CITY OF EKURHULENI METROPOLITAN MUNICIPALITY
ORDINARY COUNCIL MEETING

2020.01.30

A-F (01-2020)

THE CITY OF EKURHULENI (CoE) METROPOLITAN MUNICIPALITY: SUBMISSION OF ANNUAL REPORT, INCLUSIVE OF ANNUAL FINANCIAL STATEMENTS AND REPORT OF THE AUDITOR-GENERAL, FOR THE 2018/2019 FINANCIAL YEAR

PURPOSE

To submit the Audited Annual Report of The City of Ekurhuleni (CoE) Metropolitan Municipality, inclusive of the Annual Financial Statements and the Report of the Auditor-General, for the 2018/2019 financial year to Council.

STRATEGIC OBJECTIVE

Promoting good governance

WARDS AFFECTED

All wards

IDP LINKAGE

Clean Audit

EXECUTIVE SUMMARY

The Annual Financial Statements for the 2018/2019 financial year has been prepared in accordance with Section 126 of the Municipal Finance Management Act and the Annual Report for the 2018/2019 financial year in terms of Section 127 of the Municipal Finance Management Act.

Section 127 requires that the annual report must be submitted to Council within seven months after the end of the financial year (January of each year).

The COE has completed both the financial statement, Consolidated financial statements as well as the annual report within the legislative deadlines. The municipal entities have also complied will all various legislative deadlines.

The external audit process has been completed and the required amendments were made to the financial statements. The Auditor General has issued his reports on the various sets of financial statements during November 2019 (COE and Entities) and December 2019 (Consolidated).

The audit outcomes were as follows:

COE Core	**Unqualified audit opinion**
COE Consolidated	**Unqualified audit opinion**
ERWAT	**Unqualified audit opinion**
BBC	**Disclaimer**
EHC	**Unqualified audit opinion**

The final annual report with the annual financial statements and reports of the Auditor General must now be approved by Council. The report should then be referred to the Municipal Public Accounts Committee (MPAC) to perform the oversight function and their report must be submitted to Council before the end of March 2020 as required by section 129 of the MFMA. This 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.

The annual financial statements disclosed irregular, fruitless and wasteful expenditure that were incurred during the 2018/2019 financial year and as such section 32 of the MFMA must be followed. The council committee referred to in section 32 of the MFMA that will investigate the irregular, fruitless and wasteful expenditure is the MPAC committee. The committee must in their report back to Council in March 2020, include recommendations regarding whether the expenditure must be –

- Recovered from the employees / service providers where it is found that the irregular, fruitless and wasteful expenditure was incurred deliberately and negligently
- Authorized in an adjustments budget (not applicable in the reported expenditure as there were no un-authorized expenditure resulting from budget overspending).
- Certified as irrecoverable and which must be written off by Council

This item is giving an overview of the financial results of the financial year, the organizational performance results and explains the report of the Auditor General. The discussion in the report deals with the results of the city only and the reports of the municipal entities are attached as annexures to this report.

This submission also includes, a request to Council of ratification of Final Year End Transactions on the Compilation of the 2018/2019 Financial Statements as required by the Generally Recognised Accounting Practices (GRAP).

The following Annexures are attached to this submission:

Annexure A Annual Reports
Annexure B Audited Financial Statements (Consolidated)
Annexure C Auditor General's Report on the Consolidated Financial Statements (i.e. COE and the Entities combined)

Separate reports have been submitted dealing with the municipal entities. These reports are contained in the same Council agenda.

DISCUSSION

SECTION A: ORGANISATIONAL PERFORMANCE AS CONTAINED IN THE ANNUAL REPORT

The full analysis of the city's performance against its commitments set in the Service Delivery Budget Implementation Plan (SDBIP) for the 2018/19 financial year is presented in the Annual Report submitted or attached **(Annexure A).**

Over the year under review, the City committed to a total of hundred and ten (110) targets in the 2018/2019 financial year. Against these commitments, 75 (68%) of the targets were achieved and 35 (32%) were not achieved. The commited targets were contributed by the twenty-seven (27) departments and entities for the City-wide SDBIP, with the exclusion of two (2) departments that had no targets for the City-wide SDBIP. The two departments are Strategy and Corporate Planning and Office of the City Manager. Of the twenty-seven (27) departments and entities that committed to the targets, ten (10) departments and two (2) entities achieved fifty per cent (50%) and less of their planned targets. The ten (10) departments are Human Resources, Human Settlement, Fleet Management, Corporate Legal Services, EPMO, Finance, Risk Management, SRAC, Economic Development and Transport Planning whilst the entities are Brakpan Bus Company (BBC) and Ekurhuleni Housing Company. The Brakpan Bus Company (BBC), Ekurhuleni Housing

Company, and Fleet Management achieved none (0%) of their planned targets. A total of seven (7) departments achieved hundred per cent (100%) of their planned targets and none of the entities achieved 100% of their planned targets.

CITY-WIDE ANNUAL PERFORMANCE BY GDS THEMATIC AREAS

The reported performance is in support of a Delivering City trajectory of the Growth and Development Strategy 2055 (GDS). The performance against the Thematic Areas of the Growth and Development Strategy (GDS) on targets that were planned to be delivered over the period under review and the performance is summarised as follows:

- The highest performance was recorded for the Environmental Wellbeing GDS Thematic Area in which eighty-two per cent (82%) of the eleven (11) targets that were planned for were achieved.
- The second highest performance was recorded for targets that were planned for the Social Empowerment GDS Thematic Area. Eight (8) of the eleven (11) targets that were planned were achieved and this translates to seventy-three per cent (73%) target achievement.
- A total of forty-nine (49) targets were planned for the Sustainable Urban Integration GDS Thematic Area, of which 33 (67%) were achieved and 16 (33%) were not achieved.
- A total of thirty-three (33) targets were planned for the Effective Cooperative Governance GDS Thematic Area. Of the thirty-three (33) targets, 22 (67%) were achieved and 11 (33%) were not achieved.
- A total of six (6) targets were planned for the Job Creating Economic Growth GDS Thematic Area. Of the six (6) targets, 3 (50%) were achieved.

