The tenders be extended and the items purchased under the insurance claims.

6. **APPROVALS:**

As per Routing Form attached hereto.

Wayne Sternsdorf
Station Commander: Sedgefield Fire Station

Approvals:

Cipion Manuel
Chief Fire Officer

Fredri Kruger
Manager Expenditure (SCM)
Fire & Rescue Service

TO: Chief Fire Officer, Mr C Manuel
Re: Insurance Claim: Fire Fighting Equipment

Sir,

During the fires in Knysna from 7 June 2017, I can report that the following equipment went missing from Echo 09 (CX 54084) and Echo 08 (CX 43657):

- 4 x 65 mm Duralline Fire Hoses
- 4 x 45mm Duralline Fire Hoses
- 2 x Akron Turbojet Fire Nozzles
- 1 x Stand Pipe
- 1 x Key and Bar
- 1 x Hailgan Tool
- 1 x Flat head Fire Fighting Axe

These vehicle were manned by various crews during the fire and on return the abovementioned equipment was found missing. The Sedgefield crew did endeavour to locate the equipment but to no avail.

This equipment needs to be replaced as soon as possible please as it is vital equipment on our fire appliances.

I trust that you find the above in order.

W A Sternsdorff
Knysna Fire and Rescue Service

12 July 2017
FIRE AND RESCUE SERVICE
Wayne Stensdorf
Station Commander

T: 044 349 2802  M: 082 717 2086
E: wstensdorf@knyzna.gov.za

Fire & Rescue Service

12 July 2017

TO: Chief Fire Officer, MR C Manuel
RE: Insurance Claim – Portable radios

Sir,

During the Fires in Knysna from 7 June 2017, I can report that 3 Portable Radios went missing from Sedgefield Fire Station.

During the Chaos of the Knysna Fires, 3 Portable radios from Sedgefield Fire Station went missing. These are all bar coded items and therefore I would like to lodge an insurance claim to replace such as they are vital for staff communications during emergencies. (Please see attached quote, this company supplies the Municipality with portable radios)

I trust that you find the above in order

Wayne Stensdorf
Station Commander

17/7/2017
6.3

SC03/08/19 NOMINATION OF COUNCILLORS TO SERVE ON THE PLACEMENT COMMITTEE

REPORT FROM THE DIRECTOR : CORPORATE SERVICES

PURPOSE OF THE REPORT

To request the Municipal Council to nominate two Councillors to serve on the Placement Committee.

BACKGROUND

The Draft Organizational Structure was adopted by Council on 29 October 2018 and now needs to be implemented to derive optimum value from the project. The Placement Policy which is constituted to implement the placement process of staff on the new approved structure, was approved by Council on 30 May 2019. The Composition of the Placement Policy refers to the inclusion of two Councillors which may ideally consist of the Portfolio Councillor for Governance and another Councillor, preferably serving on the LLF, nominated by Council.

RELEVANT LEGISLATION

Council Approved Placement Policy.

RECOMMENDATION OF THE MUNICIPAL MANAGER

That the following two (2) Councillors serve on the Placement Committee in line with the approved Placement Policy:

Cllr ............................................

Cllr ............................................

File Number : 9/1/2/9
Execution : Director : Corporate Services
## SPECIAL MUNICIPAL COUNCIL MEETING

**AGENDA**

22 AUGUST 2019

---

<table>
<thead>
<tr>
<th>Policy Name</th>
<th>Placement Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Author(s)</td>
<td>Human Resources</td>
</tr>
<tr>
<td>Policy status</td>
<td>New</td>
</tr>
<tr>
<td>Council Resolution No and Date of approval</td>
<td>C03/05/19</td>
</tr>
<tr>
<td></td>
<td>30 May 2019</td>
</tr>
<tr>
<td>Signature of Speaker</td>
<td></td>
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<tr>
<td>Signature of MM</td>
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</tbody>
</table>
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1. INTRODUCTION

1.1 The Knysna Municipality is committed to applying a sound placement policy and practices to ensure a functionally placed and focused workforce that is efficient and effective in respect of service delivery.

1.2 The stakeholders shall include the Division: Human Resources Management Services, relevant Departments and organized Labour. All stakeholders are committed to participate in this process in pursuance of performance excellence of the Municipality.

1.3 The Knysna Municipality shall take steps to ensure that all organization management initiatives are aligned to the overall values of performance excellence, integrity, transparency, community centeredness and co-operative governance of the Municipality.

2. PURPOSE AND OBJECTIVES

2.1 Arising from the need to restructure the organisation according to the functions of the municipality and to enhance service delivery, the re-organisation of existing staffing structures (including geographic re-deployment) may be necessary to meet the operational objectives of the municipality. All placements shall take place in accordance with the principles contained in this policy.

2.2 The contracts of employment of all staff of the municipality will remain in place for the purposes of this agreement and the result of the placement in terms of this policy.
2.3 The placement of staff shall be done in a manner that is consistent with any existing Employment Equity and Skills Development Plan and/or the objectives of the Employment Equity Act and the Skills Development Act.

3. SCOPE AND APPLICATION

3.1 This policy shall apply to Knysna Municipality.

3.2 The terms of this policy and implementation guidelines shall be applicable to all permanent posts and political supporting personnel in the Municipality.

3.3 Municipal Manager and Managers directly accountable to Municipal Manager in terms of Section 56 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000 as amended) are excluded from this policy.

4. DEFINITIONS

All expressions used in this policy, which are defined in the Labour Relations Act, 1995 (Act No. 66 of 1995) shall bear the same meanings as in the Act and unless the contrary intention appears, words importing the masculine gender shall include the feminine.

“Appeals Authority” means the Municipal Manager but where the Municipal Manager made a decision where the placement committee could not reach consensus, the Executive Mayor, or his/her nominee, shall be the Appeal Authority.

“Employee” means any person, excluding an independent contractor,
who works for the Knysna Municipality and who receives, or is entitled to receive any remuneration.

“Employer” means the Council of the Knysna Municipality.

“Full-time employee” means someone who is in the employ of the Municipality and who is working 40 ordinary hours per week.

“Labour Organisations” means Knysna Municipality recognised Unions.

“Municipality” means the Knysna Municipality.

“Part-time employee” means someone who is in the employ of the Municipality and who is working less than 40 hours ordinary per week.

“Permanent Employee” means an employee, excluding a contract employee and a temporary employee, occupying a post on the approved staff establishment of the Council in a permanent capacity, whether full-time or part-time, and includes an apprentice and a person appointed in such post for a probationary period.

“Staff establishment” means the approved posts created for the normal and regular requirements of the Knysna Municipality.

“Temporary Employee” means an employee, excluding a contract employee, appointed to a post on the approved staff establishment of the Council in a temporary capacity, whether full-time or part-time, for a continuous period not exceeding 36 (thirty-six) months.

