

## **OVERSIGHT REPORT ON ANNUAL REPORT: 2021/2022 FINANCIAL YEAR**

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

To consider the Annual Report for the 2021/22 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 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 2021/22 financial year was tabled at the Ordinary Council Meeting, on the 24<sup>th</sup> of January 2023 in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003.

Council resolved (**C122/01/2023**) the following:

- 1) THAT the report dated 17 January 2023, submitted by the Head of Department Strategic Planning and Governance, regarding the Ray Nkonyeni Municipality's Draft Annual Report 2021/2022, be and is hereby received and noted;
- 2) THAT input be made on the 2021/2022 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 2021/2022 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 Gasa
Clr J Schmidt	Clr MM Mkhize
Clr MD Jula	Clr LB Ntusi

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 has been invited via the local press to submit comments / objections regarding the Annual Report from 3<sup>rd</sup> February 2023 to 23<sup>rd</sup> February 2023
- Office of the Auditor General requested that we correct the IUDG grant expenditure from 100% to 98%
- That the content page and the numbers correspond
- That the current AFS be rewritten that current AFS and labelled annexure A
- That the report starts with the current year's AFS as well as current years Audit report
- That the AGSA Audit Report page numbers and the contents page aligned

The MPAC first met on the 26 of January 2023 where the draft Annual report was reviewed, and the committee accepted and noted the report

The committee approved that the annual report 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.

The following MPAC meeting took place on the 22 of February 2023 where the draft Annual report was reviewed, and the committee requested the unit to change previous MPAC member AF Nqoko be replaced with Clr LB Ntusi

The annual report was made public through placing a notice of the availability of the draft annual report in all libraries and thusong centres, as well as a copy in the main office for public perusal. Subsequently, there were no comments submitted from the Public.

**RECOMMENDATIONS:**

- 1. THAT THE OVERSIGHT REPORT ON THE ANNUAL REPORT 2021/22 BE APPROVED WITH PROPOSED AMENDMENTS IF ANY FROM PUBLIC, 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 2021/2022 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 2021/22 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 2021/2022 BE SUBMITTED TO THE PROVINCIAL LEGISLATURE IN TERMS OF SECTION 132(2) OF THE MFMA**



MPAC Chairperson

17 APRIL 2023

Date