

Our Ref: MAN-APR19/20

Tel: + +27 51 405 8621

Email: Tankiso.mea@mangaung.co.za

Your Ref:

Fax: + 27 51 405 8108

Date: 25 March 2021

Clr Mxolisi Siyonzana
Speaker

SUBMISSION OF THE ANNUAL PERFORMANCE REPORT FOR THE MANGAUNG METROPOLITAN MUNICIPALITY AND CENTLEC FOR 2019/2020 FINANCIAL YEAR

1. Purpose

To table the city's and the entity Annual Performance Report 2019/2020 to the Mangaung Metropolitan Municipality's Council for noting.

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. All Municipal Councils are expected 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 Systems Act;
- d) The Auditor-General audit report in terms of section 45(b) 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);
- 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 recommendations of the municipality's audit committee; and
 - k) any other information as may be prescribed.

Therefore, a complete Annual Report must contain all the information and components listed above. It is important to report that not all components and elements of the Annual Report as outlined above are currently ready and available to be submitted to Council.

The following components are currently available.

- a) The annual financial statements of the municipality, and the Centlec;
- b) The Auditor-General's audit report in terms of section 126(3) on those financial statements (only Centlec);
- 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 audit report in terms of section 45(b) of the Municipal Systems Act (only Centlec);

This Council submission therefore seeks to meet the latter section by submitting to the council, the annual report and its components.

Section 127(2) of MFMA 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.

Section 127(3) of the MFMA on the other hand provides that, 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(1) (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.

As indicated above, not all components of the Annual Report are ready and available for submission to Council. The following components are still outstanding;

- a) The audited financial statements of the Municipality and the 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 of the Municipality in terms of section 126(3) on those financial statements;
- c) The Auditor-General audit report in terms of section 45(b) of the Municipal Systems Act;
- d) 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);

3. Reasons for the delays

Due to Covid-19 and lockdown challenges, National Treasury in terms of Circular 104 allowed for a two months delays and granted extension the usual timelines for submission of annual financial statements, annual reports, audits opinions, Oversight reports and associated processes and related matters as outlined in the MFMA. The extension granted gave Municipalities to submit and table these reports by the 31st March 2021. The approval should take place by the 31st May 2021.

However, the other reports from the Auditor General are still outstanding as indicated above and will be submitted to Council as soon as they become available. Therefore, this reports submit only those components that are available and which should soon after the tabling follow the Council processes including submission to MPAC.

4. Recommendations

It is recommended that Mangaung Metropolitan Municipality Council tables and notes:

- a) The Mangaung and Centlec's standalone – annual reports and annual financial statements.
- b) The Mangaung and Centlec's standalone – audit reports as presented by Auditor General;
- c) The above components will be incorporated in the consolidated annual report once the audit process of the consolidated AFS has been finalized by Auditor General, and
- d) Refer the above reports to the Municipal Public Accounts Committee that will process the said report and develop the oversight report and thereon advise Council accordingly.


Adv. Tankiso Ben Mea
City Manager

Date: _____


Clr. Lebohang Masoetsa
Acting Executive Mayor

Date: _____