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## REPORT TO THE MSUNDUZI MUNICIPAL COUNCIL

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Designation: Mayor Msunduzi Municipality

CONFIDENTIAL/ NOT CONFIDENTIAL

FOR NOTING/ CONSIDERATION

1<sup>st</sup> Level: SMC: (TBC )  
2<sup>nd</sup> Level: PORTFOLIO COMMITTEE (TBC )  
3<sup>rd</sup> Level: AUDIT COMMITTEE: (TBC )  
4<sup>th</sup> Level: EXCO (TBC )  
5<sup>th</sup> Level: COUNCIL 31<sup>st</sup> of March 2021

**SUBJECT: ANNUAL REPORT FOR MSUNDUZI MUNICIPALITY 2019/2020 FINANCIAL YEAR**

**DATE: 15 MARCH 2021**

### 1. PURPOSE

The purpose of this report is to table the Msunduzi Municipality Annual Report 2019/2020 financial year to Council as per requirements of Section 127 of the Municipal Finance Management Act (MFMA)

### 2. BACKGROUND

- 2.1.1. The 2019/2020 Annual Report for the Msunduzi Municipality has been drafted in accordance with the template received from National Treasury and KZN Provincial CoGTA.
- 2.1.2. The Draft Annual Report has been forwarded to the Auditor General who recommended certain amendments which were subsequently made

### 3. LEGISLATIVE PROVISIONS / POLICIES

3.1 The Municipal Finance Management Act No. 56 of 2003, Chapter 12, prescribes that 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 after the end of a 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.

3.2 The purpose of an annual report is -

- 1). to provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates;

2). to provide a report on performance against the budget of the municipality or municipal entity for the financial year; and

3). to promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity.

3.3 The annual report of municipality must include -

(1) The annual financial statements of the municipality, and in addition if section 122 (2) applies, consolidated annual financial statements, as submitted to the Auditor-General for audit in terms of section 126 (1);

2). the Auditor-General's audit report in terms of section 126 (3) on those financial statements;

3). the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.

3.4 The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit those statements to the Auditor-General for auditing. The accounting officer of a municipal entity must prepare the annual financial statements of the entity and, within two months after the end of the financial year to which those statements relate, submit those statements to the parent municipality of the entity and the Auditor-General for auditing.

The Auditor-General must audit those financial statements and submit an audit report to the accounting officer of the municipality or entity within three months of the receipt of the statements.

3.5 The mayor of a municipality must, within seven months after the end of the a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.

3.6 The council of a municipality must consider the annual report of the municipality & municipal entity, and by no later than two months from the date on which the annual report was tabled in council, adopt an oversight report containing councils comments on the annual report which must include a statement whether the council -

1) Has approved the annual report without reservations;

2). has rejected the annual report; or has referred the annual report back for the revision of those components that can be revised.

#### 4. MOTIVATION/DISCUSSION

- 4.1 The Municipal Finance Management Act No. 56 of 2003, Chapter 12, prescribes that every municipality must for each financial year prepare an annual report; hence the 2018/2019 Annual Report for the Msunduzi Municipality has been prepared and submitted to Council in accordance with the legislative mandates
- 4.1.1 The Annual Report should be tabled at a Full council meeting by the 31st of January Annually, because of the impact of Covid – 19 an extension was granted that the Annual report be tabled by no later than the 31st of March 2021. Please see **Annexure A**
- 4.1.2 The Municipality received an extension regarding the tabling of the Annual Report, as per Legislation. The extension was for two months, instead of tabling the Annual Report on the 31<sup>st</sup> of January 2021, the Annual report can be tabled by no later than 31<sup>st</sup> of March 2021 **Please see Annexure B**
- 4.2 There were a total of **148** Key performance indicators on the SDBIP 2019/2020, 79 being operating projects and 69 being capital projects. There were a total of **123** Key performance indicators on the SDBIP 2018/2019, **80** being operating projects and **43** being capital projects. There were a total of 198 Key performance indicators on the OP 2019/2020, this is in comparison to the 193 on the 2018/2019 OP.
- 4.3 A total of **79** Operating Projects were reported on the SDBIP for the 2019/2020 FY ANNUAL PROGRESS REPORT whereas 80 was reported in 2018/2019FY

OPERATING PROJECTS - ANNUAL SDBIP 2019/2020 & 2018/2019							
Financial Year	Number of indicators	69% and below	70% - 99%	100% - 129%	130% - 129%	150% - 167%	N/A
2019/2020	79	35.44%	10.13%	45.57%	7.59%	1.27%	0%
2018/2019	80	43.75%	10%	36.25%	6.25%	3.75%	0%

- The above table is a representation of the achievement of operating performance indicators on the SDBIP. There has been a steady yet slow improvement in relation to Performance in comparison to the 2018/2019 Financial Year

