

OVERBERG DISTRICT MUNICIPALITY



OVERSIGHT REPORT

ON THE 2019/2020 ANNUAL REPORT



OVERBERG DISTRICT MUNICIPALITY

MINUTES FOR THE VIRTUAL MUNICIPAL PUBLIC ACCOUNT COMMITTEE MEETING (MPAC) HELD ON TUESDAY, 11 MAY 2021 AT 12:00

1. OPENING AND WELCOMING

The Chairperson, Ald J Gelderblom, welcomed everyone present whereafter he opened the meeting with prayer

2. EVACUATION INFORMATION

The evacuation information is noted.

3. APPLICATION FOR LEAVE OF ABSENCE

Application for leave of absence is granted to Adv L Potgieter and Ald K Tiemie.

4. STATEMENTS AND DECLARTIONS BY THE CHAIRPERSON

None

5. DECLARATION OF INTEREST

The members of the Committee declared that they had no personal interest in the item on the agenda.

6. MATTERS FOR CONSIDERATION

7.1 ANNUAL REPORT AND COMPILATION OF THE OVERSIGHT REPORT

PURPOSE

To review, analyse the annual report and to discuss the comments received from the public.

BACKGROUND

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 an unqualified audit outcome with findings. 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 the case 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.*

The available components of the draft Annual Report were tabled to Council on 29 March 2021 and resolved as follows:

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.*

The Draft Annual Report was advertised in the local newspapers, ODM Facebook, website, ODM notice boards. The document was distributed to National Treasury, Provincial Treasury, Department of Local Government. Due to the current threat of the COVID-19 pandemic, hard copies can unfortunately not be made available to the public at traditional strategic points across the region. A copy was however accessible at the Overberg District Municipality's Head Office and ODM website. The closing date for comments was 30 April 2021.

If the municipality is successful with its appeal to the Auditor-General, it might impact on some financial figures in the Annual Report and the Annual Financial Statements. The Acting CFO, Mr Kruger, will give feedback on the status regarding the appeal.

ATTACHMENTS

Draft Annual Report (Available components)	
Mayor's report on the non-compliance	Annexure A
Advert – Invite for public comments	Annexure B
MFMA (Act 56 of 2003) – Section 121 – 129	Annexure C
MFMA Circular 11	Annexure D
MFMA Circular 32	Annexure E
MFMA Circular 63	Annexure F
Comments	Annexure G

THE OVERSIGHT IS REPORT IS ATTACHED AS ANNEXURE "A".

DRAFT ANNUAL REPORT 2019/2020

SECTION 121(3) OF THE MFMA DETERMINES THAT THE ANNUAL REPORT MUST INCLUDE	COMMENT
(a) The Annual financial statements of the municipality, and in addition, if section 122(2) applies the consolidated annual financial statements as submitted to the Auditor-General.	The Annual Financial Statements as submitted to the Auditor General is not included in the Annual report, because the AG report was sent back for revision. The revised report will be considered as soon as it becomes available and the report will be tabled in Council.
(b) The Auditor-General's audit report is included in the annual report in terms of section 126(3) on those financial statements	The Auditor-General's report is not included in the annual report. The Municipality received and unqualified audit outcome with findings. The Municipality requested the Auditor-General to re-open the discussions and facilitation of the material findings of the Audit Report. The revised report will be considered as soon as it becomes available and the report will be tabled in Council.
(c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act	The Annual Performance report of the Municipality is included in the Annual report, at Chapter 3 (page 31 – 80), Chapter 4 (page 81 – 89) and Chapter 5 (page 90 – 103).
(d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act	The Auditor General's audit report is included in the Annual Report at Chapter 6 (Page 104 – 106). Component B – Auditor General Opinion 2019 – 2020 not included in the Annual report, because the AG report was sent back for revision. It will be considered as soon as it becomes available and a subsequent report to Council will follow.
(e) An assessment by the municipality accounting officer of any arrears on municipal taxes and services	ODM do not deal with taxes and services, as intended in section 121(3)(e) – Services are mainly provided by B Municipalities. The service charges alluded to in the financial statements refer to municipal services and other services for the occupants at the Resorts. Chapter 3, section 3.13. (page 56). It is noted that some of the levies of the Fire Services contributions were received only in the new financial year, resulting therein that a lower collection rate is reflected if measured against the previous year.(83.55% vs 92.85%).