CITY-WIDE 2018/2019 ANNUAL PERFORMANCE ACROSS CLUSTERS

The City's annual performance against the targets set for the 2018/2019 financial year per cluster reflects that the Infrastructure Cluster and Social Cluster recorded the highest performance of seventy-four per cent (74%) achievement of their planned targets, respectively. The Governance and Economic Cluster recorded fifty-nine per cent (59%) achievement of their planned target.

CITY-WIDE ANNUAL PERFORMANCE ACROSS SOCIAL CLUSTER

The Social Cluster committed to twenty-three (23) targets and of the 23 targets, 17 (74%) targets were achieved and 6 (26%) targets were not achieved as presented in Figure 1 above. Two (2) departments in this cluster achieved 100% of their planned targets for the year under review. These departments are Office of the Chief Operations Officer and Disaster and Emergency Management Services. The second highest performance was recorded by Environmental Resource and Waste Management Services, which achieved 78% of its planned targets, followed by the Ekurhuleni Metro Police Department with 75% of its planned targets achieved.

CITY-WIDE ANNUAL PERFORMANCE ACROSS INFRASTRUCTURE CLUSTER

The cluster committed to a total of 46 targets and of the 46 targets committed to, 34 (74%) were achieved and 12 (26%) were not achieved. Roads and Storm Water and Real Estate achieved hundred percent (100%) of their planned targets in this cluster. These are followed by Water and Sanitation and Energy departments with 91% and 89% achievement of targets, respectively. Both City Planning and East Rand Water Care Company achieved 67% of their targets whilst Enterprise Programme Management Office achieved half (50%) of their planned targets and Human Settlement achieved 17% of their planned targets. Ekurhuleni Housing Company achieved nil percent (0%) of their set targets.

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CITY-WIDE ANNUAL PERFORMANCE ACROSS GOVERNANCE AND ECONOMIC DEVELOPMENT CLUSTER

The performance of the cluster was measured against forty-one (41) targets that were planned to be met in the 2018/2019 financial year. A total of 24 (59%) targets were achieved and 17 (41%) were not achieved. Three (3) departments (Communications and Brand Management, Internal Audit and Legislature) achieved 100% of their set targets. The second highest performing department Information Communication and Technology with 67% of their set targets achieved. Economic Development, Corporate Legal Services, Finance and Risk Management with 50% of their set targets achieved. These are followed Transport Planning and Provision Department, which achieved only forty-three per cent (43%) of its targets. The Human Resources department achieved thirty-three per cent (33%) of their set targets while the Brakpan Bus Company and Fleet Management recorded nil percent (0%) target achievement.

SUMMARY OF HIGHLIGHTS FOR 2018/2019 ANNUAL PERFORMANCE

During the period under review, the pro-poor agenda remained the foremost developmental agenda of the City in its commitment to stimulate and improve economic growth for the benefit of poor by broadening its reach through service delivery to all informal settlements. The key focus was on the continuing improvement of the quality of targeted services to informal settlements. Electrification, gravelling and upgrading of roads in the informal settlements, promoting targeted service provision in informal settlements and maintenance of service levels in all areas of the City are some of the noteworthy key service delivery highlights.

1. SUSTAINABLE URBAN INTEGRATION

The City All CoE's residents in both formal and informal settlements receive a weekly comprehensive waste management service. Through a combination of in-house and outsourced services, 701 645 formal properties receive once a week kerbside refuse removal while 119 informal settlements, which are home to over 164 699 households, receive a weekly comprehensive waste management package. Majority of the households receive services through round collection while few households in the informal settlements are serviced through bulk containers.

To this end, the City included households in informal settlements in the electrification programme, which were previously excluded from the programme. The City has prioritized the electrification of informal settlements and the target is to complete the electrification in five (5) years beginning the 2016/2017 financial year and completing such in the 2021/22 financial year. The City had electrified in excess of 16 000 households as at the end of June 2019 since the start of the project in the re-blocked informal settlements. Pre-payment meters are installed to meter the usage of electricity. The intervention involves planning and implementation of the maintenance of the network in regions containing informal settlements. The network is vulnerable in these areas and needs constant monitoring. The City also installed PV solar lighting units, high mast lights and streetlights in informal settlements, which did not have electricity. During the financial year under review, the City has installed a total of 651 streetlights, 113 high mast lights and 10 045 PV solar lighting units in informal settlements.

Furthermore, as part of its pro-poor agenda, the City has included households in informal settlements in the electrification programme, which were previously excluded from the programme. The City has also installed PV solar lighting units in informal settlements, which did not have electricity, installation of high mast lights and street lights. Significant strides were made in this regard which include: -

- installation of 651 street lights, and
- Installation of 10 045 PV solar lighting units in informal settlement.

Some of the highlights about water and sanitation provision are that the City has added 2 314 new sewer and water connections that meet minimum standards of the performance. The percentage of complaints callouts resolved within 48 hours for both water and sanitation has been above 97% meeting the set standard, which is 90%. The water connections metered as a percentage of total connections has been recorded at 92, 7%. While 7 684 unbilled properties were billed during 2018/19 thereby reducing the number of unmetered areas in the City.

The City has also improved the water system infrastructure and access to water provision by extending, upgrading and replacing in total of 17,235 km water and sewer pipes. Additional two (2) reservoirs have been constructed in 2018/19 in an effort to further improve security to water supply infrastructure in the City. The percentage of non-revenue water was recorded at 33.3% and the total water losses remain at 29.9% for the entire system. The City continued to maintain the Blue Drop standard status of above 95%.

2. SOCIAL EMPOWERMENT

Some of the key service delivery priorities during the 2018/2019 reporting period were - to reduce HIV infection in the general population to below 15%; reduce HIV transmission from Mother-To-Child to below 2%; and increase access to Antiretroviral Therapy initiations by increasing the number of eligible patients initiated on Antiretroviral Therapy, thus increasing the life expectancy of citizens in Ekurhuleni.

During the reporting period, 8% of clients tested positive through HIV Counselling and Testing (HCT) programme in the City's health facilities and through HCT Campaigns compared to 9% of the previous financial year. An HIV transmission rate of from Mother-To-Child of 0.9% was achieved against a national target of less than 2%. This achievement could also be attributed to among others, improved implementation of the Prevention on Mother-to-Child Transmission (PMTCT) of HIV Programme interventions and proper policy implementation and monitoring. Forty-nine thousand one hundred and forty-three (49,143) patients against a target of thirty-three thousand (33,000) were put on antiretroviral treatment which translate into more patients having a better prospect of living a healthy and long life.

