

ANNEXURE "A"
OVERSIGHT REPORT OF THE
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE
ANNUAL REPORT OF GEORGE MUNICIPALITY
(2020/2021)

MPAC MEMBERS

ClIr J Du Toit: Chairperson

ClIr G van Niekerk

ClIr E Brown

ClIr J Fry

ClIr D Gultig

ClIr M Kleynhans

Ald I Kritzinger

ClIr T Lento

ClIr SJ Smart

ClIr S Toto

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FOREWORD BY THE CHAIRPERSON

To the community of George Municipality, it gives me great pleasure to present the Oversight Report of the Municipal Public Accounts Committee (MPAC) on the 2020/2021 Annual Report.

The MFMA assigns specific oversight responsibilities to Council in the annual reporting process and the preparation of the Oversight Report. Given the processes required by Council to effectively undertake its oversight role, the establishment of the MPAC of Council provides the appropriate mechanism through which Council fulfils its oversight responsibilities.

The MPAC considered and evaluated the 2020/2021 Annual Report, and monitored that all submissions and calls for comments were undertaken as per Section 127(5), Section 130 and Section 132 of the MFMA. The Oversight Report was prepared taking into consideration the views and inputs of, inter alia, the public, representatives of the Auditor-General, organs of state, the Audit Committee and Councillors.

The MPAC considered the impact of COVID19 and the related Lockdown Regulations, on the annual reporting processes, and confirms that George Municipality remained compliant throughout. The public and local communities were given reasonable means, time and assistance to participate and submit representations on the 2020/2021 Annual Report. The Annual Report was available through a variety of methods similar to pre-COVID19 times, including the George Municipality's website, and hardcopies could be obtained from the main Municipal Building, public libraries and Area Offices.

Despite the negative impact that COVID19 had on the local economy and on George Municipality, the financial performance and position remained stable, mainly due to the proactive response by leadership to drive financially sustainable decisions, while balancing the needs of the communities and businesses in the George area.

As the world begins to emerge from the most acute phase of the COVID19 pandemic, policy makers and citizens will drive economic recovery. The COVID19 pandemic continues to transform how we think about our economies and our societies. The policy choices of today must strive to build a transition to a greener, more inclusive and more resilient tomorrow. There is an opportunity to chart a path that empowers everyone to face the future with confidence. The George Municipality must create the environment and structure that enables enterprises to flourish.

The MPAC commends management for the overall improvement in internal controls, the control environment and assurance provided by all assurance levels. These are largely attributed to strong and competent leadership by the Acting Municipal Manager Dr M Gratz, directors, and senior management, as well as improved consequence management. The Municipality received the highest standard and much desired audit outcome for the 2020/21 financial year: **unqualified with no material findings**, also referred to as a "Clean Audit". The MPAC commends the Municipality for the improved audit opinion from the prior financial year, which was an unqualified audit opinion with findings on predetermined objectives. As noted by the Audit Committee, the attainment of a Clean Audit is in line with the George Municipality's ultimate goal to maintain clean administration characterised by good governance, financial compliance and internal controls.

A “**Clean Audit**” is an unqualified audit and relates to three aspects:

- (i) the **financial statements** are free from material misstatements;
- (ii) there are no material findings on the **annual performance report**; and
- (iii) there are no material findings on **non-compliance with key legislation**.

The MPAC encourages:

- ❖ The timely implementation of that matters raised in the Annual Report and Oversight Report, especially where matters raised in previous reports were not fully implemented yet.
- ❖ Continuous improvement of internal controls to ensure that recommendations by both internal auditors, external auditors and the Audit Committee are addressed effectively.
- ❖ Improvement of key controls over the following areas:
 - Contract and Procurement Management;
 - Compliance Management;
 - Consequence Management;
 - HR Management; and
 - IT Management.

On behalf of the MPAC, I would also like to thank the administration for their support in the Oversight process. A word of thanks must also be given to the Office of the Auditor-General and the Audit Committee for their input in the 2019/2020 Annual Report and oversight process.

