

SUBMISSION OF THE 2021/2022 OVERSIGHT REPORT ON THE 2021/2022 ANNUAL REPORT /FOR NEWCASTLE MUNICIPALITY

*(File No: MM2/1/2/2)
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(1stLevel: Exco)
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EXECUTIVE SUMMARY

In terms of Section 129 of The Local Government Municipal Finance Management Act 56 of 2003, the council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled to council, in terms of Section 127 of The Local Government Municipal Finance Management Act 56 of 2003, adopt an oversight report containing the council's comments on the annual report.

In terms of Section 121 of The Local Government Municipal Finance Management Act No 56 of 2003 and Section 46 of The Local Government Municipal Systems Act No 32 of 2000, each municipality must prepare an Annual Report for each financial year. The purpose of the Annual Report is to:

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

RECOMMENDATIONS:

- (i) That council having considered the Newcastle Municipality 2021/2022 Annual Report, adopts the 2021/2022 Oversight Report in terms of Section 129 (1) of The Local Government Municipal Finance Management Act, Act 56 of 2003 without any reservations.
- (ii) That the Newcastle Municipality Annual report 2021/2022 be approved in terms of Section 127 of The Local Government Municipal Finance Management Act 56 of 2003.
- (iii) That the status on progress made in addressing the 2021/2022 issues raised by the auditor-general be noted.
- (iv) That the Newcastle Oversight Report 2021/2022 be made public in accordance with Section 129 (3) of The Local Government Municipal Finance Management Act 56 of 2003.
- (v) That the Oversight Report and Annual Report for the 2021/2022 financial year be submitted to the Provincial Legislature in terms of Section 132(2) of The Local

Government Municipal Finance Management Act 56 of 2003 and to the MEC for Co-operate Governance and Traditional Affairs (COGTA) in terms of Section 46 of the Local Government Municipal Systems Act 32 of 2000.

- (vi) That the Auditor-General Management Action Plan be a standing item on the MPAC agenda and progress reports be submitted to MPAC accordingly.

PURPOSE OF THE OVERSIGHT REPORT

The purpose of the 2021/2022 Oversight Report of MPAC is to provide an analysis of the accuracy of the report as compiled by administration.

- Review of past recommendations and the extent to which progress had been achieved.
- Departmental inputs on the compilation of the Annual Report
- Public Participation as per the legislative requirements
- To promote accountability to the local community for the decisions made throughout the year by the municipality.
- The processes as undertaken by MPAC in dealing with the Annual Report.

BACKGROUND

In terms of Section 129 of The Local Government Municipal Finance Management Act 56 of 2003 states that the

- (i) The council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality's sole or shared control, 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.

REPORT:

Attached as Annexures for the 2021/2022 Oversight Report is the:

- Newcastle Municipality Annual Performance Report
- Newcastle Municipality Annual Financial Statements
- The Auditor General Report for Newcastle Municipality
- Report of Audit Committee for Newcastle Municipality
- Uthukela Water Annual Report
- Management Action Plan to address Auditor General Findings

- Audit Committee Report
- Audit Committee Resolutions Register
- Comments from COGTA

FUNCTIONS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

The function of the Municipal Public Accounts Committee are as follows:

- Undertake a review and analysis of the Annual Report.
- Invite, receive, and consider inputs from Councillors and Portfolio Committees, on the Annual Report.
- Consider written comments received on the Annual Report from the public consultation process.
- Conduct Public Hearing(s) to allow the local community or any organs of state to make representations on the Annual Report.
- Receive and consider Council's Audit Committee views and comments on the annual financial statements and the performance report.
- Preparation of the draft Oversight Report, taking into consideration, the views and inputs of the public, representative(s) of the Auditor-General, organs of state, Council's Audit Committee and Councillors.

ADOPTION AND PUBLIC CONSULTATION PROCESS

The Annual Report for 2020/2021 was tabled to Council on the 25th of January 2023 in compliance with The Local Government Municipal Finance Act 56 of 2003, which requires under Section 127(2) that:

“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.”

The Annual Report for 2021/2022 was made public on the Municipal Website from the 2nd of February 2022 and a notice was published in the local newspaper on the 7th of February 2023.

Members of the community and other stakeholders were invited to submit written comments/inputs on the Newcastle Municipality Annual Report 2020/2021. The 2021/2022 Annual Report was furthermore also submitted in terms of Section 127(5) (b) to the Auditor-General (AG) of South Africa, Provincial Treasury (Kwa-Zulu Natal) and the Department of Corporate Governance and Traditional Affairs (COGTA) (Kwa-Zulu Natal).

The closing date for public comments was on the 1st of March 2023. There were no comments received by the municipality from the Newcastle Rate Payers Association, Newcastle Residents Forum and National/Provincial Treasury.

