!Kheis
Munisipaliteit
Municipality

FINAL OVERSIGHT REPORT 2022 – 2023

ON ANNUAL REPORT FOR

2020/ 2021

FINANCIAL YEAR

TABLE OF CONTENT

	INTRODUCTION: OVERSIGHT REPORT ON ANNUAL REPORT, 2020/2021 FINANCIAL YEAR	3
	PURPOSE OF THE REPORT	3
	BACKGROUND	3
A	LEGAL REQUIREMENTS	3
1	Requirements as per Section 121(1)(2)(3) of the MFMA	3
2	The purpose of the annual report	3
3	Inclusion in the annual report of a municipality	4
4	COMMENTS AND FINDINGS	5
5	RECOMMENADATIONS	7
	CONCLUSION	7

INTRODUCTION: OVERSIGHT REPORT ON ANNUAL REPORT: 2020/2021 FINANCIAL YEAR

The Municipality Public Accounts Committee (MPAC) has scrutinized the 2020/21 Annual Report and has drafted this Oversight Report in compliance with Section 129 of Local Government Finance Management Act 2003 (Act N0. 56 of 2003) hereafter indicated as MFMA). The Oversight Report contains comments on the 2020/2021 Annual report (per section) as required Section 129 of the MFMA.

PURPOSE OF THE REPORT:

To consider the Municipality's Annual Report for the 2020/2021 financial year and to adopt an Oversight Report containing comments on the Annual Report in terms of section 129 (1) of the MFMA.

BACKGROUND

MFMA Circular 32 recommends the establishment of an oversight committee for the detailed review and analysis of the annual report after its tabling to Council, receiving and reviewing representations made by the public and inputs from Councillors and then drafting an oversight report to be considered by full Council.

A. Legal Requirements

1. Section 121 (1) (2) AND (3) OF THE MFMA DETERMINES AS FOLLOWS:

121 (1) Every Municipality must for each financial year prepare an Annual Report. The Council must within nine months after the end of a financial year deal with the annual report of a municipality in accordance with section 129.

2. The purpose of the annual report is:-

(a) To provide a record of the activities of the municipality during the financial year to which the report relates:

(b) To provide a report on performance against the budget of the municipality for the financial year, and

(c) To promote accountability to the local community for the decisions made throughout the year by the municipality.

3. The annual report of a municipality must include:_

(a) The annual financial statements of the municipality, and in addition, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);

(b) The Auditor-General audit report in terms of section 126(3) on those financial statements;

(c) The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act;

(d) The Auditor-General's audit report in terms of section 45(b) of the Municipal Systems Act, Act 32 of 2000;

(e) An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges;

(f) An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance against the measurable performance objectives referred to in section 17(3)(b) for revenue from each source and for each vote in the municipality's approved budget for the relevant financial year;

(g) Particulars of any corrective action taken or to taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d);

(h) Any explanations that may be necessary to clarify issues in connection with the financial statements;

(i) Any information as determined by the municipality;

(j) Any recommendation as determined by the municipality; and

(k) Any other information as may be prescribed.

2. In terms of section 127(5) of the MFMA, the Accounting Officer must immediately after the Annual Report is tabled, make public the annual report, invite the local Community to submit representations in connection with the annual report and submit the annual report to the Auditor-General, the relevant provincial treasury and the provincial department responsible for local government in the province.

3. According to section129(1) of the MFMA, the council must consider the Annual Report by no later than two months from the date on which the annual report was tabled, adopt an oversight report containing the Council's comments on the annual report which must include a statement whether-

Comments and findings

SECTION 1: Interactions with stakeholders responsible for oversight and governance[i]

During the audit cycle, we met with the following key stakeholders responsible for oversight and governance to communicate matters relating to the audit outcome of the municipality:

Key stakeholder	Purpose of interaction	Number of interactions
Municipal council	To brief the council on the 2020/2021 audit outcome.	1
Mayor	Discussion and escalation of any key audit issues.	1
Acting Municipal Manager and Chief Financial Officer	Discussion of the 2020/2021 engagement letter and audit strategy. Audit steering committee meeting to discuss audit progress and key issues.	3
Audit committee	To communicate and discuss the management and audit report	1

At these interactions, we highlighted the following key matters affecting audit outcomes and the auditee:

The limitations being imposed on the audit as a result of lack of information and differences between the financial statements, general ledger and the underlying subledgers and register.

The status of requests for information and communication of findings.

The audit engagement terms, audit strategy including timelines and significant risk factors identified during the risk assessment.

Procurement matters relating to suppliers and service provides without service level agreements

Audit of the financial statements

We identified material misstatements in the financial statements during the audit. These misstatements were not prevented or detected by the municipality's system of internal control. These material misstatements also constitute non-compliance with section 122 of the Municipal Finance Management Act (MFMA)

The misstatements that were not corrected form the basis for the disclaimer of opinion on the financial statements.

Material misstatement		
Financial statement item	**Number of Findings**	**Occurred in prior year**
Non-current assets		
Property Plant and Equipment	15	No
Current assets		
Inventories	1	Yes
Receivables from exchange transactions	8	Yes
VAT receivable	2	No
Cash and cash equivalents	2	No
Non-current liabilities		
Finance lease obligation	1	Yes
Provision	1	Yes
Current liabilities		
Finance lease obligation	1	Yes
Payables from exchange transactions	5	Yes
Unspent conditional grants and receipts	2	Yes

Material misstatement		
Financial statement item	**Number of Findings**	**Occurred in prior year**
Statement of net assets	1	Yes
Revenue		
Revenue from exchange transactions	6	No
Expenditure		
General expenses	1	No
Employee related costs	1	Yes
Remuneration of councillors	1	No
Debt impairments	1	No
Impairment of assets	1	Yes
Disclosure		
Irregular expenditure	4	Yes
Unauthorised expenditure	4	No
Fruitless and wasteful expenditure	3	Yes
UIF	1	Yes
Commitments	3	Yes
Contingent liabilities	2	No
Cashflow statement	1	Yes
Statement of budget vs actual	1	Yes
Other MFMA disclosures	1	No
Distribution losses	1	Yes
Prior period error	1	Yes

5. Recommendations

That Council having fully considered the 2020/21 Annual report of the municipality and represents thereon:

(i) That the Oversight Report as compiled by Municipal Public Accounts Committee on the 2020/21 Annual Report be adopted in compliance with section 129(1) of Local Government: Municipal Finance Management Act, 2003(Act. No. 56 of 2003).

(ii) That the 2020/21 Annual Report be approved without reservations in terms of Section 129(1)(a) of the Local Government Management Act, 2003(Act. No 56 of 2003).

(iii) That the recommendations of the Municipality Public Accounts Committee as contained in the Oversight Report are accepted as resolutions and that the Municipal Manager must ensure the implementation thereof.

(iv) That the Oversight Report be made available to the public within seven days of the date of this resolution in compliance with Section 129(3) of the Local Government Municipal Financial Management Act.

(v) That the following schedule for the submission of the Annual Report for 2020/21 financial year be approved.

Conclusion

Council is vested with the responsibility to oversee the performance of the municipality as required by the legislature. The Speaker is vested with the power and responsibility to oversee both the Council and administration. The Oversight responsibility of Council is particularly important for the process of considering in-year and annual reports.

Signature: ----------

SPEAKER OF !KHEIS MUNICIPALITY

Date: ----------