The Social Services interventions implemented by the City of Ekurhuleni are aimed at enhancing social function and human capabilities. These include, among others, interventions such as psychosocial support to vulnerable groups, children, women, youth older persons and people with disabilities. The interventions that were implemented during 2018/19 include access to quality early childhood development (ECD) services, provision of behaviour change and skills development programmes targeted at youth, and programmes for older persons.

The City has made noteworthy strides in the provision of Sports, Recreation, Arts and Culture services. The notable key achievements for the year under review include: -

- One newly constructed swimming pool was completed for the community of Eden Park, although the plan to provide two new facilities in this financial year could not be attained due to project delays, the second swimming pool is due for completion in August 2019.
- In the year under review, 437 Early Childhood Centers participated in SRAC programmes and a total number of 4,513 children took part in the kiddies games programme, the annual target of 530 could not be realized due to non-attendance of a number of ECD centers the programme because of bad weather.
- In our efforts to increase the capacitation of youths and adults across the development continuum, one thousand and seventeen (1017) beneficiaries participated in capacity building interventions, such as Photography classes, Soccer and Coaching skills development, Chess development, Harambee Microsoft online programme, design cutting and seam stressing as well as entrepreneurship for creative industries.

- Mass participation programmes such as the OR Tambo Arts and crafts, Clap and Tap Choral Music Workshop, Art Centre Heritage Month programme, Jazz Jamboree, Slam Poetry and OR Tambo Debates were presented in the first and second quarter of the 2018/2019 financial year.

3. JOB CREATION

As part of the employment creation drive, the City received an allocation of R25 million as an EPWP incentive grant through the Division of Revenue Act, this led to the creation of 1000 work opportunities through three projects; Community Emergency response team, Water Stewards and maintenance of Economic Development infrastructure facilities. Expanded Public Works Programme (EPWP) is implemented throughout the City by recruiting the community while executing both Capex and Opex projects, wherein the City reported the creation of an additional 4,484 work opportunities and full-time equivalents.

During the year under review, the City has managed to attract and achieve Rand Value of inward investment of R5 billion. This was achieved despite the challenging economic conditions. These investments were largely new investments and expansion investments as follows:

- R4.5 billion for the expansion of O R Tambo International Airport to include offices, parking, hotels and Retail.
- R2.5 billion for the development of the Tambo Springs Logistics Gateway in partnership with Transnet, City of Ekurhuleni, Gauteng Provincial Government and the Tambo Springs Development Company.
- R1 billion by GZ Industries Group ("GZI"), a can manufacturing business which is poised to be the second largest facility in the country.
- Africa International Food Market (AIF) in Kempton Park, which is fresh, produce facility to serve needs of buyers and producers from across the continent and beyond.
- Teraco Data Management Centre in Isando, which is the largest data management facility in Africa.
- Komatsu Campus expansion to a new premise in Elandsfontein.

SECTION B: FINANCIAL PERFORMANCE AS CONTAINED IN THE ANNUAL FINANCIAL STATEMENTS OF THE CITY OF EKURHULENI (CORE)

***Note**: The figures explained in this section relate to the COE Core financial statements and not consolidated. In the attached consolidated financial statements, two columns are provided, one for the economic entity and one for the controlling entity. The economic entity refers to the entire COE group, i.e. the COE plus the entities, whilst the controlling entity refers to the COE only.*

The Financial Performance of the city is explained for the 3 main financial statements, being the Statement of Financial Performance, the Statement of Financial Position and the Cash Flow Statement.

Statement of Financial Performance

Explanatory notes on what the Statement of Financial Performance entails

The purpose of the Statement of Financial Performance is to give an account of the results of the city's operations for the year. These transactions result from the operating budget of Council. The result is expressed as being either a surplus of a deficit (being the difference between Revenue and Expenditure). A surplus is indicative of Revenue being more than Expenditure and a deficit is when Expenditure being more than Revenue.

It is important to note that the financial statements are prepared on the accrual basis and not the cash basis meaning that the transactions as recorded (both revenue and expenditure) when services are rendered or received, does not relate to amounts received or paid, but to the City being entitled to the revenue or being liable for the expenditure. In addition, non-cash items (both revenue and expenditure) are included in the Statement of Financial Performance. Resultantly, neither the surplus nor the deficit refers to cash. To see what the cash balance is, one must refer to the Cash Flow Statement.

As examples, the following is provided:

Revenue for assessment rates and user charges for services – revenue contained in the Statement of Financial Performance is BILLED revenue and not revenue collected.

Gain on sales of assets – this amount is the "profit" made on the sale of assets being the difference between the carrying value of the asset and the selling price (or insurance recovery) received.

Depreciation – depreciation is the systematic expensing of the value of an asset as it is used up and does not relate to any cash payment made (nor is the money owed to anyone for that matter). A road can last for 40 years and every year 1/40th of the road is "used up" and that must be shown as an expenditure item called depreciation. The intention is to set these funds aside so that there is cash available at the end of the useful life of the asset to replace the asset.

Loss of sale of assets – the same as in gain on sale of assets, but here the selling price (or insurance recovery) is less than the carrying value of the asset.

The City of Ekurhuleni generated a loss of R1 455 500 005 due to audit adjustment required for an additional amount on the debt impairment (provision for bad debts) and a surplus for the 2017/18 period was R1 179 835 882. The full set of GRAP accounting standards, as approved by the Accounting Standards Board were fully complied with in the preparation of these annual financial statements.

A comparison of the actual revenue against the revenue of previous year.

