



H. MATTERS NOT CONSIDERED BY COMMITTEES OF COUNCIL

2. Approval of the Annual Report of 2019/20 Financial Year

Cllr. F Banda

11 September 2022

Purpose

The purpose of this item is to submit the oversight report as recommended to council by the Municipal Public Accounts Committee (MPAC).

Background

The MPAC in Sedibelo was established in accordance with the guidelines of August 2011 issued by National Treasury and Department of Cooperative Government. MPAC, in terms of its roles and functions, is an oversight structure of council with clear mandate as outlined or articulated in MFMA Circular 32 – The Oversight Report.

The MPAC when it was reconstituted for the term of office of council of 2022-2027, adopted its own terms of reference which outlines the workings of the committee and key focal areas for the duration of the term of office.

It is against this background therefore that, upon tabling of annual report for 2019/20 at a Special Council Meeting held on 26 January 2022, postponed to 31 January 2022, that the MPAC exercised oversight on the annual report as resolved by council as per council resolution....

Legislative background on Annual Report



H. MATTERS NOT CONSIDERED BY COMMITTEES OF COUNCIL

MFMA Section 121 states that municipalities must table their annual reports to council within seven (7) months from end of the year, thus by no later than 31 January of each year. Once the annual report has been tabled to council, Council, through the MPAC, must exercise oversight on the tabled annual report and submit the oversight report to council by no later than 31 March of each year.

However, due to COVID 19 and Disaster Regulations under COVID Pandemic, National Treasury issued MFMA Circular 104 which provided ministerial exemption in as far as compliance with MFMA Sections 126 (submission of Annual Reports), 127 (oversight on annual reports), 129, and 133 (consequences on non-compliance with certain provisions of the act). It is also important for council to note that the MPAC was expected in terms of Circular 104 to have adopted the oversight report by end of May of 2020 (two months extension). However, the report itself was only tabled to council in January of 2022.

Annexure Description

MFMA Circular 32

MFMA Circular 104

Guidelines for the establishment of MPACs in Municipalities

Terms of Reference of MPAC

MPAC Oversight Report over the 2019/20 Annual Report

ANNEXURE

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Financial Implications

None

Legal Authority and Implications

Municipal Finance Management Act 56 of 2003

Consultation

Executive Mayor, Municipal Manager and Executive Directors

Contact Person

MPAC Chairperson – Cllr F. Banda

RECOMMENDATION:

1. That Council approves the oversight report and the annual report for 2019/20.
2. That the annual report be submitted to MEC for CoGHSTA in line with legal requirements.

C284/12/22

RESOLVED:

1 - 2 As recommended.

SOL PLAATJE LOCAL MUNICIPALITY (NC091)

MPAC OVERSIGHT REPORT ON ANNUAL
REPORT OF 2019/20



SPECIAL COUNCIL MEETING: 14 SEPTEMBER 2022

COUNCIL RESOLUTION:

MPAC OVERSIGHT REPORT 2019/20

REPORT FROM THE CHAIRPERSON OF MPAC

1. INTRODUCTION

Section 121 (1) (2) and 3 of the MFMA determines as follows: Every municipality must for each financial year prepare an annual report in accordance to Chapter 12 of the MFMA. The purpose of the Annual Report is:

- a) To provide a record of the activities of the municipality or entity during the financial year to which the report relates;
- b) To provide a report on performance in service delivery and against the budget of the municipality for the financial year; and
- c) To promote accountability to the local community for decisions made throughout the year by the municipality.

According to section 129 (a) of the MFMA , 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 councils comments on the annual report ,which must include a statement whether the council –

1. has approved the annual report with or without reservations
2. has rejected the annual report or,
3. has referred the annual report back for revision of those components that can be revised

2. FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The Municipal Council resolved, at its meeting of 31 January 2022 (Item C/1/209/03/21) as follows: Resolution attached as Annexure A.

- a) That cognizance be taken of the 2019/2020 Draft Annual Report and the timeframes related to the adoption and publication thereof.
- b) That the Annual Report be submitted to MPAC in order to consider and evaluate the 2019/2020 Draft Annual Report to provide a detailed analysis and review thereof, and to submit an Oversight Report to Council by 31 May 2021.

- c) That the 2019/2020 Draft Annual Report be submitted to the Office of the Auditor General, Provincial Treasury and the relevant Provincial Department responsible for Local Government.
- d) That the Accounting Officer publishes the 2019/2020 Draft Annual Report for public comments and recommendations.

3. REVIEW OF THE ANNUAL REPORT

3.1 SUBMISSION AND TABLING OF THE ANNUAL REPORT 2020/2021

The draft annual report of Sol Plaatje Municipality was tabled at a scheduled council meeting on 31 January 2022, which was outside the timeframe as per MFMA circular 104. 4. According to the circular, Council was expected to consider the annual report by no later than 31 March 2021, and the Oversight Report by no later than 31 May 2021. However, the process of completing the annual was only concluded in December of 2021, and the report could only be submitted in January 2022. See Circular 104 attached as Annexure B.

There were further delays with the appointment of the Chairperson of MPAC (Resolution of council appointing MPAC Chairperson and committee attached as Annexure C), this was only done in February 2022, and the first MPAC Meeting was in April of 2022, that's the time the MPAC was able to receive the report as per the recommendations of council.

3.2 CIRCULATION OF THE ANNUAL REPORT

Immediately after an annual report has been tabled in council, the accounting officer must

- a) In accordance with section 21 A of the Municipal Systems Act, 2000 (Act 32 of 2000) make public the annual report; and
- b) Invite the local community to submit representations in connection with the annual report; and
- c) Submit the annual report to the Auditor – General , and the relevant provincial treasury and the provincial department responsible for local government in the province The

availability of the 2019/2020 Draft Annual Report was published in the printed media as well as on the Municipal Website on 31 March 2022 where interested parties/public was invited to comment on the Draft Annual Report.

