

" The City of Heritage "



OVERSIGHT REPORT ON THE ANNUAL REPORT FOR 2016/2017 FINANCIAL YEAR

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ANNEXURE

FINAL 2016/2017 ANNUAL REPORT

1. PURPOSE OF REPORT

To consider the Annual Report for the 2016/2017 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 Municipal Public Accounts Committee, it is with great pleasure that I stand here to present this report, as I am well aware of the 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

2.1. 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:

- To provide a record of the activities of the municipality during the financial year to which the report relates;
- To provide a report on performance against the budget of the municipality for the financial year; and
- 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;
- (ix) Any recommendation as determined by the municipality; and
- (x) (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

3.1 Submission and tabling of the Annual Report

The Draft Annual Report of the Municipality for the 2016/2017 financial year was tabled at a Special Council Meeting held on the 24th January 2017 in terms of section 127(2) of the Local Government: Municipal Finance Management Act, 56 of 2003. Council resolved the following:

1. **THAT** the Draft Annual Report for the Financial Year 2015/2016 be approved.
2. **THAT** Council notes the opinion of the Auditor-General which states that in 2015/2016 there was general compliance with the South African Standards of Generally Recognized Accounting Practices, the MFMA and DORA.

3. **THAT** the measures to improve on matters of emphasis as outlined in Chapter 6 of the Annual Report be endorsed and monitored throughout the financial year 2016/2017 by the Audit Committee to ensure mitigation.
4. **THAT** the Draft Annual Report for the 2015/2016 financial year be advertised for public comments.

3.2 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:

Cllr R.B. Nyawo (Chairperson)
Cllr V.W. Mbatha
Cllr T.K. Mkhize
Cllr P.B. Mbatha
Cllr N.G. Dlamini

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 through a Public Notice to submit comments / objections regarding the Annual Report from 31st January 2018 to 19 February 2018 and no comments or objections were received.
- The Annual Report was placed at the Ulundi Municipal Library, Customer Care Office and on the municipal website.
- The Annual Report was submitted to the relevant government departments.

At the closing date for public comments on 19 February 2018, no representations had been received.

The MPAC first met on the 23rd of January 2018 where the draft Annual report was reviewed and there were no outstanding matters on the report.

The MPAC then met on the 20th of March 2018 to review the Annual report before it was tabled to Council for approval.

There were no further inputs regarding the annual report from the MPAC, and the committee agreed that the report can be tabled to council once the above was addressed.

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

3.3 RECOMMENDATIONS:

1. **THAT** the Oversight Report on the Annual Report for 2016/2017 financial Year be approved in terms of Section 129 (1) of the Local Government Municipal Finance Management Act (MFMA Act No. 56 OF 2003);
2. **THAT** Council in terms of Section 121 of the Municipal Finance Management Act No. 56 of 2003 adopts the Ulundi Municipality's Final Annual Report for 2016/2017 without reservations while noting the following matters:-
 - 2.1 **THAT** as reflected on pages 117 – 136 of the Final Annual Report, the Auditor-General of the Republic of South Africa issued an unqualified opinion having audited the Annual Financial Statements for the year ended on 30 June 2017.
 - 2.2 **THAT** the Action Plan on pages 129 - 136 to address the shortcomings on the internal controls and functions of the Municipality as at 30 June 2017, whose progress will be closely monitored by the Internal Audit Unit, the Audit and Performance Committee, the Municipal Public Accounts Committee and reported to Council quarterly be noted.
3. **THAT** it be noted that the Draft Annual Report for the 2016/2017 financial year was advertised for public comments and no comments were received.
4. **THAT** the Oversight Report and the Annual Report for 2016/2017 Financial year be submitted to the Provincial Legislature in terms of Section 132(2) of the MFMA.
5. **THAT** the 2016/2017 Oversight Report of Ulundi Municipality be made public in terms of Section 129(3) of the MFMA, and