<p>(f) An assessment by the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.</p>	<p>The assessment referred to in this instance is included in the annual report at Appendix I. (Page 120). Calculations are made in terms of a National Treasury template. Calculations of variances are based on the original budget and the adjustment budget.</p>
<p>(g) Particulars of any corrective actions taken or to be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d)</p>	<p>It be noted, that all COMAF'S received during the audit was included in the OPCAR, apart from the two COMAF'S related to the Audit findings under revision. The OPCAR included corrective actions and in cases where the corrections affected the Annual Financial Statements and Performance Report, this was done and submitted to the AG. The findings and corrective actions are included in Chapter 6, Component B, Auditor General Opinion 2019/2020 (page 105 -106) as a blank report. The revised report will be considered when it becomes available, and the subsequent report will follow to Council.</p>
<p>(h) Any explanation that may be necessary to clarify issues in connection with the financial statements</p>	<p>Our comments in this instance are reserved until such time as we receive the outcome of the review currently with the Auditor General. It is envisaged that a subsequent report to Council will follow.</p>
<p>(i) Any information as determined by the municipality</p>	<p>Our comments in this instance are reserved until such time as we receive the outcome of the review currently with the Auditor General. It is envisaged that a subsequent report to Council will follow.</p>
<p>(j) Any recommendations on the municipality's audit committee report</p>	<p>These comments are included in the annual report at Appendix F (page 117) and Appendix E (page 114 - 116).</p>
<p>(k) Any other information as may be prescribed</p>	<p>Comments were received from Provincial Treasury indicating that all formal legal requirements were met pertaining to the tabling and advertising of the Annual Report. The report of Provincial Treasury is attached as Annexure G.</p>

RESOLVED TO RECOMMEND TO COUNCIL

1. That 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.

8. CLOSURE

The meeting closed at 15:05.

CHAIRPERSON

DATE

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8. CLOSURE

The meeting closed at 15:05.

CHAIRPERSON

DATE



Ms Nobahle Silulwane
Local Government Budget Office
Email: Nobahle.Silulwane@westerncape.gov.za
tel: +27 021 483 9265 fax: +27 21 483 4680

The Municipal Manager
Overberg District Municipality
Private Bag X22
BREDASDORP
7280

For attention: Mr D Beretti

PROVINCIAL TREASURY COMMENTS ON THE TABLED 2019/20 ANNUAL REPORT

1. INTRODUCTION

Section 121(1) of the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003) states that every municipality and every municipal entity must for each financial year prepare an annual report. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129. MFMA sections 121(3) and (4) sets out the framework relating to the content of the annual reports for both municipalities and municipal entities.

National Treasury has further introduced the new annual report template and MFMA Circular No. 63 on 26 September 2012. MFMA Circular 63 aims to provide guidance to municipalities and municipal entities on the Annual Report format and its contents.

The municipal council is then obliged to consider any views of the local community; the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the Annual Report.

Cognisance of the prolonged impact of COVID-19 on municipal planning, budgeting and reporting efforts, the National Minister of Finance (through proclamation in Government Gazette No. 43582) provided a 2-month extension to Section 126(1) & (2), S127(1) & (2), 129(1) and S133(2) of the MFMA insofar it relates to the 2019/20 municipal financial year. The deadline for the mayor to table the (draft) annual report in council therefore shifted from the prescribed seven (7) months [S127(2)] to nine (9) months i.e. not the end of January 2021, but the end of March 2021.