“Workplace” refers to the place of work as contemplated in the Labour Relations Act, 1995 (Act No. 66 of 1995).
5. LEGAL FRAMEWORK

This policy and its application is in accordance with the following legislative prescripts:


5.3 Labour Relations Act, 1995 (Act No. 66 of 1995).


5.6 Basic Conditions of Employment Act, 1997 (Act No. 75 of 1997).

5.7 Occupational Health and Safety Act, 1993 (Act No. 58 of 1993)

5.8 All relevant Collective Agreements.

6. PLACEMENT OF PERSONNEL: CRITERIA

6.1 The following criteria will be applied:

6.1.1 The Municipality shall attempt to place all existing employees into posts created in the approved new structure.

6.1.2 The parties are committed to ensure continuity of employment and every attempt will therefore be made to ensure that no retrenchment or redundancy will
occur, provided that the affected employees are willing to accept alternative positions that are offered. In this regard, every effort will be made to ensure that such alternative offers are reasonable.

6.1.3 In placing employees in the new structure, employees shall be placed on a close-match basis. In close matching a post, the job content of the “new” post must be compared with the existing job content of the employees. The employee having the closest match in respect of the job content is then the successful employee to be placed, e.g., a typist will be close matched to a typist, a general worker to a general worker. Where the close match cannot be done one hundred percent, the match must be done on the most matched job content. The focus should be on the core functions of the job, e.g., an accountant’s job content will be matched against a post that contains the core activities reflecting accounting duties. The close match is done on job content and not job designation. Post designation may however be used as an indicator.

6.1.4 This close match principle shall apply to unchanged and minor changed posts.

6.1.5 Where more than one employee can be close matched to a post and there are more employees than there are posts, then a recruitment and selection process will be conducted to appoint the suitable candidate.
6.1.6 Employees shall not be moved from one geographical location to another without the function which the employee is performing necessitating such movement.

6.1.7 When placed in a post such placement shall be final and constitute a permanent position.

6.1.8 Employees that cannot be placed in any of the categories of posts or are not offered an alternative post that is reasonable will remain in the pool of the transferred employees.

7. PLACEMENT COMMITTEE

7.1 Placement of employees shall be considered by a Placement Committee consisting of:

7.1.1 Two Councillors which consists out of the Portfolio Councillor and the other nominated by Council;
7.1.2 The Director of the relevant Directorate;
7.1.3 2 Representative of SAMWU;
7.1.4 2 Representative of IMATU;
7.1.5 Director: Corporate Services;
7.1.6 HR Manager;
7.1.7 Relevant Line Manager
7.1.8 Administrative support.

No observers will attend meetings of the placement committee except for as permitted in terms of this policy.
7.2 The Placement Committee will have the following terms of reference:

7.2.1 To consider and reach consensus regarding the placement of existing employees into posts in the new structure.

7.2.2 To strive in reaching consensus on the staff placement. Where consensus cannot be reached the matter should be referred to an Appeals Authority.

7.3. The role of the Unions will be as follows

7.3.1. The Union representatives will attend all Placement Committee meetings;

7.3.2. The Union representatives will monitor and ensure that the Placement Committee adheres to all stipulations as mutually agreed upon in this procedure;

7.3.3. The Union representatives will ensure that the abovementioned stipulations are applied consistently by the Placement Committee;

7.3.4. The Unions will have an observer status but are at liberty to officially object to any of the decisions taken by the Placement Committee.

7.4. The role of the employer representatives will be as follows

7.4.1. The employer representatives must arrange and attend all Placement Committee meetings;
7.4.2. The employer representatives will do all preparatory work for the meeting and supply to the secretariat;

7.4.3. The employer representatives will ensure that the provisions of the policy and applied consistently.

7.5. **Functions of the Committee**

The primary functions of the Committee include, but are not necessarily limited to:

7.5.1. Ensuring the proper placement of employees into the new Council approved organisational structure in accordance with this procedure.

7.5.2. Ensuring the placement process is finalised.

7.5.3. Considering submissions made by the Departmental Head/Human Resources for the placement of employees into the new structures.

7.5.4. Communicating relevant decisions to the employees concerned via the Office of the Municipal Manager.

7.5.5. To consider and endeavour to reach consensus regarding the placement of all existing employees into posts in the new Council approved organisational structure, in accordance with the provisions of the policy.

7.5.6. Where consensus cannot be reached on staff placement, the Municipal Manager as the custodian of the organisational structure and head of the administration will be the decision maker.
8. NOTIFICATION OF DECISIONS

8.1 The individual employee to be placed must be personally notified in writing. The notification must state whether the placement is by consensus of the Placement Committee or not.

9 PLACEMENT PROCEDURE

9.1 The placement will take place as follows:

9.1.1 Classification of posts

a. The Placement Committee will classify the posts in the structure into the following categories:
   Unchanged posts, Minor Changed posts, Major Changed posts and New posts.

b. Placement in terms of these categories takes place in the following manner:

9.1.1.1 Unchanged posts

a. These are posts that have had no change to their scheduled duties or geographical location.

b. Human Resources Division will be required to list these posts with the names and personnel numbers of the present incumbents and submit it to the Placement Committee for confirmation.
9.1.1.2. Minor changed posts
   a. These are posts involving minor changes to the duty schedule, which has no material effect on the level of responsibility. It might also involve a mere change in title without a change in duties.
   b. Human Resources Division need to submit the names and personnel numbers of the present incumbents and submit it to the Placement Committee for confirmation.

9.1.1.3. Major changed posts
   a. These are posts which have undergone a major change to their duties and responsibilities. Wherever possible, the placement shall be on the “close match” basis.
   b. These posts with the existing and proposed duties should be submitted by Human Resources to the Placement Committee together with the names and other form of identification, used of the employees to be placed in the posts on a “close match” basis.
   c. If a major changed post cannot be filled on a close match basis, it shall be advertised both internally and externally and shall be filled in terms of the recruitment policy of the municipality.

9.1.1.4. New Posts
   a. These are posts, which carry duties and responsibilities that do not exist in any form in the present structures. These posts shall be advertised both internally and externally and shall be filled in terms of the recruitment policy of the municipality.
10. OBJECTIONS / APPEAL PROCESS

10.1. Every individual employee and/or trade union on behalf of their members shall have the right to lodge an appeal or submit an objection regarding a placement or non-placement to the Appeal Authority. The Municipal Manager shall be the Appeal Authority, except in terms of clause 7.5.6, where the Municipal Manager made a decision where the placement committee could not reach consensus. In this instance, the Executive Mayor, or his/her nominee, shall be the Appeal Authority.

10.2. Such objection or an appeal must be submitted to the Appeal Authority within 10 working days of date of receipt of a decision by an individual employee.

10.3. The Appeal Authority, either the Municipal Manager or the Executive Mayor, may request an expert or technical advisor to assist with the objection or appeal and may also request the assistance of a nominated representative, being internally or externally sourced.

10.4. The Appeal Authority must consider an objection or appeal within 10 working days from submission thereof. The outcome of the objection or appeal must be in writing and communicated to the affected employee or his/her union representative.

11. ARBITRATION

Should the affected employee not be satisfied with the outcome of an objection or an appeal, a dispute can be lodged and the matter referred for arbitration.
Every individual employee and / or trade union on behalf of their members shall have right to refer a dispute regarding a placement or non-placement for arbitration.

11.1. Section 138 of the Labour Relations Act shall apply to the arbitration proceedings.

11.2. The arbitration shall be for the cost of the employer / SALDGC.

11.3. The arbitration shall be a final binding award in the parties.

11.4. No placement is final until the internal appeal process has been exhausted or until the outcome of the arbitration has been received.

