

**Our Ref:** AR/17.18

**Tel:** + +27 51 405 8621

**Email:** [Tankiso.mea@mangaung.co.za](mailto:Tankiso.mea@mangaung.co.za)

**Your Ref:**

**Fax:** + 27 51 405 8108

**Date:** 23 January 2019

**THE SPEAKER**

**CLLR. MXOLISI SIYONZANA**

**ANNUAL PERFORMANCE REPORT FOR MANGAUNG METROPOLITAN MUNICIPALITY  
FOR 2017/2018 FINANCIAL YEAR**

**1. PURPOSE**

To apprise Council on the process and progress on the compilation of the Annual Report for the financial year 2017/ 2018.

**2. INTRODUCTION AND BACKGROUND**

Sections 121 and 127 of Municipal Finance Management Act 2003, Act No. 56 of 2003 (MFMA) read together with section 46 of the Local Government: Municipal System Act (32 of 2000 and as amended) provides for the preparation, adoption and tabling of the annual report.

Municipalities are obligated to prepare and process their Annual Reports within nine months after the end of a financial year. The purposes of an annual report are as follows:

- To provide an account of activities of the municipality for the year under review;
- To provide a report on performance against the budget of the municipality; and
- To promote accountability to the local community development for the decisions made throughout the year by the municipality.

Importantly section 121 (3) of the Municipal Finance Management Act prescribes that the annual report of the municipality must include –

- a) The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126(1);
- b) The Auditor-General's 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 System Act (MSA);
- d) The Auditor-General audit report in terms of section 45 9b) of the Municipal Systems Act;
- 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 objectives referred to in section 17(3)(b) for revenue collection from each revenue 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 be taken in response to issues raised in the audit report referred to in paragraphs (b) and (d) etc.

The Act obligates the Mayor to table the annual report in Council within seven months after the end of the financial year. Importantly, the Act obligates the Municipal Council to consider the report and not later than two months adopt an oversight report containing the Councils' comments on the annual report, which must include the statement whether the Council has approved the annual report with or without reservations, has rejected the annual report or has referred the annual report for revision of those components that can be revised.

### **3. Discussion**

If the mayor, for whatever reason, is unable to table in the council the annual report of the municipality, or the annual report of any municipal entity under the municipality's sole or shared control, within seven months after the end of the financial year to which the report relates, the mayor must-

- (a) Promptly submit to the council a written explanation referred to in section 133(l) (a) setting out the reasons for the delay, together with any components of the annual report listed in section 121(3) or (4) that are ready; and
- (b) Submit to the council the outstanding annual report or the outstanding components of the annual report as soon as may be possible.

Given the requirements of section 133(l) (a), the following are the reason for the non-submission of a complete annual report entailing all the components:

- On the 10<sup>th</sup> July 2018, the municipality experienced ICT systems collapse as a result of abnormal power interruptions that affected the main server. As a result, there was no access to main financial system that affected availability of critical data for the compilation of the annual financial statements.
- The main server was severely damaged and had to be taken to data recovery service provider in Pretoria for error analysis and data rebuilding on the 18<sup>th</sup> July 2018. The Solar System was only restored on the 28<sup>th</sup> July 2018 including the backup server at Fresh Produce.
- Although the system was restored on the 28<sup>th</sup> July 2018, not all databases were operational, in particular the year end reporting databases took time to restore due to technical challenges. The reports required for the preparation of the Annual Financial Statements and data extractions needed by the Office of the Auditor General were only available in August 2018 and processes leading to the preparation of the 2017/18 financial statements were delayed.
- The fully functionality of the server was resolved during the first week of August 2018 and the Finance Department henceforth started with the compilation of the financial statements.
- The Annual Financial Statements were submitted to the Office of the Auditor General on the 03<sup>rd</sup> October 2018.
- The server crash affected the legislated timelines for the submission of information to the Office of the Auditor General by almost a month and this had a ripple effect on compliance to timelines.

The municipality has duly informed Provincial Treasury, National Treasury and Office of the Auditor General of the aforementioned challenges. A report was also tabled at Council on the resultant non-compliance to section 126 (1) (a) of the MFMA.

It is worth noting that the performance report section has been completed and is submitted for noting by Council.



#### 4. Recommendations

It is recommended that Mangaung Metropolitan Municipality Council:

- a) Note the attached Performance Report for 2017/2018 financial year; and
- b) Note that the Annual Financial Statement are delayed and are not yet concluded by the Auditor General
- c) Note the Auditor General audited reports on the audited financial statement of the City and Centlec will be presented by the Auditor General on 31 January 2019, where after the said reports will be incorporated in the Annual Performance Report (APR)

  
ADV. TANKISO MEA  
CITY/MANAGER

Date: 25/01/2019

  
CLR SARAH MATAWANA MLAMLELI  
EXECUTIVE MAYOR

Date: 25/01/2019