

2020 / 21

CAPE AGULHAS MUNICIPALITY OVERSIGHT REPORT



KAAP AGULHAS MUNISIPALITEIT
CAPE AGULHAS MUNICIPALITY
U MASIPALA WASECAPE AGULHAS

RESOLUTION 4/2022

DATE: 31 JANUARY 2022

CONTENTS

1	INTRODUCTION.....	3
2	FINANCIAL GOVERNANCE FRAMEWORK APPLICABLE TO LOCAL GOVERNMENT.....	3
3	SEPARATION OF ROLES.....	4
4	THE ANNUAL REPORT.....	5
5	THE OVERSIGHT REPORT	6
6	MANDATE AND PROCESS FOLLOWED BY THE MPAC COMMITTEE	6
7	CONSIDERATION OF ANY REPRESENTATIONS / COMMENTS RECEIVED.....	7
8	REMEDIAL ACTIONS IN RESPECT OF RECOMMENDATIONS AS CONTAINED IN THE 2019/20 OVERSIGHT REPORT	8
9	CONSIDERATION AND REVIEW OF THE 2020/21 DRAFT ANNUAL REPORT.....	8
10	RECOMMENDATION	9

1 INTRODUCTION

This document constitutes the Oversight Report on the 2020/21 Annual Report of the Cape Agulhas Municipality which is compiled in terms of Section 129 of the Local Government Municipal Finance Management Act, Act 56 of 2003 (MFMA).

The Constitution, Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) vest the Municipal Council with the responsibility to oversee the performance of the Municipality. This oversight responsibility is of particular importance during the consideration of the annual report.

There is an explicit linkage between the strategic goals, set by Council through the IDP, which are translated into the Budget, and the Service Delivery Budget Implementation Plan (SDBIP). The SDBIP enables the Municipality to give effect to its IDP and Budget, can be seen as a "contract" between the Administration, Council and Community, and forms the foundation of the Annual Report.

2 FINANCIAL GOVERNANCE FRAMEWORK APPLICABLE TO LOCAL GOVERNMENT

The MFMA brought about financial management reforms that place service delivery responsibilities on managers and makes them accountable for performance and whilst assigning responsibility to the Executive Mayor to resolve performance failures. The Council is vested with the power and responsibility to oversee both the executive and administration.

Oversight occurs at various levels in a municipality and is explained in the following table:

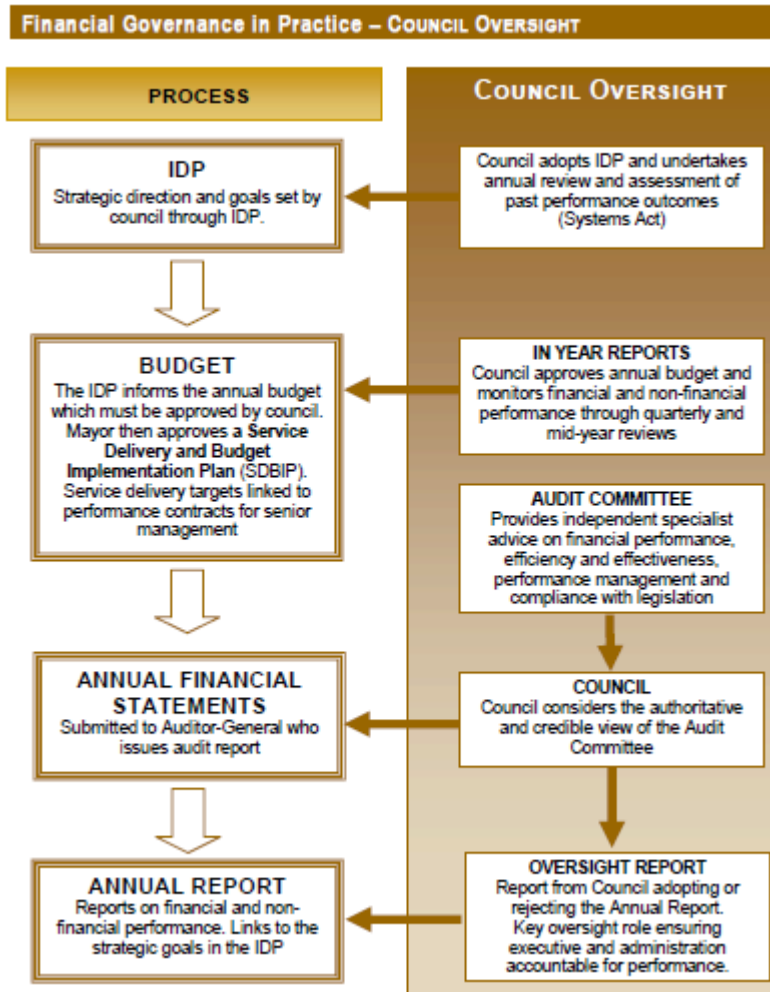
FUNCTIONARY	RESPONSIBLE FOR	OVERSIGHT OVER	ACCOUNTABLE TO
Council	Approving policy and budget	Executive Mayor or Committee	Community
Executive Mayor or Committee	Policy, budgets, outcomes, management of/oversight over municipal manager	Municipal Manager	Council
Municipal Manager	Outputs and implementation	The Administration	Executive Mayor or Committee
Chief Financial Officer and Senior Managers	Outputs and implementation	Financial Management and Operational Functions	Municipal Manager