12. JOB DESCRIPTIONS

12.1. After the placement process has been completed, all incumbents will receive Job Descriptions for the posts they have been placed in.

12.2. All incumbents will be afforded the opportunity to study, render comments and make proposals on these job descriptions.

12.3. All incumbents will also have the right to consult with their unions, supervisor and Director on the content of their job description.

12.4. Once Job Descriptions have been finalised they will be signed off by the incumbent, the trade unions, his/ her supervisor, the Director and the Municipal Manager, before being submitted to the District Job Evaluation Task Group for grading.
12.5. Once the grading results have been received, the new post grades will be implemented retrospectively on the month after which the placement process has been concluded.

13. CONDITIONS OF SERVICE

13.1. The staff of the Municipality shall retain their current conditions of employment following placement in the new structures.

14. ADMINISTRATION OF POLICY

14.1. The Municipal Manager shall be responsible for the administration and enforcement of this policy, provided that he or she may delegate any of his functions or duties hereunder to another member of staff of the Municipality.

15. AMENDMENTS

15.1. The Council may, from time to time, amend this policy and introduce any measure(s) to ensure efficient, economic and effective management of Council resources.

16. EFFECTIVE DATE

16.1. This Policy will become effective upon approval thereof by the Council of the Knysna Municipality.
6.4

**SC04/08/19 2020 – 2021 IDP REVIEW AND BUDGET TIME SCHEDULE**

**REPORT FROM THE MUNICIPAL MANAGER**

**PURPOSE OF THE REPORT**

The purpose of this report is to table the time schedule for the preparation of the IDP review and 2020/2021 annual budget of Knysna Municipality to the Council for approval.

**PREVIOUS RESOLUTIONS**

**BACKGROUND & DISCUSSION**

The Municipal Systems Act (32 of 2000) requires each municipality to conduct an annual review of its 5-year strategic plan (IDP). An IDP review process considers changed circumstances that informs the prioritisation of strategies and allocation of resources to communities where it’s needed most. It also enables the Council to report back to all relevant stakeholders on the progress of the implementation of its 5-year strategic plan.

The time schedule which incorporates all the deliverables and timeframes of the IDP review and related processes such as the Performance Management System (PMS) as well as the 2020/2021 annual budget is attached as an annexure, hereto. This time schedule guides the preparation, tabling and approval of the budget and annual review of the IDP of Knysna Municipality.

**FINANCIAL IMPLICATIONS**

None

**RELEVANT LEGISLATION**

The following legislative requirements is applicable to the IDP review & budget time schedule: Section 34 of the Municipal Systems Act (Act 32 of 2000):

“A municipal council –

must review its integrated development plan –
annually in accordance with an assessment of its performance measures in terms of section 41; and

to the extent that changing circumstances so demand; and

May amend its integrated development plan in accordance with a prescribed process.”

Section 28 of the Municipal Systems Act (Act 32 of 2000):

(1) “a municipal council must adopt a process set out in writing to guide the planning, drafting, adoption and review of its integrated development plan”.

Section 21 (1) of the Municipal Financial Management Act (Act 56 of 2003):
The Mayor of a municipality must –

Co-ordinate the processes for preparing the annual budget and for reviewing the municipality’s integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;

At least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for –

The preparation, tabling and approval of the annual budget;

The annual review of –

the integrated development plan in terms of section 34 of the Municipal Systems Act; and

the budget-related policies;

The tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and

Any consultative processes forming part of the processes referred to in sub-paragraphs (i), (ii) and (iii)

RECOMMENDATION OF THE MUNICIPAL MANAGER

[a] That the contents of the report with regard to the 2020 – 2021 IDP Review and Budget Time Schedule, be noted;

[b] That the time schedule for the preparation of the IDP review and the 2020/2021 Annual Budget of the municipality, be approved.

APPENDIX / ADDENDUM

2020/2021 IDP review and budget time schedule & Grant chart

File Number : 15/2/6/1/3
Execution : Municipal Manager
            Manager : IDP
TIME SCHEDULE

Integrated Development Plan, Budget & Performance Management Processes

Preparation Period: 2019/2020
Mid-Term Review
Key stakeholders which contribute towards the success of the integrated development plan, budget & performance management processes:

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>ROLES &amp; RESPONSIBILITIES</th>
</tr>
</thead>
</table>
| Council                       | • Approves and adopts the IDP process plan and budget timetable  
                                 | • Approves the IDP, SDF and MTREF  
                                 | • Monitors the implementation of the IDP and budget and consider any amendments of the plan when necessary  
                                 | • Allocation and alignment of human (organizational structure) and financial (budget) resources for the implementation of IDP |
| Executive Mayor & Mayoral Committee | • Consider the IDP Process Plan & Budget timetable and submit it to Council for approval  
                                 | • Overall management, co-ordination and monitoring of the IDP & Budget Process  
                                 | • Assign and delegate responsibilities to the Municipal Manager, CFO and other relevant Senior Managers for the implementation of the IDP and Budget Process  
                                 | • Submit the draft and final IDP & Budget to Council for approval  
                                 | • Provide political guidance in respect of the IDP and Budget Process |
| Speaker                       | • Overall monitoring of the public participation process  
                                 | • Establishment and oversight of the ward committee system |
| Ward Councillors               | • Liaison between the public and the municipality  
                                 | • Assist to facilitate meaningful participation by the public and relevant stakeholders in the IDP and Budget Process  
                                 | • Oversee the public meetings and other engagements in their respective wards  
<pre><code>                             | • Monitor the implementation of the programmes/projects culminating from the IDP and Budget in the respective wards |
</code></pre>
<p>| Municipal Manager             | • Fulfil the duties &amp; responsibilities of the Accounting Officer as per the MFMA |</p>
<table>
<thead>
<tr>
<th>Role</th>
<th>Responsibilities</th>
</tr>
</thead>
</table>
| Chief Financial Officer | • Managing and coordinating the entire IDP & Budget Process as assigned by the Executive Mayor  
• Chairperson of the IDP & Budget Steering Committee  
• Establish task teams for the alignment and implementation of programmes/projects identified in the IDP  
• The CFO performs all the budgeting duties as delegated by the Accounting Officer in terms of Section 31 of the MFMA  
• Managing and co-ordinates the entire budget process  
• Ensures proper alignment between the IDP and Budget Processes |
| IDP Manager       | • Prepare the IDP process plan and co-ordinate the implementation thereof  
• Manage and co-ordinate the day to day activities of the entire IDP Process  
• Facilitate effective engagements for public and stakeholder participation in all wards  
• Represent the municipality at inter-governmental engagements with other spheres of government  
• Drafting of all IDP documentation  
• Submit the draft IDP to the MEC for comment  
• Publish the draft IDP for comment to the public  
• Incorporate all comments on the draft IDP for submission to the Municipal Manager  
• Facilitate alignment between the IDP and budget  
• Ensure alignment of the municipal IDP with the IDP Framework of the District Municipality |
| Senior Managers   | • Provide technical and financial information in respect of analysing the priority issues of communities  
• Provide technical and budgetary input in respect of the development and operational strategies of the municipality  
• Preparation of project proposals and business plans for priority projects  
• Ensure integration of all projects & programmes culminating from the IDP process  
• Submit project proposals and business plans to the relevant authorities for |
**Budget & IDP Steering Committee**