Statement of Financial Performance

	June 19	June 18	Value variance	% Variance
REVENUE				
Service charges	21,153,924,617	18,930,199,028	2,223,725,589	10.5%
Rental of facilities and equipment	76,002,723	73,356,530	2,646,193	3.5%
Interest earned - outstanding debtors	393,388,972	279,018,363	114,370,609	29.1%
Income from agency services	305,156,458	293,198,719	11,957,739	3.9%
Licences and permits	43,989,029	54,880,804	(10,891,775)	-24.8%
Other Income	235,914,589	331,051,726	(95,137,137)	-40.3%
Interest earned - external investments	393,246,152	613,811,427	(220,565,275)	-56.1%
Property rates	5,395,430,732	5,200,065,019	195,365,713	3.6%
Property rates - penalties imposed	83,532,438	57,700,398	25,832,040	30.9%
Government grants and subsidies	7,724,271,767	7,262,341,924	461,929,843	6.0%
Public contributions and donations	29,628,665	593,441,274	(563,812,609)	-1902.9%
Fines	820,850,338	334,253,645	486,596,693	59.3%
Total Revenue	**36,655,336,480**	**34,023,318,857**	**2,632,017,623**	7.2%

Total revenue for the year amounted to R36 655 336 480, which is 7.2% increase from the revenue of the 2017/2018 year which was R34 023 318 857. The increased revenue is mainly resulting from the increase in the consumption of the services charges which increased by 10%. The interest earned- on debtors accounts and penalties levied increased by 29.1% and 30.9% respectively due to adverse economic conditions and other annual inflation adjustments as approved by council, as well as moderate growth and the increased in services rendered to residents and increased government grant and subsidies allocation. The increase in the Fines is due to the change in the accounting treatment of this transaction as recommended by the Auditor General.

A comparison of the actual revenue against the budget revenue shows a 3.7% deviation.

Statement of Financial Performance

	Budget	Actual	Value variance	% Variance
REVENUE				
Service charges	21,712,107,501	21,153,924,617	558,182,884	2.6%
Rental of facilities and equipment	83,191,459	76,002,723	7,188,736	8.6%
Interest earned - outstanding debtors	470,282,647	393,388,972	76,893,675	16.4%
Income from agency services	338,744,807	305,156,458	33,588,349	9.9%
Licences and permits	51,508,167	43,989,029	7,519,138	14.6%
Other Income	447,651,075	235,914,589	211,736,486	47.3%
Interest earned - external investments	413,427,825	393,246,152	20,181,673	4.9%
Property rates	5,632,288,312	5,395,430,732	236,857,580	4.2%
Property rates - penalties imposed	52,763,928	83,532,438	(30,768,510)	-58.3%
Government grants and subsidies	8,433,438,904	7,724,271,767	709,167,137	8.4%
Public contributions and donations	-	29,628,665	(29,628,665)	100.0%
Fines	437,851,387	820,850,338	(382,998,951)	-87.5%
Total Revenue	**38,073,256,012**	**36,655,336,480**	**1,417,919,532**	3.7%

A comparison of the actual expenditure against the expenditure of previous year.

The total expenditure for the year amounted to R37 507 712 713 which is 12.8% increase from the expenditure of the 2017/2018 year which was R32 699 012 260.

Statement of Financial Performance				
	9'June 18	**June 18**	**Value variance**	**% Variance**
EXPENDITURE				
Employee related costs	8,119,521,321	7,233,916,439	885,604,882	10.9%
Remuneration of councillors	137,935,967	132,699,899	5,236,068	3.8%
Depreciation	2,402,237,236	2,234,123,551	168,113,685	7.0%
Impairment of assets	93,738,466	305,825,889	(212,087,423)	-226.3%
Finance costs	891,518,673	921,399,008	(29,880,335)	-3.4%
Debt impairment	4,136,551,991	1,464,826,053	2,671,725,938	64.6%
Collection cost	127,898,248	197,291,621	(69,393,373)	-54.3%
Bulk purchases	14,125,666,405	12,942,284,399	1,183,382,006	8.4%
Contracted Services	2,469,896,900	1,345,754,998	1,124,141,902	45.5%
Grants and subsidies paid	1,810,812,341	1,726,401,174	84,411,167	4.7%
Loss/(Profilt) on disposal of property, plant an	14,596,043	3,523,123	11,072,920	75.9%
General expenses	3,174,339,122	4,190,966,106	(1,016,626,984)	-32.0%
Total Expenditure	**37,504,712,713**	**32,699,012,260**	**4,805,700,453**	12.8%

Significant cost increases relate to, the implementation of the revised salary scales approved in the last quarter of the previous year 2016/17; Depreciation increased as a result of the implementation of the new capex rollout programme. The bulk purchased increased by 8.4% in line with the increase in the consumption of services charges as rendered. The contracted services and General expensed must be read together due to the classification and presentation of these transaction based on the mSCOA increased by 2%. Debt impairment increased by 64.6% of R2.4 billion due to additional provision required by the auditors and the alignment of the debtors' policy to GRAP standards and to reflect the adverse economic conditions in the city.

A comparison of the actual expenditure against the budget expenditure shows a 4.5% over expenditure due to the additional amount provided on the debt impairment.

Statement of Financial Performance				
EXPENDITURE	**Budget**	**Actual**	**Value variance**	**% Variance**
Employee related costs	8,428,168,771	8,119,521,321	308,647,450	3.7%
Remuneration of councillors	151,061,797	137,935,967	13,125,830	8.7%
Depreciation	2,206,342,045	2,402,237,236	(195,895,191)	-8.9%
Impairment of assets	-	93,738,466	(93,738,466)	100.0%
Finance costs	759,861,514	891,518,673	(131,657,159)	-17.3%
Debt impairment	1,495,795,514	4,136,551,991	(2,640,756,477)	-176.5%
Collection cost	159,806,117	127,898,248	31,907,869	20.0%
Bulk purchases	14,346,193,293	14,125,666,405	220,526,888	1.5%
Contracted Services	2,517,482,631	2,469,896,900	47,585,731	1.9%
Grants and subsidies paid	2,019,953,098	1,810,812,341	209,140,757	10.4%
Loss on derecognition of property, plant & equi	14,578,401	14,596,043	(17,642)	-0.1%
General expenses	3,779,612,067	3,174,339,122	605,272,945	16.0%
Total Expenditure	**35,878,855,248**	**37,504,712,713**	**(1,625,857,465)**	-4.5%

The financial performance for the year reflects as a positive performance. The minimal variance between the budget and actual indicates an improved level of planning being performed by departments and realisation of budgeted revenue projections, and keeping expenditure within the approved budget.

Statement of Financial Position

Explanatory notes on what the Statement of Financial Position entails

The purpose of the Statement of Financial Position is to give an account of the assets and liabilities of the city at the end of the financial year.