ANNUAL REPORT CHECKLIST

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED
<p>The annual financial statement (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General</p>	<p><i>Have the required standards been met – refer audit report and report of</i></p> <p><i>Audit committee for views on this?</i></p>	<p>Included in Annexure B of the 2021/2022 Annual Report</p>
<p>The Auditor-General's reports on the financial statement of the municipality and the entities</p>	<p><i>Is the audit report included in the annual report as tabled?</i></p> <p><i>If not, when will the audit report be tabled?</i></p> <p><i>What are causes of the delays?</i></p> <p><i>What actions are being taken to expedite the report?</i></p>	<p>Included in Annexure C of the 2021/2022 Annual Report</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED
Any explanations that may be necessary to clarify issues in connection with the financial statements	<p><i>Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the Notes to the statements?</i></p>	Notes to the financial statements Annexure B.
An assessment by the accounting officer on any matters on municipal taxes and services charges, including municipal entities	<p><i>Has an adequate assessment been included?</i></p> <p><i>Is there sufficient explanation of the causes of the arrears and of Actions to be taken to remedy the situation.</i></p> <p><i>Is any other action required to be taken?</i></p>	Annexure B – Annual Financial Statement
Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports.	<p><i>Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</i></p>	Annexure of the 2021/2022 Annual Report

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED
	<ul style="list-style-type: none"> • <i>To what extent does the report indicate serious or minor financial? Issues?</i> • <i>to what extent are the same issues repeated from previous? Audits?</i> • <i>Is the action proposed considered to be adequate to effectively? address the issues raised in the audit report?</i> • <i>Has a schedule of action to be taken been included in the annual? Report, with appropriate due dates?</i> 	
<p>An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget</p>	<p><i>Has the performance met the expectations of council and the? Community?</i></p> <p><i>Have the objectives been met?</i></p>	<p>Annexure B – Annual Financial Statement</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED
	<p><i>What explanations have been provided for any non-achievement?</i></p> <p><i>What was the impact on the service delivery and expenditure?</i></p> <p><i>Objectives in the budget?</i></p> <p>Council should comment and draw conclusions on performance and</p> <p>Explanations provided.</p>	
<p>An assessment by the municipal entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreements or other agreement between the entity and the municipality</p>	<p><i>Has the performance met the expectations of council and the Community?</i></p> <p><i>Have the performance objectives been met?</i></p> <p><i>What explanations have been provided for any non-achievement?</i></p>	<p>Annexure A - Annual Performance Report</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED
	<p><i>What was the impact on the service delivery and expenditure?</i></p> <p><i>Objectives in the budget?</i></p> <p>Council should comment and draw conclusions on performance and</p> <p>Explanations provided.</p>	
Any information as determined by the municipality, the entity or its parent municipality	Review any other information that has been included in regard to the AFS.	Annexure A – Annual Performance Report

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED
<p>Allocations received by and made to the municipal entity</p>	<p>Details of allocations made to any other organ of state, another municipality's or a municipal entity</p> <p>Any other allocations made to the municipality under Section 214 (1)© of the constitution</p> <p>The report should disclose:</p> <ul style="list-style-type: none"> • Details of allocations received from any municipality or other organ of state. ß Details of any allocations made to a municipality or other organ of state. • Other information as may be prescribed. Have these allocations been received and made? Does the audit report confirm the correctness 	<p>Annexure D – Annual Financial Statements for Uthukela Water</p> <p>Annexure E – Annual Financial Statement for Uthukela Water</p>

FINANCIAL MATTERS	CONSIDERATIONS AS PER CHECKLIST	FINANCIAL REPORTING TO BE CONSIDERED
<p>The Annual Performance Reports of the municipality and its entity</p>	<p>of the allocations received in terms of DORA and provincial budgets? Does the audit report or the audit committee recommend any action? Council should comment and draw conclusions on information and explanations provided.</p> <p>Section 46 of the Local Government Municipal Systems Act 32 of 2000</p>	<p>Annexure F – Annual Performance Report for Uthukela Water</p>

RESOLUTIONS

- (a) In terms of Section 129 (1) of The Local Government Municipal Finance Management Act 56 of 2003, council having considered the 2021/2022 Annual Report for Newcastle Municipality, adopts the Oversight Report and 2021/2022 Annual Report without reservations.
- (b) In terms of Section 127 of The Local Government Municipal Finance Management Act 56 of 2003 the 2021/2022 Annual Report be approved.
- (c) In accordance with Section 129(3) of The Local Government Municipal Finance Management Act 56 of 2003, the Newcastle Oversight Report 2021/2022 be made public.
- (d) In terms of Section 132(2) of The Local Government Municipal Finance Management Act 56 of 2003 that the Oversight Report and Annual Report for the 2021/2022 financial year be submitted to the Provincial Legislature
- (e) That it be noted that the Management Response Plan to the Auditor-General Report be a standing item on the MPAC agenda and that it be noted that progress reports be submitted on a quarterly basis to MPAC to ensure accountability.
- (f) That the status on progress made in addressing the 2021/2022 issues raised by the auditor-general be noted.

CONCLUSION

The purpose of the Oversight Report is to provide an accurate overview of the process of the financial and non-financial performance during the period under review.

As indicated in the Checklist for the Annual Report, the MPAC is also pleased to note that all components of the 2021/2022 Annual Report are included as is required in terms of Section 121(3) of The Local Government, Municipal Finance Management Act 56 of 2003 as follows:

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- The 2021/2022 Annual Financial Statements of the municipality,
- The 2021/2022 Auditor General report
- The 2021/2022 Report of the Audit Committee
- The 2021/2022 Annual Performance Report of the municipality prepared by the municipality in terms of Section 46 of The Local Government Municipal System Act 32 of 2000.
- The Auditor General's audit report in terms of Section 45 (b) of The Local Government Municipal Systems Act 32 of 2000.
- An assessment by the municipality 's accounting officer of any arrears on municipal taxes and service charges.
- Particulars of any corrective action taken or to be taken in response to the issues raised in the audit reports.
- Any explanation that maybe necessary to clarify issues that are in connection with the financial statements.