- Quality control oversight over the IDP and Budget to ensure proper legislative compliance
- Ensure that the IDP maintains its strategic focus but at the same time be implementation orientated
- Ensure the active and timeous involvement of all internal stakeholders in the IDP and Budget Process
- Provide technical advice and support to the Executive Mayor to perform his duties in terms of Section 53 of the MFMA

**EXTERNAL STAKEHOLDERS**

<table>
<thead>
<tr>
<th>STAKEHOLDERS</th>
<th>ROLES &amp; RESPONSIBILITIES</th>
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</thead>
<tbody>
<tr>
<td>National Government</td>
<td>• National Treasury issues guidelines on the manner in which municipal councils should prepare and process their annual budgets</td>
</tr>
<tr>
<td></td>
<td>• Assist with funding and technical support in respect of projects &amp; programmes emanating from the IDP process</td>
</tr>
<tr>
<td>Western Cape Provincial Government</td>
<td>• Ensuring vertical alignment of the municipal IDP with all the relevant provincial sector departments</td>
</tr>
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<td></td>
<td>• Facilitate structured inter-governmental engagement between the municipality and provincial government (IDP Indaba and LQMTec)</td>
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<td></td>
<td>• Participate in the IDP processes through local offices</td>
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<td></td>
<td>• Assessment and commenting on draft IDP’s to strengthen the credibility thereof</td>
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<td></td>
<td>• Assessment of the MTREF to improve the responsiveness of the budget to the priority needs of communities</td>
</tr>
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<td></td>
<td>• Provincial Treasury provide guidelines for the preparation and processing of the municipal budget</td>
</tr>
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<td></td>
<td>• Assist with funding and technical support in respect of projects &amp; programmes emanating from the IDP process</td>
</tr>
<tr>
<td>Garden Route District Municipality</td>
<td>• Ensure vertical and horizontal alignment of the municipal IDP with the district as well as neighbouring municipalities</td>
</tr>
</tbody>
</table>
| Ward Committees                  | • Facilitate district wide IDP engagements to foster cross-border planning between municipalities in the Garden Route District  
|                                 | • Facilitate joint planning initiatives between municipalities in the district with national and provincial spheres of government  
| General Public                  | • Serve as an advisory body to the Ward Councillor in respect of the IDP & Budget  
|                                 | • Encourage active participation from all stakeholders in their respective wards  
|                                 | • Identify the critical development needs of the community and prioritize such needs in their respective wards  
|                                 | • Provide input in the draft IDP & Budget  
|                                 | • Monitor the implementation of the programmes/projects culminating from the IDP and budget in the respective wards  
<p>|                                 | • Participate meaningfully in the IDP and Budget Processes of the municipality |</p>
<table>
<thead>
<tr>
<th>PROCESS</th>
<th>REFERENCE NUMBER</th>
<th>ACTIVITY</th>
<th>APPLICABLE LEGISLATION</th>
<th>RESPONSIBLE PERSON</th>
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<td><strong>AUGUST</strong></td>
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<tr>
<td>IDP</td>
<td>1.1</td>
<td>Conduct an assessment of the progress of the performance measurements and changing circumstances in the municipality to constitute a review of the Integrated Development Plan</td>
<td>Section 34 of the Local Government: Municipal System Act No. 32 of 2000 (MSA)</td>
<td>Municipal Manager</td>
</tr>
<tr>
<td></td>
<td>1.2</td>
<td>Determine any changes in the socio-economic conditions and development trends of Kysna Municipality</td>
<td>Section 21 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)</td>
<td>Executive Mayor Council</td>
</tr>
<tr>
<td></td>
<td>1.3</td>
<td>Tabling and Adoption of the draft Integrated Development Plan Review &amp; Budget Time Schedule to Council</td>
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<td></td>
<td>1.4</td>
<td>Planning of the annual Budget process</td>
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<td>1.5</td>
<td>Review of the Integrated Development Plan and Budget Steering Committee Members</td>
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<td></td>
<td>1.6</td>
<td>Linking of rolled over projects from the previous year to MSCOA segments in consultation with the Budget Steering Committee</td>
<td>Section 68 &amp; 77 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)</td>
<td>Chief Financial Officer</td>
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<td></td>
<td>1.7</td>
<td>Review and drafting of new Budget related policies</td>
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<td></td>
<td>1.8</td>
<td>Assess the municipal financial position and capacity based on the Annual Financial Statements (AFS) of previous financial year</td>
<td></td>
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<tr>
<td></td>
<td>1.9</td>
<td>Determine revenue projections and proposed rates and service charges</td>
<td></td>
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<tr>
<td></td>
<td>1.10</td>
<td>Drafts initial allocations to functions and departments for the following financial year after taking into account strategic objectives</td>
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</tr>
<tr>
<td>BUDGET</td>
<td></td>
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</tr>
<tr>
<td>PM5</td>
<td>1.11</td>
<td>Preparation of the Departmental Business Plans for The following financial year</td>
<td>Regulation 14 of the Local Government: Municipal Planning and Performance Regulations, 2003</td>
<td>Municipal Manager Directors Council/Executive Mayor</td>
</tr>
<tr>
<td></td>
<td>1.12</td>
<td>Adoption of 2019/2020 Service Delivery and Budget Implementation Plan (SDBIP)</td>
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<tr>
<th>PROCESS</th>
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<th>RESPONSIBLE PERSON</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>SEPTEMBER - OCTOBER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IDP</td>
<td>2.1</td>
<td>Strategic Planning Session to: - Conduct a review on Council’s Strategic Objectives - Performance assessment of the implementation of Council’s 5 year strategic plan (2012 – 2017 Integrated Development Plan)</td>
<td></td>
<td>Executive Mayor</td>
</tr>
<tr>
<td></td>
<td>2.2</td>
<td>Public Participation with ward committees and sectors</td>
<td>Section 34 of the Local Government: Municipal System Act No. 32 of 2000 (MSA)</td>
<td>Executive Mayor Councils</td>
</tr>
<tr>
<td></td>
<td>2.3</td>
<td>Review of Ward Based Development Plans</td>
<td></td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management Ward Committees</td>
</tr>
<tr>
<td></td>
<td>2.4</td>
<td>Facilitate a workshop with ward committees for the prioritization of ward-based projects/programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BUDGET</td>
<td>2.5</td>
<td>Engage with Provincial and National Sector Departments on sector specific programmes for alignment with Municipalities’ plans</td>
<td></td>
<td>Municipal Manager</td>
</tr>
<tr>
<td></td>
<td>2.6</td>
<td>Determine revenue projections and policies</td>
<td></td>
<td>Chief Financial Officer</td>
</tr>
</tbody>
</table>

