

**BITOU MUNICIPALITY****OVERSIGHT REPORT: 2021/2022 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 2023, resolved as follows:

- 1. That cognizance be taken of tabling of the 2021/2022 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 2021/2022 Draft Annual Report, provide a detailed analysis thereof; and submit an Oversight Report to Council by the 31 of March 2023.*
- 4. That the 2021/2022 Draft Annual Report be submitted to the Office of the Auditor General, Provincial Treasury and to the relevant Provincial Department responsible for Local Government.*
- 5. That the Accounting officer be authorised to publish the 2021/2022 Draft Annual Report for public comments and recommendations.*

**CIRCULATION OF THE ANNUAL REPORT**

Immediately after the 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 2021/2022 Draft Report was published in the printed media (notice number: 52/2023, as well as on the Municipal Website on 31 January 2022 where interested parties/public were 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 02 March 2023.

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 included in the Annual Report– as per Section 46 of the Municipal Systems Act
- The APAC Report forms part of the Annual Report.
- Public comments from the Plettenberg Bay Ratepayers Association.
- Comments from Provincial Treasury.

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

MPAC is responsible, among other things, for:

- a) Considering and evaluating the Annual Report as tabled in the Council, and thereafter, make recommendations to Council in this regard;
- b) Compiling the Oversight Report and table it in Council and make recommendations for consideration.

### **MEETING ATTENDANCE**

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

<b>MPAC MEMBERS</b>	<b>AFFILIATION</b>	<b>01 March</b>	<b>02 March</b>
Cllr N Kolwapi (Chairperson)	Ikhwezi Political Movement	Present	Present
Cllr T. Harems	Patriotic Alliance	Absent	Absent
Cllr S. Ndayi	Democratic Alliance	Present	Present

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

## **DISCUSSION**

The MPAC Committee met on the 1<sup>st</sup> and 2<sup>nd</sup> of March 2023 to discuss the Draft and Final Annual Report and for compilation and approval of this Report. The Annual Report 2021/22 was advertised for public inputs and comments, immediately after the Council meeting of the 31 January 2023. The deadline for public comments was the 2<sup>nd</sup> of March 2023. The Committee received inputs from the Plettenberg Bay Ratepayers Association.

The Draft Annual Report was also submitted to the Provincial Treasury and Provincial Department of Local Government as well as the office of the Auditor General. Further to the above platforms, the Annual Report was also placed in our communication website as per Notice no. 52/2023.

The inputs from the Provincial Treasury were received three days after the second meeting of MPAC. The Report confirms that Bitou Municipality has complied with Legislation in terms of the Municipal Finance Management Act no. 56 of 2003, in that :

- a) *The Municipality submitted the Draft 2021/22 Annual Performance Report together with the AFS to the Auditor General by the 31<sup>st</sup> of August 2022.*
- b) *The Annual Report was tabled to Council on the 31<sup>st</sup> of January 2022, which is within seven months after the end of the Financial Year in accordance with MFMA Section 127(2)*
- c) *The Annual Report was made public after tabling and the Public was invited to comment with a deadline of 2<sup>nd</sup> March 2023.*

## **Format and Content**

- a) According to the Provincial Treasury and the Auditor General, the Format and content of the Annual Report was in line with Circular 63.
- b) In addition, the Audit findings have been included, which is unqualified with findings.
- c) The Mayor's Foreword included in the Annual Report is comprehensive, however the Corrective Actions that the Municipality intends to implement to improve service delivery can be expanded further as well as the Strategic Alignment between the Provincial and Municipal Strategy.

- d) The Municipal Manager's Foreword includes information on the State of Governance within the Municipality, economic recovery, financial viability and the cash position of the Municipality.
- e) The Annual Report provides a comprehensive overview of the demographics, population, growth, highlights and challenges faced by the Municipality during the 2021/22 Financial Year.

## **Performance**

In terms of **Strategic objectives**, the Provincial Treasury identified the following:

- The Municipality's overall service delivery performance at 55.8 per cent of targets achieved is considered low and reflects the variance of 44.2 per cent between planned and actual targets. The three targets where the Municipality performed exceptionally well are,
  - ❖ building a capable , corruption free administration,
  - ❖ spatially integrated areas and
  - ❖ managing expenditure prudently.

The largest number of targets has not been achieved under Provision of Basic Services strategic objectives.

- The Municipality must provide clear and comprehensive reasons for the non-achieved of basic service delivery targets in order to formulate appropriate corrective measures in order to improve service delivery.

The Report also noted that the Municipality has created employment opportunities through EPWP, with 440 opportunities created as Mayor's foreword and that the Municipality disclosed information on its B-BBEE compliance status on pages 67 & 68 of the Annual Report, in line with the requirements of the MFMA.

