

## **REPORT ON THE ANNUAL REPORT FOR 2018/2019 OF KAROO HOOGLAND LOCAL MUNICIPALITY**

### **PURPOSE:**

The purpose of this report is to inform the Municipal Council of the preparation, adoption and tabling of the Annual Report for the 2018/2019 financial year in terms of Section 121 of the MFMA no 56 of 2003

The Annual Report 2018/2019 to be tabled to Council and made public for input.

The Annual Report content will assist municipal councillors, municipalities, municipal entities, residents, oversight institutions and other users of Annual Reports with information and progress made on service delivery. It must align with the Integrated Development Plan (IDP), Budget, Service Delivery and Budget Implementation Plan (SDBIP), and in year reports. The contents will also assist with the annual audits.

### **BACKGROUND:**

According to Section 121.of the MFMA No 56 of 2003

- 121.** (1) Every municipality must for each financial year prepare an annual report in accordance with this Chapter. The Council of a municipality must within nine months (March) after the end of a financial year deal with the annual report of the 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 or entity during the financial year to which the report relates;
  - (b) to provide a report on performance in service delivery and budget implementation for the financial year;
  - (c) to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity;

*Every municipality and municipal entity must prepare an annual performance report which must form part of the Annual Report for each financial year in accordance with the Municipal Systems Act 2000 (MSA) section 46, and the Municipal Finance Management Act 2003 (MFMA) section 121.*

### **CONTENT OF THE ANNUAL REPORT**

Sections 121(3) and (4) of the MFMA sets out the framework relating to the content of the annual reports for both municipalities and municipal entities. A Checklist containing these inclusions are attached as the last two pages of the Annual Report.

The only outstanding document is the Recommendations of the Audit Committee which can only be received after the Audit Committee dealt with the Annual Report for 2018/2019.

These statutory inclusions are as follows:

- (a) the annual financial statements of the municipality/entity and if municipality has municipal entities, consolidated annual financial statements as submitted to the Auditor-General for audit;
- (b) the audit report of the Auditor-General in terms of both section 126(3) of the MFMA and section 45(b) of the MSA;
- (c) municipality's annual performance report as per section 46 of the MSA;
- (d) assessment of any arrears on municipal taxes and service charges;
- (e) assessment of municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the municipality's approved budget;
- (f) particulars of corrective action taken or to be taken on issues raised in audit reports;
- (g) explanations to clarify issues on financial statements;
- (h) any other information determined by the municipality/entity including recommendations made by the audit committee and any other information as may be prescribed

In addition to the above, **section 46** of the Local Government: **Municipal Systems Act**, as amended, provides for the following information to be included in the municipality's Annual Report:

- (a) a performance report reflecting performance of both the municipality or any service provider during the financial year to which the annual report relate including development and service delivery priorities and performance targets for the next financial year;
- (b) GRAP compliant financial statements;
- (c) An audit report on the financial statements and the annual performance report referred to in the MSA section 46;
- (d) Other reporting requirements in terms of other legislation;
- (e) An annual performance report to form part of the municipality's Annual Report in terms of Chapter 12 of the MFMA.

**Additional disclosure requirements:**

- i. Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.
- ii. It is also a requirement to report on whether the municipality or entity has met its statutory commitments, including the payment of taxes, levies, audit fees, and contributions for pension and medical aid funds.
- iii. As part of the monitoring of national and provincial allocations reconciliation will be undertaken to ensure all amounts are correctly reported.
- iv. Information in the New Annual Report Format is requested in terms of S74 of the MFMA.

An understanding of the revised **municipal reporting process flow** is imperative to ensure that detailed information from various reports is subtracted to compile a comprehensive Annual Report. A flow chart, which explains how the information from various reports feeds into other reports, is provided in **Figure 2** as the Municipal Reporting Flowchart. By implementing the guidelines proposed in this flow chart a number of reports within municipalities can be consolidated and information therein used to finalize the Annual Report on a timely basis. This will ensure the compilation of fewer reports which include only relevant and required information:

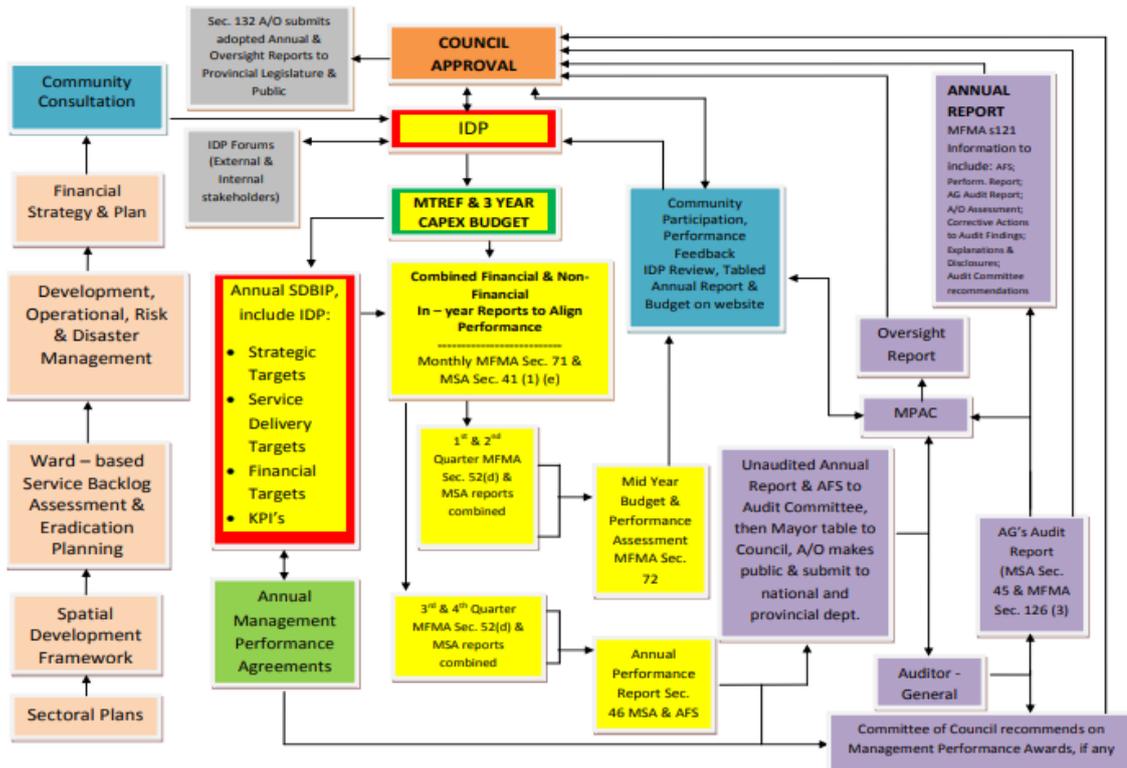


FIGURE 2: MUNICIPAL REPORTING FLOWCHART

**FORMAT OF THE ANNUAL REPORT**

Karoo Hoogland Municipality adopted the following format for an Annual Report since 2013. The details are described briefly below:

- (a) Chapter 1: Mayor’s Foreword and Executive Summary;
- (b) Chapter 2: Governance;
- (c) Chapter 3: Service Delivery Performance;
- (d) Chapter 4: Organisational Development Performance;
- (e) Chapter 5: Financial Performance;
- (f) Chapter 6: Auditor General’s Findings;
- (g) Appendices; and
- (h) Volume II: AFS

**RESOLUTIONS:**

It is hereby recommended THAT:

- (a) Council take note of the Annual Report 2018/2019 as made available and compiled in terms of the necessary legislation;
- (b) An advertisement be placed for the public to give input or representations on the Annual Report 2018/2019 within 21 days of advertising;
- (c) The Annual Report 2018/2019 be referred to MPAC to compile an Oversight Report by 13 March 2020 for presentation to the Audit Committee and Council;
- (d) The Final Annual Report 2018/2019 together with the Oversight Report be tabled and approved by Council before 31 March 2020;
- (e) The Annual Report 2018/2019 be referred to the IDP/Budget Steering Committee for input;
- (f) The Annual Report 2018/2019 together with the oversight Report be submitted to Provincial Treasury, CoGHSTA and the Provincial Legislature before 1 April 2020.