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<tbody>
<tr>
<td>IDP</td>
<td>3.1</td>
<td>Drafting of detailed project plans for community-based projects &amp; programmes</td>
<td></td>
<td>Directors</td>
</tr>
<tr>
<td></td>
<td>3.2</td>
<td>Submission of priority projects &amp; programmes captured in Ward</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROCESS</td>
<td>REFERENCE NUMBER</td>
<td>ACTIVITY</td>
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</tbody>
</table>
| BUDGET  | 3.3              | Adjustment Budget process in conjunction with departments | • Section 34 of the Local Government: Municipal System Act No. 32 of 2000 (MSA)  
• Section 35, 36 & 42 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | Chief Financial Officer |
|         | 3.4              | Engagement with sector departments, share and evaluate plans, national policies & Medium Terms Budget Policy Statements (MTBPE) | | |
|         | 3.5              | Submit draft operation Budget computations to Chief Financial Officer (CFO) | Section 12(4) of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | |
|         | 3.6              | Review past Medium Term Revenue and Expenditure Framework (MTREF) and Draft 3 year Budget | | |
|         |                  | **DECEMBER - JANUARY** | Chief Financial Officer | |
|         | 4.1              | Review of tariff structure | Section 74 & 75 of the Local Government: Municipal System Act No. 32 of 2000 (MSA) | Council |
|         | 4.2              | Finalise tariff (rates and service charges) policies for the following financial year | Section 72 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | |
|         | 4.3              | Review of the Mid-Year Budget & Performance Assessment | Section 72 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | Municipal Manager |
|         | 4.4              | Submit a report of the mid-year Budget and performance assessment to National Treasury and Provincial Treasury | Section 127(3) of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | |
|         | 4.5              | Review proposed national and provincial allocations to municipality for incorporation into the draft Budget for tabling | | Chief Financial Officer |
|         | 4.6              | Consolidate and prepare proposed Budget and plans for the following financial year | | |
|         |                  | **FEBRUARY** | Performance Appraisal Panel | |
|         | 5.1              | Prioritization of internal & external Capital & Operational expenditure projects & programmes | Local Government: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006 | Directors |
|         | 5.2              | mSCOM: Budget & Integrated Development Plan (IDP) Alignment | Municipal Manager | Directors |
|         | 5.3              | Technical Integrated Municipal Engagement (TI:ME) with Provincial Government sector departments | | |
|         | 5.4              | Workshop with council to finalise:  
• Draft Integrated Development Plan Review  
• Draft Operational & Capital Budget | | Municipal Manager |
|         | 5.5              | Notify relevant receiving municipalities of the projected amount of any allocations proposed to be transferred to that municipality during each of the next three financial years by no later than 120 days before the start of its Budget year | Section 37(2) of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | Chief Financial Officer |
|         | 5.6              | Gazetting of Division Of Revenues Act (DORA) allocations and incorporation within draft Budget | Division Of Revenue Act (DORA), enacted annually | Chief Financial Officer |
|         | 5.7              | Tabling and adoption of Adjustments Budget | Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | Chief Financial Officer |
|         |                  | **MARCH** | | |
|         | 6.2              | Tables municipality Budget, Budget of entities, resolutions, plans and proposed revisions to Integrated Development Plan (IDP) at least 90 days before start of Budget year | • Section 10, 22, 23 & 87 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)  
• Section 34 of the Local Government: Municipal System Act No. 32 of 2000 (MSA) | Executive Mayor |
### April

<table>
<thead>
<tr>
<th>Process</th>
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<th>Applicable Legislation</th>
<th>Responsible Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget</td>
<td>7.1</td>
<td>Public Participation process for IDP Review &amp; Budget in the form of public meetings</td>
<td>Chapter 4 of the Local Government: Municipal System Act No. 32 of 2000 (MSA)</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>7.3</td>
<td>Publishing of draft Integrated Development Plan (IDP) Review &amp; Budget for public comment</td>
<td>Section 29 of the Local Government: Municipal System Act No. 32 of 2000 (MSA)</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>7.6</td>
<td>Incorporate notes and comments from the MEC for Local Government in the Province</td>
<td>Section 31 of the Local Government: Municipal System Act No. 32 of 2000 (MSA)</td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management</td>
</tr>
</tbody>
</table>

### May

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<tr>
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<tbody>
<tr>
<td>PMS</td>
<td>8.1</td>
<td>Refine Municipal Strategic Objectives, Key Performance Areas, Key Performance Indicators and targets and inclusion into Integrated Development Plan (IDP) Review report</td>
<td>Section 129(3) of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)</td>
<td>Executive Mayor</td>
</tr>
<tr>
<td></td>
<td>8.2</td>
<td>Consideration of all submissions made by community and stakeholders subsequent to the public participation process of the draft Integrated Development Plan (IDP) Review and Budget</td>
<td>Section 24 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)</td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management</td>
</tr>
<tr>
<td></td>
<td>8.3</td>
<td>Council workshops to finalise draft Integrated Development Plan (IDP) Review and Budget prior to adoption</td>
<td>Section 24 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>BUDGET</td>
<td>8.4</td>
<td>Consider approval of Annual Budget and related policies at least 30 days before start of budget year</td>
<td>Section 34 of the Local Government: Municipal System Act No. 32 of 2000 (MSA)</td>
<td>Chief Financial Officer</td>
</tr>
</tbody>
</table>

### June

- Review any changes in prices for bulk resources as communicated by 15 March
- Publish draft IDP & Budget for comments from public
- Draft tabled Budget submission to National Treasury and Provincial Treasury
- Conduct public hearings on the Budget and council debate
<table>
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<tr>
<th>PROCESS</th>
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<th>RESPONSIBLE PERSON</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDP</td>
<td>§.1</td>
<td>Publish the adopted Integrated Development Plan (IDP) Review &amp; Budget with all Budget related documents and policies on the municipal website</td>
<td>Section 26 of the Local Government: Municipal System Act No. 32 of 2000 (MSA)</td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management</td>
</tr>
</tbody>
</table>
|         | §.2              | Submit a copy of the adopted Integrated Development Plan (IDP) Review & Budget to the MEC for Local Government in the Province & Treasury within 10 days after adoption | • Section 53 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)  
• Section 38-45, 57(2) of the Local Government: Municipal System Act No. 32 of 2000 (MSA) | Manager: Integrated Development Plan & Institutional Performance Management |
|         | §.3              | Advertise a public notice of the adoption of the Integrated Development Plan (IDP) & Budget | Section 25 of the Local Government: Municipal System Act No. 32 of 2000 (MSA) | |
| PMS     | §.4              | Submit draft Service Delivery and Budget Implementation Plan (SDBIP) to the Executive Mayor within 14 days of approval of Budget | Section 69(3)(a) of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | • Municipal Manager  
• Manager: Integrated Development Plan & Institutional Performance Management |
|         | §.5              | Approval of Service Delivery and Budget Implementation Plan (SDBIP) within 28 days of approval of the budget | Section 53(1)(c)(ii) of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA) | Executive Mayor |
|         | §.6              | Drafting & Signing of performance agreements for the Section 57 directors in line with the approved Key Performance Indicators in the Service Delivery and Budget Implementation Plan (SDBIP) | • Section 69(3)(b) of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)  
• Section 57(2) of the Local Government: Municipal Systems Act No. 32 of 2000 (MSA) | Municipal Manager |

<table>
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<th>RESPONSIBLE PERSON</th>
</tr>
</thead>
</table>
|         | 10.1             | Submit the approved Service Delivery and Budget Implementation Plan (SDBIP) and performance agreements to council, Mayor, MEC for Local Government in the Province and make public within 14 days after approval | • Section 54 & 69 of the Local Government: Municipal Finance Management Act No. 56 of 2003 (MFMA)  
• Section 57 of the Local Government: Municipal System Act No. 32 of 2000 (MSA) | • Municipal Manager  
• Manager: Integrated Development Plan & Institutional Performance Management |
## KNYSNA MUNICIPALITY INTEGRATED DEVELOPMENT PLAN, BUDGET & PERFORMANCE MANAGEMENT PROCESSES