Finally, I would like to commend my fellow Municipal Public Accounts Committee members for their hard work and commitment.

COUNCILLOR J DUTOIT
CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

OVERSIGHT REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE ON THE ANNUAL REPORT OF GEORGE MUNICIPALITY (2020/2021)

1. OBJECTIVE OF THE OVERSIGHT REPORT

The Municipal Public Accounts Committee (MPAC) considered and consulted on the 2020/2021 Annual Report, and prepared the Oversight Report on the 2020/2021 Annual Report, for Council to adopt.

Having considered all representations, feedback, queries and comments submitted from various stakeholders, MPAC concluded on whether the information contained in the 2020/2021 Annual Report was a fair and reasonable record of the performance of the George Municipality, and properly accounted for the actions of the George Municipality during the 2020/2021 financial year reported upon. These conclusions support MPAC's recommendations to Council when adopting the Oversight Report on the 2020/2021 Annual Report, in line with Section 129 of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA).

2. MANDATE OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

Council is vested with the responsibility to oversee the performance of the municipality, as required by the Constitution, the MFMA and Municipal Systems Act 32 of 2000 (MSA), which includes oversight over the process of considering annual reports.

In 2011 the Council of George Municipality resolved to establish a MPAC in terms of Section 79 of the Local Government: Municipal Structures Act 117 of 1998, as amended. MPAC serves as an Oversight Committee to exercise oversight over the executive obligations of Council. One of the functions of the MPAC is to consider and evaluate the content of the Annual Report and to make recommendations to Council when adopting an Oversight Report on the Annual Report.











The George Municipality has a well-functioning Audit Committee and Internal Audit Function. The establishment of the MPAC is a further link in the accountability process by ensuring objective political oversight in addition to other governance structures, such as Portfolio Committees, the Mayoral Committee and Council.

3. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERSHIP

The membership of MPAC is as follows:

Membership		Appointment date
Cllr J Du Toit: Chairperson	PR (ACDP)	9 December 2021
Cllr E Brown	Ward 3 (DA)	9 December 2021
Cllr J Fry	Ward 24 (DA)	9 December 2021
Cllr D Gultig	Ward 18 (DA)	9 December 2021
Cllr MEF Kleynhans	PR (PBI)	9 December 2021
Ald I Kritzinger	Ward 19 (DA)	9 December 2021
Cllr TE Lento	Ward 9 (ANC)	9 December 2021

Membership		Appointment date
Cllr G van Niekerk	PR (VF+)	9 December 2021
Cllr SJ Smart	PR (PA)	9 December 2021
Cllr SM Toto	Ward 13 (ANC)	9 December 2021

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE		
	<p>Cllr J du Toit: Chairperson</p> 	
<p>Cllr E Brown</p> 	<p>Cllr J Fry</p> 	<p>Cllr D Gultig</p> 
<p>Cllr MEF Kleynhans</p> 	<p>Ald I Kritzinger</p> 	<p>Cllr T Lento</p> 
<p>Cllr G van Niekerk: Vice Chairperson</p> 	<p>Cllr S Smart</p> 	<p>Cllr S Toto</p> 

4. DISCUSSION

4.1. LEGISLATION

In terms of Section 127(2) of MFMA *“The mayor of a municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality...”*

In terms of Section 129(1) and (2) of the MFMA

- (1) *“The council of a municipality must consider the annual report of the municipality ..., and by no later than two months from the date on which the annual report was tabled in the council in terms of section 127, adopt an oversight report containing the council’s comments on the annual report, which must include a statement whether the council—
(a) has approved the annual report with or without reservations;
(b) has rejected the annual report; or
(c) has referred the annual report back for revision of those components that can be revised.*
- (2) *The accounting officer must—
(a) attend council and council committee meetings where the annual report is discussed, for the purpose of responding to questions concerning the report...”*

4.2. OVERSIGHT PROCESS OVER THE 2020/2021 ANNUAL REPORT

The MPAC performed its oversight activities in line with its Terms of Reference, its delegations, leading practices, relevant legislation, and National Treasury circulars and guidelines.