- 4.4 A total of **69** Capital Projects were reported on the SDBIP for the 2019/2020 FY ANNUAL PROGRESS REPORT whereas **43** in 2018/2019FY

CAPITAL PROJECTS - ANNUAL SDBIP 2019/2020 & 2018/2019							
Financial Year	Number of indicators	69% and below	70% - 99%	100% - 129%	130% - 129%	150% - 167%	N/A
2019/2020	69	31.88%	13.04%	52.17%	2.90%	0%	0%
2018/2019	43	48.84%	9.30%	30.23%	9.30%	2.33%	0%

- The above table is a representation of the achievement of Capital performance indicators on the SDBIP. There was an increase in Capital Projects in the 2019/2020 Annual Report as compared to the 2018/2019 Annual Report, The Performance also increased .

- 4.5 A total of **198** Operating Projects were reported on the Operational Plan for 2019/2020 FY ANNUAL PROGRESS REPORT **193** operating projects were also recorded in 2018/2019 FY

<b>OPERATING PROJECTS - ANNUAL OPERATIONAL PLAN 2019/2020 &amp; 2018/2019</b>							
Financial Year	Number of indicators	69% and below	70% - 99%	100% - 129%	130% - 129%	150% - 167%	N/A
2019/2020	198	23.83%	13.99%	58.03%	2.59%	0%	1.55%
2018/2019	193	18.65%	9.33%	68.39%	2.07%	1.55%	0%

- The above table is a representation of the achievement of Operating performance indicators on the Operational Plan. The Graphical representation indicates a drop in achieved performance objectives in the Operational section of Performance in the Operation Plan.

**5. COMMENTS FROM THE RELEVANT BUSINESS UNIT OR COMPONENT OF THE BUSINESS UNIT**

5.1.1 The following information for the Annual Report remains outstanding, as the Audit General's (AG) final report is not ready for publication.

- Audit Committee Report, Annual Financial Statements, Auditor General Report Response to the Report to the Auditor General.

**6. IMPLICATIONS:**

**6.1 FINANCIAL – N/A**

**6.2 LEGAL – N/A**

**6.3 COMMUNICATION** – The annual report is a public document and will be made available at Councils information centre as well as the ABM satellite offices in the five zones.

Once the annual report is tabled at a Full Council Sitting, it will be placed on Councils Intranet and Website

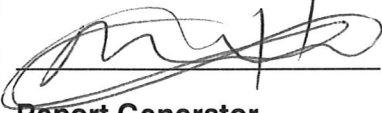
**6.4 SERVICE DELIVERY IMPLICATIONS:** The annual report is compiled in order to display the municipality's service delivery achievements and the funds expended toward the services provided

**7. RECOMMENDATIONS**

**IT IS RECOMMENDED THAT:**

- 7.1 The tabling of the Msunduzi Municipality Annual Report 2019/2020 as per requirements of Section 1 27 of the Municipal Finance Management Act (MFMA) is noted.
- 7.2 The Annual Report as per S 129 of the MFMA is forwarded to the Municipal Public Accounts Committee (MPAC) to interrogate the content of the Annual Report 2019/2020 and before the end of May 2021 table the Oversight Report at a meeting of the Full Council.

**8. SUBMITTED BY:**

  
**Report Generator**  
COUNCILLOR M THEBOLA  
MAYOR: MSUNDUZI MUNICIPALITY

**ANNEXURE A:** DRAFT ANNUAL REPORT 2019/2020

**ANNEXURE B:** CIRCULAR 104 FROM NATIONAL TREASURY



## EXTENSION TO TIMELINES FOR SUBMISSION OF ANNUAL FINANCIAL STATEMENTS, ANNUAL REPORTS, AUDITS AND RELATED MATTERS IN TERMS OF THE MFMA

### 1. PURPOSE

- 1.1 The purpose of this Circular is to provide information to municipalities, municipal entities, auditors and other stakeholders, on the Ministerial Exemption issued in terms of section 171(1)(b) of the MFMA, "Gazette" published on 05 August 2020. This Circular and the Exemption Notice are available and can be accessed on the MFMA webpage, using the following link <http://mfma.treasury.gov.za/Pages/Default.aspx>.

### 2. BACKGROUND

- 2.1 The Minister of Finance exempted municipalities and municipal entities from submitting key reports. The notice allows for a two-months delay in the submission of Annual Financial Statements, Annual Reports, Audit Opinions, Oversight reports and associated processes.
- 2.2 The context of this exemption flows from the Minister of Cooperative Governance and Traditional Affairs' announcement of the national state of disaster in terms of the Disaster Management Act to enable government and the country at large to manage the spread of the Covid-19 virus. Following the initial announcements of the national state of disaster, subsequent extensions and different levels were communicated.
- 2.3 Whilst the lockdown and restrictions have been eased over time, they are still in force and in effect with direct implications for municipalities, municipal entities, audit processes, amongst others. The lockdown impacts on the ability by municipalities and municipal entities to prepare and submit quality annual financial statements that meet the uniform norms and standards, related reports and processes to discharge their accountability towards the public and report on the utilisation of public funds.