Net assets are shown which the difference between the assets and the liabilities is. If the city has a net deficit, it is indicative that the city has more liabilities than assets, which could be interpreted as being insolvent.

When comparing the Statement of Financial Position with that of 2018, the following variances are evident:

Statement of Financial Position

ASSETS	June 19	June 18	Value variance	% Variance
CURRENT ASSETS	11,038,540,856	11,841,274,890	802,734,034	7.3%
NON-CURRENT ASSETS	58,553,521,836	55,071,012,363	(3,482,509,473)	5.9%
TOTAL ASSETS	69,592,062,692	66,912,287,253	(2,679,775,439)	3.9%
CURRENT LIABILITIES	10,357,576,934	9,598,902,031	758,674,903	7.3%
NON CURRENT LIABILITIES	11,068,374,258	8,297,897,489	2,770,476,769	25.0%
			-	
TOTAL LIABILITIES	21,425,951,192	17,896,799,520	3,529,151,672	16.5%
			-	
NET ASSETS (NET POSITION)	48,166,111,500	49,015,487,733	(849,376,233)	-1.8%

Net assets decreased of 1.8% from the previous year due to the additional debt impairment amount.

Cash Flow Statement

Explanatory notes on what the Cash Flow Statement entails

The cash flow statement shows a positive net cash inflow (money received). Here accruals are not applicable as the as the focus is on cash movements. Technically the statement starts with the accounting surplus as per the Statement of Financial Performance which gets adjusted for all non-cash transactions. All other cash transactions not resulting from the Statement of Financial Performance are recorded. These items can be referenced back to both the capital budget as well as the items reported as part of the quarterly Section 11 withdrawals reports submitted to Council.

There are three main categories:

Net cash resulting from operating activities – this section shows the result of the operations of Council in cash terms. It includes the rendering of municipal services, purchasing of inventory kept in stores, debtors and creditors transactions and interest paid and received.

Net cash resulting from investing activities – this section shows the result from amounts invested (either in assets through the capital budget or as cash investments) as well as investments made and/or withdrawn.

Net cash resulting from financing activities – this section shows the result from financing activities, being mainly external loans taken up or redeemed.

A healthy financial situation is one where the city has a net cash surplus resulting from operations as main source of revenue rather than from financing activities. A second important measure is to look for a correlation between cash generated from financing activities and investing activities which shows that funds borrowed where invested in capital infrastructure and not used for operations.

A very dangerous situation would be where there is a net cash deficit from operations, no or limited cash invested but cash received from financing activities. That would be indicative of a city utilising borrowings to fund operations instead of infrastructure assets.

Cash resources increased as follows:

Cash flow Statement				
	June 19	**June 18**	**Value variance**	**% Variance**
Net Cash inflow from Operating activities	3,124,298,425	3,025,524,231	(98,774,194)	-3.2%
Net Cash outflow from Investing activities	(5,902,481,148)	(6,235,703,658)	(333,222,510)	-5.6%
Net Cash inflow from Financing activities	2,681,270,843	928,019,676	1,753,251,167	65.4%
Net Increase in Cash and Cash equivalents	**(96,911,880)**	**(2,282,159,751)**	**2,185,247,871**	-2254.9%
Cash and Cash equivalents at Beginning of the year	3,527,793,785	5,809,953,546	(2,282,159,761)	-64.7%
Cash and Cash equivalents at End of the year	**3,430,881,905**	**3,527,793,795**	**(96,911,890)**	-282.5%

The COE generated from its operating activities a cash of R3.124 billion during the 2018/2019 financial year and last year was R3.025. The year started with a cash balance of R3.5b and ended with cash of R3.4b. The cash on hand decreased significantly due to the fact that the increase in the allocation of capital expenditure was funded from internal revenue. The financing element increased by R3billion for the financing of the capital expenditure and while R318 million of long term borrowing were repaid. The cash were generated as follows:

- From operations – R3 billion cash increase - Simply stated this means that the difference between amounts received from our customers for services rendered and grants received were R3b more than the amounts that we paid out as operating expenditure to our employee costs and suppliers in delivering services

- From investing activities – R5.9 billion cash outflow – this means that we invested R5.9b in the acquisition and replacement of the capital expenditure. Of this, R6 billion was spent on acquiring capital projects, and R90m was withdrawn from the investments.

- From financing activities – R2,681 billion cash inflow – This relates to repayment of R318m worth of long term loans, and new long term borrowing received in the current year of R3 billion relating to the financing of the capital expenditure.

The fact that the cash generated from operations are over R3.1 b more than the cash generated from financing activities shows that the City is able to generate funds from its own operation and does not borrowing beyond prudent levels. This will minimize the borrowings for the financing of the capital expenditure programme in future and repayment of amount borrowed.

The loan redemption profile of the existing loans is as follows:

