



ANNUAL REPORT OVERSIGHT REPORT 2015/2016

The Oversight Report is based on the Annual Report 2015/2016 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 2015/2016. 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).

1.1. PURPOSE

The purpose of this report is to present to Council for adoption, the final Annual Report for 2015/2016 as well as the Oversight Report on the Annual Report as required in terms of Section 129 of the MFMA.

2. ANNUAL REPORT 2015/2016

2.1. 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.*

2.2. BACKGROUND

The 2015/2016 Annual Report was tabled to Council on 08 December 2016, reporting on the municipality's performance for the period 01 July 2015 until 30 June 2016.

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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 January 2017.

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 March 2017.

3. 2015/2016 ANNUAL REPORT CONSULTATION AND ADOPTION PROCESS

3.1. 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. J Meyer (Chairperson)
- ii) Cllr. F Sokuyeka
- iii) Cllr. E Majikejela

3.2. 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

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- Has referred the annual report back for revision of those components that can be reviewed.

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.

3.3. ADOPTION AND PUBLIC CONSULTATION PROCESS

The draft Annual Report 2015/2016 was tabled to Council on 08 December 2016 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 2015/2016 was made public on the municipal website within five (days) and within seven (7) days in the local newspaper after it was approved by Council in December 2016.

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 2015/2016 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 20 January 2017. No submissions from the public or other institutions were received.

The process of the finalization and approval of the 2015/2016 Annual Report is set out in the table below:

ACTIVITY DESCRIPTION	PROVIDE FOR BY
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)

3.4. MATTERS DISCUSSED BY MPAC ON 09 JANUARY 2017

MPAC met on 09 January 2017 to discuss and consider the adoption of the 2015/2016 Annual Report. The Committee discussed the following aspects of the report.

3.4.1. Audit Report

Paragraph 6:

In my opinion the financial statements present fairly, in all material respects, the financial position of the Cederberg Municipality as at 30 June 2016 and its

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financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Financial Sustainability:

As disclosed in note 57 to the financial statements the municipality had adverse key financial ratios, such as creditor's payment period and current assets to current liabilities. These conditions, along with other matters, indicate the existence of a material uncertainty that may cast significant doubt on the municipality's ability to operate as a going concern.

Adjustment of material misstatements:

I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information for objectives (c): implement strategies to ensure that the municipality is viable and objective (e): sustainable basic service delivery and infrastructure development. As management subsequently corrected the misstatements, I did not identify material findings on the usefulness and reliability of the reported performance information.

Procurement and contract management:

Goods and services of a transaction value above R 200 000 were procured without inviting competitive bids, as required by SCM regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

3.4.2. OPCAR

Overview of OPCAR 2015/2016:

Number of Findings: 17

Finance Treasury related findings: 7

Performance Management / Annual Report: 3

Internal Audit and Committee: 2

Corporate: 5

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Findings:

- Expenditure Management
- Human Resource Management
- Performance Management
- Internal Controls
- Information Technology Governance
- Internal Audit
- Audit Committee
- SCM
- Good Governance

4. 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 2015/2016 for their diligence and constructive commitment during the oversight period.

The MPAC is satisfied that the 2015/2016 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.

5. 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 on the Annual Report 2015/2016 of Cederberg Municipality, **ADOPTS** the Oversight Report.
2. That Council, having fully considered the Final Annual Report 2015/2016, attached hereto, **ADOPTS** the Annual Report 2015/2016 without any reservations;
3. That the Oversight Report 2015/2016 be made public in accordance with Section 129(3) of the MFMA, and;

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4. That the Oversight Report on the Annual Report 2015/2016 be submitted to the Provincial Legislature in accordance with Section 132(2) of the MFMA.



CLLR. J MEYER

CHAIRPERSON:

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

ANNEXURE

Annexure A: Final Annual Report 2015/2016