

ANNUAL REPORT CHECKLIST

ANNEXURE "A"

1. Annual Financial Statements - Section 121 (3) & (4) MFMA	For Consideration	Questions	Response	Recommended Corrective Action
121 (3)(a) The annual financial statements (AFS) for the municipality and, if applicable, consolidated statements (with all entities) as submitted to the Auditor-General	Where the municipality has sole or effective control of a municipal entity, consolidated financial statements are required. The AFS are to be in the form as required by the applicable accounting standards. MFMA Circular 18 with annexures, 23 June 2005, provides guidelines on the new accounting standards for municipalities.	1. Have the financial statements been included? 2. Are the financial statements audited? 3. Have the financial statements been prepared in compliance with applicable accounting standards.	1. The Annual Financial Statements have been included in the Annual Report for 2015/2016. 2. The Annual Financial Statements have been audited and the Audit Report was issued on 30 November 2016. 3. The Annual Financial Statements have been prepared in accordance with applicable accounting standards.	N/A
121 (3)(a)	The above applies to the AFS of municipal entities.	Not applicable	N/A	N/A
121 (3)(b) The Auditor-General's reports on the financial statements of the municipality.		1. Is the audit report included in the tabled Annual Report? 2. If not, when will the audit report be tabled? 3. What are causes of the	Yes	N/A

		delays?		
		4. What actions are being taken to expedite the report?		
121 (4)(b)	The above applies to the AFS of municipal entities.	Not applicable	N/A	N/A
121 (3)(h) Any explanations that may be necessary to clarify issues in connection with the financial statements	The accounting standards require that notes accompany the statements to provide explanations of issues and matters reported. Refer also points below on information in notes to AFS.	1. Taking into consideration the audit report and the audit committee comments, is sufficient explanation of financial issues contained in the notes to the statements?	The required information is provided in the notes to the Annual Financial Statements.	N/A
121 (4)	The above applies also to the AFS of municipal entities.		N/A	N/A
2. Annual Financial Statements - Section 121 (3) & (4) MFMA cont.	For Consideration	Questions		
121 (3)(e) An assessment by the accounting officer on any arrears on municipal taxes and service charges, including municipal entities		<p>1. Has an adequate assessment been included?</p> <p>2. Is there sufficient explanation of the causes of the arrears and of actions to be taken to remedy the situation?</p> <p>3. Is any other action needed?</p>	<p>Information is included in the Annual Report, Finance Department Section of the Annual Report. A dedicated Credit Control Section deals with the collection of arrears and targets have been set.</p> <ul style="list-style-type: none"> The Debtors Age Analysis is captured in the Financial Statements. 	A Revenue Enhancement Strategy is in place to deal with arrear debtor accounts.

121 (4)(c)	Above applies to AFS of municipal entities.		N/A	N/A
121 (3)(g) Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports	<p>The conclusions of the annual audit may be either –</p> <ul style="list-style-type: none"> - An unqualified audit opinion with or without management issues, which means that the financial statements are acceptable; - A qualified audit opinion setting out reasons for qualification, which means that certain issues need to be addressed before an unqualified opinion can be achieved; or - The auditor will disclaim the statements and not offer an opinion. In this case there may be serious financial issues to be addressed. <p>The objective of the municipality should be to achieve an unqualified audit opinion.</p>	<p>1. Taking into account the audit report, audit opinion and the views of the audit committee, council should consider:</p> <ul style="list-style-type: none"> ▪ To what extent does the report indicate serious or minor financial issues? ▪ To what extent are the same issues repeated from previous audits? ▪ Is the action proposed considered to be adequate to effectively address the issues raised in the audit report? <p>2. Has a schedule of action to be taken been included in the annual report with appropriate dates?</p> <p>3. Has the municipality taken steps to address the issues raised in the Audit Report?</p> <p>4. Has the Audit Report been forwarded to the MEC?</p>	<p>The municipality received a Clean Audit for the 2015/2016 financial year.</p> <p>Matters raised were not material and most were new, and not repeated from previous audits.</p> <p>An action plan to address the issues raised has been drafted and submitted to management, and steps are being taken to address the issues raised.</p> <p>The Audit Report has been submitted to the office of the MEC.</p>	<p>An action plan to address the issues raised has been drafted and approved by management.</p> <p>Progress is being monitored by Internal Audit and Management.</p>

