KOUGA
local municipality
Good Governance through Service Excellence

OVERSIGHT REPORT

PREPARED BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) ON THE 2020/21 **ANNUAL REPORT**

KOUGA LOCAL MUNICIPALITY

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OVERSIGHT REPORT TO BE PRESENTED TO COUNCIL

ON 31 MARCH 2022

FOREWORD BY CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNT COMMITTEE

Introduction

In a Constitutional democracy, one of the fundamental premises is the doctrine of separation of powers. The authority of the government is divided into three interdependent entities, the Executive, the Legislature, and the Judiciary. Local government, and in particular, its municipal Council, has both legislative and executive powers . It therefore requires that to reinforce the doctrine of separation of powers in Council, the Municipal Public Accounts Committee is created to exercise oversight.

In its simplest definition, oversight means making sure something is done correctly.
In this context, MPAC is not a watchdog, nor does it police the Municipality. It should however not be underestimated or underappreciated. It serves to, inter alia, identify weaknesses, inaccuracies, and ambiguity, laud achievements, and report these directly to Council. This provides additional credibility and confidence to Council and the community of the exercise of executive and administrative functions, and to assist in achieving and maintaining good governance in the municipality.

It also enforces accountability by making recommendations to remedy anomalies and improve the Municipality to the benefit of the community it serves. Of equal importance is the recognition of the higher common objective of working with the administration to achieve the best value for the community it serves.

An Annual Report is one of the key instruments reflecting transparent governance and accountability, or the lack thereof. It is a post financial year document which provides an overview of the process of financial and non-financial performance in respect of the previous financial year – in this case the 2019/2020 financial year.

The format of the 2020/2021 Annual Report was derived from the MFMA Circular 63. In the instance of Kouga Municipality, the Annual Report is arranged per Directorate to allow an easier oversight process.

This is the first year of this MPAC Committee's term. Most of the challenges experienced during the previous term relevant to the Annual Reporting and Institutional Performance were resolved, but some of them remain despite several attempts to rectify it.

It should be appreciated that the compiling of the Draft Annual Report is a team effort, where all the different entities of the Municipality had to make a definite contribution. To coordinate all the contributions MPAC needs to convene several meetings to ensure that the contents of the Annual Report is acceptable and correct.

The following difficulties were experienced by MPAC:

- Not all information in the Annual Report could be verified,
- Directors were not available for scrutinizing their sections of the Annual Report
- The late release of the Auditor General's Audit Report 31 January 2022 resulted in unnecessary pressure on MPAC to review the financial section of the Annual Report in time,

Every Director, and eventually the Municipal Manager and Council, should take responsibility for, and pride in presenting their submission for inclusion in the Annual Report. The Municipal Managers and Directors reacted on this call in that the quality of the Annual Report improved dramatically this year and MPAC had the joy to scrutinise such a proudly presented Annual Report in compiling our Oversight Report.

The Annual Report is not only a document to satisfy the prescriptions of the MFMA, but it is also the document where the proud achievements of the Municipality should be highlighted.

Council has appointed me Cllr Jacques Alexander as Chairperson of the Kouga Municipal Public Accounts Committee at a council meeting held 13 December 2021.

The matters mentioned in the Auditor-General's Management Report dated 31St January 2022 and the reports of the Kouga Audit Committee, were summarized in the Annual Report.

Sincere thanks to the councillors who worked with me for their valuable inputs and support

Councillor J. Alexander (Chairperson)
Councillor C. August
Councillor H. Murray
Councillor R. Foley
Councillor F. Heystek
Councillor M. Biko
Councillor P. Oliphant
Councillor M. Mbandana
Councillor L. Nkilishane
Councillor W. van der Linde
Councillor B. Human

Ms Leonie Mostert
Advocate Klopper

30 March 2022

Cllr J. Alexander | **Date**
MPAC Chairperson

THE ANNUAL REPORT 2020/2021

The MFMA (Circular 32, Attached as **Annexure A**) directs that the Annual Report must be arranged according to predetermined draft reports and time schedules. The different draft Annual Reports must also be subjected to Public Participation. During oversight MPAC should determine if these draft reports and time schedules were adhered to and that Public Participation was allowed.

1. SUBMISSION OF THE DRAFT ANNUAL REPORT

According to the provision of the MFMA (Circular 32, Attached as **Annexure A**), the different drafts of the Annual Report should be considered by MPAC, and tabled and resolved at meetings of the Municipal Council on or before specified dates, after which it should be advertised for public comments.

In terms of the provisions of MFMA Circular 104 (Attached as **Annexure B)**

The draft of this 2019/2020 Annual Report was duly and adopted per Resolution 22/01/MM1 at the meeting of the Municipal Council held on 31 January 2022.

MPAC is satisfied that the correct procedures and timelines were followed during the preparation and submission of the 2020/2021 Annual Report.

2. MEETINGS AND WORK SESSIONS

Once the different drafts of the Annual Report were resolved by Council, it was up to MPAC to scrutinize the consecutive Reports and propose corrections and ask for outstanding information. These corrections and outstanding information were then evaluated and processed at the next meeting.

2.1 **Meetings/work sessions of MPAC, in collaboration with the Municipal Manager and the different Directorates, were held on:**

- Thursday, 16 September 2021
- Thursday, 17 February 2022
- Friday, 18 March 2022

MPAC is satisfied that the correct procedures and timelines were followed during the scrutinization of the 2020/2021 Annual Report.

The Process Plan and the Minutes of the MPAC meetings during the evaluation of the Annual Report are attached (**Annexure C and D**)

2.2 **PUBLIC PARTICIPATION**

The final draft of the 2020/2021 Annual Report was made available to the Public after it is approved by Council. Hard copies of the Report were made available to the public at the Municipal Office, Public Libraries and the Report was also available on the Municipal Website.

The notice calling public comment and inputs was published on 17 February 2022 in the Kouga Express and was also published on the Municipal Website and Notice Boards. The closing date for comments and/or inputs was set at 12:00 on 4 March 2022. No submissions were received.

It must be noted that under the Covid-19 restrictions municipal facilities could not be used for public consultations and that a virtual platform is the standard at this point in time.

3. **ORGANISATIONAL PERFORMANCE**

Oversight is the process where the overall performance of an organization is evaluated to make recommendations as to how the performance can be improved. So often, however, oversight involve concentrating on **unsatisfactory** negative issues and tend to ignore the, sometimes important, **highlights** and commendable achievements. It is also a fact that only a small percentage of Kouga Residents go into the trouble to read the Annual Report which makes it necessary to allude to the highlights of the previous year.

These highlights will be acknowledged in the Oversight Report and recommendations will be made to Council to improve unsatisfactory performance.

A lot of emphasize is also placed on unsatisfactory financial issues (Audit Report), not that it is not important, but there are other components of service delivery that also needs to be highlighted. For this reason, the organizational performance oversight will deal with both these issues separately. The municipality must be commended in curbing the overtime.

3.1 2020/2021 PERFORMANCE OF THE MUNICIPALITY

3.1.1 Financial Health

It is noted, as reported in the Auditor General's Report, that the overall financial position of the municipality has deteriorated due to a net deficit, negative cash flows and trade payables exceeded the cash and cash equivalents.

The deterioration of the financial status poses a major risk for the sustainability of the municipality necessitating the need for a financial turnaround strategy and plan.

3.1.2 Audit Outcome

The Municipality achieved an unqualified audit outcome with findings, the same outcome since the 2018/19 financial year. The financial statements of the Municipality were unqualified, the performance report had material misstatements that were corrected, and there were findings for non-compliance with legislation.

It should concern Council that the municipality has again failed to achieve a clean audit outcome and that the findings in the Auditor General's Report, are repetitive.

3.1.3 Level of Assurance

Areas of Improvement

It is noted that improvement was observed by the Auditor General in the functioning of the Audit Committee and MPAC and Council should acknowledge this.

Areas of Concern

- Senior management did not improve on performance reporting.
- The Municipal Manager failed to capacitate the performance management unit and did not ensure full compliance with laws and regulations.
- The Mayor failed to ensure that the municipality addresses all the issues raised in the Auditor-General Repor. The number of repeat findings indicates inadequacy.

3.1.4 Risk Areas

3.1.4.1 Areas of Reduced Risk

MPAC takes note of the reduced risk in supply chain management processes and management should be congratulated on this positive outcome.

3.1.4.2 Areas of Increased Risk (Significant Risks)

Significant Risk Area 1: Financial Health

Dealt with under financial status.

Significant Risk Area 2: Quality of Financial Statements

It is disappointing to note that there has been a deterioration in the quality of submitted financial statements. Misstatements may lead to Council taking incorrect decisions.

Of concern is that the misstatements were not prevented or detected by the municipal system of internal control which is a serious risk that must be addressed.

3.1.4.5 Areas of Major Risk

The Auditor General identified two major risk areas which are:

Major Risk Area 1: The quality of submitted performance indicators.

This means that an assessment of the municipality's performance is subjective and unsubstantiated.

Major Risk Area 2: Information Technology

3.1.4.5 Corrective Actions

MPAC will call for a report on what the root causes are for responding slowly to external audit recommendations, inadequate processes for the compilation and review of performance information and inadequate financial statement review processes

3.2 Internal Controls

The Auditor General identified shortcomings in the internal controls of IT Governance, IT Systems Controls that require management interventions.

The following unsatisfactory performance areas were identified, and recommendations were made to Council to improve such performance:

(a) The financial viability of the municipality has deteriorated and has been raised by the Auditor-General as a concern.

(b) The Municipality achieved an unqualified audit outcome with findings, the same outcome since the 2018/19 financial year.

(c) Several financial indicators have deteriorated and fall outside the guidelines of the MFMA Circular 71.

(d) The Auditor General identified:

Six areas of improvement;

Two major risks; and

Five areas that require interventions.

(e) Past audit findings relating to performance management has not been addressed. The municipality does not have sufficient capacity to plan, manage and report on its performance information as the performance management unit is understaffed.

(f) Management failed to monitor the plan to address audit findings.

(g) The municipality failed to spend its capital budget.

(h) There was irregular spending reported.

(i) The municipality has a severe backlog of financial officials not achieving the minimum competency levels.

4. MPAC RECOMMENDATION REGARDING THE ANNUAL REPORT

Council resolves that:

After having fully considered the 2020/21 Annual Report of the Kouga Municipality and representations thereon, adopts the Annual Report without any reservations:

4.1 That measures be put in place to turn around the decline in the financial health of the municipality.

4.2 That measures be put in place to staff the performance management unit, improve on the quality of performance information, improve on the quality of performance reports and the regular review of performance.

4.3 That the Mayoral Committee, as a priority, review the membership and functioning of the IT Steering Committee and hold the IT Steering Committee accountable to ensure that IT Service Level Agreements are in place.

4.4 That the performance of IT Service Providers are being monitored.

4.5 That the IT Strategy is reviewed and improved on that a skills plan for IT staff is developed and implemented and that the system access controls are significantly improved on.

4.6 That the expenditure incurred at the Seekoei Estuary at Jeffreys Bay, be investigated, and a detailed report be submitted to MPAC.

4.7 That processes be put in place to enhance financial statement reviews.

4.8 That management is held to account for not addressing audit findings and that these measurements be incorporated into management performance compacts.

4.9 That Supply Chain Management expedite the approval of contracts (BSC, BEC and BAC) for implementation of projects, because it delays service delivery and give rise to fruitless and wasteful expenditure.

4.10 That the bulk water service agreement with the Nelson Mandela Metro be finalized.

4.11 That a new agreement with Department of Water and Sanitation for the provision of an increased water quota for domestic use by Kouga dam be negotiated.

4.12 That the dramatic increase in growth rate and associated informal settlements be used to motivate for infrastructure grants from Government.

4.13 That a Repair and Maintenance Plan be drafted to ensure the realistic spending of the budget.

4.14 That the relocation of residents after removal from informal settlements and the removal of old shacks be guided by a Relocation Plan.

4.15 That new cemeteries be planned for Kouga and that the existing cemeteries be upgraded and fenced.

4.16 That the Disaster Management Plan be updated and improved.

4.17 That all the Draft Policies be updated and finalized.

4.18 That the increased expenditure on Employee Related Cost, Impairment Losses and Contracted Services be curtailed and that where possible, the entire Capital Budget be spent.

4.19 That Council be alerted to the escalating personnel expansion and cost.

4.20 That the replacement of the bucket system and upgrade conservancy tanks to a waterborne system where possible be expedited.

4.21 To negotiate with the Provincial Roads Department to take over the ownership of the roads that run through Kouga towns.

4.22 That it be requested that both the CWP and EPWP programmes be referred to COGTA for their attention.

4.23 That a marketing plan for Kouga Municipal Caravan Parks be drawn up.

4.24 That measures be implemented to ensure that all consumers are billed for services received from Kouga Municipality.

4.25 That measures be implemented to reduce water losses to more acceptable levels.

4.26 That measures be implemented to reduce electricity losses to more acceptable levels.

4.27 That the KPI's for 2022/23 Financial year be reconsidered.

NATIONAL TREASURY

MFMA Circular No 32

Municipal Finance Management Act No. 56 of 2003

The Oversight Report

Introduction

This circular aims to provide councillors with practical guidance in financial governance and to assist in maintaining oversight within the broader governance context.

It focuses on the oversight process that councils must follow when considering the annual report and how to deal with the *Oversight Report* by encouraging continuous improvement and promoting accountability to stakeholders.

Please read this circular in conjunction with the following circulars:
- MFMA Circular 11 - Annual Reporting Guidelines - 14 January 2005
- MFMA Circular 18 - New Accounting Standards - 23 June 2005
- MFMA Circular 28 - Budget Content and Format - 12 December 2005

Background

Council is vested with the responsibility to oversee the performance of their respective municipality, as required by the Constitution, the Municipal Finance Management Act (MFMA) and Municipal Systems Act (MSA). This oversight responsibility of council is particularly important for the process of considering annual reports.

The MFMA and MSA recognise that council has a critical role to play to ensure better performance by municipal departments and entities. There now exists an explicit linkage between the strategic goals, set by council through the IDP, which are translated into the budget, and the delivery of those goals, which is reported in the Annual Report. It is important for council to ensure that the budget gives effect or expression to priorities contained in the IDP. A good budget will lay a basis for better oversight and cement the contracts between the executive/council, the administration and the public.

The MFMA gives effect to financial management reforms that place greater service delivery responsibilities on managers and makes them more accountable for performance. Whilst, in the first instance it is left to the mayor or the Executive Committee to resolve any performance failures, ultimately the council is vested with the power and responsibility to oversee both the executive and administration. Oversight occurs at various levels in a municipality and is explained in the following table:

Financial governance framework applicable to local government

	Responsible for	Oversight over	Accountable to
Council	Approving policy and budget	Executive Mayor or Committee	Community
Executive Mayor or Committee	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Executive Mayor or Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

Separation of roles

The separation of roles between the council and administration is intended to strengthen the oversight function of councillors. Good governance and effective oversight and accountability are predicated on there being this separation of functions. It is fundamental for the achievement of the objects for local government in the Constitution relating to a democratic and accountable system of local government. Council oversees the performance of the administration through council and committee meetings. The mayor provides the link between the council and administration and is responsible for regular monitoring and for tabling reports before the council. Therefore, the administration is responsible for the day-to-day operations. This separation avoids conflict of interest and a "referee/player" situation arising and is similar to the role played by Parliament.

The MFMA further assumes a separation between councillors serving on the executive (i.e. mayor or executive committee) and non-executive councillors. This separation is vital to ensure council maintains oversight for the performance of specific responsibilities and delegated powers to the mayor or executive committee.

The MFMA gives council a number of financial management tasks to fulfil its oversight role. The adoption of an ''Oversight Report" is one such task. The diagramme on the following page illustrates the various oversight intervention points from the adoption of the Integrated Development plan (IDP), Budget, Annual Report and Oversight Report.

What is in an annual report?

Each municipality and each municipal entity must prepare an annual report for each financial year in accordance with the MFMA and MSA. The purpose of the annual report is:

- to provide a record of the activities of the municipality or entity;
- to provide a report on performance in service delivery and against the budget;
- to provide information that supports the revenue and expenditure decisions made; and
- to promote accountability to the local community for decisions made.

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are therefore required to contain information on service delivery and outcomes, in addition to financial statements. It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended. It must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- The annual performance report as required by section 46 of the MSA.
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

Other components required to be included in the annual report are set out in the MFMA section 121 and the MFMA Circular No 11 issued 14 January 2005.

Annexure C contains guidance on the matters that should be considered and lists the components of the annual report with a checklist of questions that might be asked by councillors when considering these components and the overall report.

Financial Governance in Practice – Council Oversight

PROCESS

IDP

Strategic direction and goals set by council through IDP.

Council adopts IDP and undertakes annual review and assessment of past performance outcomes (Systems Act)

BUDGET

The IDP informs the annual budget which must be approved by council. Mayor then approves **a Service Delivery and Budget Implementation Plan** (SDBIP). Service delivery targets linked to performance contracts for senior management

IN YEAR REPORTS

Council approves annual budget and monitors financial and non-financial performance through quarterly and mid-year reviews

AUDIT COMMITTEE

Provides independent specialist advice on financial performance, efficiency and effectiveness, performance management and compliance with legislation

ANNUAL FINANCIAL STATEMENTS

Submitted to Auditor-General who issues audit report

COUNCIL

Council considers the authoritative and credible view of the Audit Committee

ANNUAL REPORT

Reports on financial and non-financial performance. Links to the strategic goals in the IDP

OVERSIGHT REPORT

Report from Council adopting or rejecting the Annual Report. Key oversight role ensuring executive and administration accountable for performance.

What is the oversight report?

The oversight report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on each annual report.

The oversight report 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.

