

Reference: RCS/C.5

Private Bag X9165  
CAPE TOWN  
8000

## TREASURY CIRCULAR MUN NO. 29/2019

THE MAYOR, CITY OF CAPE TOWN: MR D PLATO  
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR H CLEOPHAS  
THE MAYOR, MATZIKAMA MUNICIPALITY: MR D JENNER  
THE MAYOR, CEDERBERG MUNICIPALITY: MS S QUANTA  
THE MAYOR, BERGRIVIER MUNICIPALITY: MR R VAN ROOY  
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR M KOEN  
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN  
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: DR H VON SCHLICHT  
THE MAYOR, WITZENBERG MUNICIPALITY: MR BC KLAASEN  
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MR CJ POOLE  
THE MAYOR, STELLENBOSCH MUNICIPALITY: ADV. G VAN DEVENTER  
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MS A STEYN  
THE MAYOR, LANGEBERG MUNICIPALITY: MR HM JANSEN  
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR A FRANKEN  
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MS CJM VOSLOO  
THE MAYOR, OVERSTRAND MUNICIPALITY: MR D COETZEE  
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR PJ SWART  
THE MAYOR, SWELLEN DAM MUNICIPALITY: MR NG MYBURGH  
THE MAYOR, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M BOOYSEN  
THE MAYOR, KANNALAND MUNICIPALITY: MS M BARRY  
THE MAYOR, HESSEQUA MUNICIPALITY: MR G RIDDLES  
THE MAYOR, MOSSEL BAY MUNICIPALITY: MR HJ LEVENDAL  
THE MAYOR, GEORGE MUNICIPALITY: MR MG NAIK  
THE MAYOR, OUDTSHOORN MUNICIPALITY: MS N MWATI (ACTING)  
THE MAYOR, BITOU MUNICIPALITY: MR MP LOBESE  
THE MAYOR, KNYSNA MUNICIPALITY: MR A TSENGWA (ACTING)  
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY: DR A RABIE  
THE MAYOR, LAINGSBURG MUNICIPALITY: MR M GOUWS  
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MR G LOTTERING  
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR N CONSTABLE  
THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR L MBANDAZAYO  
THE MUNICIPAL MANAGER, WEST COAST DISTRICT MUNICIPALITY: MR D JOUBERT  
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR G SEAS (ACTING)  
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR L VOLSCHENK  
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV. H LINDE  
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR H METTLER  
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ  
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT MUNICIPALITY: MR H PRINS  
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON  
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR J LEIBBRANDT  
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MS G METTLER  
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS  
THE MUNICIPAL MANAGER, LANGEBERG MUNICIPALITY: MR SA MOKWENI  
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR D BERETTI  
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR G MATTHYSE  
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR C GROENEWALD  
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR D O'NEILL  
THE MUNICIPAL MANAGER, SWELLEN DAM MUNICIPALITY: MR A GROENEWALD  
THE MUNICIPAL MANAGER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M STRATU  
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR R STEVENS  
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS  
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: ADV. MG GILIOME  
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR T BOTHA

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 THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: ADV. L NGOQO  
 THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: DR S VATALA  
 THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR S JOOSTE  
 THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR P WILLIAMS  
 THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MS A VORSTER  
 THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR K HAARHOFF  
  
 THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR K JACOBY  
 THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT MUNICIPALITY: DR JCP TESSELAAR  
 THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR G SEAS  
 THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR E ALFRED  
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 THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR M BOLTON  
 THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT MUNICIPALITY: MS FA DU RAAN-GROENEWALD  
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 THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR J CARSTENS  
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 THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR D LOUW  
 THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MS S REYNEKE-NAUDÉ  
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 THE CHIEF FINANCIAL OFFICER, SWELLENBAM MUNICIPALITY: MR H SCHLEBUSCH  
 THE CHIEF FINANCIAL OFFICER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR JW DE JAGER  
 THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR R BUTLER  
 THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN  
 THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR DM ASMAL  
 THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR L WALLACE  
 THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR F LOTTER  
 THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR V MKHEFA  
 THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR M MEIMANI  
 THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MS U BAARTMAN  
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 THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J NEETHLING  
 THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR CJ KYMDELL  
  
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 THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR IG SMITH) (ACTING)  
 THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MS R SLINGER) (ACTING)  
 THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MR P PIENAAR) (ACTING)  
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)  
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 THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)  
 THE CHIEF FINANCIAL OFFICER (MS A SMIT)  
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS C GREEN)  
 THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MS T BOSSER) (ACTING)  
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 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR M BOOYSEN)  
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (VACANT)  
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI) (PRO TEM)  
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 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MR S ARNOLD) (ACTING)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS T RAKIEP) (ACTING)  
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)  
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)  
 THE PROVINCIAL AUDITOR  
  
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT  
 THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT  
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)  
 THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

## **FINALISATION OF THE 2018/19 ANNUAL REPORTS, ANNUAL FINANCIAL STATEMENTS, OVERSIGHT REPORTS AND COMPLIANCE WITH THE REPORTING REQUIREMENTS OF THE BROAD BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) ACT (ACT 53 OF 2003 AS AMENDED)**

### **1. PURPOSE**

- 1.1 To remind municipalities of their responsibility to finalise the 2018/19 annual reports; and
- 1.2 To familiarise municipalities with the requirement to report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports.

### **2. BACKGROUND**

- 2.1 In terms of section 126 of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA), the accounting officer of a municipality must prepare the annual financial statements (AFS) 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 (AG) for auditing purposes.
- 2.2 As per MFMA Circular No. 63, the AFS submitted to the AG should be accompanied by the draft annual report and/or the annual performance report.
- 2.3 The municipalities of the Western Cape are well aware of these requirements and most timeously complied with the submission of the 2018/19 AFS and draft annual report/annual performance report to the AG by 31 August 2019.

### **3. PREPARATION, TABLING AND ADOPTION OF THE ANNUAL REPORT**

- 3.1 Section 127(2) of the MFMA prescribes that the Mayor of a municipality must within seven months (by end January) of the financial year, table in the municipal council the annual report of the municipality.
- 3.2 As per section 127(5) the annual report should immediately after being tabled in council be made public and submitted to the AG, the relevant provincial treasury and the provincial department responsible for local government.
- 3.3 In terms of section 121(3) the annual report of a municipality must include the following:
  - 3.3.1 The annual financial statements of the municipality, and in addition, if section 122(2) applies, consolidated annual financial statements, as submitted to the AG for audit in terms of section 126(1).
  - 3.3.2 The AG's audit report in terms of section 126(3) on those financial statements.
  - 3.3.3 The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal Systems Act.
  - 3.3.4 The AG's audit report in terms of section 45(b) of the Municipal Systems Act.
  - 3.3.5 An assessment by the municipality's Accounting Officer of any arrears on municipal taxes and service charges.
  - 3.3.6 An assessment by the municipality's Accounting Officer of the municipality's performance against the measurable performance objectives referred to in section 17(3)(b) for revenue collection from each revenue source and for each vote in the municipality's approved budget for the relevant financial year.

- 3.3.7 Particulars of any corrective action taken or to be taken in response to issues raised in the audit reports referred to in paragraphs (b) and (d) above.
  - 3.3.8 Any explanations that may be necessary to clarify issues in connection with the financial statements.
  - 3.3.9 Any information as determined by the municipality.
  - 3.3.10 Any recommendations of the municipality's audit committee.
- 3.4 MFMA Circular No. 63 proposed earlier timeframes for the tabling and adoption of the annual report and oversight reports to allow ample time for municipalities to incorporate the findings and recommendations from the oversight report in preparation for the annual budget. Municipalities have made significant strides in implementing the timelines and new template as outlined in MFMA Circular No. 63.

#### **4. REPORTING REQUIREMENTS IN TERMS OF THE BROAD BASED BLACK ECONOMIC EMPOWERMENT ACT**

- 4.1 Section 121(3)(k) of the MFMA further indicates that the annual report of a municipality should include *any other information as may be prescribed*. Within this context, attention is drawn to the Broad Based Black Economic Empowerment (B-BBEE) Act (Act 53 of 2003; as amended by Act 46 of 2013) read in conjunction with the B-BEE Regulations (2016).
- 4.2 Section 13G(1) of the B-BBEE Act states that all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their AFS and annual reports. The B-BBEE Commission recently issued an explanatory notice (attached to this Circular) containing guidelines for completing the information required in terms of section 13G(1) of the B-BBEE Act.
- 4.3 In brief, the explanatory notice requires the following information to be included in the audited AFS and the annual report:
  - 4.3.1 The AFS only need to include a note titled **“B-BBEE Performance”** and under this note, the following wording must be inserted **“Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information”**.
  - 4.3.2 The annual report should contain a heading titled **“B-BBEE Compliance Performance Information”** complete with sub-headings disclosing information relating to the following elements: Management Control, Skills Development, Enterprise and Supplier Development; Socio Economic Development. The explanatory note provided more detail as to what should be included under each of these sub-headings.
- 4.4 In turn, section 12(2) of the B-BBEE Regulations states that the sphere of government, public entity or organ of state must file the audited AFS and annual report compiled in terms of section 13G(1), with the Commission (B-BBEE Commission established in terms of the B-BBEE Act of 2003), in the prescribed B-BBEE 1 form (compliance report) within thirty (30) days of the approval of such audited annual financial statements and annual report. The compliance report template is also attached to this Circular.

#### **5. OVERSIGHT REPORTS**

- 5.1 Section 129(1) of the MFMA prescribes that the council of a municipality must consider the Annual Report (as tabled) and by no later than two months from the date on which the Annual Report was tabled, adopt an oversight report containing the council's comments on the annual report. In the

event that a municipality choose to table the annual report earlier, the adoption moves forward by two months from the date of tabling the Annual Report in council.

- 5.2 The oversight report should in terms of section 129(1)(a) - (c) include a statement on whether council --
- a) approved the annual report with or without reservations;
  - b) rejected the annual report; and
  - c) referred the annual report back for revision of those components that can be revised.
- 5.3 Section 129(2) of the MFMA further states that minutes of the council meetings and oversight committee meetings at which the annual report is discussed should be submitted to the AG, Provincial Treasury (PT) and the provincial department responsible for local government in the province.
- 5.4 In terms of section 132(2) of the MFMA, the annual report and the oversight report must be submitted to the Provincial Legislature within seven (7) days after the adoption thereof.
- 5.5 Municipalities are requested to familiarise themselves with its provisions and to ensure compliance thereto when finalising their AFS and annual report.

## **6. REPORTING REQUIREMENTS**

- 6.1 In summary, municipalities should take note of the following submission deadlines:
- 6.1.1 Tabled annual report to AG, PT and DLG: Annual report must be tabled within seven months after the end of the financial year which is no later than end January 2020 (or earlier as per MFMA Circular No. 63). Report should be submitted to AG, PT and DLG immediately after being tabled i.e. at the latest by **Friday, 7 February 2020**.
  - 6.1.2 Final adopted annual reports and oversight reports to NT and PT: Annual report should be considered by no later than two months from the date on which the report was tabled in council. If the report had to be tabled by latest end January 2020, it should be considered before end March 2020. Adopted annual report and oversight report should be submitted to NT and PT by latest **Tuesday, 7 April 2020**.
  - 6.1.3 Final adopted annual reports and oversight reports to Provincial Legislature: Within seven days after adoption thereof i.e. by the latest **Tuesday, 7 April 2020**.
  - 6.1.4 B-BBEE Compliance Report: 30 days after approval of the annual report and annual financial statements i.e. no later than **Thursday, 30 April 2020**. The Report should be submitted directed to the B-BBEE Commission.
- 6.2 Municipalities are requested to submit hard copies of the tabled annual report as well as the final adopted annual report and oversight (preferably via courier services) to PT at the following address:

Mr Paul Pienaar  
Private Bag X9165  
Room No. 3-30  
7 Wale Street  
CAPE TOWN  
8000

OR

Physical address:  
7 Wale Street  
Legislature Building  
3<sup>rd</sup> Floor, Room 3-30  
CAPE TOWN  
8000

Electronic versions of the above reports can be e-mailed to: [MFMA.MFMA@westerncape.gov.za](mailto:MFMA.MFMA@westerncape.gov.za).

6.3 Final adopted annual reports and oversight reports to the Provincial Legislature should be submitted to the following address:

Via post:

OR

Via courier:

The Office of the Speaker  
PO Box 648  
CAPE TOWN  
8000

The Office of the Speaker  
Legislature Building  
6<sup>th</sup> Floor, 7 Wale Street  
CAPE TOWN  
8000

Attention: Ms Jasmin Glass

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6.4 For any further queries, comments or concerns kindly contact Mr D Cronje as per above specified details.



**MR M BOOYSEN**

**pp ACTING HEAD OFFICIAL: PROVINCIAL TREASURY**

**DATE:** 1 November 2019