121 (4)(e)	Above applies to AFS of municipal entities.		N/A	N/A
121 (3)(i)&(k) Any information as determined by the municipality, entity or its parent municipality	Review all other information contained in the Annual Report.	1. Is the other information contained in the Annual Report, relevant and accurate?	Yes	N/A
121 (4)(h)	Applies to municipal entities.			
3. Annual Financial Statements - Section 121 (3) & (4) MFMA continued	For Consideration	Questions		
121 (4)(d) 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 agreement or other agreement between the entity and the Municipality	Agreements between the municipality and its entities for service delivery are to include measurable performance objectives. This will include measures of services delivered to the community, financial targets, expenditure targets etc. The entity's annual report must include an assessment by the accounting officer, of performance against these objectives. In order to show the linkage between the entity and the municipality, the report of the municipality should also include the performance of entities. Council should comment and draw conclusions on performance and explanations provided.	<ol style="list-style-type: none"> 1. Has the performance met the Expectations of council and the community? 2. Have the performance objectives been met? 3. What explanations have been provided for any non-achievement? 4. What was the impact on the service delivery and expenditure objectives in the budget? 	N/A	N/A

121 (3)(j) and 121 (4)(g) Recommendations of the audit committee in relation to the AFS and audit reports of the municipality and its entities	Conclusions on these recommendations and the actions required should be incorporated in the oversight report.	<ol style="list-style-type: none"> 1. Have the recommendations of the audit committee in regard to the AFS been adequately addressed by the municipality and/or the entity? 2. What actions need to be taken in terms of these recommendations? 	The Audit Committee Report has been included in the Annual Report, and the committee's recommendations have been addressed.	Ongoing monitoring and review of procedures and financial management.
4. Disclosures – Allocations received and made – S 123 & 125 MFMA	For Consideration	Questions	Response	Corrective Action
123 (1)(a) Allocations received by the municipality from an organ or state, a municipal entity or another municipality.	<p>The annual financial statements must disclose:</p> <ol style="list-style-type: none"> 1. Details of allocations received from another organ of state in the national or provincial sphere, municipal entity or another municipality 2. Any other allocation made to the municipality under Section 214(1) (c) of the Constitution. <p>Council should comment and draw conclusions on information and explanations provided.</p>	<p>Have allocations received by an organ of state, a municipal entity or another municipality been disclosed?</p> <p>Does the audit report confirm the correctness of the allocations received in terms of DORA and provincial budgets?</p> <p>Does the audit report or the audit committee recommend any action?</p>	<p>The disclosure of grants and subsidies in terms of section 123 of the MFMA, 56 of 2003, has been disclosed in the Annual Financial Statements on pages 45 to 47, and on page 67. The Audit Report has confirmed all allocations received.</p> <p>No actions were recommended.</p>	N/A

<p>125 Other compulsory disclosures and information in relation to outstanding debtors and creditors of the municipality and entities</p>	<p>Municipalities and entities are reminded of the requirement to include, in their annual financial statements, amounts owed to them and persistently delayed beyond 30 days, by national or provincial departments and public entities.</p> <p>Other disclosures required; Contributions to organised local labour and amount outstanding at year end</p> <p>Total amounts paid in audit fees, taxes, levies, duties and pensions and medical aid contributions and whether there where amounts outstanding at year end</p> <p>Name of bank where accounts held and year end balances</p> <p>Summary of investments held Contingent Liabilities Material irregular, fruitless or Wasteful expenditure Details of unauthorised Expenditure Particulars of non-compliance with the MFMA</p>	<p>Are all the compulsory disclosures contained in the notes to the Annual Financial Statements?</p> <p>Does the audit report confirm that the disclosures have been made?</p>	<p>All compulsory disclosures are contained in the notes to the Annual Financial Statements in terms of :</p> <ul style="list-style-type: none"> - Unauthorised Expenditure - Irregular Expenditure - Fruitless and Wasteful Expenditure <p>Total amounts paid i.r.o. Audit Fees, Taxes, Medical Aid, Pension Contributions, all of which were paid in full with no outstanding amounts were also disclosed.</p> <p>All bank accounts and investments have been disclosed in the Annual Financial Statements as required.</p> <p>All Contingent Liabilities have been disclosed on page 59, note 40 to the Annual Financial Statements.</p>	
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	The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.			
123 (1) (c) – (f) Information in relation to the use of allocations received	<p>Section 123 of the MFMA and MFMA guidance circular 11, require that the municipality provide information per allocation received per vote and include:</p> <p>1. The current year and details of spending on all previous conditional grants, for the previous two financial years. Information is to be provided per vote. (For example, municipalities must report on all transfers received from provincial housing departments for housing subsidy grants for three financial years, and indicate how such funds were spent, and for what projects.</p> <p>2. Information stating whether the municipality has complied with the conditions of the grants, allocations in terms of section 214(1) (c) of the Constitution and allocations received from other than another organ of state. Where there is non-compliance, details of the reasons for non-compliance are to be provided.</p>	<p>1. Disclosure on how allocations received have been spent per vote</p> <p>2. Has the Municipality complied with the conditions of the grants received?</p> <p>3. Has the Municipality had any allocation per DORA, delayed or withheld?</p> <p>4. Does the Audit report or Audit Committee recommend any action?</p>	<p>The Notes to the Annual Financial Statements includes all allocations received and discloses the spending on all conditional grants as required.</p> <p>All grant allocation conditions were complied with, and where necessary the relevant grants were approved for roll-over.</p> <p>No allocation as per the DORA was elayed or withheld.</p> <p>N/A</p>	N/A