The oversight report is thus clearly distinguished from the annual report. The annual report is submitted to the council by the accounting officer and the mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving the goals set by council. **The oversight report is a report of the municipal council** and follows consideration and consultation on the annual report by the council itself. Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

Annexure A sets out a recommended structure for an oversight report and draft resolutions to adopt the report.

Managing the process and forming committees

The processes for council oversight of the IDP, budget, annual report and preparing an oversight report may be complex for many councils, in particular where resources to support the functioning of the council are limited. For example, reviewing an annual report within full council meetings may not be practicable and may restrict the effectiveness of the analysis and discussions. Thus councils need to establish appropriate mechanisms to enable all councillors and the public to fully digest and discuss the annual report contents.

Once the annual report is tabled the council effectively has two months in which to consider the report, invite public submissions and to finalise its oversight report. Given there are a number of steps and many stakeholders the review can be made more manageable if a committee process is established breaking it down into more easily managed parts.

It is recommended that councils consider the establishment of an **oversight committee** under sections 33 and 79 of the Municipal Structures Act 1998. This committee and, if needed, sub-committees could be responsible for the detailed analysis and review of the *annual report* and then drafting an *oversight report* that may be taken to full council for discussion. Such a committee may receive and review representations made by the public and also seek inputs from other councillors and council portfolio committees.

The oversight committee should be made up of only non-executive councillors and representatives of the community and can be formed each year to deal with the annual report. Municipal officials cannot be members of an oversight committee as this would pose a conflict of interest. Assistance from the municipality's Audit Committee in the review process is also recommended as a major source of independent specialist advice.

All meetings of Council and the oversight committee at which an annual report is considered must be open to the public and a reasonable time must be allowed for discussion of any written submissions received and for members of the community and organs of state to address the meetings. Representatives of the Auditor-General are entitled to attend and to speak at any meetings held to discuss the annual report. Timely notice of meetings should be given to enable representations to be made. Making representations to the oversight committee should not necessarily preclude representations by the same individuals to the full council as this promotes transparency in the process.

At the same time that the committee is analysing the report in detail, other councillors should also be conducting their own review of the report. This can include discussions with constituents, ward committees and ward representatives to encourage inputs and comments and to prepare for the full council meeting that considers the annual report and oversight report.

Questions raised with the administration by council or the committee may be taken on notice by the accounting officer and responses subsequently provided to the committee process. Ideally however, questions should be responded to immediately during the committee meetings to avoid delays. The top management team may assist the accounting officer if needed. If the executive or the accounting officer and administration are unable to respond immediately to questions raised at committee or council meetings, then the committee or council may rightfully conclude that the executive and administration have not performed satisfactorily and may not understand the report that they have tabled.

When enquiring on matters in the annual reports from municipal entities, issues of commercial confidence may arise. In such cases the council should make a judgement as to whether the information is essential to determine a conclusion on the annual report and whether it may be necessary to meet in private. Such a step must be taken with caution in order not to weaken the democratic and transparency objectives of the annual reporting process.

Municipalities should take into account all costs of the various mechanisms (oversight committee and other meetings) for reviewing the annual report and preparing an oversight report. The cost needs to be balanced against the need for transparency, good governance practice and accountability, the capacity of the municipality and the need for an effective process within the time allowed.

Timing considerations

Annexure B provides the key steps in the annual reporting process as required by the MFMA. Note that no later than two months from the date of tabling, council must consider the annual report and adopt an oversight report. Also the annual report must be made public immediately after it is tabled and the public invited to submit representations. To assist with this process a municipal finance management "calendar" will be published in the near future.

Councils are encouraged to effectively use the time permitted under the MFMA (two months from when report tabled) for consideration in order to achieve a quality and acceptable annual report and strive for approval of a report that meets the provisions of the MFMA and MSA. Municipalities are encouraged to review the report immediately upon it being tabled so that steps to obtain additional information and amendments can be taken to facilitate completion of the oversight report within the timetable provided. The process for consideration may involve an initial review and analysis that seeks inputs from the community, Audit Committee and the administration, to be followed by a further review of the report, additional information and representations received. When any additional information is required the administration should promptly provide this.

The MFMA provides that if all the components of the annual report are not completed on time, then those components that are available must be tabled and considered and a written explanation be submitted to council as to why components are delayed and when they will be tabled. In such cases an oversight report may be completed and the report approved, but this should be with reservations or referred back for completion when the missing components are tabled, no more than two months later. In any case the components that have been tabled must be published and open for public representations and, where required, the oversight report amended when the remaining components are tabled.

Understanding the annual report and determining conclusions

A mechanism that facilitates better understanding of the annual report by **all** councillors is essential, as the MFMA requires that **Council, and not the executive or administration,** comment on the annual report and arrive at a decision.

To facilitate consideration of the annual report in its entirety the council should obtain the views of the Audit Committee, which is charged with providing council with, among other matters as prescribed, an authoritative and credible view of the financial position of the municipality or entity, its efficiency and effectiveness, performance management and the level of compliance with the MFMA, Division of Revenue Act (DORA) and other relevant legislation.

In order to approve the annual report without reservations, Council should be able to agree that the information contained in the report is a fair and reasonable record of the performance of the municipality and properly accounts for the actions of the municipality in the financial year reported upon. Approval means that the executive and administration have discharged in full, their accountability for decisions and actions and that their performance meets the criteria set by performance objectives and measures and is also acceptable to the community.

Should the Council have reservations on any matter in the report then these reservations should be outlined in the oversight report and the executive and administration should address these as determined by council.

A conclusion that the report is approved without reservations is the preferred outcome from the process. However, this conclusion should not be an outcome of only cursory examination of the report but should be as a result of a rigorous analysis by councillors with inputs from the public and other stakeholders.

Although the accounting officer is required to attend all meetings where the report is discussed to respond to questions, it is incumbent on **all councillors** to fully understand the report in order to identify matters that may require further information from the accounting officer.

Staff performance bonuses

To promote continuous improvement in the performance of the municipality and entities, it is strongly recommended that council reward performance in a manner that is commensurate with achievement of policy outcomes. Therefore, the payment of performance bonuses should be measurable with the extent of outcomes achieved. In some instances, performance bonuses were paid even though performance could not be measured. If the level of acceptance cannot be achieved then it follows that the performance of the administration has not met the objectives approved in the IDP, Budget and Service Delivery and Budget Implementation Plans. Where reservations exist, the seriousness of such should be taken into account before considering any part-payment of bonuses.

Municipal Entities

Where municipalities have one or more municipal entities, separate annual reports from the municipality and each of the entities will be tabled in council. Only the annual financial statements will be consolidated in the municipality report. Although each of the annual reports is to be considered by council it would be impractical to complete multiple oversight reports. It is recommended that council adopt one oversight report that provides comments on each of the annual reports. In this way council is able to reinforce the important linkages between the municipality and its entities, their close interrelationship in the provision of services and that performance of the municipality is an outcome of performance by the municipal administration and all the entities.

Conclusion

Municipalities and municipal entities are required to table in council by 31 January an annual report for the previous financial year. Councils must consider the reports and adopt an oversight report by 31 March. This circular outlines the importance of the annual report in ensuring effective democratic and accountable local government and provides guidance on the manner in which the reports should be considered.

The MFMA provides that the National Treasury may issue guidelines on the manner of consideration of annual reports and the functioning and composition of any public accounts or oversight committee. Until such guidelines are issued, councils and boards of entities are encouraged to consider and implement this circular.

The challenge facing councillors is to utilise their strategic plans, budget documents and annual reports to improve oversight and to hold municipal departments and entities and the executive to account for their performance.

Further enquiries on this circular may be directed to the MFMA helpline email address below.

Abbreviations

AFS	Annual Financial Statements
MFMA	Municipal Finance Management Act, No. 56, 2003
MSA	Municipal Systems Act, No. 32, 2000
SDBIP	Service Delivery and Budget Implementation Plans (s 53 MFMA)
DORA	Division of Revenue Act for the relevant budget year.
IDP	Integrated Development Plan

Other information relating to annual reporting for municipalities may be found in:

- MFMA Circulars 11 and 18.
- Performance Management Guide for Municipalities, DPLG, 2001. www.dplg.gov.za - go to "documents" then "general publications"
- Introductory Guide to MFMA, Updated Edition – August 2004.
- On SDBIP, refer to MFMA Circulars 13 and 19.

Contact

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T. Pillay
Chief Director: Local Government
15 March 2006

ANNEXURE A

Structure and Contents of the Oversight Report –

The Oversight Report should contain:

1. Title and reference to the year under review.

2. Resolutions and statement required by MFMA s129(1) (see recommended resolutions below).

3. Summaries of comments and conclusions on the annual report of the **municipality** referred to in the resolutions, including one or more of the following:
   (i) Summary of reservations, if approved with reservations and actions to be taken by the executive and administration to resolve reservations.
   (ii) Summary of components required to be revised, if referred back for revision and actions to be taken by the executive and administration to provide revisions and the date for these to be submitted.
   (iii) Summary of reasons for rejection of the report, if report is rejected and what other action should be taken by the executive and administration.
   (iv) In cases where only components of the annual report are submitted by the mayor detail those components and restrict comments to this effect. Include a statement listing the outstanding components and estimated timeframe for these to be tabled and considered by council.

4. Summaries of comments and conclusions on the annual reports of **each municipal entity** referred to in the resolutions, including one or more of the following:
   (i) Summary of reservations, if approved with reservations and actions to be taken by the executive and administration or the entity to resolve reservations.
   (ii) Summary of components required to be revised, if referred back for revision and actions to be taken by the executive and administration or the entity to provide revisions and the date for these to be submitted.
   (iii) Summary of reasons for rejection of the report, if report is rejected and what other action should be taken by the executive, administration and the entity.
   (v) In cases where only components of the annual report are submitted by the chairman detail those components and restrict comments to this effect. Include a statement listing the outstanding components and estimated timeframe for these to be tabled and considered by the board of directors.

5. Annexures to the report should provide the following –
   (i) Summary of the process followed in the review, including:
      - Copies of minutes of meetings of committee.
      - Summary of written representations submitted by the public, auditor-general and other spheres of government.
      - Responses to questions provided by the accounting officer.
   (ii) Other information as may be needed to support the conclusions in the resolutions, for example, outcomes of large infrastructure / capital projects and programmes.

Resolutions and Statement

The statement required in the oversight report by section 129(1) of MFMA, should be in the form of a council resolution to record both the adoption of the oversight report and the comments of council on the report.

The resolutions should, as a minimum, state:

Council resolves that:

1. The Council having fully considered the annual report of the municipality and representations thereon, adopts the oversight report; and
2. (*insert one of the following as appropriate*)
   - Council approves the annual report without reservations; or
   - Council approves the annual report with reservations as included in the comments in the oversight report pages xx to xx; or
   - Council refers the annual report back for revisions of the components listed on pages xx to xx of the oversight report; or
   - Council rejects the annual report of the municipality for the reasons summarised in pages xx to xx of the oversight report.
3. (*Where further action or revisions are required in the resolutions*): Council requests the Mayor (Executive Mayor) to report to Council on the actions required as a result of these resolutions by <date to return to Council>.

Where the annual reports of municipal entities are also considered additional resolutions should be adopted to refer to the municipal entities –

Council resolves that :

1. The Council having fully considered the annual report of the municipal entity <name> and representations thereon, adopts the oversight report; and
2. (*insert one of the following as appropriate*)
   - Council approves the annual report without reservations; or
   - Council approves the annual report with reservations as included in the comments in the oversight report pages xx to xx; or
   - Council refers the annual report back for revisions of the components listed on pages xx to xx of the oversight report; or
   - Council rejects the annual report of the municipal entity <name> for the reasons summarised in pages xx to xx of the oversight report.
3. (*Where further action or revisions are required in the resolutions*): Council requests the municipal entity to report to Council on the actions required as a result of these resolutions by <date to return to Council>.

ANNEXURE B

Steps in the Annual Reporting processes

The following outlines the major steps in the annual reporting process indicating responsibilities and dates prescribed in the MFMA and MSA.

Prescribed Dates	Actions	MFMA (MSA)	Responsibility of
31 August	Submit municipality's AFS to Auditor-General	S126(1)(a)	Municipal Manager
31 August	Submit municipal entity AFS to parent municipality and to Auditor-General	S126(2)	Municipal Entity Accounting Officer
30 September	Submit consolidated AFS to Auditor-General (municipalities and entities)	S126(1)(b)	Municipal Manager
31 October and quarterly thereafter	Auditor-General submits to Parliament and the provincial legislature names of any municipalities, which have failed or continue to fail to submit AFS.	S133(2)	Auditor-General
Within three months of receiving AFS (30 November or 31 December)	Audit report returned to Municipal Manager	S126(3)	Auditor-General
On receipt of audit report	Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report. Provide copy of report to Audit Committee.	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality
31 December	Entity submits annual report to Municipal Manager	S127(1)	Municipal Entity Accounting Officer
31 January	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor
Immediately after annual report is tabled	Annual report made public and local community invited to submit representations	S127(5)(a) (MSA) - S21A and B	Municipal Manager
Immediately after annual report is tabled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager
When meetings held to discuss the annual report	Attend meetings to respond to questions concerning the report	S129(2)(a)	Accounting Officer of municipality and entity
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government	S129(2)(b)	Accounting Officer of municipality and entity
Within two months of report being tabled (31 March)	Council to have considered the annual report and adopted an oversight report	S129(1)	Council
Within seven days of adoption of oversight report	Make public the oversight report	S129(3) S21A-MSA	Accounting Officer
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1) & (2)	Accounting Officer
As necessary	Monitor compliance with submission of reports to provincial legislature	S132(3)	MEC for local government in the province
Within 60 days of receiving annual reports	Report to provincial legislature any omissions by municipalities in addressing issues raised by the Auditor-General.	S131(2)	MEC for local government in the province
Annually	Report to Parliament on actions taken by MEC's for local government to address issues raised by Auditor-General on municipal and entity AFS	S134	Cabinet member responsible for local government

Notes:

- MFMA section 133 provides for consequences of non-compliance with provisions relating to the submission of AFS and tabling of annual reports.
- All dates shown are the latest permissible in terms of the applicable legislation, earlier compliance is preferable.

ANNEXURE C

Checklist for considering the annual report

The MFMA provides that the purpose of the annual report of a municipality or a municipal entity for each financial year is:

- to provide a record of activities;
- to provide a report on performance against the budget; and
- to promote accountability to the local community for decisions made throughout the year.

The MSA provides that an annual *performance report* must be prepared for each financial year to report on the performance of the municipality and each external service provider, compared with targets set for performance.

The annual report requirements are provided in Chapter 12 of the MFMA, sections 45 and 46 of the MSA and the annual Division of Revenue Act.

The following checklist summarises what must be included in the annual report and is designed to support and guide councillors and officials. It should be noted however, that this list is not exhaustive and from time to time other information requirements may be prescribed. Consideration must also be given to specific circumstances and conditions in which other questions may be appropriate. <u>Councillors and officials are encouraged to make suggestions to enhance this checklist and send these to the National Treasury.</u>

Council should verify that the required information is contained in the annual report and then consider the relevance and accuracy of information accordingly. The checklist provides guidance on how matters could be considered.

The oversight committee and the full council may use this checklist as a means to organise the report and to manage requests for additional information. The questions suggested may be used by all councillors to gain clarification on contents of reports and also to verify compliance with the MFMA and MSA. Responses to many of these questions should be provided by the accounting officer of the municipality and/or municipal entities.

Note that the views of the Audit Committee and the findings of the Auditor-General are primary sources of information to assist council in determining a decision on the annual report.

Information required to be included in annual reports	**Council Considerations and Questions**
Financial Matters	***Financial reporting matters to be considered***
The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the new accounting standards for municipalities. *Have the required standards been met – refer audit report and report of audit committee for views on this?*
	The above applies also to the AFS of municipal entities.
The Auditor-General's reports on the financial statements of the municipality and the entities	*Is the audit report included in the annual report as tabled?* *If not, when will the audit report be tabled?* *What are causes of the delays?* *What actions are being taken to expedite the report?*
	The above applies also to the AFS of municipal entities.
Any explanations that may be necessary to clarify issues in connection with the financial statements	The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS. *Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?*
	The above applies also to the AFS of municipal entities.
An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities	*Has an adequate assessment been included?* *Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?* *Is any other action required to be taken?*
	The above applies also to the AFS of municipal entities.
Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	The conclusions of the annual audit may be either – ▪ an unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; ▪ a qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or ▪ the auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. The objective of the municipality should be to achieve an unqualified audit opinion. *Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:* ▪ *To what extent does the report indicate serious or minor financial issues?* ▪ *To what extent are the same issues repeated from previous audits?* ▪ *Is the action proposed considered to be adequate to effectively address the issues raised in the audit report?* ▪ *Has a schedule of action to be taken been included in the annual report, with appropriate due dates?* Note that actions taken on audit issues are to be reported to the provincial legislature, the MECs for local government and finance to report on any omissions by municipalities in addressing issues. Council should confirm that the audit report has been forwarded to the MECs.
	The above applies also to the AFS of municipal entities.

An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget	The budget of the municipality must contain measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the IDP (MFMA s17(3)(b)). The accounting officer must include these objectives in the annual report and report on performance accordingly. *Has the performance met the expectations of council and the community?* *Have the objectives been met?* *What explanations have been provided for any non-achievement?* *What was the impact on the service delivery and expenditure objectives in the budget?* Council should comment and draw conclusions on performance and explanations provided.
An assessment by the municipal entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and the municipality	Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. *Has the performance met the expectations of council and the community?* *Have the performance objectives been met?* *What explanations have been provided for any non-achievement?* *What was the impact on the service delivery and expenditure objectives in the budget?* Council should comment and draw conclusions on performance and explanations provided.
Any information as determined by the municipality, the entity or its parent municipality	Review any other information that has been included in regard to the AFS.
	The above applies also to the AFS of municipal entities.
Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities	*Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity?* *What actions need to be taken in terms of these recommendations?* Conclusions on these recommendations and the actions required should be incorporated in the oversight report.

Allocations received and made	***Considerations***
Allocations received by <u>and</u> made to the municipality	The report should disclose: ▪ Details of allocations received from another organ of state in the national or provincial sphere. ▪ Details of allocations received from a municipal, entity or another municipality. ▪ Details of allocations made to any other organ of state, another municipality or a municipal entity. ▪ Any other allocation made to the municipality under Section 214(1)(c) of the Constitution. *Have these allocations been received and made?* *Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?* *Does the audit report or the audit committee recommend any action?* Council should comment and draw conclusions on information and explanations provided.

Allocations received by <u>and</u> made to the municipal entity	The report should disclose: ▪ Details of allocations received from any municipality or other organ of state. ▪ Details of any allocations made to a municipality or other organ of state. ▪ Other information as may be prescribed. *Have these allocations been received and made?* *Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?* *Does the audit report or the audit committee recommend any action?* Council should comment and draw conclusions on information and explanations provided.
Information in relation to the use of allocations received	Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include: ▪ The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects. ▪ Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1)(c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided. ▪ Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this. This information is required on all allocations excluding the municipality's portion of the equitable share and where prescribed otherwise by the nature of the allocation. The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received. *Council should be satisfied that –* ▪ *the information has been properly disclosed;* ▪ *conditions of allocations have been met; and* ▪ *that any explanations provided are acceptable.* The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.
Information in relation to outstanding debtors and creditors of the municipality and entities	Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities. It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, audit fees, and contributions for pension and medical aid funds. *Council should be satisfied that –* ▪ *the information has been properly disclosed;* ▪ *conditions of allocations have been met; and* ▪ *also that any explanations provided are acceptable.* The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.

Disclosures in notes to AFS	*Considerations relating to section 124*
Information relating to benefits paid by municipality and entity to councillors, directors and officials	Information on the following items is to be included in the notes to the annual report and AFS: • salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind; • any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors; • salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; • contributions for pensions and medical aid; • travel, motor car, accommodation, subsistence and other allowances; • housing benefits and allowances; • overtime payments; • loans and advances, and; • any other type of benefit or allowance related to staff. *Council should be satisfied that –* • *the information has been properly disclosed;* • *conditions of allocations have been met; and* • *that any explanations provided are acceptable.* The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.

Municipal Performance	*Considerations*
The annual performance reports of the municipality and entities	Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report. Questions that may be considered are – *Has the performance report been included in the annual report?* *Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?* *Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year?* *In terms of key functions or services, how has each performed? Eg. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?* *To what extent has performance achieved targets set by council?* *Is the council satisfied with the performance levels achieved?* *Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?* *What actions have been taken and planned to improve performance?* *Is the council satisfied with actions to improve performance?* *Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?* *Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?* *Taking into account the audit report and opinion and the views of the audit committee, is performance considered to be efficient and effective?* *To what extent have actions planned for the previous year been carried over to the financial year reported upon?* *Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?*

	Council should comment and draw conclusions on information and explanations provided.
Audit reports on performance	Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually. *Have the recommendations of internal audit been acted on during the financial year?* *Have recommendations by internal audit and/or the auditor-general been included in action plans to improve performance in the following year?*
Performance of municipal entities and municipal service providers	The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered. *Is the council satisfied with the evaluation and conclusions of the municipality?* *What other actions are considered necessary to be taken by the accounting officers?*
For municipal entities – an assessment of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality	This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein. Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities. *To what extent were the objectives and performance measures of the entity aligned to the overall strategic objectives of the municipality and its IDP?* *Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality?* *What specific actions should be taken by the entity and the municipality to improve performance?*

General information	***The following general information is required to be disclosed in the annual report.***
Relevant information on municipal entities	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.
The use of any donor funding support	*What donor funding has the municipality received?* *Have the purposes and the management agreements for the funding been properly agreed upon?* *Have the funds been used in accordance with agreements?* *Have the objectives been achieved?* *Has the use of funds been effective in improving services to the community?* *What actions need to be taken to improve utilisation of the funds?*
Agreements, contracts and projects under Private-Public-Partnerships	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.
Service delivery performance on key services provided	This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality,

	entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report and or in statistical tables.
Information on long-term contracts	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.
Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent with the strategic policy directions of council and needs of the community.

Other considerations recommended	
Timing of reports	*Was the report tabled in the time prescribed?* *Has a schedule for consideration of the report been adopted?*
Oversight committee or other mechanism	*What mechanisms have been put in place to prepare the oversight report?* *Has a schedule for its completion and tabling been adopted?*
Payment of performance bonuses to municipal officials	Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report. *Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?* *If so has a proper evaluation of performance been undertaken?* *Was the evaluation approved by council?* *Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?* *Are the payments justified in terms of performance reported in the annual report?* Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.

ANNEXURE B

NATIONAL TREASURY

MFMA Circular No 104

Municipal Finance Management Act No. 56 of 2003

EXTENSION TO TIMELINES FOR SUBMISSION OF ANNUAL FINANCIAL STATEMENTS, ANNUAL REPORTS, AUDITS AND RELATED MATTERS IN TERMS OF THE MFMA

1. PURPOSE

1.1 The purpose of this Circular is to provide information to municipalities, municipal entities, auditors and other stakeholders, on the Ministerial Exemption issued in terms of section 171(1)(b) of the MFMA, "*Gazette*" published on 05 August 2020. This Circular and the Exemption Notice are available and can be accessed on the MFMA webpage, using the following link http://mfma.treasury.gov.za/Pages/Default.aspx.

2. BACKGROUND

2.1 The Minister of Finance exempted municipalities and municipal entities from submitting key reports. The notice allows for a two-months delay in the submission of Annual Financial Statements, Annual Reports, Audit Opinions, Oversight reports and associated processes.

2.2 The context of this exemption flows from the Minister of Cooperative Governance and Traditional Affairs' announcement of the national state of disaster in terms of the Disaster Management Act to enable government and the country at large to manage the spread of the Covid-19 virus. Following the initial announcements of the national state of disaster, subsequent extensions and different levels were communicated.

2.3 Whilst the lockdown and restrictions have been eased over time, they are still in force and in effect with direct implications for municipalities, municipal entities, audit processes, amongst others. The lockdown impacts on the ability by municipalities and municipal entities to prepare and submit quality annual financial statements that meet the uniform norms and standards, related reports and processes to discharge their accountability towards the public and report on the utilisation of public funds.

2.4 The timing of the phased lockdown also had a knock-on effect on availability of municipal staff, which impacted on operations and added to the delays in ability to prepare AFS, undertake procedures such as the physical verification of assets, meter reading, revenue management, valuations, finalising supporting documentation and concluding reconciliations. There are similar impacts on the quality assurance processes, annual report, performance report and oversight report procedures and processes. The audit process and timelines by the Office of the Auditor-General to perform its audits, is also extended accordingly.

3. LEGISLATIVE REQUIREMENTS

3.1 The specific sections in the MFMA In terms of the MFMA, the accounting officer of a municipality must prepare the annual financial statements of the municipality or municipal entity and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing. Similarly, the accounting officer of a municipal entity must prepare the annual financial statements of the entity and within two months after the end of the financial year to which those statements relate, submit the statements to the parent municipality and the Auditor-General. This means that the 2019/20 annual financial statements must be submitted by 31 August 2020 to the Auditor-General for auditing.

3.2 In terms of section 126(1)(b) of the MFMA, all municipalities with sole or effective control of a municipal entity, must prepare consolidated annual financial statements and submit the statements to the Auditor-General for auditing, within three months after the end of the financial year to which those statements relate. This means the 2019/20 consolidated annual financial statements must be prepared and submitted by 30 September 2020.

3.3 Other provisions effected by the Ministerial Exemption include sections 127, 129 and 133 of the MFMA.

4. MINISTERIAL EXEMPTION

4.1 The effects of this Ministerial exemption are to mitigate anticipated widespread non-compliance with sections 126, 127, 129 and 133 of the MFMA due to the national state of disaster and lockdown restrictions. This provides a further two-month period to municipalities and municipal entities to comply with the MFMA to submit the AFS, annual reports, performance report and its oversight report. It also extends the period for the Office of the Auditor-General to conduct their audits and submission of the audit opinion to auditees, thereafter. This will be followed by Council Committees engagements and concluding their oversight processes.

4.2 The extension will therefore enable municipalities and municipal entities to undertake all the necessary actions, checks and reviews, to ensure that the annual financial statements fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.

4.3 In terms of the Ministerial Exemption, municipalities and municipal entities are exempted from complying with the deadlines provided in sections 126(1) and (2), 127(1) and (2) and 129(1) and 133(2) of the MFMA for a period of 2 months, as reflected in the table below. It is advised that all performance reports, required as per Section 46 of the Municipal Systems Act, be equally aligned.

No.	Action	Section	New Outer Deadline
1	The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.	Section 126(1)(a) of the MFMA	31 October 2020
2	The accounting officer of a municipality must in the case of a municipality referred to in section 122(2), prepare consolidated annual financial statements in terms of that section and, within three months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.	Section 126(1)(b) of the MFMA	30 November 2020
3	The accounting officer of a municipal entity must prepare the annual financial statements of the entity and, within two months after the end of the financial year to which those	Section 126(2) of the MFMA	31 October 2020

	statements relate, submit the statements to— a) the parent municipality of the entity; and b) the Auditor-General, for auditing.		
4	The accounting officer of a municipal entity must, within six months after the end of a financial year, or on such earlier date as may be agreed between the entity and its parent municipality, submit the entity's annual report for that financial year to the municipal manager of the entity's parent municipality.	Section 127(1) of the MFMA	28 February 2021
5	The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.	Section 127(2) of the MFMA	31 March 2021
6	The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council's comments on the annual report, which must include a statement whether the council - a) has approved the annual report with or without reservations; b) has rejected the annual report; or c) has referred the annual report back for revision of those components that can be revised.	Section 129(1) of the MFMA	31 May 2021
7	The Auditor-General must submit to Parliament and the provincial legislatures—	Section 133(2) of the MFMA	31 December 2020

	a) by no later than 31 October of each year, the names of any municipalities or municipal entities which have failed to submit their financial statements to the Auditor-General in terms of section 126; and b) at quarterly intervals thereafter, the names of any municipalities or municipal entities whose financial statements are still outstanding at the end of each interval.		

5. CONCLUSION

5.1 Municipalities and municipal entities must ensure that processes and procedures are aligned to the extended deadlines as outlined in the above table. All the necessary actions must be undertaken to ensure that quality annual financial statements and performance reports are submitted for audits by the outer due dates provided above. All municipalities and municipal entities are encouraged to submit these reports before the due dates, where possible.

6. CONTACT

National Treasury	***Private Bag X115, Pretoria 0001***
Phone	***012 315 5850***
Fax	***012 315 5230***
Email – General	***mfma@treasury.gov.za***
Website	***www.treasury.gov.za/mfma***

TV PILLAY
CHIEF DIRECTOR: MFMA IMPLEMENTATION
Date: 07 August 2020

ANNEXURE C

KOUGA
local municipality
Good Governance through Service Excellence

MPAC ANNUAL WORKPLAN

SCHEDULE OF MEETINGS: 2021/22

DATES	ACTIONS
18 March 2021	Finalizing Oversight Report and submission to Council
21 April 2021	MPAC Monthly Meeting
19 May 2021	MPAC Monthly Meeting
15 June 2021	MPAC Monthly Meeting
28 July 2021	MPAC Monthly Meeting
26 August 2021	MPAC Monthly Meeting
16 September 2021	MPAC Monthly Meeting
21 October 2021	MPAC Monthly Meeting
23 November 2021	MPAC Monthly Meeting (Annual Report)
9 December 2021	MPAC Monthly Meeting (Annual Report)
20 January 2022	MPAC Monthly Meeting
17 February 2022	MPAC Monthly Meeting
8 March 2022	MPAC Public Meeting (Jeffreys Bay)
9 March 2022	MPAC Public Meeting (Humansdorp)
10 March 2022	MPAC Public Meeting (Hankey)
17 March 2022	Finalizing Oversight Report and submission to Council
21 April 2022	MPAC Monthly Meeting
19 May 2022	MPAC Monthly Meeting
15 June 2022	MPAC Monthly Meeting

ANNEXURE D

MINUTES OF A VIRTUAL MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON WEDNESDAY, 16 SEPTEMBER 2021 AT 09:00

Present: Committee Members	Cllr B. Dhludhlu	(Chairperson)
	Cllr C. August	
	Cllr W. Coenraad	
	Cllr R. Jantjies	
	Cllr M. Van Niekerk	
	Cllr M. Peters	
	Cllr L. Vorster	
Officials	Mr C. Du Plessis	(Municipal Manager)
	Mr R. Lorgat	(CFO)
	Ms K. Moodley	(Director: Corporate Services)
	Ms N. Machelesi	(Director: Community Services)
	Mr E. Delport	(Acting Director: I&E)
	Mr D. de Jager	(Acting DMM / Manager: HR)
	Ms L. Opperman	(Manager: Legal Services)
	Ms M. Jantjies	(Committee Clerk/Scribe)
Stakeholders	Ms L. Mostert	(Public Representative)

1. **OPENING AND WELCOME**

The Chairperson read the notice convening the meeting and requested Cllr August to open the meeting with prayer. The Chairperson welcomed everyone present. The Chairperson further stated that the Supplementary item will be dealt with first.

2. **APPLICATION FOR LEAVE OF ABSENCE / ABSENT WITH APOLOGY/ ABSENT WITHOUT APOLOGY**

2.1 **ABSENT WITH APOLOGY**

Ms F. Mabusela	(Director: P,D&T)
Mr F. Jamal	(Manager: Risk &Internal Audit)

2.2 **ABSENT WITHOUT APOLOGY**

Cllr P. Nkwalase

3. **PRESENTATIONS**

None

4. **CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

4.1 Confirmation of a Municipal Public Accounts Committee meeting held on 26 August 2021.

Resolved to Recommend (16 September 2021)

1. That the minutes of the Municipal Public Accounts Committee meeting held on 26 August 2021 be confirmed.

Proposed by: Cllr L. Vorster Seconded by: Cllr C. August

5. **MATTERS FOR DISCUSSION**

21/09/MPACC1 **MPAC RESOLUTIONS – 26 AUGUST 2021**

The Chairperson stated that the three items captured on the action sheet need to be monitored by the incoming MPAC Committee.

Resolved to Recommend (16 September 2021)

1. That the updated Action Sheets reflecting resolutions of the MPAC meeting held on 26 August 2021 be noted.

21/09/MPACC2 **INSTITUTIONAL PERFORMANCE REPORT: DRAFT ANNUAL PERFORMANCE REPORT: INSTITUTIONAL SDBIP - IMPLEMENTATION SCORECARD: 2020/21 YEAR**

The Chairperson referred to Page 12, and enquired whether the overall achievement of 40.3 % is accurate. Mr Koegelenberg confirmed that the figures stated are un audited, and it will be stated as not achieved if that is the case.

The Chairperson enquired whether the relocation to the new municipal building is captured on the IDP. The Municipal Manager stated that the aim is to have the anticipated building finalized within the next three years.

The Chairperson enquired about the accuracy on page 80 and 83, under IDP 3 of the report (conversion to LED lights). The Municipal Manager explained that the score is based on available funding, which have an influence in KPI and target.

The Chairperson requested a total number of LED streetlights installed as well as the outstanding amount within the I&E department. Mr Delport confirmed that an updated report will be submitted to MPAC.

The Chairperson referred to page 20 and enquired about the spike in rental facilities. The CFO explained that payment was received from Vodacom after following up on the outstanding tower rentals. The payment of ± R 800 000 resulted in the increase of the amount. The CFO further explained that follow ups are being conducted with Cell C and MTN. The committee commended the Administration on the progress.

Resolved to Recommend (16 September 2021)

1. That the Executive Mayor notes the Municipal Manager's report on the monthly budget statements, in accordance with Section 71(1) of the Municipal Finance Management Act.

2. That the monthly budget statements accordingly be submitted to Provincial Treasury as stipulated in Section 71(1) of the MFMA.

21/09/MPACC3 **KOUGA MUNICIPALITY: FIRST DRAFT: ANNUAL REPORT (2020/2021)**

The Chairperson explained that the Financial component as well as the AG's report has not yet been received for the Annual Report.

Cllr August requested that the spelling mistake in the names of Cllrs Biko, Peters and August be corrected on page 20.

Cllr Vorster requested that the number of ward meeting dates captured on page 373 be corrected. Mr de Jager confirmed that the figures captured are in terms of the public participation unit.

The Chairperson referred to page 363 to 368 and requested that the council meetings and portfolio meetings needs to be separated and captured correctly in order to provide accurate reporting. Ms Moodley confirmed that the report will be corrected.

The Chairperson referred to page 363 and confirmed that some bucket systems have been replaced. He further requested I&E department to review and submit and updated report.

The committee further requested a breakdown of the road maintenance report. The Chairperson requested that all MPAC meetings held also be recorded in the report.

Resolved to Recommend (16 September 2021)

1. That the content of the Draft Annual Performance Report on the implementation of the 2020/21 Service Delivery and Budget Implementation Plan be noted.
2. That all relevant amends be affected and submitted to the next meeting.

21/09/MPACC4 **KRUISFONTEIN EMERGENCY ABLUTION FACILITIES OVERSIGHT: CHAIRPERSON'S REPORT**

The Municipal Manager confirmed that this is the last MPAC meeting for the term, after which council will go into recess until after the elections.

The Chairperson commended Ms Jantjies for arranging the fruitful site visit as well as the excellent secretarial assistance. He further thanked all members and officials that were able to attend on the site visit.

The Chairperson apologized for the distraction caused by some of the members of the community. Cllr Jantjies commended the Chairperson and the administration for the initiative of conducting oversight, especially in the informal settlements.

Resolved to Recommend (16 September 2021)

1. That the directorates I & E and Community Services assist and support this pilot program with co-operation from the ward committee.

2. That other containerised toilets be installed as soon as possible with full support, consultation, and co-operation from the public they serve.
3. That council note the toilets are far better than the bucket system.

4. That council note that the toilets do represent a medium-term solution but that ultimately the households as first prize need their own ablution facility in their homes.

7. **DATE OF NEXT MEETING**

To be communicated.

8. **CLOSURE**

The Chairperson thanked the Committee for their valuable input and for attending the meeting. He further commended the committee, the administration as well as Ms Jantjies for the excellent support and commitment.

Cllr August thanked everyone for the development and empowerment during her time as part of the MPAC committee.

Cllr Coenraad thanked the committee for the time spend together and wished everyone well for the future.

Cllr Jantjies thanked the leadership for the opportunity, he further commended the administration and the MPAC committee for the excellent work conducted.

Cllr Peters thanked the committee and for the opportunity to be part of the committee for the past five years. She further commended Ms Jantjies for her excellent work.

Cllr van Niekerk thanked the committee for the time in MPAC.

Ms Mostert commended the Chairperson, the administration and everyone involved in MPAC and wished them well for the future.

The Chairperson stated that he learned a lot from everyone and especially the committee for the support and commitment shown by everyone.

The meeting adjourned at 9:35.

17 February 2022

CLLR D DHLUDHLU
CHAIRPERSON

DATE

MINUTES OF A MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON WEDNESDAY, 17 FEBRUARY 2022 AT 09:00 IN THE COUNCIL CHAMBERS

Present: Committee Members Cllr J. Alexander (Chairperson)
Cllr C. August
Cllr M. Biko
Cllr R. Foley
Cllr F. Heystek
Cllr W. van der Linde
Cllr H. Murray

Officials

Mr C. Du Plessis	(Municipal Manager)
Mr R. Lorgat	(CFO)
Ms M. Rossouw	(Acting Dir: Corporate Services)
Ms N. Machelesi	(Director: Community Services)
Mr F. Jamal	(Manager: Risk &Internal Audit
Ms L. Opperman	(Manager: Legal Services)
Ms M. Jantjies	(Committee Clerk/Scribe)

1. **OPENING AND WELCOME**

The Chairperson read the notice convening the meeting and requested Ms Jantjies to open the meeting with prayer. The Chairperson welcomed everyone present and conveyed birthday wished to the CFO.

2. **APPLICATION FOR LEAVE OF ABSENCE / ABSENT WITH APOLOGY/ ABSENT WITHOUT APOLOGY**

2.1 **ABSENT WITH APOLOGY**

Cllr L. Nkilishane	
Ms F. Mabusela	(Director : PDT)
Ms K. Moodley	(Acting Director: I&E)

2.2 **ABSENT WITHOUT APOLOGY**

Cllr P. Oliphant
Cllr M. Mbandana

3. **PRESENTATIONS**

None

4. **CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

4.1 Confirmation of a Municipal Public Accounts Committee meeting held on 16 September 2021.

Resolved to Recommend (17 February 2022)

1. That the minutes of the Municipal Public Accounts Committee meeting held on 16 September 2021 be noted.

5. **MATTERS FOR DISCUSSION**

22/02/MPACC1 **OUTSTANDING MPAC RESOLUTIONS – 2021**

The Chairperson requested the Municipal Manager to give verbal feedback on the item. The Municipal Manager confirmed that all the resolutions listed has been attended to.

Resolved to Recommend (17 February 2022)

1. That the updated Action Sheets reflecting MPAC resolutions of 2021 be noted.

22/02/MPACC2 **MID-YEAR FINANCIAL REPORT FOR THE PERIOD JULY TO DECEMBER 2021 AND ASSESSMENT OF THE MUNICIPALITY'S FINANCIAL POSITION AS AT 31 DECEMBER 2021 (2021/22 FINANCIAL YEAR**

The CFO stated that the Adjustment Budget are being finalized.

Resolved to Recommend (17 February 2022)

1. That the Municipal Manager's report on the Mid-year Budget and Performance Assessment of the municipality, in accordance with Section 72(1)(a) of the MFMA, be noted.

2. That the Executive Mayor's report on the implementation of the budget and the financial state of affairs of the municipality, in accordance with Sections 52(d), 54(1)(f) and 72 of the MFMA, be noted.

1. That an Adjustments Budget, based on the realistically anticipated revenues, in line with section 18 of the MFMA, be tabled by the Executive Mayor to the Council.

2. That the 2021/22 Adjustments Budget be tabled by the Executive Mayor to the Council, not later than 28 February 2022.

3. That the Mid-year report accordingly be submitted to National Treasury and Provincial Treasury, in line with Section 72(1) (b) of the MFMA.

22/02/MPACC3 **MID-YEAR INSTITUTIONAL PERFORMANCE REPORT: 2021/22 FINANCIAL YEAR: PERIOD 1 JULY 2021 TO 31 DECEMBER 2021**

Resolved to Recommend (17 February 2022)

1. That MPAC consider the content of the Mid-year Institutional Performance Report on the implementation of the 2021/22 Service Delivery and Budget Implementation Plan for the period 1 July 2021 to 31 December 2021 with a view of make submissions in this regard to Council.

22/02/MPACC4 **KOUGA MUNICIPALITY: DRAFT ANNUAL REPORT (2020/2021): PRELIMINARY REVIEW BY COGTA**

Resolved to Recommend (17 February 2022)

1. That the Municipal Public Accounts Committee take into account the COGTA preliminary assessment of the 2020/21 Annual Report as part of the oversight process.

22/02/MPACC5 **KOUGA MUNICIPALITY: DRAFT ANNUAL REPORT (2020/2021): PRELIMINARY REVIEW BY COGTA**

Resolved to Recommend (17 February 2022)

1. That the Municipal Public Accounts Committee in terms of the provisions of Section 129 of the Local Government Municipal Finance Management Act 56 of 2003 prepare an Oversight Report on the 2020/21 Annual Report for Kouga Municipality.

6. **DATE OF NEXT MEETING**

To be communicated.

7. **CLOSURE**

The Chairperson thanked the Committee for their valuable input and for attending the meeting. He further requested all members to submit their inputs in writing to the scribe for inclusion in the Oversight Report.

The meeting adjourned at 9:40.

23 March 2022

CLLR J. ALEXANDER
CHAIRPERSON

DATE

MINUTES OF A MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING HELD ON FRIDAY, 18 MARCH 2022 AT 09:30 IN ROOM 30 AT THE WOLTEMADE BUILDING

Present: Committee Members	Cllr J. Alexander (Chairperson)	
	Cllr C. August	
	Cllr M. Biko	
	Cllr R. Foley	
	Cllr W. van der Linde	
	Cllr H. Murray	
	Cllr L. Nkilishane	
	Cllr M. Mbandana	
Officials	Ms L. Opperman	(Manager: Legal Services)
	Mr N. Swarts	(Manager: Assets)
	Ms M. Jantjies	(Committee Clerk/Scribe)
Stakeholders	Ms L. Mostert	(Public Representative)
	Adv A. Klopper	(Public Representative)

1. **OPENING AND WELCOME**

The Chairperson read the notice convening the meeting and requested Mr Swarts to open the meeting with prayer. The Chairperson welcomed everyone present and expressed a warm welcome to Ms Mostert and Advocate Klopper as the newly appointed public representatives of MPAC.

2. **APPLICATION FOR LEAVE OF ABSENCE / ABSENT WITH APOLOGY/ ABSENT WITHOUT APOLOGY**

2.1 **ABSENT WITH APOLOGY**

Cllr F. Heystek	
Mr C. Du Plessis	(Municipal Manager)
Mr D. de Jager	(Acting : Deputy Municipal Manager)
Mr R. Lorgat	(CFO)
Ms F. Mabusela	(Director : PDT)
Ms M. Rossouw	(Acting Dir: Corporate Services)
Ms N. Machelesi	(Director: Community Services)
Mr F. Jamal	(Manager: Risk &Internal Audit

2.2 **ABSENT WITHOUT APOLOGY**

Cllr P. Oliphant

3. **PRESENTATIONS**

None

4. **MATTERS FOR DISCUSSION**

The Chairperson explained that the CFO submitted an apology, and that Mr Swarts will be standing in for him. Cllr Nkilishane further requested to be recused at 10h00, due to a prior arrangement.

Cllr August stated that the absenteeism of officials as well as MPAC members needs to be addressed as a matter of urgency. Cllr Mbandana also expressed his disappointment in all the apologies received from the Directors as well as other officials.

The Chairperson requested the scribe to forward the attendance registers of the previous meetings, in order to determine whether consequence management can be instituted against any of the committee members. He further mentioned that this is the third meeting that Cllr Oliphant is absent without an apology, and that the matter will be dealt with accordingly.

The Chairperson requested Ms Opperman to explain the disciplinary procedure in case of absenteeism. Ms Opperman explained that if a member of the committee is absent in three consecutive meetings, the Speaker's office must be contacted and further submitted to the Rules and Ethics committee for investigation.

