

**EXTRACT FROM THE COUNCIL MINUTES HELD ON 25 OCTOBER 2021**

Item A10. 25.10.2021

**OVERSIGHT REPORT ON ANNUAL REPORT INCLUSIVE OF REVISED AUDIT REPORT AND ANNUAL FINANCIAL STATEMENTS: 2019/2020 FINANCIAL YEAR**

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N Kruger : Chief Financial Officer & M Dunn : Performance Management (Ref.: 10/1/1)

**PURPOSE OF REPORT**

To table the 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**

The Annual Report and Oversight Report on the 2019-2020 Annual Report was tabled to Council on 24 May 2021. The MPAC recommended to Council to refer back the Annual Report for revision as the Annual Financial Statements and Auditor General report was not included in the Annual Report as prescribed by the MFMA. The reason why these components were not available was due to that the Municipality requested the Auditor-General to take the audit outcome received on review. The final audit outcome was received on 30 September 2021.

Section 127(3) of the MFMA 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) Submit to the council the outstanding annual report or the outstanding components of the annual report as soon as may be possible.*

The outstanding components was added to the Annual Report and a MPAC meeting was held on 12 October 2021 to discuss the outstanding components and to ensure that the Annual Report contains all the components as required by the MFMA.

**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;

- (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 recommendation as determined by the municipality; and
- (k) Any other information as may be prescribed.

Section 127 (5) of the MFMA requires that the Annual Report must be made public and 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).*

#### **ANNEXURE**

- Oversight Report compiled by the Municipal Public Accounts Committee (MPAC).
- Annual Report 2020/2021.

#### **RECOMMENDATION BY THE OVERSIGHT COMMITTEE (MPAC) TO COUNCIL :**

1. That Council note the Annual Report for the 2019/2020 financial year.
2. That Council proceeds with the public participation process as intended by Section 127(5) and (6), of the Local Government Municipal Finance Management Act, 2003.

## FURTHER COMMENTS BY THE CHIEF FINANCIAL OFFICER

The audit outcome review was finalized on 30 September 2021 where the audit opinion for 2019/20 was changed from an unqualified opinion with findings to an unqualified opinion with NO findings, thus a "Clean" Audit.

Subsequently there was an amendment to the disclosure notes of the 2019/20 Annual Financial Statements where some of the irregular expenditure listed below were removed due to findings that were resolved.

<b>Irregular Expenditure – AFS Note 43.3</b>	<b>Amount</b>
Local content not applied to procurement process	R 607 541
Composition of bid adjudication committee (BAC)	R 2 673 457
<b>Invalid Deviations</b>	<b>R 1 104 221</b>

Only the irregular expenditure of R1 104 221 was recommended by the section 32 committee to Council to be regarded as irregular and irrecoverable and be written off by Council and resolved by Council on 28 June 2021. In respect to the other two amounts, the outcome of the review was awaited, and no recommendation was made by the Section 32 committee to Council in this regard.

The item was submitted again to the Section 32 committee on 12 October 2021 and the following recommendation was made to Council:

*"That the recommendation made on 15 June 2021 according to which the expenditure which amounts to R 1 104 221 in respect of the 2019/20 financial year be condoned and regarded as irregular and irrecoverable and be written off by Council, **be retracted due to the Auditor-General's directive provided in the 2019/20 Audit review outcome.**"*

**UNANIMOUSLY RESOLVED** : (Proposed by Cllr H Coetzee and seconded by Ald V Mentile)

- a) The resolution made on 28 June 2021 where the expenditure which amounts to R 1 104 221 in respect of the 2019/20 financial year be regarded as irregular and irrecoverable and be written off by Council, be retracted due to the Auditor-General's directive provided in the 2019/20 Audit review outcome.
- (b) Council notes the Annual Report for the 2019/2020 financial year.
- (c) That Council proceeds with the public participation process as intended by Section 127(5) and (6), of the Local Government Municipal Finance Management Act, 2003.

**CERTIFIED A TRUE EXTRACT FROM THE MINUTES OF THE COUNCIL MEETING HELD ON 25 OCTOBER 2021.**



**DP BERETTI**  
**MUNICIPAL MANAGER**