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**Reference: PTR 13/5/2**

The Acting Municipal Manager  
PO Box 19  
George  
6530

For attention: Dr M Gratz

**PROVINCIAL TREASURY COMMENTS ON THE TABLED 2020/21 ANNUAL REPORT**

Section 121(1) of the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003) states that every municipality and every municipal entity must prepare an annual report for each financial year. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129.

MFMA sections 121(3) and (4) sets out the framework relating to the content of the annual reports for both municipalities and municipal entities. National Treasury has further introduced the new annual report template and MFMA Circular No. 63 on 26 September 2012. MFMA Circular 63 aims to provide guidance to municipalities and municipal entities on the Annual Report format and its contents.

The municipal council is obliged to consider any views of the local community; the National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the Annual Report.

Provincial Treasury reminded all municipalities of these responsibilities in Treasury Circular No 1 of 2022 (25 January 2022).

## 1. LEGISLATIVE COMPLIANCE

### 1.1 Conformance

The conformance assessment highlights compliance by the **George Municipality** with the Municipal Finance Management Act No. 56 of 2003 is as follows:

- The Municipality submitted the draft 2020/21 Annual Performance Report/ Annual Report together with the Annual Financial Statements (AFS) to the Auditor General by the 31st of August 2021.
- The unaudited Annual Report was not tabled before Council at least two months at the end of the budget year in accordance with MFMA Circular 63.
- The Annual Report was tabled in Council on 31 January 2022, which is within 7 months after the end of the financial year in accordance with MFMA section 127(2).
- The tabled Annual Report was placed on the website within 5 days after being tabled in council in accordance with section 75 of the MFMA.
- The tabled Annual Report was made public, and the public was invited to comment on the Annual report with a deadline of 4 March 2022.

### 1.2 Format of the Annual Report as per MFMA Circular 63

- The tabled Annual Report complies with the reporting template as described by MFMA Circular 63 as all the relevant components are included.
- All the required information was included in the report although it was not always in the section prescribed within Circular 63. The Mayor and Municipal Managers' forewords do not contain all the prescribed information, but these were found in the municipal overview. There is therefore room for closer alignment to MFMA Circular 63 insofar the content within each component is concerned.
- The tabled Annual Report does not contain all the prescribed annexures, although most of the information is available elsewhere in the Annual Report. The Municipality should include the required annexures with complete information.
- The tabled Annual Report provides a comprehensive overview of the demographics, population, highlights, and challenges faced in the municipal area during the 2020/21 financial year.
- The Municipality should proof-read the Annual Report as there are still several typographical errors throughout the document related to numbering, headings/names of sections, R value amounts and spacing.

## 2. SERVICE DELIVERY INFORMATION AND PERFORMANCE

### High Level Summary – Key Performance Areas

Strategic Objectives	SDBIP Targets	Target Achieved	Targets not achieved	% achieved
<b>SO1:</b> Affordable quality services	25	11	14	44.0%
<b>SO2:</b> Develop and grow George	1	1	0	100.0%
<b>SO3:</b> Good governance and human capital	11	11	0	100.0%
<b>SO4:</b> Participative partnerships	3	3	0	100.0%
<b>SO5:</b> Safe, clean and green	6	4	2	66.7%
<b>TOTAL</b>	<b>46</b>	<b>30</b>	<b>16</b>	<b>65.2%</b>

- The Municipality achieved 65.2 per cent of its targets with a 34.8 per cent variance between planned and actual performance. This is a slight improvement from the 2019/20 financial year where there was a 64.3 per cent success rate. The continuous limited performance is an indication that targets may not be SMART.
- The Municipality had excellent performance for the following strategic objectives: *Develop and Grow George* (100.0 per cent); *Good Governance and Human Capital* (100.0 per cent); and *Participative Partnerships* (100.0 per cent). This shows a commitment towards the socio-economic development of the George municipal area, good governance and integrated service delivery.
- Poor performance was recorded for *Affordable Quality Services* (44.0 per cent) and *Safe, Clean and Green* (66.7 per cent).
- The low performance related to *Affordable Quality Services* was largely attributed to underspending against the capital budget as a result of SCM delays and/or lack of capacity. While capital expenditure has been improving year on year, it has been a consistent problem for the Municipality. The Municipality has requested to roll-over the projects to the 2021/22 financial year and implemented satisfactory corrective actions to reduce further risks of underspending. The basic service delivery targets also haven't all been met due to misinterpretation of the unit of measurement when the targets were set. On a positive note, water and electricity losses are below target and quality and compliance standards were upheld.
- The Municipality has indicated reasons for under-achievement and the corrective measures for all targets that were not achieved. These are noted and should serve to improve performance in the 2021/22 financial year.
- The Municipality can improve Chapter 3 by correcting the summary of performance for SO1 on page 110 to reflect the high-level summary above. Note that TL7 was "not met", and not "almost met" as reflected by the colour (orange) in the report. Also note that Chapter 4 was incorrectly named *Service Delivery Performance* and should be named *Organisational Development Performance* in the final Annual Report.

### **3. BLACK ECONOMIC EMPOWERMENT**

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 B-BBEE Commission Explanatory Notice No.2 of 2021 and complete the required information for inclusion in the final 2020/21 Annual Report.

### **4. AUDITOR GENERAL FINDINGS AND OTHER FINDINGS**

The Municipality's audit outcome improved from an unqualified audit with findings in 2019/20 to an unqualified audit opinion with no findings i.e., clean audit in 2020/21. The Municipality is commended for the excellent financial reporting and governance.

### **5. CONCLUSION AND RECOMMENDATIONS**

The Municipality is compliant with the legislative requirements as per MFMA Section 75,121 and 127. It is recommended that the Municipality incorporate the above-mentioned aspects (see section 2.2 and 3) in order to improve the quality of the annual report.

In conclusion, the Municipality is reminded of its responsibility to finalise and adopt the Annual Report and the Oversight Report by no later than two months from the date on which the annual report was tabled before council in terms of section 127 of the MFMA.

Kind regards



**MR M BOOYSEN**  
**DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE**  
**DATE: 4 MARCH 2022**