

EXTRACT FROM THE COUNCIL MINUTES HELD ON 24 MAY 2021

Item A128 . 24.05.2021

OVERSIGHT REPORT ON ANNUAL REPORT: 2019/2020 FINANCIAL YEAR

M Dunn: Performance Management

(Ref.:10/1/1)

PURPOSE OF REPORT

To consider the Municipality's Annual Report for the 2019/2020 financial year, and to adopt an Oversight Report containing Council's comments on the Annual Report in terms of section 129(10) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003). (hereafter referred to as "MFMA").

BACKGROUND

Legal requirements

Section 121(1)(2) and (3) of the MFMA determines as follows:

121(1) Every Municipality must for each financial year prepare an Annual Report. The council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129. The Minister of Finance exempted municipalities and municipal entities from submitting key reports. (MFMA Circular No 104) The exemption was published on 5 August 2020 in Government Gazette No 43582.

The purpose of an annual report is:-

- a) To provide a record of the activities of the municipality during the financial year to which the report relates;
- b) To provide a report on performance against the budget of the municipality for the financial year; and
- c) To promote accountability to the local community for the decisions made throughout the year by the municipality.

The annual report of a municipality must include:-

- (a) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- (b) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act 32 of 2000;
- (d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, 32 of 2000;

- (e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (f) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;
- (g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);
- (h) Any explanations that may be necessary to clarify issues in connection with the financial statements;
- (i) Any information as determined by the municipality;
- (j) Any recommendation as determined by the municipality; and
- (k) Any other information as may be prescribed.

The draft Annual Report as tabled does not include the Auditor-General report as well as the Financial Statements as prescribed by the MFMA. The Municipality received and unqualified audit outcome with finding. The Municipality requested the Auditor-General to re-open the discussions and facilitation of the material findings of the Audit Report

Section 127(3) allows that in cases where the mayor, for whatever reason, is unable to table in the Council the annual report of the municipality within the prescribed period the mayor must-

Section 127(3)

- (a) Promptly submit to the council a written explanation referred to in section 133(1)(a) setting out the reasons for the delay, together with any components of the annual report listed in section 121(3) or (4) that are ready, and*
- (b) Submit to the council the outstanding annual report or the outstanding components of the annual report as soon as may be possible.*

In terms of section 127(5) of the MFMA, the Accounting Officer must immediately after the Annual Report is tabled, make public the Annual Report, invite the local community to submit representations in connection with the Annual Report and submit the Annual Report to the Auditor-General, Provincial Treasury and the Provincial Department of Local Government. The Annual Report must also be submitted to National Treasury.

Section 127 (6) of the MFMA also requires the following:

Subsection (5), with the necessary modifications as the context may require, is also applicable if only components of the annual report are tabled in terms of subsection (3).

According to section 129 of the MFMA, the Council must consider the Annual Report by no later than two months from the date on which the Annual Report was tabled in Council in terms of section 127, adopt an Oversight Report containing the Council's comments on the Annual Report which must include a statement whether–

- The Council has approved the Annual Report with or without reservations;
- Has rejected the annual report or;
- Has referred the annual report back for revision of identified components.

Submission and tabling of the Annual Report

The components of the Annual Report for the 2019/2020 financial year was tabled to Council on 29 March 2021; item A119, in terms of section 127(3) of the Local Government: Municipal Finance Management Act, 56 of 2003.

The Oversight Committee

With reference to National Treasury: MFMA Circular nr. 32 of 15 March 2006, Council established an Oversight Committee, the Municipal Public Accounts Committee (MPAC). The MPAC analyses and reviews the Annual Report in detail before tabling the Annual Report to Council for consideration.

The Draft Annual Report was advertised as follows:

- The local community was invited via the local newspapers, website, ODM Facebook and notice boards of the Overberg District Municipality to submit comments / objections in connection with the Annual Report before or on 30 April 2021.
- The Annual Report was placed on the municipal website at www.odm.org.za
- The Annual Report was placed at the head office and regional offices of the Overberg District.
- The Annual Report was submitted to all relevant government departments and the Auditor-General.

At the closing date for public comments on 30 April 2021, comments were received and discussed at the Oversight Committee meeting (MPAC).

The MPAC Committee meeting was held on 11 May 2021 to analyse and review the comments and the components of the Annual Report and hereby present the Oversight Report on the Annual Report to Council for consideration.

ANNEXURE

- Oversight Report compiled by the Municipal Public Accounts Committee (MPAC).
- Annual Report 2019/2020

UNANIMOUSLY RESOLVED: (Proposed by Cllr L Ntsabo and seconded by Cllr C Resandt)

1. Council note the Annual Report for the 2019/2020 financial year.
2. That Council refers the Annual Report back for revision of those components listed on pages five (5) and six (6) of the Oversight Report, and any other components on which the outcome of the review may have an impact.

3. That the 2019/2020 Oversight Report of the Overberg District Municipality be made public in terms of section 129(3) of the MFMA; and
4. That the Oversight Report on the Annual Report 2019/2020 be submitted to the National and Provincial Legislatures in terms of section 132(2) of the MFMA.