3 SEPARATION OF ROLES

The separation of roles between the council and administration is intended to strengthen the oversight function of councillors. Good governance, effective oversight and accountability is based on there being this separation of functions. It is also fundamental for the achievement of the local government Constitutional objective to promote a democratic and accountable system of local government. Council oversees the performance of the administration through council and committee meetings. The mayor provides the link between the council and administration and is responsible for regular monitoring and for tabling reports before the council. The administration is responsible for the day-to-day operations. This separation avoids conflict of interest and a "referee/player" situation arising and is similar to the role played by Parliament.

The MFMA further assumes a separation between councillors serving on the executive (i.e. mayor or executive committee) and non-executive councillors. This separation is vital to ensure council maintains oversight for the performance of specific responsibilities and delegated powers to the mayor or executive committee.

The MFMA gives council several financial management tasks to fulfil its oversight role. The adoption of an "oversight report" is one such task. The following diagram illustrates the various oversight intervention points from the adoption of the Integrated Development plan (IDP), Budget, Annual Report and Oversight Report.



Source: MFMA Circular 32

4 THE ANNUAL REPORT

Each municipality and each municipal entity must prepare an annual report for each financial year in accordance with the MFMA and MSA. The purpose of the annual report is:

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

Annual reports are the key reporting instruments for municipalities to report against the performance targets and budgets outlined in their strategic plans. Annual reports are therefore required to contain information on service delivery and outcomes, in addition to financial statements. It is meant to be a backward-looking document, focusing on performance in the financial year that has just ended. It must demonstrate how the budget was implemented and the results of service delivery operations for that financial year.

When tabled, the annual report should include four main components, each of which has an important function in promoting governance and accountability. The main components are:

- The annual performance report as required by section 46 of the MSA.
- Annual Financial Statements submitted to the Auditor-General;
- The Auditor-General's audit report on the financial statements in terms of section 126(3) of the MFMA; and
- The Auditor-General's audit report on performance in terms of section 45(b) of the MSA.

In addition the Municipality's Audit and Performance Audit Committee also provide a report.

The 2020/21 Draft Annual Report was tabled on 14 December 2021 and Councillors were informed that they have an opportunity to review the report and submit any comments / corrections / omissions to the administration.

5 THE OVERSIGHT REPORT

The oversight report is the final step in the annual reporting process of a municipality. Section 129 of the MFMA requires the council to consider the annual reports of its municipality and municipal entities and to adopt an "oversight report" containing the council's comments on the Annual Report.

The oversight report must include a statement whether the council:

- has approved the annual report, with or without reservations;
- has rejected the annual report; or
- has referred the annual report back for revision of those components that can be revised.

The oversight report is a report of the Municipal Council and follows consideration and consultation on the annual report by the Council itself. Thus the full accountability cycle is completed and the separation of powers is preserved to promote effective governance and accountability.

