

**ITEM: MPAC 01 03/2022**

**OFFICE OF THE MUNICIPAL MANAGER: DRAFT ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2021**

**(10/2/1/1) (GR) (MPAC MEETING: 08 MARCH 2022)**

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**The Manager: Communications reports as follows:**

In compliance with the legislative requirements set out in the Municipal Systems Act, 32 of 2000, and the Municipal Finance Management Act 56 of 2003, an annual report must be prepared and approved by Council.

The annual report must:

- Provide a record of the activities of the municipality during the prior financial year
- Provide a report on performance both financially and organizationally against the budget during the prior financial year
- Promote accountability to the local community for decisions made throughout the year by the municipality.

**The annual report must include:**

- Annual financial statements of the municipality as submitted to the Auditor-General for audit
- The Auditor-General's audit report on those financial statements
- The annual performance report of the municipality
- The Auditor-General's performance audit report in terms of section 45(b) of the Municipal Systems Act
- An assessment by the Accounting Officer (Municipal Manager) of any arrears on municipal taxes and service charges
- An assessment by the Accounting Officer of the municipality's performance against measurable performance objectives set up in the budget and Service Delivery and Budget Implementation Plan (SDBJP) by revenue source and expenditure vote
- Corrective action taken or to be taken in response to both the Auditor-General's financial audit and performance audit
- Clarification of issues in connection with the financial statements
- Recommendations by the municipality's audit committee

The draft annual report for 2020/21 is ***Bound separately***.

**The MFMA Circulars no. 11** is attached as Annexure 1, **32** Annexure 2, and **63** as Annexure 3.

Also included are the inputs from the Audit, Performance and Risk Committee (***Bound separately***).

Following its tabling (**annual report**) to Council, the report will be made public for input.

Simultaneously, the report will further be referred to the audit, performance and risk committee and the MPAC.

The Council must consider the annual report within two months of it being tabled. The report will then be submitted to the Auditor-General, Provincial Treasury, National Treasury and Department of Cooperative Governance, Human Settlement and Traditional Affairs.

**The Municipal Manager in consultation with the Manager: Communications recommends as follows:**

### **RECOMMENDATIONS**

- 1. MPAC considers the draft annual report for 2020/21 financial year.**
- 2. MPAC prepares an oversight report on the 2020/21 annual report.**

### **RECOMMENDATIONS TO COUNCIL**

- 1. The MPAC is satisfied with the draft annual report tabled.**
- 2. Council to consider the MPAC oversight report jointly with the Audit, Performance and Risk Committee report on the annual report for the comprehensive oversight report. (*Refer to the APRC report*)**
- 3. Council to approve the 2020/21 draft annual report without reservations.**

### **RESOLVED**

- 1. Council is satisfied with the draft annual report tabled.**
- 2. Council noted and read the MPAC oversight report and the Audit, Performance and Risk Committee report on the annual report together and approved both reports as the oversight report.**
- 3. Council approved the 2020/21 draft annual report without reservations.**

# **FRANCES BAARD DISTRICT MUNICIPALITY**



## **MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) OVERSIGHT REPORT ON THE 2020/2021 ANNUAL REPORT**

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## **1. INTRODUCTION**

In accordance with the provisions of Section 79 (1) (a) (b) and (c) of the Municipal Structures Act 117 of 1998 as amended, a municipality may establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers and appoint the members of such committee from among its members. Furthermore Section 79 (2) of the Municipal Structures Act, 1998 provides the framework and guidelines within which such committees of council shall operate.

During the 2009 Association of Public Accounts Committee (APAC) Conference a resolution was taken stating that the Conference supports the establishment of Municipal Public Accounts Committees (MPACs) in each municipality in the country as part of improving financial management and accountability at local level.

Thus, in order to enhance, promote and consolidate the oversight role of the Council over the executive, the Department of Cooperative Governance, Human Settlements and Traditional Affairs having consulted the National Treasury and SALGA, has instructed that all municipalities to establish MPACs. The focus of the MPAC will be to assist Council to hold the executive to account and to ensure the effective and efficient use of municipal resources.

The 2020/2021 annual report was tabled to Council on 15 December 2021 in compliance with Section 127 (2) of the Municipal Finance Management Act, 56 of 2003.

## **2. MPAC COMMITTEE**

An MPAC Committee was established by Council resolution COUN 01 11/11 in 2011/2012 in terms of section 79 of the Municipal Structures Act, 117 of 1998 as amended. The current Committee consists of:

Cllr I Ruiter	MPAC Committee (Chairperson)
Cllr JG Diphahle	Policy & Institutional Development Committee
Cllr TG Diloke	Infrastructure Development Committee
Cllr TM van Wyk	Social Development Committee
Cllr RV Raphoto	Policy & Institutional Development Committee
Cllr M Kaars	Social Development Committee
Cllr TE Joubert	Planning and Development Committee
Cllr EK Adams	Planning and Development Committee
Cllr E Davies	Social Development Committee

The MPAC Committee met on Tuesday, 08 March 2022 to consider the annual report. The committee considered the draft annual report for 2020/2021 according to a checklist provided by National Treasury in MFMA Circulars No. 11, 32 and 63 for this purpose. This report details the findings of the committee.

### 3. REVIEW / ANALYSIS OF ANNUAL REPORT

#### 3.1 Review of inputs

- MPAC is satisfied with the draft annual report as it highlights both the financial and non-financial performance of the municipality.
- No public inputs were received by the municipality in response to the invitation for comments on the draft annual report for 2020/2021 placed in a local newspaper on 17 December 2021 and the FBDM website. The draft annual report was reviewed by the audit, performance and risk committee.

#### 3.2 Observations as guided by the Audit, Performance & Risk Committee report

##### 3.2.1 Correlation of information with audited financial statements

Internal audit must make sure that the information put forward or referenced in the book is aligned with the audited financial statements.

##### 3.2.2 Remarks

- The use of the word volume to separate the book in two parts is not used accurately as a volume refers to an actual book. Consideration should be given to rename the sections as “Part 1” and “Part 2”.
- Numbering of the annual financial statements should be aligned to the numbering of the annual report, as it is now included as a section in the book. Once the numbering has been corrected it should be re-submitted to the Office of the Auditor-General for approval before printing of the book.

##### 3.2.3 Areas to be revised:

<u>Page 9:</u> The municipal manager’s overview, paragraph 4, the first sentence.	The words “audited us” has been repeated and must be removed.
<u>Page 21:</u> The audit performance and risk committee report.	The audit committee report has a different font from the rest of the book. The report must be adjusted to conform to the rest of the book.
<u>Page 72 &amp; 84:</u> The tables referring to the municipal institutional performance report (pg. 72) and the year-on-year comparison report (pg. 84)	The text in the tables is not legible because of the size of the font. The tables need to be adjusted to improve legibility.
<u>Page 106:</u> The heading “Statement of financial performance”.	The heading should be revised to read as “Summary of financial performance”
<u>Page 118:</u> The heading of the chapter “Auditor-General Findings”	The word “findings” is used incorrectly. The heading should be changed to read as “Auditor-General Report”
<u>Page 129:</u> Appendix E, the words “none declared”	Replace with “nil/none”
<u>Page 130:</u> The chief financial officer position is indicated as vacant	The details of the acting CFO should be included

#### **4. COMMENDATIONS**

The Committee wish to commend the management of the municipality for:

- Maintaining its clean audit record; and
- The effort that went into compiling the annual report.

#### **5. RECOMMENDATION**

The Committee recommends that Council approves the 2020/21 annual report without reservations, with the corrections as indicated by the audit, performance and risk committee.

**- End -**