

6. SUBMISSION OF THE DRAFT UNAUDITED ANNUAL REPORT FOR THE FINANCIAL YEAR 2016/17

5/15/1/1

R Louw

14 August 2017

(028) 313 8071

Corporate Head Office

1. Executive Summary

The purpose of this report is to present the draft unaudited Annual Report, for the 2016/17 financial year to Council.

2. Service Delivery and Budget Implementation Plan Reference: IGNITE

Directorate: Management Services
Strategic Planning

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

Section 46 of the Local Government: Municipal Systems Act 2000 (Act 32 of 2000) (MSA)

Section 121 of the Local Government: Municipal Finance Management Act 2003 (Act 56 of 2003) (MFMA)

6. Background/Discussion

In terms of the above legislation a Municipality must prepare an annual report for each financial year. Some of the key purposes of the annual report are:

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

The annual report provides an authoritative record of the activities and performance of the municipality for each financial year. In time it will serve as a key historical record on each municipality, revealing the progress, growth and development of municipal services and performance.

The MFMA requires that the annual report of a municipality must include the following:

- the annual financial statements
- in addition, where a municipality has sole or effective control of a municipal entity, the consolidated annual financial statements
- the Auditor-General's audit report on the financial statements
- any explanations that may be necessary to clarify issues in connection with the financial statements
- an assessment by the accounting officer on any arrears on municipal taxes and service charges
- particulars of any corrective action taken or to be taken in response to issues raised in the audit reports
- other information as determined by the municipality or entity or as may be prescribed
- any recommendations of the audit committee.

The format of the consolidated report will be as follows:

Chapter 1: Mayor's Foreword and Executive Summary

Chapter 2: Governance

Chapter 3: Service Delivery Performance

Chapter 4: Organisational Development Performance

Chapter 5: Financial Performance

Chapter 6: Auditor-General Findings

National Treasury in September 2012 issued MFMA Circular 63- Annual Report-update that amongst other aims to expedite the timelines for producing the Annual Report.

Circular 63 states:

“Timelines for producing the Annual Report

The Annual Report of a municipality and every municipal entity must be tabled in the municipal council on or before 31 January each year (MFMA S127). In order to enhance oversight functions of Councils, please note that this must be interpreted as an outer deadline; hence municipalities must submit the Annual Reports as soon as possible after year end, namely, August. The entire process is concluded in the first or second week of December for all municipalities, the same year in which the financial year ends and not a year later, as is currently the case. The activities, implications, process/role-player and timeframes are described below for ease of reference and implementation.

It is expected that effective management of performance will also result from this change.

| Activity | Legislation and Guidance | Process Owner Role Player | Timeframe |
|--|--|--|------------------|
| Consideration of next financial year's Budget and IDP process plan. In-year reporting formats should ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the beginning of the Budget / IDP implementation period | MSA S41(1)(e) | MM Assisted by other s56 managers & the CFO | July |
| Implementation and monitoring of approved Budget and IDP through the approved SDBIP commences (In-year financial reporting and quarterly performance reports). | MSA S41(1)(e) | MM Assisted by other s56 managers & The CFO | |
| Finalise 4th quarter report of previous financial year | MFMA S52(d) | MM Assisted by other s56 managers & CFO | |
| Submit draft previous financial year Annual Report and evidence to Internal and the Auditor General including annual financial statements and financial and non-financial information ¹ . | Submission of annual financial statements as per section 126(1) of the MFMA. Additional step, a draft Annual Report is prepared. | MM & CFO | |
| Municipal entities submit draft Annual Reports to MM. | Annual Performance report needs to be included as per section 46 of the MSA. | Entity AO & CFO | |
| Submit Annual Report including annual financial statements and Annual Performance Report to the Combined Audit/Performance Committee. | Joint Committee assessing both financial and non-financial performance advances | MM & CFO | |
| Combined Audit/Performance committee considers unaudited Annual Report of municipality and entities (where relevant). | accountability and expedites corrective measures | Audit and Performance Audit Committee | July/ August |