6 MANDATE AND PROCESS FOLLOWED BY THE MPAC COMMITTEE

MFMA Circular 32 of 2006 guides the oversight process. This Circular must be read in conjunction with The Department of Cooperative Governance Guideline for Establishment of Municipal Public Accounts Committees (MPAC), which sets out the functions of MPAC including the consideration and evaluation of the content of the annual report and the making of a recommendation to council when adopting an oversight report on the annual report.

MPAC comprises the following members appointed by the Municipal Council:

NAME	DESIGNATION
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CAPE AGULHAS MUNICIPALITY OVERSIGHT REPORT ON THE 2020/21 ANNUAL REPORT

Ald D Jantjies	Chairperson
Ald J Nieuwoudt	Member
Cllr R Louw	Member

A special MPAC meeting was convened on 17 January 2022 to review the draft 2020/21 Annual Report and to compile the oversight report.

The process followed by the Committee in considering the annual report was as follows:

- Consideration of any representations / comments received from the community / Auditor-General / Provincial Treasury, Department of Local Government and Cape Agulhas Audit Committee
- An opportunity was given to the Municipal Manager, Director Finance and Internal Auditor to provide input prior to consideration by MPAC.
- An opportunity was given to MPAC members to ask questions and seek clarification on any matter relating to the 2020/21 annual report.
- The formulation of a recommendation to Council in respect of the 2020/21 draft Annual Report.

7 CONSIDERATION OF ANY REPRESENTATIONS / COMMENTS RECEIVED

The Draft 2020/21 Annual Report was made available for public comment from 17 December 2021 to 10 January 2022. It was advertised in the press and placed on the Municipal website. It was also submitted to the Provincial Department of Local Government, Provincial Treasury, Auditor General and Cape Agulhas Audit Committee. The closing date for comments was 10 January 2022.

The following is a summary of comments received:

STAKEHOLDER	COMMENTS
Public	None
Provincial Department of Local Government	None
Provincial Treasury	None
Auditor General	None
Cape Agulhas Audit Committee (AC)	The draft annual report for 2020/21 was submitted to the AC with a request to submit any input to Internal Audit. The Audit Committee indicated that they are satisfied with the correctness and completeness of the annual report.

8 REMEDIAL ACTIONS IN RESPECT OF RECOMMENDATIONS AS CONTAINED IN THE 2019/20 OVERSIGHT REPORT

The Council considered the Oversight report for 2019/20 on 25 May 2021 and resolved as follows under Resolution 103/2021

Council, having fully considered the Draft 2019/20 Annual Report of Cape Agulhas Municipality resolves:

1. *"That the Council adopts the 2019/20 Oversight Report and approve the 2019/20 Annual Report without reservations in terms of Section 129 (1)(a) of the Local Government Municipal Finance Management Act, Act 56 of 2003.*
2. *That the accounting officer submit copies of the minutes of this Council Meeting to the Auditor-General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the Province.*
3. *That the accounting officer make the Oversight Report public in accordance with section 21A of the Municipal Systems Act within seven days.*
4. *That the recommendations made by MPAC in the 2019/20 Oversight Report be addressed."*

In view of the fact that Council approved the report without reservations there is no report on remedial actions.

9 CONSIDERATION AND REVIEW OF THE 2020/21 DRAFT ANNUAL REPORT

The Chairperson informed the meeting as follows:

"Nadat ek die 2021/22 Jaarverslag nagegaan het, is ek en die komitee gelukkig met die inligting wat ons ontvang het om ons oorsig rol te kan uitoefen soos bepaal in artikel 129 van die MFMA. Die komitee beveel die jaarverslag aan sonder wysigings"

Translation:

Following my review of the 2021/22 draft annual report myself and my committee are satisfied with the information presented to enable us to perform our oversight function as per Section 129 of the MFMA. The Committee recommend that the annual report be approved without reservations.

10 RECOMMENDATION

That it be recommended to Council that the 2020/21 Annual Report be approved without reservations

SIGNATURE



ALD D JANTJIES (CHAIRPERSON)

DATE

17-1-2022