Copies of the Draft Annual Report were also made available at the following Municipal locations:

- Municipal Offices
- www.solplaatje.org.za

Though the legislation requires that the Annual Report be submitted to the Auditor General and Provincial Treasury: Northern Cape Provincial Government, this process was deemed outdated as the municipality is already in the process of submitting 2020/21 Annual Report, and as such, inputs will be gathered in as far as the latest report.

4. COMMENTS RECEIVED

No comments were received on the annual report, other than the inputs made by Executive Mayor and administration led by the Municipal Manager.

5. CONSULTATION BY MPAC

The Municipal Public Accounts Committee (MPAC) who had reviewed and evaluated the Draft Annual Report of the 2019/2020 financial year consisted of the following members:

Cllr. E. Banda (Chairperson)

Cllr

Cllr.

Cllr Peet Louw

Please see attendance register.

5.1 MEETING SCHEDULE

MPAC had working sessions on the annual report on the June/July 2022. Annexure D is the schedule of meetings of MPAC to review the Annual Report 2019/20.

Due to the fact that the annual report was relating to a prior year and the process should have been concluded by end of May 2021, MPAC resolved that "no" public participation will be undertaken, but rather allow for the Executive Mayor, the Municipal Manager (though it relates to the term of office when they were not serving the municipality), to give an overview of the annual report as tabled to council, and allow for all Senior Manager's and their teams to make full presentation of the Annual Report, to enable the committee to compile an oversight report.

It is reported that Community and Social Development Directorate could not honor the invitation and committed to send a presentation to the committee. Accordingly, the report is attached as Annexure E.

6. ANNUAL REPORTS CHECKLIST INFORMATION REQUIRED AS PER SECTION 121 (3) OF THE MFMA

- 6.1 The annual financial statements of the municipality, and in addition, if section 122 applies, consolidated annual financial statements, as submitted to the Auditor General for audit in terms of section (1) The annual financial statements of the municipality is included and signed by the Municipal Manager
- 6.2 The Auditor General audit is included in the annual report in terms of section 126(3) Report of the Auditor –General is included in the report
- 6.3 The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act The performance report has been included within the annual report. The municipality had a total of 61 KPI's within the Annual report of which 34 (56 %) were achieved.

7. THE AUDIT OUTCOMES ON 2019/20 FINANCIAL STATEMENTS

The auditor general audit report issues in terms section 45 (b) of the Municipal Systems Act was a *qualified audit opinion* with findings for the third consecutive year.

8. OTHER COMPULSARY DISCLOSURES INFORMATION REQUIRED AS PER SECTION 125 OF MFMA

- (a) list of all municipal entities under the sole or shared control of the municipality. The municipality does not have an entity financial year and as at the last day of the financial year
- (b) The total amount of contributions to organized local government for the financial year, and the amount of any contributions outstanding as at the end of the financial year is included in note of Annual Financial Statement
- (c) The total amounts paid in audit fees, taxes, levies, duties and pension and medical aid contributions outstanding as at the end of the financial year Included in note

9. MPAC OBSERVATIONS

- 1. The committee would like the council to take note that the audit outcome for the municipality remained unchanged from the prior year as qualified audit opinion with findings on compliance with legislation
- 2. That council should note the OPCAR has only been implemented by 16 %
- 3. That council should note that the municipality has not improved on the 2018/19 performance where the municipality has achieved 55% percent of its targets to 56% for the year under review.
- 4. That council should note that the majority of targets not achieved relates to the Municipalities core functions
- 5. We have noted the response from the auditor general that Leadership did not monitor the implementation of action plans to address internal control deficiencies previously identified in a timely manner, resulting in material noncompliance in the current financial year

6. MPAC notes that the Mayor and Municipal Managers foreword was compiled by the leadership of the previous administration. The new Council was inaugurated in November of 2021.

10. MPAC RECOMMENDATIONS

1. The accounting officer should ensure that 2020/21 Annual Report is submitted to council.
2. That management should develop an action plan to develop and implement corrective steps on main issues raised by the auditor general on 2019/2020 Audit outcomes
3. That progress report should be submitted to council on a quarterly basis
4. That quarterly assessments on performance targets be done by the accounting officer and corrective measures with respect to targets not met be included and monitored, otherwise targets should be revised timeously
5. Implementation of zero tolerance to irregular expenditure. That the accounting officer should ensure that pending investigations on irregular expenditure be finalised as a matter of urgency and that disciplinary steps be instituted and monies be recovered as per guidelines Chapter 8 s 62 of the MFMA.
6. That the disciplinary board should be assist as a matter of urgency to address the lack of consequence management

11. CONCLUSION:

MPAC note that there is great room for improvement internal controls must be improved to ensure that issued raised by both internal and external audits are address effectively. Having performed the following task;

- i) Reviewed and analyzed the 2019/2020 Annual Report.
- ii) Received and considered the audit committees views and the comments from the auditor general on the annual financial statements and the performance report and;

- iii) Having invited and received verbal input from the management.
- iv) Taking into consideration the views, inputs of the Auditor general, CoGHSTA, Provincial Treasury on the functionality and performance of the municipality, the MPAC Committee recommends council to:

- Approve the annual report without reservations taking into consideration the recommendations from MPAC

Report prepared by:

CLM F. Banda

Chairperson of MPAC

Signed



Date

Presented at Special MPAC dated: