



# ANNUAL REPORT OVERSIGHT REPORT 2019/2020

The Oversight Report is based on the Annual Report 2019/2020 and is drafted and submitted in accordance with the Municipal Finance Management Act (MFMA), no 56 of 2003

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## 1. INTRODUCTION

The annual report is a key instrument of transparent governance and accountability. 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 instance 2019/2020. The adoption of an Annual Report is a legislated requirement in terms of the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA).

## 2. PURPOSE

The purpose of this report is to present to Council for adoption, the final Annual Report for 2019/2020 as well as the Oversight Report on the Annual Report as required in terms of Section 129 of the MFMA.

## 3. LEGAL FRAMEWORK

Herewith an extract from key legislative requirements as per the Local Government: Municipal Finance Management Act, Act 56 of 2003 (MFMA) relating to the Annual Report:-

### ***121. Preparation and adoption of annual reports.***

- (1) *Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this Chapter. The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.*
- (2) *The purpose of an annual report is—*
  - (a) *to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;*

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- (b) *to provide a report on performance against the budget of the municipality or municipal entity for that financial year; and*
- (c) *to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.*

## **127. Submission and tabling of annual reports**

- (3) *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.*

## **129. Oversight reports on annual reports**

- (1) *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.*

## **4. BACKGROUND**

The 2019/2020 Annual Report was tabled to Council on 31 March 2021, reporting on the municipality's performance for the period 01 July 2019 until 30 June 2020.

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By doing so, Council complied with section 127 (2) of the MFMA, which stipulates that the Executive Mayor must table the Annual Report within 7 months after the end of the financial year i.e. by the end of March 2021.

Furthermore, the Council of Cederberg Municipality is required to engage with and finalize the Annual Report within 9 months after the end of the financial year, which is before 31 May 2021.

## **4.1. 2019/2020 ANNUAL REPORT CONSULTATION AND ADOPTION PROCESS BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**

In terms of Council Resolution, a Municipal Public Accounts Committee (MPAC) was established in terms of Section 79 of the Structures Act, 1998. In terms of the Terms of Reference of this Committee it is, inter alia, responsible to perform oversight over the process of preparing the Annual Report of Council and to produce an Oversight Report based on the Annual Report.

MPAC currently consists of the following members.

- i) Cllr E.Majikijela (Chairperson)
- ii) Cllr. F Sokuyeka

## **4.2. OVERSIGHT REPORT**

The adoption of the Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA required the Council to consider the annual reports of its municipality and to adopt an Oversight Report containing the Council's comments.

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 reviewed.

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National Treasury issued Circular 32 on March 2006 on the preparation of Oversight Reports and provides guidelines on the processes to be followed in the adoption of the Oversight Reports to which this report conforms.

The Oversight Report is a separate product from the Annual Report. The Annual Report is submitted to the Council by the Accounting Officer and the Executive Mayor and is part of the process for discharging accountability by the Executive and Administration for their performance in achieving objective goals set by the municipality in the financial year under review. The Oversight Report follows consideration and consultation on the Annual Report and is considered a report of the municipal council.

### **4.3. ADOPTION AND PUBLIC CONSULTATION PROCESS**

The draft Annual Report 2019/2020 was tabled to Council on 31 March 2021 in compliance with the Municipal Finance Management Act (MFMA), no 56 of 2003 which requires under Section 127(2) that:

*“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.”*

The draft Annual Report 2019/2020 was made public on the municipal website within five (days) and within seven (7) days notified the local community after it was approved by Council in March 2021.

Members of the community and other stakeholders were invited to submit written comments/inputs into the Draft Annual Report. In addition, the Draft Annual Report 2019/2020 was also made available at all municipal offices, libraries and municipal website.

The Annual Report was furthermore also submitted in terms of Section 127(5)(b) to the Auditor General of South Africa, Provincial Treasury (Western Cape) and the Department of Local Government (Western Cape).

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The closing date for public comments was on 30 April 2021. No submissions from the public or other institutions were received.

The process of the finalization and approval of the 2019/2020 Annual Report is set out in the table below:

<b>ACTIVITY DESCRIPTION</b>	<b>PROVIDE FOR BY</b>
Preparation of annual financial statements of the municipality and submission to the Auditor General	MFMA Section 122(1)(2)
Receipt of final report from Auditor General	MFMA Section 126(3)(b)
Tabling of Annual Report in Council by Executive Mayor	MFMA Section 127(2)
Allowing for comment by Community and relevant state organs	MFMA Section 127(5)(a) & (b)
Corrective actions to AG's opinion formulated and tabled in Council	MFMA Section 121(3)(g)
Consideration and adoption of Annual Report and Oversight Report	MFMA Section 129(1)
Submission of Annual Report and Oversight Report to AG, Provincial Treasury and MEC: Local Government	MFMA Section 129(2)(b)
Communication of final Annual Report and Oversight Report (website, hard copies and other mediums)	MFMA Section 129(3)

#### **4.4. MATTERS DISCUSSED BY MPAC ON 24 MAY 2021**

MPAC met on 24 MAY 2021 to discuss and consider the adoption of the 2019/2020 Annual Report. The Committee discussed the following aspects of the report.

##### **4.4.1. Audit Report**

###### **Opinion**

###### Paragraph 2:

In my opinion the financial statements present fairly, in all material respects, the financial position of the Cederberg Municipality as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with

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the South African Standards of Generally Recognised Accounting Practice(SA Standards of GRAP) and the requirements of the Municipal Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa,2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa,2016 (Act NO. 3 of 2016) (DoRA).

## Report on the audit of the annual performance report

### Paragraph 18:

In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

### Paragraph 20:

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the municipality's annual performance report for the year ended 30 June 2020:

Strategic Objective	Pages in the annual performance report
Strategic Objective 1: Improve and sustain basic service delivery and infrastructure development.	10 – 14

### Paragraph 22:

I did not identify any material findings on the usefulness and reliability of the reported performance information for this strategic objective:

- Strategic objective 1: Improve and sustain basic service delivery and infrastructure development.



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## Report on the audit of compliance with legislation:

### Paragraph 26:

In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipality's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

### Paragraph 27:

The material findings on compliance with specific matters in key legislation are as follows:

## **Expenditure Management**

### Paragraph 28:

Money owned by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.

### Paragraph 29:

The Water Services Infrastructure Grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 17 (1) of the Division of Revenue Act 1 of 2018.

## **Procurement and Contract Management**

### Paragraph 30:

Some of the goods and services of a transaction value above R 200 000 were procured without inviting competitive bids, as required by the Municipal Supply Chain Regulations 2005 (SCM), regulation 19(a).

### Paragraph 31:

Competitive bids were adjudicated by a bid adjudication committee that was not composed in accordance with SCM regulation 29(2).

#### **4.4.2. OPCAR (OPERATION CLEAN AUDIT REPORT)**

Attached OPCAR which was presented to the Audit Committee.

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## 5. CONCLUSION

As Chairperson of the MPAC I would like to thank the MPAC Committee Members, the Executive Mayor and Mayoral Committee, the Municipal Manager and Executive Management Team, as well as the various contributors to the Annual Report 2019/2020 for their diligence and constructive commitment during the oversight period.

The MPAC is satisfied that the 2019/2020 Annual Report provides an accurate overview of the process of financial and non-financial performance during the period under review and therefore would like to recommend the adoption thereof.

## 6. RECOMMENDED RESOLUTION TO BE ADOPTED BY COUNCIL

In accordance with Section 129(1) of the MFMA it is **RECOMMENDED** to Council:-

1. That Council, having fully considered the Oversight Report from MPAC on the Annual Report 2019/2020 of Cederberg Municipality, **ADOPTS** the Oversight Report.
2. That Council, having fully considered the Final Annual Report 2019/2020, attached hereto, **ADOPTS** the Annual Report 2019/2020 without any reservations;
3. That the Oversight Report 2019/2020 be made public in accordance with Section 129(3) of the MFMA, and;
4. That the Oversight Report on the Annual Report 2019/2020 be submitted to the Provincial Legislature in accordance with Section 132(2) of the MFMA.

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**CLLR. Cllr E. MAJIKIJELA**

**CHAIRPERSON:**

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)**

ANNEXURE

# Annual Report Oversight Report 2019/2020

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Annexure A: Final Annual Report 2019/2020