### IDP

<table>
<thead>
<tr>
<th>Process</th>
<th>Activity</th>
<th>Responsible person / structure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Conduct an assessment of progress of the performance measurements and changing circumstances in the municipality to constitute a review of the IDP</td>
<td>Municipal Manager</td>
</tr>
<tr>
<td></td>
<td>Determines any changes in the socio-economic conditions and development trends of Knysna Municipality</td>
<td>Executive Mayor Council</td>
</tr>
<tr>
<td></td>
<td>Tabling and Adoption of the draft Integrated Development Plan Review &amp; Budget Time Schedule to Council</td>
<td>Executive Mayor Council</td>
</tr>
</tbody>
</table>

### BUDGET

<table>
<thead>
<tr>
<th>Process</th>
<th>Activity</th>
<th>Responsible person / structure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Planning of the annual Budget process</td>
<td></td>
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<tr>
<td></td>
<td>Review of the Integrated Development Plan and Budget Steering Committee Members</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Lining of rolled over projects from the previous year to mSCOA segments in consultation with the Budget Steering Committee</td>
<td></td>
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<tr>
<td></td>
<td>Review and drafting of new Budget related policies</td>
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</tbody>
</table>

### PMS

<table>
<thead>
<tr>
<th>Process</th>
<th>Activity</th>
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<tbody>
<tr>
<td></td>
<td>Assess the municipal financial position and capacity based on the Annual Financial Statements (AFS) of previous financial year</td>
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<tr>
<td></td>
<td>Determine revenue projections and proposed rates and service charges</td>
<td>Municipal Manager Directors</td>
</tr>
<tr>
<td></td>
<td>Drafts initial allocations to functions and departments for the following financial year after taking into account strategic objectives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Preparation of the Departmental Business Plans for the following financial Year</td>
<td>Municipal Manager Directors</td>
</tr>
<tr>
<td></td>
<td>Adoption of 2019/2020 Service Delivery and Budget Implementation Plan (SDBIP)</td>
<td>Executive Mayor Council</td>
</tr>
<tr>
<td></td>
<td>Annual Performance Appraisal of the Section 57 Senior Managers</td>
<td>Performance Appraisal Panel</td>
</tr>
</tbody>
</table>
## SPECIAL MUNICIPAL COUNCIL MEETING

### AGENDA

**22 AUGUST 2019**

<table>
<thead>
<tr>
<th>Process</th>
<th>Activity</th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>SEPTEMBER – OCTOBER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>IDP</strong></td>
<td>Auditor-General of South Africa (AGSA) to conduct audit performance based on predetermined objectives in the Annual Performance Report</td>
<td>Office of the Auditor General</td>
</tr>
</tbody>
</table>
| | Strategic Planning Session to:  
  • Conduct a review on Council’s Strategic Objectives  
  • Performance assessment of the implementation of Council’s 5 year strategic plan (2012 – 2017 Integrated Development Plan) | Executive Mayor |
| | Public Participation with ward committees and sectors | Executive Mayor, Councillors |
| | Review of Ward Based Development Plans | Manager, Integrated Development Plan & Institutional Performance Management |
| | Facilitate a workshop with ward committees for the prioritization of ward-based projects/programmes | Ward Committees |
| **BUDGET** | Engage with Provincial and National Sector Departments on sector specific programmes for alignment with Municipalities’ plans | Municipal Manager |

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<tr>
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<tr>
<td><strong>NOVEMBER</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>IDP</strong></td>
<td>Determine revenue projections and policies</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Drafting of detailed project plans for community-based projects &amp; programmes</td>
<td>Directors</td>
</tr>
<tr>
<td></td>
<td>Submission of priority projects &amp; programmes captured in Ward Based Development Plans to the Budget process</td>
<td>Directors</td>
</tr>
<tr>
<td></td>
<td>Provinical Strategic Integrated Municipal Engagement (SIME)</td>
<td>Municipal Manager, Directors</td>
</tr>
<tr>
<td><strong>BUDGET</strong></td>
<td>Adjustment Budget process in conjunction with departments</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Engage with sector departments, share and evaluate plans, national policies &amp; Medium Terms Budget Policy Statements (MTBFS)</td>
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<tr>
<td></td>
<td>Submit draft operation Budget computations to Chief Financial Officer (CFO)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Review past Medium Term Revenue and Expenditure Framework (MTREF) and Draft 3 year Budget</td>
<td></td>
</tr>
<tr>
<td><strong>DECEMBER – JANUARY</strong></td>
<td></td>
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</tr>
<tr>
<td><strong>BUDGET</strong></td>
<td>Review of tariff structure</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Finalize tariff (rates and service charges) policies for the following financial year</td>
<td>Council</td>
</tr>
</tbody>
</table>
### KNYSNA MUNICIPALITY INTEGRATED DEVELOPMENT PLAN, BUDGET & PERFORMANCE MANAGEMENT PROCESSES

#### Process: Review of the Mid-Year Budget & Performance Assessment
- **Activity:** Submit a report of the mid-year budget and performance assessment to National Treasury and Provincial Treasury
  - **Responsible person / structure:** Municipal Manager

#### Process: PMS
- **Activity:** Consolidate and prepare proposed budget and plans for the following financial year
  - **Responsible person / structure:** Chief Financial Officer

#### Process: Mid-Year 2019/2020 Performance Appraisal of the Section 57 Senior Managers
- **Responsible person / structure:** Performance Appraisal Panel

### IDP

#### FEBRUARY
- **Activity:** Prioritization of internal & external Capital & Operational expenditure projects & programmes
  - **Responsible person / structure:** Directors

- **Activity:** m5COA Budget & Integrated Development Plan (IDP) Alignment
  - **Responsible person / structure:** Directors

- **Activity:** IDP Indaba with Provincial Government sector departments
  - **Responsible person / structure:** Municipal Manager Directors

- **Activity:** Technical Integrated Municipal Engagement (T.I.M.E) with Provincial Government sector departments
  - **Responsible person / structure:** Municipal Manager Directors

- **Activity:** Workshop with council to finalise:
  - Draft Integrated Development Plan Review
  - Draft Operational & Capital Budget
  - **Responsible person / structure:** Municipal Manager

### KNYSNA MUNICIPALITY INTEGRATED DEVELOPMENT PLAN, BUDGET & PERFORMANCE MANAGEMENT PROCESSES

#### Process: Notify relevant receiving municipalities of the projected amount of any allocations proposed to be transferred to that municipality during each of the next three financial years by no later than 120 days before the start of its Budget year
- **Responsible person / structure:** Chief Financial Officer

#### Process: Gazetting of Division Of Revenue Act (DORA) allocations and incorporation within draft Budget
- **Responsible person / structure:** Mayor

#### Process: Table and adoption of Adjustments Budget
- **Responsible person / structure:** Mayor

### MARCH

#### IDP
- **Activity:** Table of draft Integrated Development Plan Review to Council
  - **Responsible person / structure:** Manager: Integrated Development Plan & Institutional Performance Management