The Annual Financial Statements and draft Annual Report for the year ended 30 June 2021 were submitted to the Auditor-General by 31 August 2021, complying fully with Section 126(1)(a) of the MFMA.

After the finalisation of the Auditor-General’s Audit Report on 25 January 2022, the draft Annual Report was tabled to Council on 31 January 2022, in terms of Section 127(2) of the MFMA. Council resolved that the 2020/2021 Annual Report should be referred to the MPAC for the preparation and submission of the Oversight Report.

On 3 February 2022, the public was informed by way of advertisement in the George Herald, George Municipality’s website, social media platforms (including FaceBook and Twitter) and on the municipal notice boards of the following:

- Notice of the Council Meeting that was held on 31 January 2022 at which the Annual Report was tabled.
- The meeting dates of the MPAC.
- Invitation to the public to submit written comments on the Annual Report to the Office of the Municipal Manager by no later than 4 March 2022.

The Annual Report was made public, pursuant to Section 127(5) of the MFMA and Section 21A of the Local Government: Municipal Systems Act 32 of 2000, immediately after the Annual Report was tabled at Council. From 3 February 2022, copies of the 2020/2021 Annual Report were available on the George Municipality’s website, and physical copies were available at municipal buildings including the Main Municipal Building and at all Municipal Libraries and Area Offices.

The 2020/2021 Annual Report was submitted to the Auditor-General, Provincial Treasury and the Provincial Department of Local Government on 4 February 2022.

In line with Section 127(5) of the MFMA and Section 21A of the Municipal Systems Act, the local communities were invited to submit written comments or representations in connection with the 2020/2021 Annual Report. The public and local communities were afforded reasonable time, from 3 February 2022 to 4 March 2022, to participate in the oversight activities and submit their comments or representations on the 2020/2021 Annual Report. Furthermore, assistance in compiling comments or representations was offered to people, including those who could not read nor write. Written comments or representations could be submitted through various channels including hardcopies, or via email.

The MPAC considered and evaluated the 2020/2021 Annual Report through various engagements:

- On 1 March 2022 a Special MPAC Meeting was held, during which the oversight process was discussed. The MPAC members were requested to submit written representations or queries before 9 March 2022, in preparation for the Special MPAC meetings taking place on 14 and 15 March 2022. MPAC members agreed that they could also present their queries and comments during the Special MPAC Meetings, for the administration to provide answers during the meetings.
- The Auditor-General briefed the MPAC on the Audit Report and the audit outcome, during the MPAC Meeting held on 8 March 2022.
- On 14 and 15 March 2022, Special MPAC Meetings were held during which the 2020/2021 Annual Report was deliberated upon. The administration including the Acting Municipal Manager, Directors and the Chairperson of the Audit Committee attended these Special MPAC meetings. MPAC members raised their queries and comments on the Annual Report and the administration provided immediate responses to questions asked.
- All MPAC meetings were chaired by Cllr J du Toit (Chairperson of the MPAC) and were quorate.
- Refer to the MPAC Meeting Minutes attached as **Annexure B**.

5. COMMENTS ON THE 2020/2021 ANNUAL REPORT

5.1. COMMENTS FROM MPAC

No written comments and queries were submitted by MPAC before the Special MPAC Meetings held on 14 & 15 March 2022.

MPAC members raised their queries and comments on the Annual Report during the Special MPAC Meetings held on 14 & 15 March 2022, and the administration responded accordingly. During the deliberations, MPAC highlighted areas of concern – all concerns are detailed in **Annexure B – Minutes of the MPAC Meetings**.

5.2. COMMENTS FROM THE PUBLIC

No comments were received.

5.3. COMMENTS FROM PROVINCIAL TREASURY

Provincial Treasury submitted its comments on the tabled 2020/21 Annual Report and concluded that the George Municipality is **compliant** with the legislative requirements as per MFMA Section 75,121 and 127.