- 2.4 The timing of the phased lockdown also had a knock-on effect on availability of municipal staff, which impacted on operations and added to the delays in ability to prepare AFS, undertake procedures such as the physical verification of assets, meter reading, revenue management, valuations, finalising supporting documentation and concluding reconciliations. There are similar impacts on the quality assurance processes, annual report, performance report and oversight report procedures and processes. The audit process and timelines by the Office of the Auditor-General to perform its audits, is also extended accordingly.

### **3. LEGISLATIVE REQUIREMENTS**

- 3.1 The specific sections in the MFMA In terms of the MFMA, the accounting officer of a municipality must prepare the annual financial statements of the municipality or municipal entity and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing. Similarly, the accounting officer of a municipal entity must prepare the annual financial statements of the entity and within two months after the end of the financial year to which those statements relate, submit the statements to the parent municipality and the Auditor-General. This means that the 2019/20 annual financial statements must be submitted by 31 August 2020 to the Auditor-General for auditing.
- 3.2 In terms of section 126(1)(b) of the MFMA, all municipalities with sole or effective control of a municipal entity, must prepare consolidated annual financial statements and submit the statements to the Auditor-General for auditing, within three months after the end of the financial year to which those statements relate. This means the 2019/20 consolidated annual financial statements must be prepared and submitted by 30 September 2020.
- 3.3 Other provisions effected by the Ministerial Exemption include sections 127, 129 and 133 of the MFMA.

### **4. MINISTERIAL EXEMPTION**

- 4.1 The effects of this Ministerial exemption are to mitigate anticipated widespread non-compliance with sections 126, 127, 129 and 133 of the MFMA due to the national state of disaster and lockdown restrictions. This provides a further two-month period to municipalities and municipal entities to comply with the MFMA to submit the AFS, annual reports, performance report and its oversight report. It also extends the period for the Office of the Auditor-General to conduct their audits and submission of the audit opinion to auditees, thereafter. This will be

followed by Council Committees engagements and concluding their oversight processes.

- 4.2 The extension will therefore enable municipalities and municipal entities to undertake all the necessary actions, checks and reviews, to ensure that the annual financial statements fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year.
- 4.3 In terms of the Ministerial Exemption, municipalities and municipal entities are exempted from complying with the deadlines provided in sections 126(1) and (2), 127(1) and (2) and 129(1) and 133(2) of the MFMA for a period of 2 months, as reflected in the table below. It is advised that all performance reports, required as per Section 46 of the Municipal Systems Act, be equally aligned.

No.	Action	Section	New Outer Deadline
1	The accounting officer of a municipality must prepare the annual financial statements of the municipality and, within two months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.	Section 126(1)(a) of the MFMA	31 October 2020
2	The accounting officer of a municipality must in the case of a municipality referred to in section 122(2), prepare consolidated annual financial statements in terms of that section and, within three months after the end of the financial year to which those statements relate, submit the statements to the Auditor-General for auditing.	Section 126(1)(b) of the MFMA	30 November 2020
3	The accounting officer of a municipal entity must prepare the annual financial statements of the entity and, within two months after the end of the financial year to which those	Section 126(2) of the MFMA	31 October 2020



	statements relate, submit the statements to— a) the parent municipality of the entity; and b) the Auditor-General, for auditing.		
4	The accounting officer of a municipal entity must, within six months after the end of a financial year, or on such earlier date as may be agreed between the entity and its parent municipality, submit the entity's annual report for that financial year to the municipal manager of the entity's parent municipality.	Section 127(1) of the MFMA	28 February 2021
5	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 and of any municipal entity under the municipality's sole or shared control.	Section 127(2) of the MFMA	31 March 2021
6	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.	Section 129(1) of the MFMA	31 May 2021
7	The Auditor-General must submit to Parliament and the provincial legislatures—	Section 133(2) of the MFMA	31 December 2020

	<p>a) by no later than 31 October of each year, the names of any municipalities or municipal entities which have failed to submit their financial statements to the Auditor-General in terms of section 126; and</p> <p>b) at quarterly intervals thereafter, the names of any municipalities or municipal entities whose financial statements are still outstanding at the end of each interval.</p>		
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## 5. CONCLUSION

5.1 Municipalities and municipal entities must ensure that processes and procedures are aligned to the extended deadlines as outlined in the above table. All the necessary actions must be undertaken to ensure that quality annual financial statements and performance reports are submitted for audits by the outer due dates provided above. All municipalities and municipal entities are encouraged to submit these reports before the due dates, where possible.

## 6. CONTACT

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**TV PILLAY**

**CHIEF DIRECTOR: MFMA IMPLEMENTATION**

**Date: 07 August 2020**