| | | | |
|--|--|-----------------|--|
| Mayor tables the unaudited Annual Report in Council | The Annual Report submitted complies with the requirements of Section 121(3)(a-k). Information on pre-determined objectives to be included. Note that it is unaudited and will not include any of the Auditor-Generals reports as the auditing thereof will still be in progress. (Municipalities with Municipal entities to submit a consolidated Unaudited Annual Report by September) | Mayor | August |
| Municipality submits Annual Report including final annual financial statements and annual performance report to Auditor-General for auditing purposes – due 31 August. Council to submit unaudited tabled annual report to MPAC for vetting and verification of councils' directive on service delivery & the committee to evaluate senior managers' performance against agreement entered into | | CFO | |
| Commencement of IDP analysis of institutional, services and infrastructure provision, backlogs and priorities. Unaudited Annual Report as submitted to Auditor-General to be used as input into the IDP strategic phase process and community verification & input by MPAC on reported performance. Such information includes that of various entities incorporated into the information of the parent entity. | If the above process is followed, the unaudited Annual Report can add value to the IDP/Budget planning process for the next year as well as oversight by MPAC on the reported deliverables by communities and achievements targets reached. | Council | |
| Auditor-General audits the unaudited Annual Report and submit an audit report to the accounting officer for the municipality / municipal entity. | Section 126(3)(b) require the Auditor-General to submit an audit report within three months after receipt of statements from the municipality. | Auditor-General | November for municipalities without entities & December for municipalities with entities |
| Annual Report and oversight report process for adoption to be used as input into public participating meetings for the IDP review process. | Section 127,128,129 and 130 | Council | September November |

| | | | |
|--|--|-----------------------------------|-----------------------|
| The Auditor-General's reports are issued during the period of Oct/Nov. Once the AG audit reports have been issued no further changes are allowed as the audit process is completed | Section 129, 130 and 131. Tabling the audited Annual Report within 5 or 6 months after the end of the financial year. Section 75 for publication on website. | MM | November/ December |
| Mayor tables audited Annual Report and financial statements to Council | | Mayor | |
| Audited Annual Report is made public, e.g. posted on municipality's website. | | IT Director Accounting officer | |
| Oversight committee finalises assessment on Annual Report. This must be concluded within 7 days of receipt of AGs report. Council is expected to conclude on this matter before going on recess in December. | | | |
| Council adopts Oversight report. | The entire process, including oversight reporting and submission to provincial legislators is completed in December and not in March the following year. | Council | December |
| Oversight report is made public. | | MM | |
| Oversight report is submitted to Legislators, Treasuries and DCoG | | Mayor | |

Extract, MFMA Circular 63, September 2012

Circular 63 addresses the need to streamline the Annual Report process by municipalities and municipal entities. In future, all municipalities and municipal entities are required to prepare and submit their draft Annual Reports to the Auditor-General by 31 August each year. Municipalities are encouraged to implement or phase-in the requirements of the new Annual Report by 2013/14 financial year”.

In adherence to MFMA Circular 63 of September 2012 cited above, this document presents the draft unaudited Annual Report for the 2016/17 financial year.

7. Financial Implications

Not applicable

8. Staff Implications

Report complied in-house.

9. Comments from other Departments, Divisions and Administrations

Information was requested from various officials during the information gathering phase.

10. Annexures

Due to the volume of the document and the repeat in printing (this only being the draft unaudited report) the report is tabled in CD format, but is available in printed format on request.

The draft unaudited Annual Report for the 2016/17 financial year in CD format will be distributed under separate cover.

RECOMMENDATION TO THE COUNCIL:

that the tabling of the 2016/17 **DRAFT** unaudited Annual Report, **be noted**.

RESPONSIBLE OFFICIAL :**R LOUW****TARGET DATE FOR IMPLEMENTATION :****NONE**