	<p>3. Information on whether allocations under the DORA were delayed or withheld and the reasons advanced for this.</p> <p>The Auditor-General will ensure that the audit process includes a proper assessment (and reconciliation) on all national grants received by a municipality. Council should consider this aspect of the audit report and comments by the audit committee on the use of allocations received. The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this Information.</p>			
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5. Disclosures Councillors, Directors and Officials in the notes to the Annual Financial Statements. Section 124 MFMA	For Consideration	Questions	Response	Recommended Corrective Action
<p>124 (1) & (2)</p> <p>Information relating to benefits paid by municipality and entity to councillors, directors and officials</p>	<p>Information on the following items is to be included in the notes to the annual report and AFS:</p> <ol style="list-style-type: none"> 1. Salaries, allowances and benefits of political office bearers, councillors and boards of directors, whether financial or in kind; 2. Any arrears owed by individual councillors to the municipality or entity for rates and services, which at any time were outstanding for more than 90 days, including the names of councillors; 3. Salaries allowances and benefits of the municipal manager, CEO of a municipal entity, CFO and every senior manager; <p>The comments of the Auditor-General and the views of the audit committee should be used to determine the accuracy and appropriateness of this information.</p>	<ol style="list-style-type: none"> 1. Have the salaries, allowances and benefits paid to Councillors and the Municipal Manager, CFO and Senior Managers been disclosed? 2. Is there a statement by the Accounting Officer, stating that salaries, allowances and benefits Paid to Councillors are within the upper limits of the framework envisaged in section 219 of the Constitution. 3. Have arrears for rates and services owed by Councillors, in which the arrears was for more than 90 days been disclosed including the name of the Councillor? 4. Have the salaries, allowances and benefits paid to members of the board of directors, CEO and senior managers of the entity been disclosed? 	<p>Notes 24 and 25 to the Annual Financial Statements includes salaries, allowances and benefits paid to Councillors and the Municipal Manager, CFO, and Senior Managers.</p> <p>2. Yes</p> <p>3. No councillors were in arrears for more than 90 days during the financial year.</p> <p>N/A</p>	<p>N/A</p>

