

## **DRAFT OVERSIGHT REPORT ON ANNUAL REPORT: 2020/2021 FINANCIAL YEAR**

### **1. PURPOSE OF REPORT**

To consider the Annual Report for the 2020/21 financial year and to adopt an Oversight Report containing Council's comments on the Annual Report in terms of section 129 (1) of the Local Government : Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (hereafter indicated as MFMA).

As the Chair of the MPAC it is with great pleasure that I stand here to present this report, as I am well aware of the great work that has been done by the Municipal administration and how this has helped improve Council's oversight role in many areas but more especially service delivery.

### **2. BACKGROUND**

#### **A. 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 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-**

- (i) 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);
- (ii) The Auditor-General audit report in terms of section 126(3) on those financial statements;
- (iii) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;
- (iv) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, (Act 32 of 2000);
- (v) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;
- (vi) 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;
- (vii) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (ii) and (iv);

- (viii) Any explanations that may be necessary to clarify issues in connection with the financial statements;
- (ix) Any information as determined by the municipality;
- (x) Any recommendation as determined by the municipality; and
- (xi) Any other information as may be prescribed.

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, the relevant provincial treasury and the provincial department responsible for local government in the province.

According to section 129(1) 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, 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 those components that can be revised.*

### **3. PROCESS**

#### **a) Submission and tabling of the Annual Report**

The Draft Annual Report of the Municipality for the 2020/21 financial year was tabled at the Ordinary Council Meeting, on the 25<sup>th</sup> of January 2022 in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

Council resolved (**C116/01/2022**) the following:

- 1) THAT the report dated 12 January 2022, submitted by the Head of Department Strategic Planning and Governance, regarding the Ray Nkonyeni Municipality's Draft Annual Report 2020/2021, be and is hereby received and noted;
- 2) THAT input be made on the 2020/2021 Draft Annual Report in line with Chapter 12 of the Municipal Finance Management Act 2003 (Act No 56 of 2003); and
- 3) THAT the input received from Council, be incorporated into the 2020/2021 Draft Annual Report prior to advertising and calling for public comments on the Draft Report.

#### **b) The MPAC**

The Municipal Public Accounts Committee is a committee of Council established under section 79 of the Municipal Structures Act, 1998.

The members of MPAC are as follows:

Clr PC Shange (Chairperson)	Clr S Breedt
Clr SA Ngcece	Clr I Ngcobo
Clr VB Zulu	Clr XA Gasu
Clr J Schmidt	Clr MM Mkhize
Clr MD Jula	Clr AF Nqoko

The MPAC analyses and reviews the annual report in detail before tabling the report to Council for consideration.

In terms of the resolution by Council to comply with section 127 (2) the annual report was made public:

- The local community was invited via the local press to submit comments / objections regarding the Annual Report from 28 January 2022 to 21 February 2022 and no comments or objections were received.
- The Annual Report was placed at all the Municipal libraries, Thusong Centres and on the municipal website.
- The Annual Report was submitted to the relevant government departments and no comments were received from them (Provincial Cogta, National and Provincial Treasury and Provincial Legislature.
- Office of the Auditor General requested that we correct the Cash Flow Statements, and this was done and they have accepted the draft annual report.

The MPAC first met on the 10<sup>th</sup> of February 2022 where the draft Annual report was reviewed and the committee highlighted the following:

The committee approved that the annual report could be tabled to Council and that the report be publicized for public comments once considered by Council.

There were no further inputs regarding the annual report from the MPAC, and the committee agreed that the report can be tabled to council with these additional notes added.

The MPAC has had the pleasure of seeing first-hand the efforts being put in by the Municipal administrative officials led by the Municipal Manager to produce a document that talks to the work being done by the Municipality. Local government provides a dynamic environment for both the political and administrative officials and our Municipality is fortunate to be enjoying a period which shows the balance being struck between providing service delivery and ensuring compliance is maintained at the same time. The hard work of the Municipal Manager and his dedicated management team is clearly evident and it deserves much appreciation. Also mention

must be given to council, the executive committee and members of the MPAC for the oversight role they played which ensured good governance was maintained.

The MPAC thus has pleasure in presenting the Oversight Report to Council to consider the following recommendations so as to allow for this report to be forwarded to the relevant Departments and Provincial Legislature:

**RECOMMENDATIONS:**

**1. THAT THE OVERSIGHT REPORT ON THE ANNUAL REPORT 2020/21 BE APPROVED WITH PROPOSED AMENDMENTS IF ANY, IN TERMS OF SECTION 129 (1) OF THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT (MFMA ACT NO 56 OF 2003);**

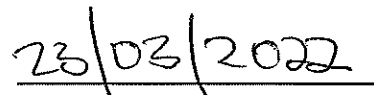
**2. THAT THE ANNUAL REPORT 2020/2021 BE APPROVED IN TERMS OF SECTION 129 OF THE LOCAL GOVERNMENT MUNICIPAL FINANCIAL MANAGEMENT ACT (MFMA ACT NO 56 OF 2003) WITHOUT RESERVATIONS;**

**3. THAT THE 2020/21 OVERSIGHT REPORT OF THE MUNICIPALITY BE MADE PUBLIC IN TERMS OF SECTION 129(3) OF THE MFMA; AND**

**4. THAT THE OVERSIGHT REPORT AND ANNUAL REPORT 2020/2021 BE SUBMITTED TO THE PROVINCIAL LEGISLATURE IN TERMS OF SECTION 132(2) OF THE MFMA**



**MPAC Chairperson**



**Date**