Refer to **Annexure C**: Provincial Treasury's comments.

Provincial Treasury raised the following recommendations in order to improve the quality of the Annual Report, all of which were implemented in the final Annual Report:

	Recommendations by Provincial Treasury	Annual Report reference	Implementation status
1	<p>The Municipality can improve Chapter 3 by correcting the summary of performance for SO1 on page 110 to reflect the high-level summary above.</p> <p>Note that TL7 was "not met", and not "almost met" as reflected by the colour (orange) in the report.</p> <p>Also note that Chapter 4 was incorrectly named Service Delivery Performance and should be named Organisational Development Performance in the final Annual Report.</p>	<p>Section 2, point 6 relating to Service Delivery Information And Performance</p>	<p>Chapter 3, Page 110</p> <p>Implemented</p>
2	<p>The Municipality has not fully disclosed compliance with the Broad-based Black Economic Empowerment (B-BBEE) Act (Act 53 of 2003). The information provided is inadequate. The Municipality should consult the BBEE Commission Explanatory Notice No.2 of 2021 and complete the required information for inclusion in the final 2020/21 Annual Report.</p>	<p>Section 2.10.8: B-BBEE Verification Report 2021</p>	<p>Page 98, Table 63</p> <p>Implemented</p>

6. SUMMARY OF COMMENTS, RECOMMENDATIONS AND CONCLUSIONS ON THE ANNUAL REPORT 2019/2020

The 2019/2020 Annual Report reflected a substantial and positive improvement in George Municipality's annual planning, budgeting and reporting processes. It was a significant improvement over the previous years' Annual Report.

The MPAC considered the compliance of relevant legislative requirements over the major activities relating to the annual reporting process relevant to the financial year ended 30 June 2021, and concluded that it did not identify any instances of non-compliance.

The Annual Report complies with the requirements of the MFMA and National Treasury's guidelines for annual reports. It is further noted that the required information in terms of the MFMA is included. More specifically, the 2020/2021 Annual Report contains *inter alia*:

- The annual financial statements.
- Auditor-General's Audit Report.
- The Annual Performance Report of the Municipality.
- Recommendations from the Provincial Treasury.
- Recommendations of the Audit Committee and the Audit Committee's Annual Report.

The 2020/2021 Annual Report as tabled in Council on 31 January 2022 **was updated in accordance with the comments made / received from various role-players during the oversight process.**

Although there have been improvements within the performance of George Municipality, MPAC identified and deliberated on significant areas of concern - these areas of concern are detailed in the Minutes of the MPAC Meetings – refer to **Annexure B**.

After evaluating the content of the Annual Report and taking into consideration all representations received from various stakeholders, comments and deliberations at the MPAC meetings (see MPAC Minutes attached as **Annexure B**), the Audit Committee's Report included in the Annual Report, and comments from the Auditor-General and Provincial Treasury (see **Annexure C**), it is recommended that the Annual Report be adopted without reservations.

7. RECOMMENDATIONS TO COUNCIL

MPAC resolved to recommend to Council at the Special Council Meeting of 28 March 2022:

MPAC having fully considered the George Municipality's 2020/2021 Annual Report, recommends that:

- (a) The Oversight Report on the 2020/2021 Annual Report as **Annexure A BE ADOPTED**;
- (b) The 2020/2021 Annual Report **BE APPROVED** without reservations;
- (c) The Annual Report and the Oversight Report on the 2020/2021 Annual Report **BE ADVERTISED** in local media within seven days in accordance with Section 129(3) of the Local Government: Municipal Finance Management Act, No.56 of 2003;
- (d) The Annual Report and the Oversight Report on the 2020/2021 Annual Report **BE SUBMITTED** to the National Treasury, the Western Cape Department of Local Government, the Western Cape Provincial Treasury, the Auditor-General and the Provincial Legislature within ten days in accordance with Section 132(2) of the Local Government: Municipal Finance Management Act, No. 56 of 2003.