6. Municipal Performance	For Consideration	Questions	Response	Recommended Corrective Action
The annual performance reports of the municipality and entities	<p>Section 46, MSA requires municipalities to submit a performance report reflecting the performance of the municipality and each service provider, a comparison of the performance with targets set for the previous year and measures taken to improve performance. The report must form part of the annual report.</p> <p>In terms of key functions or services, how has each performed? E.g. have backlogs for water, sanitation and electricity been reduced? What are the refuse collection volumes, library usage statistics etc?</p> <p>To what extent has performance achieved targets set by council? Is the council satisfied with the performance levels achieved? Is the community satisfied with performance? Has a customer satisfaction survey been undertaken and, if so, how do the results align with the annual report contents? What were the outcomes of public consultation and public hearings?</p>	<p>1. Has the performance report been included in the annual report?</p> <p>2. Have all the performance targets set in the budgets, SDBIP, service agreements etc, been included in the report?</p> <p>3. Does the performance evaluation in the annual report compare actual performance with targets expressed in the budgets and SDBIP approved for the financial year? What actions have been taken and planned to improve performance?</p> <p>4. Is the council satisfied with actions to improve performance?</p> <p>5. Did the targets set in the budgets, SDBIP agree with the targets set in the performance contracts of the municipal manager and each senior manager?</p>	<p>1. The Annual Performance Report has been included in the Annual Report.</p> <p>2. Performance Targets has been set in the Service Delivery Budget Implementation Plan (SDBIP) and Section 54/56 Performance Agreements</p> <p>3. The Service Delivery Budget Implementation Plan (SDBIP) is directly linked to the Performance Agreements of Section 54/56 and evaluated against targets and the budget.</p> <p>4. The Performance Evaluation of Service Providers, especially in the housing sector remain a concern.</p> <p>5. Targets set in the Performance Agreements are directly linked to the Service Delivery Budget Implementation Plan (SDBIP) and the Budget.</p>	

	<p>To what extent have actions planned for the previous year been carried over to the financial year reported upon? Have any actions planned in the reported year been carried over to the current or future years? If so are any explanations been provided by the municipal manager and are these satisfactory?</p>	<p>6. Does the report evaluate the efficiency of mechanisms applied to deliver the performance outcomes?</p> <p>7. Taking into account the audit Report and opinion and the views of the audit committee, is performance considered to be efficient and effective</p>	<p>6. Mechanisms to deliver Performance outcomes are primarily focusing on quantity outputs.</p> <p>7. The Auditor General (AG) has identified some targets that are not SMART.</p>	
Audit reports on performance	<p>Section 45, MSA requires that the Auditor-General must audit the results of performance measurements, as part of the internal auditing processes and annually.</p>	<p>1. Have the recommendations of internal audit been acted on during the financial year?</p> <p>2. Have recommendations by the auditor-general been included in action plans to improve performance in the following year?</p>	<p>1. Yes the Recommendation of the Audit Committee were acted upon.</p> <p>2. Yes</p>	

Performance of municipal entities and municipal service providers	<p>The annual report of the municipality should provide an assessment of the performance of the municipal entities and all contracted service providers. This is in addition to the separate annual reports of the entities. The report should evaluate the effectiveness of these services and whether alternative mechanisms should be considered.</p> <p>Is the council satisfied with the evaluation and conclusions of the municipality?</p> <p>What other actions are considered necessary to be taken by the accounting officers?</p>	<p>1. Has an assessment been included in the Annual Report on the performance of the municipal entities?</p> <p>2. Has an assessment been included in the Annual Report on the performance of all contracted service providers?</p>	<p>N/A</p> <p>Yes</p>	
For municipal entities – an assessment of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and municipality	<p>This is the separate report of the municipal entity and should contain details of service delivery agreements with the municipality and the performance measures therein.</p> <p>Council should consider similar issues to that outlined above for municipal performance to determine a view on the performance of municipal entities. To what extent were the objectives and performance measures of the entity aligned to</p>	<p>1. Has the entity performed in line with its service delivery agreements?</p> <p>2. Have the objectives and performance measures of the entity been aligned to the overall strategy of the municipality?</p>	<p>N/A</p> <p>N/A</p>	

	<p>the overall strategic objectives of the municipality and its IDP?</p> <p>Is the report of the municipal entity consistent with the conclusions on performance evaluation by the municipality?</p> <p>What specific actions should be taken by the entity and the municipality to improve performance?</p>			
5. General information	For Consideration	Questions	Response	Recommended Corrective Action
Relevant information on municipal entities	The municipality should disclose all information relating to the municipal entities under the sole or effective control of the municipality. Information to be disclosed includes names and types of entities, members of the board, addresses and contact details for entities, the purpose of the entity, the functions and services provided, the type and term of service level agreements with the entities.	1. Does the Annual Report include detailed information on all municipal entities?	N/A	
The use of any donor funding support	What donor funding has the municipality received? Have the purposes and the management agreements for the funding been properly agreed upon? Have the funds been used in accordance with agreements? Has the use of	1. Has there been disclosure of donor funding received in the Annual Report, if applicable?		

	funds been effective in improving services to the community? What actions need to be taken to improve utilisation of the funds?			
Agreements, contracts and projects under Private-Public-Partnerships	Information similar to the details of municipal entities should be provided. Council should ensure that all details have been supplied.	1. Have details of all PPP's been disclosed in the Annual Report, if applicable?	N/A	
Service delivery performance on key services provided	This may be a high level summary, in addition to detailed information on performance, which sets out overall performance under the strategic objectives of the municipality. Overall results on the strategic functions and services should be summarised. This should cover all services whether provided by the municipality, entities or external mechanisms. Council may draw conclusions on the overall performance of the municipality. This information may be found in an executive summary section of the annual report or in statistical tables.	1. Is there a high level summary detailing the overall performance of the municipality against its strategic objectives?	1. The quarterly performance evaluation of the Municipal Manager and that of the Managers reporting directly to the Municipal Managers.	
Information on long-term contracts	Details of all long-term contracts including levels of liability to the municipality should be included. Council should ensure all information is correctly supplied.	1. Have all long-term contracts been disclosed?		

Information technology and systems purchases and the effectiveness of these systems in the delivery of services and for ensuring compliance with statutory obligations	<p>Details of significant IT activities should be outlined indicating the effectiveness of the IT projects and the quality of IT services. Council should consider how effectively the IT services support and facilitate performance of the municipality and whether value for money has been obtained. Details of any future IT proposals should be summarised. Council should comment and draw conclusions on the information provided.</p>	1. Have significant IT activities been disclosed?	Disclosed	
Three year capital plan for addressing infrastructure backlogs in terms of the Municipal Infrastructure Grant (MIG) framework	<p>A summary of the long-term capital plans and how these address the backlogs of services in the municipality should be provided. This should include details of types and scale of backlogs, projected cost implications, strategies to address the backlogs and plans proposed and/or approved. The summary here should cross reference to the performance reports in the annual report and also will be highlighted in the coming budgets. Council should consider whether the plans appropriately address the backlogs and are consistent</p>	1. Has a summary of the long-term capital plans been disclosed?	Disclosed	

	with the strategic policy directions of council and needs of the community.			
Supply Chain Management Regulations and Policy	Certain disclosures on Supply Chain matters are required to be included in the Annual Report.		Disclosed	
7. Other considerations recommended	For Consideration	Questions	Response	Recommended Corrective Action
Timing of reports		1. Was the Annual Report tabled by 31 January, as per legislative requirements? 2. Has a schedule for consideration of the report been adopted?	1. The Annual Report was tabled to Council on 15 December 2016. 2. Council approved the Annual Report.	
Oversight committee or other mechanism		1. What mechanisms have been put in place to prepare the oversight report? 2. Has a schedule for its completion and tabling been adopted?	1. A schedule for the adoption of the Oversight Report has been adopted by the Oversight Committee. 2. The schedule has been adopted	
Payment of performance bonuses to municipal officials	Refer to Section 57 MSA as amended. Bonuses based on performance may be awarded to a municipal manager or a manager directly accountable to the municipal manager after the end of the financial year and only after	1. Have bonuses been paid based on achievements of agreed outputs and after consideration of the annual report by council?	1. No. The payment of performance bonuses is subject to the adoption of the Annual report by Council.	

	<p>an evaluation of performance and approval of such evaluation by the municipal council. Preferably such evaluation should be considered along with the annual report. The basis upon which performance is evaluated for payment of bonuses should be reconciled with the municipal performance reported in the annual report.</p> <p>Conclusions and comments on the evaluation and payment of performance bonuses of council should be included in the oversight report.</p>	<p>2. If so has a proper evaluation of performance been undertaken?</p> <p>3. Was the evaluation approved by council?</p> <p>4. Does the performance evaluation align and reconcile with the performance reported in the annual report? If not, what reasons have been given for non-reporting of the basis of evaluation in the annual report?</p> <p>5. Are the payments justified in terms of performance reported in the annual report?</p>	<p>2. Evaluation has not been conducted by the Performance Evaluation Committee appointed in terms of the 2006, performance regulation.</p> <p>3. Not yet approved</p> <p>4. Performance evaluation if aligned to the performance reported in the Annual Report.</p> <p>5. Payments are not yet done.</p>	
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