



## OVERSIGHT REPORT REGARDING THE 2016/2017 ANNUAL REPORT OF SWARTLAND MUNICIPALITY

### 1. OBJECTIVE

To submit to Council, in terms of Section 129 of the MFMA, the Oversight Report on the Annual Report, covering Swartland Municipality in respect of the 2016/2017 financial year.

### 2. BACKGROUND

#### 2.1 Annual Report

The 2016/2017 Annual Report was tabled in Council on 31 January 2018, reporting on the municipality's performance for the period 1 July 2016 until 30 June 2017.

By doing so, Council complied with section 133 of the MFMA which stipulate that the Executive Mayor must table the Annual Report in Council within 7 months after the end of the financial year, i.e. by the end of January 2018.

The Council of Swartland Municipality is furthermore required to engage with, and finalise the Annual Report within 9 months after the end of the financial year, which is before 31 March 2018.

The process for the finalisation and approval of the 2016/2017 Annual Report is set out in the table below:

Activity Description	Provision	Target
Preparation of annual financial statements of the municipality and submission to the Auditor-General	MFMA Section 122(1)(2)	30 August 2017
Receipt of final audit report from Auditor-General	MFMA Section 126(3)(b)	30 November 2017
Tabling of Annual Report in Council by Executive Mayor	MFMA Section 127(2)	31 January 2018
Allowing for comment by community and relevant state organs	MFMA Section 127(5)(a) & (b)	6 February until 2 March 2018
Corrective actions to AG's opinion formulated and tabled in Council	MFMA Section 121(3)(g)	N/A
Consideration and adoption of Annual Report and Oversight Report	MFMA Section 129(1)	29 March 2018
Submission of Annual Report and Oversight Report to AG, Provincial Treasury and MEC: Local Government	MFMA Section 129(2)(b)	3 April 2018
Communication of final Annual Report / Oversight Report (website, hard copies and other mediums)	MFMA Section 129(3)	3 April 2018

## 2.2 Oversight Report

The adoption of the Oversight Report is the final major step in the annual reporting process of a municipality. Section 129 of the MFMA requires the Council to consider the annual reports of its municipality and to adopt an "oversight report" containing the Council's comments.

The oversight report must include a statement whether the Council:

- has approved the annual report, with or without reservations;
- has rejected the annual report; or
- has referred the annual report back for revision of those components that can be revised.

National Treasury issued Circular 32 on 15 March 2006 (see attached) on the preparation of oversight reports and provides guidelines on the processes to be followed in the adoption of the Oversight Report to which this report conforms.

The Oversight Report is a separate product from the Annual Report. The Annual Report is submitted to the Council by the Accounting Officer and the Executive Mayor and is part of the process for discharging accountability by the executive and administration for their performance in achieving objectives and goals set by the municipality in the relevant financial year. The Oversight Report follows consideration and consultation on the Annual Report and is considered to be a report of the municipal council.

After tabling of the 2016/2017 Annual Report on 31 January 2018, in line with Section 127(5) of the MFMA, Swartland Municipality allowed for public comments regarding the 2016/2017 Annual Report from 6 February until 2 March 2018.

The Annual Report was made available on Council's website, as well as at all (6) municipal offices and (9) libraries in the municipal area. In addition, the Annual Report was made available to the following offices:

- The Office of the Auditor-General
- The Provincial Treasury
- The MEC for Local Government.

The accounting officer (Municipal Manager) of Swartland Municipality attended all council meetings where the Annual Report was discussed, i.e. on 31 January 2018. A copy of the minutes of this meeting is appended to this report as Annexure B<sup>1</sup>. A copy of the minutes of the Municipal Public Account Committee meetings held on 8 and 13 March 2018 respectively, which was also attended by the accounting officer (meeting of 8 March 2018), are attached to this report as Annexure C1 and C2.

## 3. KEY COMMENTS AND RESPONSES

Circular 32 of the National Treasury recommends that the summary of key issues raised by the community, Auditor-General and other spheres in government, be detailed in the Oversight Report. In addition, the Circular proposes that responses to questions raised in written representations be captured in the Oversight Report. This section summarises the key questions and comments from the Auditor-General, the municipality's audit committee, the Council, as well as the responses by the Municipality's Executive Management.

3.1/...

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<sup>1</sup> Refer paragraph 7.1 of Annexure B

### **3.1 The Auditor-General's Management Letter and Response by Management**

#### **3.1.1 Audit opinion**

Ad paragraph 2 of the Auditor-General's Management Letter:

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Swartland Municipality as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2016) (DoRA).

For the previous six years, as well as for this year **no other matters** were found by the Auditor-General and as such council received a clean audit report for seventh consecutive years. A further significant achievement is that during the 2016/2017 audit process no COMAFS (communications of audit findings) have been issued.

#### **3.2 Key comments: Executive Mayor, community and Organs of State**

No comments were received from any community member. A letter was received from Provincial Treasury dated 02 March 2018 (see Annexure D). The assessment report received from Provincial Treasury contains an evaluation of the Annual Report in terms of compliance to the legislation and the Annual Report Template in accordance with MFMA Circular No 63.

Attached as Annexure E find the replacement pages of the 2016/2017 Annual Report on some of the recommendations by the Provincial Treasury as corrections of the 2016/2017 Annual Report.

#### **3.3 Key comments: MPAC-Committee (including members of External Audit Committee)**

Minutes of MPAC committee meeting held on 8 March 2018 appended as Annexure C.

#### **3.4 Key comments: Council**

Minutes of Special Council meeting held on 28 March 2018 appended hereto as Annexure F.

### **4. LEGAL AND CONSTITUTIONAL IMPLICATIONS**

The 2016/2017 Annual Report and Oversight Report have been prepared in compliance with the provisions of the Municipal Systems Act and the Municipal Finance Management Act, and conform to the guidelines in Circular 32 issued by National Treasury.

### **5. COMMUNICATIONS IMPLICATIONS**

The full text of the 2016/2017 Annual Report and Oversight Report will be distributed to the MEC of Local Government, Provincial Treasury, the Auditor-General and Provincial Legislature. The full text will also be published on Swartland Municipality's website.

## 6. RECOMMENDATION

It is recommended to Council on 29 March 2018<sup>2</sup> -

- (a) That Council, having considered the 2016/2017 Annual Report of Swartland Municipality, adopts the Oversight Report in terms of section 129 of the Municipal Finance Management Act;
- (b) That the 2016/2017 Annual Report of Swartland Municipality be approved without reservations, in terms of section 129 of the MFMA;
- (c) That the minutes of the meetings where the Annual Report was discussed, in the presence of the accounting officer (Municipal Manager) be submitted to the Auditor-General, the Provincial Treasury and the Western Cape Department for Local Government as attached to the report, in terms of section 129(2) of the MFMA;
- (d) That the 2016/2017 Oversight Report of Swartland Municipality be made public in terms of Section 129(3) of the MFMA and be submitted to the Western Cape Legislature in terms of Section 132(2) of the MFMA.

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<sup>2</sup> See minutes of Council meeting held on 29 March 2018 attached as Annexure F