City of Ekurhuleni Loan Redemption Profile								
	Opening Balance	**New Loans**	**Redemption**	**Closing Balance**	**Inv Maturing**	**Net Redemption**	**Annuity Payments**	**Bullet Payments**
	Opening Balance	New Loans	Redemption	Closing Balance	Inv Maturing	Net Redemption	Annuity Payments	Bullet Payments
2010/11	2,695,562,830.84	1,615,000,000.00	419,494,654.79	3,891,068,176.05	252,177,191.00	167,317,463.79	166,565,463.79	252,929,191.00
2011/12	3,891,068,176.05	800,000,000.00	175,556,632.70	4,515,511,543.34		175,556,632.70	175,463,042.70	93,590.00
2012/13	4,515,511,543.34	800,000,000.00	117,171,228.01	5,198,340,315.33		117,171,228.01	117,116,305.01	54,923.00
2013/14	5,288,777,044.80	785,000,000.00	184,289,481.13	5,889,487,563.68		184,289,481.13	184,289,481.13	
2014/15	5,889,487,563.68	750,000,000.00	284,180,371.56	6,355,307,192.12	32,620,000.00	251,560,371.56	251,423,871.56	32,756,500.00
2015/16	6,355,307,192.12		342,666,435.70	6,012,640,756.41		342,666,435.70	342,666,435.70	
2016/17	6,012,640,756.41		361,074,768.89	5,651,565,987.52		361,074,768.89	361,074,768.89	
2017/18	5,651,565,987.52	1,300,000,000.00	433,174,085.35	6,518,391,902.17		433,174,085.35	433,174,085.35	
2018/19	6,518,391,902.17	3,000,000,000.00	420,172,767.12	9,098,219,135.05		420,172,767.12	420,172,767.12	
2019/20	9,098,219,135.05		373,305,569.46	8,724,913,565.60		373,305,569.46	373,305,569.46	
2020/21	8,724,913,565.60		1,999,281,373.50	6,725,632,192.09	1,615,000,000.00	384,281,373.50	384,281,373.50	1,615,000,000.00
2021/22	6,725,632,192.09		395,995,000.89	6,329,637,191.20		395,995,000.89	395,995,000.89	
2022/23	6,329,637,191.20		408,866,028.53	5,920,771,162.67		408,866,028.53	408,866,028.53	
2023/24	5,920,771,162.67		1,222,303,831.81	4,698,467,330.86	800,000,000.00	422,303,831.81	422,303,831.81	800,000,000.00
2024/25	4,698,467,330.86		439,141,878.58	4,259,325,452.28		439,141,878.58	439,141,878.58	
2025/26	4,259,325,452.28		264,046,841.18	3,995,278,611.10		264,046,841.18	264,046,841.18	
2026/27	3,995,278,611.10		209,000,000.00	3,786,278,611.10		209,000,000.00	209,000,000.00	
2027/28	3,786,278,611.10		251,427,736.74	3,534,850,874.36		251,427,736.74	251,427,736.74	
2028/29	3,534,850,874.36		179,717,348.93	3,355,133,525.43		179,717,348.93	179,717,348.93	
2029/30	3,355,133,525.43		135,490,766.38	3,219,642,759.05		135,490,766.38	135,490,766.38	
2030/31	3,219,642,759.05		144,144,967.70	3,075,497,791.35		144,144,967.70	144,144,967.70	
2031/32	3,075,497,791.35		153,630,593.74	2,921,867,197.61		153,630,593.74	153,630,593.74	
2032/33	2,921,867,197.61		137,659,616.35	2,784,207,581.26		137,659,616.35	137,659,616.35	
2033/34	2,784,207,581.26		2,122,651,762.79	661,555,818.47	2,000,000,000.00	122,651,762.79	122,651,762.79	2,000,000,000.00

The bullets loans will be redeemed from sinking funds that are in place and funds are transferred annually to the reserves. The redemption of the loans will therefore not have a negative impact on the cash available for operations.

External borrowing profiles for the last two and the next two financial years is as follows:

Description	**Closing Balance 30 June 2017**	**Closing Balance 30 June 2018**	**Closing Balance 30 June 2019**	**Closing Balance 30 June 2020**	**Closing Balance 30 June 2021**
Loan	585,048,606	537,503,780	484,175,283	424,809,545	357,898,956
Loan	236,140,196	82,844,270	-	-	-
Bonds	4,429,666,667	5,318,536,003	5,013,333,333	4,908,833,332	3,009,833,332
Loan			750,000,000	750,000,000	750,000,000
Loan			1,250,000,000	1,250,000,000	1,250,000,000
Loan			1,000,000,000	970,060,168	936,689,384
	5,250,855,469	**5,938,884,053**	**8,497,508,616**	**8,303,703,045**	**6,304,421,672**

The city has an accumulated surplus of R48.2b –meaning that the city's net assets balance exceeds the city's total liabilities by this amount. The accumulated surplus is presented on accrual basis as per the accounting standards for reporting purposes and does not mean actual cash balance position.

Capital Budget Implementation

The final departmental performance insofar as the capital budget is concerned is reflected below:

Department	Sum of Adjusted Budget	Expenditure for the Year	Percentage Spent
Chief Operating Officer	112,139,533	93,960,202	83.79%
City Manager	20,000	19,200	96.00%
City Planning	1,761,384	1,196,789	67.95%
Communication and Brand Management	574,020	544,780	94.91%
Corporate Legal Services	330,069	319,153	96.69%
Council General	538,084,525	492,531,547	91.53%
Customer Relations Management	7,150,000	6,141,364	85.89%
Disaster & Emergency Management Services	129,686,708	128,834,814	99.34%
Economic Development	159,839,207	156,280,836	97.77%
EMPD	177,660,364	168,661,149	94.93%
Energy	725,600,745	715,048,071	98.55%
Environmental Resources Management	314,262,583	312,759,790	99.52%
EPMO	188,175	187,947	99.88%
Executive Office	1,800,001	1,460,090	81.12%
Finance	18,230,639	17,405,973	95.48%
Fleet Management	7,114,976	6,516,974	91.60%
Health and Social Development	27,300,000	23,465,112	85.95%
Human Resources Management	1,365,081	1,357,716	99.46%
Human Settlements	1,216,383,442	1,204,097,715	98.99%
ICT	487,936,776	432,380,301	88.61%
Internal Audit	320,466	320,066	99.88%
Legislature	5,979,850	4,978,770	83.26%
Real Estate	145,148,252	127,941,431	88.15%
Risk Management	232,326	232,326	100.00%
Roads and Stormwater	696,957,855	685,797,485	98.40%
SRAC	100,399,495	99,988,658	99.59%
Strategy & Corporate Planning	358,743	341,346	95.15%
Transport	572,818,780	416,564,927	72.72%
Waste Management	197,522,567	187,330,028	94.84%
Water and Sanitation	697,024,265	696,303,905	99.90%
Grand Total	**6,344,190,827**	**5,982,968,466**	**94.31%**

Capital spending increased from R5 635 810 563 (in 2017/2018) to R5 982 968 466 in 2018/2019, the actual spending on capital amount increased by R347 million. The expenditure performance against budget in the current year is 94.31% as compared to the previous year of 88.59%.

SECTION C: REPORT OF THE AUDITOR GENERAL

The Auditor General (AG) report contained in the annexures to this report is the signed report. The page numbers (which refer to the pages in the annual report) will be included in the published version (glossy) of the annual report.

The MFMA, Section 126 (3) require The Auditor-General must—

a) audit those financial statements; and
b) submit an audit report on those statements to the accounting officer of the city or entity within three months of receipt of the statements.