#### BUDGET
- **Activity:** Table municipality Budget, Budget of entities, resolutions, plans and proposed revisions Integrated Development Plan (IDP) at least 90 days before start of Budget year
  - **Responsible person / structure:** Executive Mayor

- **Activity:** Review any changes in prices for bulk resources as communicated by 15 March
  - **Responsible person / structure:** Chief Financial Officer

- **Activity:** Publish draft IDP & Budget for comments from public
  - **Responsible person / structure:** Chief Financial Officer

- **Activity:** Draft tabled Budget submission to National Treasury and Provincial Treasury
  - **Responsible person / structure:** Chief Financial Officer
| Process | Activity                                                                 | Responsible person / structure                       | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul |
|---------|--------------------------------------------------------------------------|------------------------------------------------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
|         | Conduct public hearings on the Budget and council debate                  |                                                      |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | **BUDGET**                                                               |                                                      |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | Public Participation process for IDP Review & Budget in the form of public meetings | Chief Financial Officer                               |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         |                                                                          | Manager: Integrated Development Plan & Institutional Performance Management |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | Submission of tabled draft Integrated Development Plan (IDP) Review & Budget to the MEC for Local Government in the Province, National and Provincial Treasury within 10 working days of tabling | Chief Financial Officer                               |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         |                                                                          | Manager: Integrated Development Plan & Institutional Performance Management |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | Publishing of draft integrated Development Plan (IDP) Review & Budget for perusal and public comment | Chief Financial Officer                               |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         |                                                                          | Manager: Integrated                                  |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | **KNYSNA MUNICIPALITY INTEGRATED DEVELOPMENT PLAN, BUDGET & PERFORMANCE MANAGEMENT PROCESSES** |                                                      |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | Development Plan & Institutional Performance Management                   |                                                      |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | 9-municipalities to comment on the district wide draft Integrated Development Plan (IDP) Review & Budget | Chief Financial Officer                               |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         |                                                                          | Manager: Integrated Development Plan & Institutional Performance Management |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | Local Government Municipal Technical Engagement Committee (LG MTEC) engagement with Provincial & National Sector Departments to obtain input on the draft Integrated Development Plan (IDP) Review and Budget | Chief Financial Officer                               |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         |                                                                          | Manager: Integrated Development Plan & Institutional Performance Management |     |     |     |     |     |     |     |     |     |     |     |     |     |
|         | Incorporate notes and comment from the MEC for Local Government in the Province | Manager: Integrated Development Plan & Institutional Performance Management |     |     |     |     |     |     |     |     |     |     |     |     |     |
## Special Municipal Council Meeting Agenda

### 22 August 2019

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<tr>
<th>Process</th>
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</tr>
</thead>
<tbody>
<tr>
<td>PMS</td>
<td>Reline Municipal Strategies, Objectives, Key Performance Areas, Key Performance Indicators and targets and inclusion into Integrated Development Plan (IDP) Review report</td>
<td>Executive Mayor</td>
</tr>
<tr>
<td>IDP</td>
<td>Consideration of all submissions made by community and stakeholders subsequent to the public participation process of the draft Integrated Development Plan (IDP) Review &amp; Budget</td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management; Chief Financial Officer</td>
</tr>
<tr>
<td>BUDGET</td>
<td>Council workshops to finalise draft Integrated Development Plan (IDP) Review and Budget prior to adoption</td>
<td>Council</td>
</tr>
<tr>
<td>BUDGET</td>
<td>Council adopts Budget, resolutions, capital implementation plans, objectives and changes in Integrated Development Plan (IDP)</td>
<td>Chief Financial Officer</td>
</tr>
</tbody>
</table>

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### KNYSNA MUNICIPALITY INTEGRATED DEVELOPMENT PLAN, BUDGET & PERFORMANCE MANAGEMENT PROCESSES

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<tr>
<td>PMS</td>
<td>Review organisational Key Performance Indicators &amp; Targets:</td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management</td>
</tr>
<tr>
<td>IDP</td>
<td>Publish the adopted Integrated Development Plan (IDP) Review &amp; Budget with all Budget related documents and policies on the municipal website</td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management; Chief Financial Officer</td>
</tr>
<tr>
<td>IDP</td>
<td>Submit a copy of the adopted Integrated Development Plan (IDP) Review &amp; Budget to the MEC for Local Government in the Province &amp; Treasury within 10 days after adoption</td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management</td>
</tr>
<tr>
<td>IDP</td>
<td>Advertise a public notice of the adoption of the Integrated Development Plan (IDP) &amp; Budget</td>
<td>Manager: Integrated Development</td>
</tr>
</tbody>
</table>
## KNYSNA MUNICIPALITY INTEGRATED DEVELOPMENT PLAN, BUDGET & PERFORMANCE MANAGEMENT PROCESSES

<table>
<thead>
<tr>
<th>Process</th>
<th>Activity</th>
<th>Responsible person / structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>PMS</td>
<td>Submit draft Service Delivery and Budget Implementation Plan (SDBIP) to the Executive Mayor within 14 days of approval of Budget</td>
<td>Plan &amp; Institutional Performance Management</td>
</tr>
<tr>
<td></td>
<td>Approval of Service Delivery and Budget Implementation Plan (SDBIP) within 26 days of approval of the budget</td>
<td>Manager: Integrated Development Plan &amp; Institutional Performance Management</td>
</tr>
<tr>
<td></td>
<td>Drafting &amp; Signing of performance agreements for the Section 57 directors in line with the approved Key Performance Indicators in the Service Delivery and Budget Implementation Plan (SDBIP)</td>
<td>Executive Mayor</td>
</tr>
<tr>
<td></td>
<td>Submit the approved Service Delivery and Budget Implementation Plan (SDBIP) and performance agreements to council, Mayor, MEC for Local Government in the Province and make public within 14 days after approval</td>
<td>Municipal Manager &amp; Manager: Integrated Performance Management</td>
</tr>
</tbody>
</table>

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## KNYSNA MUNICIPALITY INTEGRATED DEVELOPMENT PLAN, BUDGET & PERFORMANCE MANAGEMENT PROCESSES

<table>
<thead>
<tr>
<th>Process</th>
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<tr>
<td>Province and make public within 14 days after approval</td>
<td>Development Plan &amp; Institutional Performance Management</td>
<td></td>
</tr>
</tbody>
</table>
REPORT FROM THE DIRECTOR : FINANCIAL SERVICES

PURPOSE OF THE REPORT

For the Municipal Council to consider and approve an adjustments budget in terms of section 28(1) of the Municipal Finance Management Act (MFMA).

MAYORAL EXECUTIVE SUMMARY

Executive summary
1. Operating Revenue
   Transfers and subsidies:
   The total operating revenue has increased by R7.911 million on Transfers and subsidies mainly on the following grants:
   - Title deeds restoration TRP (R6 million) provincial human settlement grant. Delays experienced in the appointment of the Service Provider as well as difficulties experienced to get hold of the property owners to sign the documents for the property transfers, resulted in delays in implementation of the project. This has been addressed with the Provincial Human settlement Department and the implementation progress is on-going.
   - The Emergency Bulk water projects is funded through provincial grant received during 2017-18. The delays was as a result of non-response from PG Bison as the property owner of where the Emergency water projects will be implemented. The contract agreement is with our internal legal service department for their legal opinion and meetings are scheduled within the next two weeks with PG Bison for final sign-off of the contract.

