

**BITOU MUNICIPALITY****OVERSIGHT REPORT: 2020/2021 FINANCIAL YEAR****PURPOSE OF THE REPORT**

To present the Oversight Report on the Annual Report of Bitou Municipality, as required by legislation and submit the Recommendations to Council for consideration.

**DELEGATION OF AUTHORITY**

The Council in its meeting of the 31 January 2022, resolved as follows:

1. That cognizance be taken of tabling of the 2020/2021 Draft Annual Report and Timeframes related to the adoption and publication thereof;
2. That the omissions in the report as well as the reasons for omissions be noted.
3. That the Annual Report be submitted to MPAC in order to consider and evaluate the 2020/2021 Draft Annual Report provide a detailed analysis thereof; and submit an Oversight Report to Council by the 31 of May 2022(Date to be corrected).
4. That the 2020/2021 Draft Annual Report be submitted to the Office of the Auditor General, Provincial Treasure and the relevant Provincial Department responsible for Local Government.
5. That the Accounting officer be authorised to publish the 2020/2021 Draft Annual Report for public comments and recommendations.

**CIRCULATION OF THE ANNUAL REPORT**

Immediately after an annual report has been tabled in council, the Accounting Officer must

- a) In accordance with section 21A of the Municipal Systems Act, 2000 (Act 32 of 2000)
  - I. Make public the Annual Report; and
  - II. Invite the local community to submit representation in connection with the Annual Report; and
  - III. Submit the Annual Report to the Auditor General, and the relevant provincial treasury and the provincial department responsible for local government in the province.

That availability of the 2020/2021 Draft Report was published in the printed media (notice number: 52/22) as well as on the Municipal Website on 31 January 2022 where interested parties/public was invited to comment on the Draft Annual Report.

The public was invited to comment on the annual report and the closing date for comments was determined to be 24 February 2022.

The Annual Report was further submitted to the Auditor General and Provincial Treasury: Western Cape Provincial Government as required by legislation.

Copies of the Draft Annual Report were also made available at the following Municipal locations:

1. Municipal Office, Sewell Street, Plettenberg Bay
2. Municipal website: [www.bitou.gov.za](http://www.bitou.gov.za)
3. Municipal Office, Qolweni
4. New Horizons Library, Saringa Street, New Horizons
5. Green Valley Library, Wittedrift
6. Kurland Library, The Craggs
7. Public Library, Melville's Corner, Plettenberg Bay
8. Kranshoek Library, Kranshoek
9. KwaNokuthula Library, KwaNokuthula

### **INFORMATION RECEIVED**

- Auditor General's Report – in terms of Section 126 (3) of the MFMA - Annual Financial Statement of the Municipality – as per Section 122 of the MFMA
- The performance Report is attached as Annexure (B) – as per Section 46 of the Municipal Systems Act
- The APAC Report forms part of the Annual Report as Annexure (C)
- Public comments from the Plettenberg Bay Ratepayers Associations as Annexure (D)

### **MUNICIPAL PUBLIC ACCOUNT COMMITTEE – MPAC**

MPAC is responsible, among other things, for:

- a) To consider and evaluate the Annual Report as tabled in the Council, and Thereafter, make recommendations to Council in this regard;
- b) To compile an Oversight Report and table it in Council and make recommendations for consideration.

### **MEETING ATTENDANCE**

For the purpose of complying with the requirements above, MPAC met on the following dates to consider and discuss the content of the Annual Report.

MPAC MEMBERS	AFFILIATION	16 FEBRUARY	17 FEBRUARY
Cllr N Kolwapi (Chairperson)	Ikhwezi Political Movement	Present	Present
Cllr M Botha	Patriotic Alliance	Present	Present
Cllr N Ndayi	Democratic Alliance	Present	Present

All relevant officials were present in all the above meetings, to give clarity and take question on tabled report.

### **Auditor General's Report**

Matters to be monitored:

- The Committee is noting the increase in the impairment of consumer debtors as well as an increase in the value of bad debts written off.
- There is also an increase in the electricity and water losses, of 21% and 36% respectively. These percentages were above the acceptable benchmark. This is indicative of carelessness / irresponsible water management on the side of consumers and/or an ailing infrastructure.

There are instances in the A.G's Report where there was lack a of accurate and complete documents supporting the actual work done as claimed in the performance report (refer to point 24 and 25 of A G's Report)

### **MATERIAL FINDINGS**

The SDBIP was not approved by the Mayor due to political instability that occurred at the time.