The report of the Auditor General will include audit work performed on the following activities of the city:

a) Financial Statements, whether the financial statement fairly present in all material aspect the financial results and financial position of the city and it cash flow
b) Predetermined objectives, whether the information reported by the city on service delivery targets is usefulness and reliable as reported in the city's annual report
c) Compliance with Laws and Regulations, whether the city has complied with applicable laws and regulations regarding financial matters, financial management and other related matters.
d) Any other audit work performed on behalf of the city (other audit services)

Additional clarity / definitions:

What types of audit opinions are there?

DISCLAIMER - When the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive (i.e. very serious / chaos).

ADVERSE - The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements i.e. the statements are inaccurate.

QUALIFIED - The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements – also called "except for" financial statements accurate except for certain matters

UNQUALIFIED - The opinion expressed by the auditor when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. This means there are no material errors in the financial statements.

What a financial audit opinion says – in other words, what does it mean to have an unqualified audit opinion?

Opinion as to whether the financial statements are a true reflection (in all material aspects) of the financial results of the city.

What a financial audit opinion does not say – in other words, even if you are unqualified, it does not mean that:

- *There are no fraud*
- *The city has enough cash / is financially in a good position*

What is Materiality?

- *Amount determined by AG that is deemed to be big enough to cause a misstatement - +- R100m for COE*
- *Opinion based on findings that are material in value, i.e. errors > R100m impacts on opinion*

What is Significant matters?

Regardless of the materiality amount, certain items are deemed to be material due to the nature of the item, such as disclosure requirements.

Why does the report not say that it is "Clean" or not?

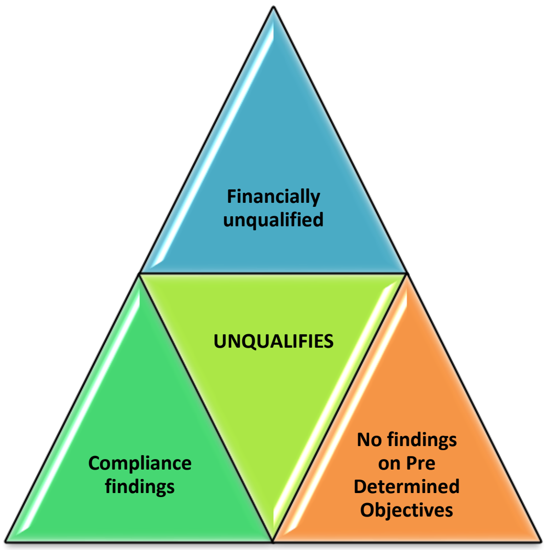
In private sector, an unqualified audit is the norm. There is no concept of "clean" in private sector and the term is also not contained in audit standards.

However, in public Sector a higher level of accountability is required. The goal is to achieve clean audit as we are dealing with public funds.

Then what is a "Clean Audit"?

A clean audit is an audit opinion that is:

- ***Financially unqualified***
- ***Has no findings on Pre-Determined Objectives***
- ***Has no findings on Compliance Matters***



THE CITY OBTAINED UNQUALIFIED AUDIT OPINION AND THE REPORT OF THE AUDITOR GENERAL IS SUMMARIZED AS FOLLOWS:

Par 1-2: Audit opinion – **UNQUALIFIED AUDIT OPINION,** on the consolidated and separate financial statements of the City of Ekurhuleni.

Par 3 to 4: **Basis for opinion** – auditing of AFS and expressing an opinion as to whether the AFS gives a true reflection of the city financial performance and its financial position for the year ended and the audit procedures performed in reaching the audit opinion.

Par 5: Indicate that sufficient audit evidence was obtained to express the audit opinion.

Par 6: **Key Audit Matters –** Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming an opinion thereon and I do not provide a separate opinion or conclusion on these matters.

Par 7: Indicates that Emphasis of Matter is intended to draw attention to the matters but it does not change the audit opinion, in other words, the audit opinion remains unqualified and these matters also do not impact on the clean audit principle.

Par 8: **Restatement of corresponding figures**

As disclosed in note 50 to the consolidated and separate financial statements, the corresponding figures for 30 June 2018 were restated as a result of errors in the consolidated and separate financial statements of the group at, and for the year ended, 30 June 2019.

Par 9: **Material uncertainties**

With reference to note 42 to the consolidated and separate financial statements, the group is the defendant in various lawsuits. The outcome of these matters cannot presently be determined and/or reliably measured; therefore, no provision for any liabilities that may result has been made in the consolidate and separate annual financial statements.

Par 10: **Material impairment**

As disclosed in the note 13 to the consolidated and separate financial statements, the consumer debtors balance has been significantly impaired. The allowance for impairment of consumer debtors amounts to R9 114 377 582 (2017-2018: 11 347 333) which represents 65% (2017-2018: 67%) of total consumer debtors. The contribution to the provision for debt impairment was R4 062 101 226 (2017-18: R1 490 000 078).

Par 11 & 12: **Material losses**

As disclosed in note 56 to the consolidated and separate financial statements, material electricity losses of R1 184 000 058 (2017-2018: R1 076 496 700) was incurred which represent 12% (2017-18: 12%) of total electricity purchased. Technical losses amounted to R584 569 066 (2017-18: R543 313 133) and was due to losses inherent to electricity supply. Non-technical losses amounted to R599 430 992 (2017-18: R533 183 567) and were due to theft through illegal connections and bypassing or tampering of meters.

As disclosed in note 56 to the consolidated and separate financial statements, material water losses of R1 002 005 635 (2017-18: R833 362 612) was incurred which represents 30% (2017-18: 28%) of the total water purchased. Technical losses amounted to R502 114 060 (2017-18: R439 382 748) and was due to evaporation and losses inherent to water supply. Non-technical losses amounted to R499 891 575 (2017-18: R393 979 864) and were due to leaks and pipeline infrastructure requiring maintenance

UNAUDITED DISCLOSURE NOTES

Par 14 In terms of section 125(2)(e) of the MFMA, the group is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of consolidated and separate financial statements and accordingly I do not express an opinion thereon.

Par 15-16: Accounting Officer's responsibility – compilation of Group and Separate Annual Financial Statements (AFS), in other words, the City Manager is responsible for the compilation of the annual financial statements as well as the disclosure notes. This includes the notes on irregular, fruitless and wasteful expenditure.

