Item A119 29.03.2021

DRAFT ANNUAL REPORT FOR THE 2019/2020 FINANCIAL YEAR

M Dunn: Performance Management   **(Ref.: 10/1/1)**

PURPOSE OF REPORT

To table the draft Annual Report for the 2019-2020 financial year in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA), to Council.

BACKGROUND

In terms of section 127(2) of the MFMA, the Mayor must within seven months after the end of a financial year, table in Council the Annual Report of the municipality. 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.

LEGAL IMPLICATIONS

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 the nine months after the end of a financial year, deal with the Annual Report of the municipality in accordance with section 129.

121(2) *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.*

121(3) *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's 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;*

- *(d)   The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act;*

(e)   *An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;*

(f)   *An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue 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 recommendations of the municipality's audit committee; and

(k)   *Any other information as may be prescribed.*

The draft Annual Report as tabled does not included the Auditor-General report as prescribed by the MFMA. 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(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 in terms of section 129, and 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.

OVERSIGHT COMMITEE

(a) The Oversight Committee consists of Councillors as nominated by Council.

(b) The members of the Oversight Committee (MPAC) are as follows:

(i) Ald J Gelderblom (Chairperson)
(ii) Cllr. SH Fourie
(iii) Cllr. K Tiemie
(iv) Mr. D Oosthuizen (external member with financial background)

FINANCIAL IMPLICATIONS

Expenses to the Oversight Committee and external member.

PERSONNEL IMPLICATIONS

None

ATTACHMENT

- MFMA Circular No 104
- Government Gazette No 43582 of 5 August 2020
- Draft Annual Report
- Mayor's report on the submission of the Draft Annual Report

UNANIMOUSLY RESOLVED: (Proposed by Ald A Franken and seconded by Ald K Tiemie)

a) That the tabling of the available components of the 2019/20 Draft Annual Report as tabled by the Mayor in terms of Section 127(3) of the MFMA was noted;

b) That the components of 2019/20 Draft Annual Report be made public and submitted to the relevant organs of state in terms of Section 127 of the MFMA.

c) That the outstanding components of the Draft Annual Report be submitted to Council as soon as may be possible.

d) That the 2019/20 Draft Annual Report be referred to the MPAC to perform the oversight process and compile the Oversight Report.