Provincial Treasury reminded all municipalities of this responsibility on 14 January 2021 and reiterated the requirement in Treasury Circular No 5 of 2021 (17 March 2021).

2. LEGISLATIVE COMPLIANCE

The conformance assessment highlights compliance by the Overberg Municipality with the MFMA and MFMA Circular 104 is as follows:

- a. The annual report was tabled to Council on **29 March 2021**, which is within the outer deadline of 31 March 2021 as per MFMA Circular 104.
- b. The annual report was placed on the website on **31 March 2021**, which is within 5 days after tabling in council or on the date on which it must be made public, whichever occurs first in accordance to section 75 of the MFMA.
- c. The public was invited to comment on the annual report by no later than **30 April 2021**.
- d. The annual report is in the prescribed format and all annexures are included as per MFMA Circular 63. However, The Municipality requested the Auditor-General to re-open the discussion and facilitation of the material findings of the Audit Report. This request resulted in the 2019/2020 Final Audit-Report and the 2019/2020 Annual Financial Statements, which forms part of the Annual Report, not being tabled to Council by 29 March 2021.

3. SERVICE DELIVERY PERFORMANCE

Strategic Objectives	SDBIP Target Set (No of total KPI's)	Targets Achieved (No of KPI's met)	Targets not achieved	% Target achieved
SO1: To ensure the well-being of all in the Overberg through the provision of efficient basic services and infrastructure.	20	13	6 and 1 indicated as not applicable	65.0%
SO2: To promote regional economic development by supporting initiatives in the district for the development of a sustainable district economy.	10	8	2	80.0%
SO3: To ensure municipal transformation and institutional development by creating staff structure that would adhere to the principles of employment equity and promote skills development.	4	2	2	50.0%
SO4: To attain and maintain financial viability and sustainability by executing accounting services in accordance with National policy and guidelines.	7	4	3	57.1%
SO5: To ensure good governance practices by providing a democratic and pro-active accountable government and ensuring community participation through IGR structures.	7	7	0	100.0%
Total	48	34	14	70.8%

The top layer SDBIP indicates that the Municipality had a total of 48 Key Performance Indicators (KPIs). 1 target is indicated as not measurable at the end of the financial year which is the

construction of a fire station at Caledon.

34 of the 48 KPIs were met which equates to 70.8 per cent in the 2019/20 financial year. This reflects a variance of just less than 30 per cent between planned and achieved performance. This is a regression from last year's performance when the variance between planned and actual was less than 10 per cent. The Municipality did provide motivations and corrective measures for the missed targets.

The following Strategic objectives had a variance of more than 30 per cent between planned and actual performance which is a concern at the end of the 2019/20 financial year. Strategic objective SO4: *To attain and maintain financial viability and sustainability by executing accounting services in accordance with national policy and guidelines*; SO3: *To ensure municipal transformation and institutional development by creating staff structure that would adhere to the principles of employment equity and promote skills development* and SO1: *To ensure the well-being of all in the Overberg through the provision of efficient basic services and infrastructure*".

SO5: *To ensure good governance practices by providing a democratic and pro-active accountable government and ensuring community participation through IGR structures*" achieved all its top layer KPIs.

4. AUDITOR GENERAL FINDINGS

For the 2019/20 financial year the Municipality did not table its financial statement as the Municipality requested the Auditor General to review the audit outcomes. The Mayor's report indicate that the outstanding components of the Annual Report will be submitted to Council as soon as may be possible.

5. CONCLUSION AND RECOMMENDATIONS

The Municipality complied with the legislation regarding the tabling, publishing document for comments, submission to Provincial Treasury and placement on the website within the prescribed timeframes.

In conclusion, the Municipality is reminded of its responsibility to finalise and adopt the annual report and the oversight report by no later than two months from the date on which the annual report was tabled before council in terms of section 127 of the MFMA.

Kind regards



MS N RINQUEST DIRECTOR (ACTING): LOCAL GOVERNMENT BUDGET OFFICE

DATE: 30 April 2021