Par 17-18: Auditor-General's responsibilities for the audit of the consolidated and separate financial statements

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Par 19: In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

<u>Predetermined objectives</u>

Para 21: I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected intermediate outcomes presented in the annual performance report of the group for the year ended 30 June 2019:

Strategic Objectives audited

- Strategic objective 1: To promote integrated human settlements through massive infrastructure and services roll out.
- Strategic objective 5: To create an enabling environment for inclusive growth and job creation.

<u>Predetermined objectives</u>

Par 23: There material in respect of the reliability of the selected strategic objectives is as follows:

- Strategic objective 1: To promote integrated human settlements through massive infrastructure and services roll out.

Average number of days taken to process building applications

I was unable to obtain sufficient appropriate audit evidence on the accuracy and completeness for the reported achievement of the average number of days taken to process building plan applications. This was due to the incorrect recording and processing of information for the building plan applications on the database provided by management. I was unable to confirm the accuracy and completeness of the reported achievement by alternative means. Consequently, I was unable to determine the extent of the adjustments required to the reported achievement of average number of days taken to process building plan applications.

Adjustment of material misstatements

Par 28: I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of strategic objective 1: To promote integrated human settlements through massive infrastructure and services roll out. As management subsequently corrected only some of the misstatements, I raised a material finding on the reliability of the reported performance information. Those that were not corrected are reported above.

<u>REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION</u>

Par 29: In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the group with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance. The material findings on compliance with specific matters in key legislations are as follows:

Expenditure management

Par 30. Reasonable steps were not taken to prevent irregular expenditure, as disclosed in note 52 to the financial statements, as required by section 62(1)(d) of the MFMA. The value of R413 006 296 as disclosed in note 52, may not be complete as management was still in the process of investigating and quantifying the full extent of the irregular expenditure. The majority of the irregular expenditure was caused by non-compliance with the Preferential Procurement Regulations.

Procurement and contract management

32. Some contracts were awarded to bidders based on functionality criteria that were not stipulated, or differed from those stipulated, in the original invitation for bidding, in contravention of the Preferential Procurement Regulations. Similar non-compliance was also reported in the prior year.

33. Some of the contracts were awarded to providers whose tax matters had not been declared by the South African Revenue Service to be in order, in contravention of SCM regulation 43.

Other information

Par 33- 36: Other information

Internal control

Par 37: I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

38. Neither the accounting officer nor senior management ensured that systems of internal control were adequately implemented and monitored to ensure credible performance reporting and compliance with key legislation. The preparation and review processes were ineffective which resulted in the identification of material errors on the annual performance report and material non-compliance matters.

39. Non-compliance with legislation could have been prevented had compliance been properly reviewed and monitored on a regular basis.

OTHER REPORTS

Investigations

Par 41: Thirty-nine (39) investigations were ongoing at year-end on allegations relating to financial misconduct, fraud or improper conduct in SCM. The majority of these cases were investigated internally by the city's internal audit department. All these investigations relate to irregularities identified prior to 2018/19 financial year. Some of these investigations have been ongoing for a long time.

SECTION D: APPROVAL OF FINAL YEAR END TRANSACTIONS FOR THE COMPILATION OF THE 2018/2019 FINANCIAL STATEMENTS

As part of the compilation of the financial statements process, and to comply with the requirements of Generally Recognized Accounting Practices (GRAP), the following transactions were processed that requires ratification from or notification to Council:

Council approval required:

- Other Assets to be written off: assets with a book value of R14 596 043 being derecognised by the relevant departments, as assets that are no longer in use or have reached the end of their useful lives,
- An amount of R93 738 466 had to be impaired and derecognised as these Capital Expenditure did not meet the subsequent capitalization requirements as per the applicable accounting standards, which have to be derecognised.
- The criteria for redundant stock are where no or little movement for the past three years occurs on the item. Stock with no movement for the last three years were identified and circulated to departments to indicate any need for the items as from January 2019. No redundant stock was identified.
- The annual stock taking for the year ended 30 June 2019 was conducted throughout the Council from 5 May 2019 until 31 May 2019, in a staggered manner to avoid the hampering of the Council's Operations. Damaged stock to the amount of R24 164 was found.
- During the annual stock take differences were found on stock items - Stock Shortages to be written off – R3 170 331
- Debtors written off in terms of the CFO's delegated powers – these are reported to Council in terms of the various council resolutions taken regarding the delegations.

ORGANISATIONAL AND HUMAN RESOURCE IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

LEGAL IMPLICATIONS

None

COMMUNICATION IMPLICATION

None

OTHER DEPARTMENTS/ BODIES CONSULTED

The finance management team was consulted, and these results were reviewed by the audit committee and their recommendations were noted in preparing these reports. HOD's commented on matters raised by the Auditor General in respect of matters under their area of responsibility, and corrective action will be monitored by the OPCA, internal audit and audit committee in the 2019/19 financial year.

RECOMMENDATION

1. **That** the Audited Annual Report of The City of Ekurhuleni (CoE) Metropolitan Municipality, inclusive of the Annual Financial Statements and the Report of the Auditor-General for the 2018/2019 financial year, **BE NOTED**.

2. **That** the Audited Annual Report of The City of Ekurhuleni (CoE) Metropolitan Municipality, inclusive of the reports of the Municipal Entities, **BE REFERRED** to the Municipal Public Accounts Committee (MPAC) for the oversight process as contemplated in section 129 of the Municipal Finance Management Act.

3. **That** all instances of Irregular, Fruitless and Wasteful Expenditure as reported in the Annual Financial Statements, inclusive of the reports of the Municipal Entities, **BE REFERRED** to the Municipal Public Accounts Committee (MPAC) for investigation as contemplated in section 32 of the Municipal Finance Management Act.

4. **That** the Municipal Public Accounts Committee **REPORT BACK** to Council by no later than end March 2020 as required by sections 32 and 129 of the Municipal Finance Management Act.

5. **That** the final year end transactions for the compilation of the financial statements as described in the report, **BE APPROVED.**

6. **That** the City and Municipal Entities' Annual Reports, inclusive of the Annual Financial Statements and the Report of the Auditor-General for the 2018/2019 financial year, **BE APPROVED.**