Cllr Nkilishane stated that the Directors always submit apologies for MPAC, which proves that they are not taking the functioning of MPAC serious.

22/03/MPACC1 **KOUGA MUNICIPALITY: FIRST DRAFT OVERSIGHT REPORT (2020/2021):**

Mr Koegelenberg stated that the figures changed after the audited Annual Financial Statement (AFS) were submitted. Cllr Foley alluded to **pages 74** and **220** and stated that the MIG grant expenditure is a serious matter that requires urgent attention.

Mr Koegelenberg explained that **pages 74** and **220** is part of I&E directorate and all relevant information was not submitted, which will cause non-alignment.

Cllr van der Linde proposed that Mr Koegelenberg must prepare the Annual Report in collaboration with MPAC.

Cllr van der Linde requested that the table on **Page 64** be corrected and requested clarity on **Page 204** in terms of whether the expenditure of R 7 601 032 mentioned, is correct.

Cllr van der Linde requested Ms Opperman to submit a written explanation on the Spit and SRA.

The Committee requested that a detailed report of all outstanding creditors be submitted to MPAC, including a report on how much electricity is bought from Eskom and how much is sold, as well as water.

The committee raised a concern about the current KPI's and a proposal was made that it urgently be relooked. Mr Koegelenberg stated that the Draft SDBIP will also be submitted to Council.

Ms Mostert raised a concern over the amount of illegal buckets, and how they are being serviced. She further enquired why the municipality is employing so many temporary workers.

Cllr August stated that the function of MPAC is not a witch hunt, but it is for the betterment of the institution.

On **Page 243**, Cllr Foley expressed his concern that 41% of the MIG grant was spent. He also noted with concern the fact that no corrective measures are mentioned.

Cllr Foley enquired whether the municipality lost unspent MIG funds. On **Page104**, The accuracy of the information on cemeteries was questioned, as the Annual Report states that BB Keet cemetery is full, but funerals are still conducted at the funeral. Community Services submitted a written response stating that the cemetery are indeed full, only reserved plots are available.

On **Page 114**, the report states that during the FY of 2019/20, 73 chemical tests were conducted on water, and during the FY of 2020/21 only 4 tests were conduted. The committee requested an explanation on the decline of tests being conducted.

Resolved to Recommend (18 March 2022)

1. The content of the MPAC Oversight Report on the 2020/21 Annual Report is self-explanatory and is not duplicated of summarized in this report

5. **DATE OF NEXT MEETING**

21 April 2022

6. **CLOSURE**

The Chairperson thanked the Committee for their valuable input and for attending the meeting.

He further explained that a list of historical recommendations was submitted to the office of the Municipal Manager. The Chairperson stated that the Municipal Manager struggled to get information from the different directors, which is a big concern.

Cllr Murray stated that the role of MPAC needs to be taken more serious by officials. He further reminded the committee about the confidentiality of information shared in MPAC meetings.

The meeting adjourned at 12:50.

23 March 2022

CLLR J. ALEXANDER
CHAIRPERSON

DATE

ANNEXURE E

KOUGA MUNICIPALITY (EC108)

NOTICE NUMBER: 31/2022

DRAFT ANNUAL REPORT

Notice is herewith given in terms of Section 127 of the Municipal Finance Management Act, 56 of 2003 that the Council of Kouga Local Municipality at its meeting held on 31 January 2022, adopted the 2020/21 Draft Annual Report.

The report will be available for public scrutiny and comments on the following platforms: • Kouga Municipal Offices and Libraries (Jeffreys Bay, Humansdorp, St Francis Bay, Hankey and Patensie) during normal office hours from Thursday 17 February 2022.

- Municipal Website at www.kouga.gov.za
- Email at pms@kouga.gov.za

Members of the public and interested parties are invited to submit written comments on the 2020/21 Draft Annual Report, comments to reach the Office of the Municipal Manager by no later than 12:00 pm on Friday 4 March 2022.

Written comments may also be submitted per e-mail to pms@kouga.gov.za on or before 12:00 pm on Friday 4 March 2022.

In terms of the provisions of Section 21 of the Municipal Systems Act, 32 of 2000, community members who are not able to read or write and have inputs and comments may request assistance at their respective Ward Councillor's office which will enable them to make such submissions.

All comments submitted must be clearly marked:

COMMENTS ON THE 2020/2021 DRAFT ANNUAL REPORT

C. DU PLESSIS

MUNICIPAL MANAGER

P.O. Box 21

JEFFREYS BAY

6330

For Placement

Municipal Website and Notice Boards

Kouga Express

17 February 2022

ANNEXURE F

KOUGA AUDIT COMMITTEE MEMBERS

The audit committee was re-appointed by the Council on 28 June 2019 in terms of the MFMA no. 56 of 2003. The audit committee consisted of the following independent external members:

MEMBER	NUMBER OF MEETINGS ATTENDED
J Blignaut (Chair)	3
RD Coetzer	5
Y Ngqele	5

The audit committee endeavors to meet at least four times per annum as per its approved terms of reference, although additional special meetings may be called as the need arises.

The Audit Committee Charter was signed by myself and Municipal Manager on 30 April 2021.

Besides the Kouga Audit Committee members, the meetings were also attended at various times by:

The Mayor
The Municipal Manager
The chief Financial Officer
Director: Administration, Monitoring & Evaluation
Director: Infrastructure, Planning & Development
Director: LED, Tourism & Creative Industries
Director: Social Services
Manager: Performance Management
Manager: Risk and Internal Audit
Representatives from the Auditor General's office

Details of meetings

DATE	ATTENDANCE	ATTENDANCE	ATTENDANCE
MEMBER	Mr. Y Ngqele	Mr. J Blignaut (Chair)	Mr. RD Coetzer
21/09/2020	X	X	X
06/10/2020	X	X	X
24/11/2020	X	X	X
25/03/2021	X		X *
24/06/2021	X		X*

*Mr Coetzer was Acting Chairman for these meetings.

MATTERS TO BE TAKEN COGNISANCE OF

The Municipal Manager has made great strides in performing Performance assessments.
All Performance Reporting has also been reviewed by Internal Audit.

ITEMS THE AUDIT COMMITTEE REPORTS ON IN THIS REPORT

- INTERNAL FINANCIAL CONTROL
- RISK MANAGEMENT
- ACCOUNTING POLICIES
- EFFECTIVE GOVERNANCE
- PERFORMANCE MANAGEMENT AND EVALUATION
- ADEQUACY AND RELIABILITY OF FINANCIAL REPORTING
- COMPLIANCE WITH LEGISLATION
- RESPONDING TO MATTERS RAISED IN THE AUDIT REPORT OF THE AUDITOR GENERAL
- REVIEW OF ANNUAL FINANCIAL STATEMENTS

1. INTERNAL FINANCIAL CONTROL

- Budgetary control has improved significantly year on year

The monthly budget reports prepared by the CFO are relevant, concise and user friendly, enabling users to understand the financial position and performance.

Internal Audit performed various reviews during the year under review including some follow up reviews.

It has also updated the risk register and appears to be functioning effectively.

2. RISK MANAGEMENT

The Committee has received regular reporting on Risk Register.

The risk identified on the risk management plan require further action from the municipality in order to improve the control environment and functioning of the internal control system, so that risks are mitigated or reduces to acceptable levels.

The improvement of the Performance Management System should improve risk assessment and management.

3. ACCOUNTING POLICIES

No significant changes in accounting policies were identified.

4. EFFECTIVE GOVERNANCE

In my opinion, oversight and leadership by management has improved significantly.

5. PERFORMANCE MANAGEMENT AND EVALUATION

This function is much improved and functioning effectively.

6. ADEQUACY AND RELIABILITY OF FINANCIAL REPORTING

The municipality appointed a well-qualified CFO during the 2019/2020 year and financial management and reporting has improved.

We wish to highlight the importance of retaining supporting evidence and records any transaction and the continued focus on key controls to ensure the validity accuracy and completeness of financial reporting.

7. COMPLIANCE WITH LEGISLATION

We have seen an improvement in the overall compliance with legislation.

8. RESPONDING TO MATTERS RAISED IN THE AUDIT REPORT OF THE AUDITOR GENERAL

Historical Unauthorized expenditure has been condoned by the council. We are not aware of other matters.

9. REVIEW OF ANNUAL FINANCIAL STATEMENTS

We have reviewed the draft Annual Financial Statement and await Internal Audit's review of the Draft Financial statements. The Performance of the municipality appears to have improved in overall liquidity.

CONCLUSION

Although the municipality has made great strides towards improved service delivery and accountability, there is still a lot of hard word, leadership and commitment required for the municipality to achieve the objectives set for the future.

The Audit committee will increase its focus on advising the Municipality with regard to compliance with laws and regulations and Risk management going forward.

The Kouga audit committee would like to thank the management of the Kouga Local Municipality, and the office of the auditor-general for the good working relationship and positive atmosphere within which our meetings are being conducted.

RD COETZER

Chairperson, Kouga Audit Committee

29 July 2021