

**CITY OF EKURHULENI METROPOLITAN MUNICIPALITY  
EXTRA-ORDINARY COUNCIL MEETING  
2018-03-28**

**ITEM A-F MPAC (04-2018(a))**

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**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE: REPORT ON THE ANNUAL REPORT, INCLUSIVE OF ANNUAL FINANCIAL STATEMENTS (AFS) FOR THE 2015/16 FINANCIAL YEAR AND THE A-G REPORT**

**PURPOSE**

To report to Council on Municipal Public Accounts Committee's (MPAC's) consideration of the Annual Report, Inclusive of Draft Annual Financial Statements (AFS) for the 2016/17 financial year and the A-G Report.

**EXECUTIVE SUMMARY**

The Annual Report, Inclusive of Annual Financial Statements (AFS) for the 2016/17 financial year and the A-G Report is the final draft of the annual report including the Auditor-General's report after the Unaudited Annual Report was dealt with by the end of December. This report was referred to the MPAC on the 25<sup>th</sup> of January 2018 for consideration and reporting in accordance with Standing Order 132 of Council.

The Committee firstly forwarded its three (3) standard questions to the departments. This was followed by public hearings on the 9<sup>th</sup> and 16<sup>th</sup> of February 2018 and the 9<sup>th</sup> of March 2018. In these hearings, the departments affected by unauthorised, irregular, fruitless and wasteful expenditure appeared before the Committee to make oral presentations and respond to the questions raised by the Committee. On the 23<sup>rd</sup> of March 2018, the Committee convened once more to complete its hearings with the departments which, hitherto, did not manage to appear before the Committee. It was in this meeting that the Committee deliberated on and adopted this MPAC oversight report.

**KEY DELIBERATIONS**

The Annual Report, Inclusive of Annual Financial Statements (AFS) for the 2016/17 financial year and the A-G Report, was submitted to the MPAC for oversight, after the Unaudited Annual Report, Inclusive of Draft Annual Financial Statements (AFS) was scrutinised by other oversight committees by the end of November 2017, as per Circular 63, read together with section 127 to 129 of the Municipal Finance Management Act (MFMA) (no. 56 of 2003). According to these prescripts, the Unaudited Annual Report, Inclusive of Draft Annual Financial Statements, should be submitted to Council within two months after the end of the financial year, i.e., in August, for oversight by Council. After 7 months, i.e., by the end of January of each year, the final Annual Report, together with A-G's report, must be tabled in Council and the MPAC must make its final pronouncement on the financial statements in conclusion of the oversight process of Council.

The MFMA further empowers the municipal Council to develop an oversight report, within the context of the separations of roles as outlined in MFMA Circular 32, on the submission of the report by the Executive Mayor. In particular, Section 129 (1) of the MFMA stipulates that the oversight report on the Annual Report must include a statement whether Council:

- (a) Has approved the annual report with or without reservations;*
- (b) Has rejected the annual report;*

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*(c) Has referred the annual report back for revision of those components that can be revised.*

The Committee interrogated the unauthorised, irregular, fruitful and wasteful expenditure, - recorded as note 53 of the AFS - as per the provision of section 32 of the MFMA. The report on these issues is submitted to the Council separately from this one, which seeks to respond to the above provisions of section 129 of the MFMA. The Committee was also informed by the oversight report tabled to Council in November 2017 and invited the Chairpersons of various Section 79 oversight committees for the finalization of the outstanding issues following from their portfolio oversight process. To this effect, the Committee would like to recommend that the Annual Report, Inclusive of Annual Financial Statements (AFS) for the 2015/16 financial year and the A-G Report be approved without any reservations.

The Committee, however, has made several observation regarding its functionality and interactions with the departments. These, and recommendations thereof, are discussed in ITEM A-F MPAC(04-2018(b)) discussing MFMA section 32 matters – unauthorised, irregular, fruitful and wasteful expenditure - accompanying this report.

**RECOMMENDATIONS**

1. **That** the contents of the Annual Report, Inclusive of Annual Financial Statements (AFS) for the 2016/17 financial year and the A-G Report, tabled to Council as Item A-F (04-2018) **BE NOTED**.
2. **That** the Annual Report, Inclusive of Annual Financial Statements (AFS) for the 2016/17 financial year and the Auditor General (A-G) Report **BE APPROVED** without reservations.
3. **That** the Accounting Officer **SUBMIT** this oversight report to the Gauteng Provincial Legislature, within seven (7) days of its adoption by Council.
4. **That** the Accounting Officer provide feedback on the report to Council by the end of April 2018.