2. Operating Expenditure
   The net effect of the operating expenditure is a decrease of R91 thousand and the reasons are as follows:
   - Total reduction of R1.5 million on Contracted Services as a result of the R8.9 million reduction on Roads Transport grant. R6 million was under the outsourced services for the appointed legal team for the continuation of the TRP project.
   - Additional R590 thousand on other expenditure for the operating Disaster Grant to assist households affected during the June fire disaster.
   - R91 thousand is the MIG transfers between employee related cost and other expenditure to align it to MIG approved business plan.

3. Capital Revenue/ transfers and subsidies Capital
   The transfers and subsidies capital are increasing by R 25,611 million mainly for the following projects:
R14,703 million for the White Location MPC project funded through the NDPG grant. This is merely an additional funding that was received after the January 2019 adjustments budget otherwise the original allocation received for the 2018-19 budget is 100% spent. Revised cash flows were sent to the National office and the project implementation is on-going.

R6.1 million unspent portion of the Charldsford Water project funded through MIG is rolled-over. The delays were as a result of appeal process that took longer than anticipated. This was addressed with the parties and the application and motivation was submitted to the MIG office for their consideration.

R3 million Disaster Grant funded through provincial department for the acquisition, building and equipment’s required for the Fire Trucks.

4. Capital Expenditure
The total increase on capital expenditure is 46,204 million and the increases are mainly on the following Directorate:

- R25,743 million under Technical Services for various projects mainly R6.1 million for the Charldsford water Project, R4 million for the Hornlee infill scheme project, R2 million for the Qolweni Sewer pump station, as well as R2.7 million for the CBD Pipe replacement project. All these projects are currently on implementation phase and are funded through MIG and borrowings.

- R15.883 million under Community Services mainly for the White location funded through NDPG as well as the Fire truck acquisition funded through Provincial Grant.

BACKGROUND
Section 28 of the MFMA read together with section 23 of the Municipal Budget and Reporting Regulations (MBRR) sets out the criteria, timeframes and other prescriptions for when a municipality may revise an approved annual budget through an adjustments budget.

DISCUSSION
Section 28 (2)e of the MFMA indicates that a Municipality may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by Council.

The table below depicts Council’s capital budget revised through three adjustments budget in line with the MFMA versis total expenditure as at 30 June 2019, on Municipal Directorates as well as Municipal Funding:
## Table 1

**2018-19 CAPITAL EXPENDITURE AS AT 30 JUNE 2019**

Percentage spent against each revised budget

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Vote 1 - Executive and Council</td>
<td>-</td>
<td>80,000</td>
<td>3,930,000</td>
<td>3,930,000</td>
<td>1,862,593</td>
</tr>
<tr>
<td>Vote 2 - Corporate Services</td>
<td>1,056,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>455,000</td>
<td>91,287</td>
</tr>
<tr>
<td>Vote 3 - Financial Services</td>
<td>2,150,000</td>
<td>2,160,000</td>
<td>2,160,000</td>
<td>2,160,000</td>
<td>2,068,615</td>
</tr>
<tr>
<td>Vote 5 - Planning and Development</td>
<td>10,140,000</td>
<td>14,297,567</td>
<td>14,497,567</td>
<td>15,233,067</td>
<td>9,933,453</td>
</tr>
<tr>
<td>Vote 6 - Community Services</td>
<td>21,040,700</td>
<td>30,463,497</td>
<td>35,723,497</td>
<td>46,288,497</td>
<td>29,775,757</td>
</tr>
<tr>
<td>Vote 7 - Electrical Services</td>
<td>26,594,000</td>
<td>27,229,198</td>
<td>29,929,198</td>
<td>29,929,198</td>
<td>25,256,504</td>
</tr>
<tr>
<td>Vote 8 - Technical Services</td>
<td>89,760,810</td>
<td>101,026,705</td>
<td>117,261,704</td>
<td>114,527,254</td>
<td>81,505,889</td>
</tr>
<tr>
<td>Grand Total</td>
<td>150,741,510</td>
<td>176,256,967</td>
<td>204,501,966</td>
<td>212,523,016</td>
<td>150,494,098</td>
</tr>
</tbody>
</table>

<table>
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<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund:Capital:Borrowing</td>
<td>52,195,721</td>
<td>58,792,614</td>
<td>69,862,614</td>
<td>71,307,814</td>
<td>49,949,945</td>
</tr>
<tr>
<td>Fund:Capital:Transfer from Operational Revenue</td>
<td>45,130,000</td>
<td>50,866,697</td>
<td>64,541,697</td>
<td>58,496,697</td>
<td>46,029,065</td>
</tr>
<tr>
<td>Fund:National Government</td>
<td>42,055,789</td>
<td>45,500,989</td>
<td>45,500,988</td>
<td>56,386,338</td>
<td>35,731,645</td>
</tr>
<tr>
<td>Fund:Provincial Government</td>
<td>11,360,000</td>
<td>21,096,667</td>
<td>24,596,667</td>
<td>26,332,167</td>
<td>17,623,432</td>
</tr>
<tr>
<td>Fund:Non-funding Transactions (Donations)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,160,011</td>
</tr>
<tr>
<td>Grand Total</td>
<td>150,741,510</td>
<td>176,256,967</td>
<td>204,501,966</td>
<td>212,523,016</td>
<td>150,494,098</td>
</tr>
</tbody>
</table>
Table 1 clearly depicts that the original as well as roll-over budget are usually in line with the spending at year-end. Service department needs to consider time frames and adjust their cash flows when receiving additional grant fundind as the trend depicts additional funds that are always not fully spent by year-end.

**FINANCIAL IMPLICATIONS**

The financial implications of the adjustments budget are contained in the Adjustments MTREF B. Schedules for 2019/2020 attached to this report.

**RELEVANT LEGISLATION**

Municipal Finance Management Act and Municipal Budget and Reporting Regulations

**RECOMMENDATION OF THE MUNICIPAL MANAGER**

[a] That the annual adjustments budget of Knysna Municipality for the financial year 2019/2020, be approved:

   [i] Table B2: Adjustments Budget Financial Performance (expenditure by standard classification)

   [ii] Table B3: Adjustments Budget Financial Performance (expenditure by municipal vote)

   [iii] Table B4: Adjustments Budget Financial Performance (revenue by source and expenditure by type)

   [iv] Table B5: Adjustments Budget Capital Expenditure for both multi-year and single year by vote, standard classification and funding

[b] That the following adjustments permitted in terms of section 28(2) of the Municipal Finance Management Act and reflected in the tables referred to in resolution [a] above be approved:

   [i] To authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council as well as

   [ii] That any errors in the annual budget be corrected.

[c] That revision to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan be approved by the Executive Mayor and submitted to Council at its next meeting for noting to correspond with the financial implications of the adjustments budget

**APPENDIX / ADDENDUM** *(to be emailed separately in due course)*

Adjustments MTREF 2019/2020 (AUGUST 2019)
Annexure 1 – Main Budget Tables
Annexure 2 – Supporting Budget Tables.
Annexure 3 – Total Capital Adjustment Budget-Line Item

File Number : 9/1/2/10
Execution : Director : Financial Services
7.  ADJOURNMENT

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