With regards to Expenditure Management, reasonable steps were not taken to prevent Irregular and Unauthorized Expenditure. In addition, Unauthorized Irregular or Fruitless and Wasteful Expenditure was not investigated to determine if there were people reliable for the expenditure.

There were also certain failures in procurement and contract management. It was determined that the performance of some of the contractors or providers was not monitored on a monthly basis, and nor were there any contract performance or monitoring measures put in place to monitor this performance. Some contracts had also been extended or modified without the approval of a properly delegated official. There have also been instances where municipal employees failed to disclose when their family members had a private or business interest in contract with the municipality.

Certain controls deficiencies have highlighted as these deficiencies resulted in material misstatements in the Annual Report. Inadequate design and implementation of controls also led to Unauthorized, Irregular and Fruitless and Wasteful Expenditure being incurred and material non - compliance. Management also did not ensure that such expenditure was investigated by the Municipal Public Accounts Committee and that any investigations were concluded in a reasonable time. Adequate controls were also not in place to ensure that the SDBIP was approved by the Mayor timeously.

### **APAC OBSERVATIONS:**

The APAC Report noted the concern of a year-on-year regression as far as procurement and contract management. There is concern of a lack of assurance that risks are being managed satisfactorily in the SCM environment and the repeat findings which have occurred are indicative of management's lack of cognizance of Internal Audit's findings and recommendations.

Other noted areas of concern included the lack of progress in curbing the excessive overtime claims. Senior management are found not to be adequately planning, managing and monitoring overtime to remain within the respective budget allocations and thus it is open to abuse.

Findings on the municipality's performance management were also found to be significant in that quarterly performance targets were not achieved, inaccurate performance was reported and there is insufficient supporting documentation. Again, Internal Audit's recommendations appear to neither be noted nor implemented as these are repeat findings.

In order to achieve effective governance, focus needs to be on the areas of expenditure, SCM and Consequence management in order to achieve future clean audit outcomes. Currently it appears as if no reasonable steps are being taken to avoid unauthorized, and irregular expenditure and without a functioning disciplinary board, matters of financial misconduct are not being dealt with speedily and effectively.

### **DISCUSSIONS:**

Our meeting held with the Officials present resulted in a robust discussion of challenges, and possible solution that would ensure proper internal controls and governance in the future. Such recommendations included the re-establishment of the Disciplinary Board, finalization of the Municipality Organogram, Implementation of the new Procurement System which will ensure tighter controls, broadening of KPI's and cascading it down to junior management, and the possibility of broadening the scope of external reviewers of the Annual Report and Annual Financial Statement.

### **CONCLUSION:**

Following all discussions and debates, the following areas of concern: Performance Management; Supply Chain Management; Mayoral Grant in Aid Policy and compliance and Consequence Management, are the areas requiring urgent attention. In order to improve these areas, internal controls deficiencies need to be improved and all findings and recommendations from the AG and APAC should be attended to and resolved.

Furthermore it should be noted that recommendations from the 2019/2020 AG's report have not been acted upon and this should still be attended to, to ensure future compliance and clean Audits. Such an example is the failure to establish an Official Whistle-blower's hotline.

It should be noted that at the time of submission no Provincial Report or comments from the public were finalized and received by MPAC.

There was also no Performance Management Report received.

It was noted that the Municipal Manager's Report was signed by the CFO as the responsible Accounting Officer.

In conclusion, although Bitou Municipality received an Unqualified Report with findings, it must be noted that the findings are areas of significant concern which were already highlighted in the previous year. This therefore indicates a year-on-year regression. On a positive note, we do commend the Municipality for once again compiling its own Financial Statements and receiving an Unqualified Audit with findings.

Internal Audit performed well under the challenges of Covid 19 by completing 100% of its planned Audits for the year.

The willingness of Senior Staff in participating in this review and their acceptance of accountability was appreciated.

## **RECOMMENDATIONS**

The Municipal Public Accounts Committee resolved to recommend to Council that:

1. The Council, after fully considering the Annual Report of Bitou Municipality and representation thereon, adopt the Oversight report and Annual Report, 2020/2021 Financial Year without reservations.
2. That the Accounting Officer, in accordance with section 21(a) of the Municipal Systems Act, Act 32 of 2000, make the Oversight Report public within seven days of its adoption by Council.
3. That the Accounting Officer submits the Oversight Report to the Provincial Legislature within seven days after it has been adopted by Council.
4. That the Accounting Officer develops an action plan to address all issues raised by the Auditor General (indicating clearly the corrective action and time frames).
5. That the Progress Report of a plan mentioned in (4) above be submitted to council and Municipal Public Accounts Committee quarterly.
6. That Council takes note of the responses from the public.