## **AUDITOR GENERAL'S REPORT**

Matters to be monitored:

The office of the Auditor General was represented by Mr Ignatius Fourie on the 1<sup>st</sup> of March 2023, who did the presentation virtually. With respect to the material losses, the report revealed:

- The material electricity losses of 18.88% in 2021/22 was incurred compared to 21.33% in 2020/21.
- The material water losses of 37.71 was incurred compared to 35.78% in 2020/21.
- The municipality wrote off bad debts of R93,7 million compared to R108.6 million in 2020/21

## **Material Findings**

The Committee noted the compliance focus areas highlighted in the report which are as follows:

### **1. Consequence Management**

- a) Unauthorized expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(a) of the MFMA.
- b) Some irregular expenditure incurred by the municipality were not investigated to determine whether any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.
- c) Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine whether any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA.

### **2. Expenditure Management**

- a) Reasonable steps were not taken to prevent irregular expenditure of R70.6 million disclosed in note 62 of the Annual Financial Statement as required by section 62(1)(d) of the MFMA.
- b) Reasonable steps were not taken to prevent unauthorized expenditure of R884.8 million, as disclosed in note 60 of the financial statement, in contravention of section 62(1)(d) of the MFMA. **The unauthorized expenditure was caused by the budget not being approved by the Councillors.**

### **3. Procurement and Contract Management**

Some goods and services with a transaction value below R200 000 were procured without obtaining the required price quotations, in contravention of supply chain management regulation 17(1)(a) and (c).

The committee also noted with concern that Management did not comply with section 32(2) of the MFMA to ensure that unauthorized, irregular, and fruitless and wasteful expenditure were investigated by the Municipal Public Accounts Committee and that the investigations were conducted within reasonable period of time. Furthermore, adequate reviews were not performed prior to the submission of the annual performance report, which resulted in material misstatement to the annual performance report not being detected by management.

Lastly, the management's processes implemented for the review and monitoring of compliance with the applicable SCM policy were inadequate to prevent and detect a failure by the relevant officials to record and obtain the chief financial officer's approval for obtaining less than three quotations, as required by regulation 17(1)(c) of the Municipal Supply Chain Management Regulations.

The material findings in respect of additional criteria are that, the delivery of basic services to informal settlements, which the municipality is primarily responsible for in terms of its mandate, was not prioritized and included in the approved annual performance plan and service delivery and budget implementation plan and integrated development plan.

## **APAC OBSERVATIONS:**

The APAC noted the following issues with concern :

1. That the Debt collection has remained a challenge throughout the year with debt collection rate at the end of the year being 84% of total billings, this despite the fact that a collection agency was appointed to assist with collection. That alone would undoubtedly impact negatively on the municipality's medium to long- term financial sustainability and solvency.
2. With the Traffic fines, the current way of dealing with traffic monitoring and collection fines revenue has not been effective and generated very little income.
3. Overtime remains a concern and little progress has been made in curbing the excessive overtime claims. The use of overtime hours must be controlled to avoid incurring unauthorized expenditure.
4. Creditors days outstanding at the year-end were standing at 37% which is in excess of the regulated 30 days.

### **Internal Audit's significant findings were:**

- a) Quarterly performance targets were not met.
- b) Inaccurate performance reported.
- c) Insufficient supporting documents

According to the Committee, their recommendations are not noted and implemented as the above findings have been raised repeatedly without positive results.

## **CONCLUSION**

Following all the discussions and debates, the following compliance focus areas of concern were picked up and are,

- consequence management,
- expenditure management, procurement and
- contract management.

If one looks at the concern raised by APAC, it appears as if the Internal Audit recommendations are not noted and implemented as some of Auditor General's findings are raised time and time without any positive results.

It is therefor, suggested that if Bitou is to improve these focus areas, internal controls deficiencies need to improve and all the findings and recommendations from AG and APAC should be attended to and resolved. The accounting officer, together with the heads of departments, should develop action plan to address the issues raised by Auditor General and indicate clearly the corrective action with timeframes.

Finally, the Municipal Public Accounts Committee wishes to thank the Council and Management for their support in ensuring that the work of the Committee throughout the year is not hindered. The Committee also commends the willingness and participation of the senior staff in compiling the Financial Statements and receiving an Unqualified Audit with findings.

### **Suggestions of Good Practice**

The Accounting Officer should develop an action plan that will clearly indicate the corrective measures with time frames.

The systems and deadline stipulated in Circular 63 with regards to Draft Annual Report that must serve in Council before September and the Final Annual Report in December, must be adhered to.

The Draft Annual Report must come to MPAC and Internal Audit before it goes AG. (This will assist in the drafting and reviewing of the IDP that starts in September.)

The Delegation Register must be our Bible so that we should avoid Unauthorized transactions/decisions. Fraud Register that sits with Internal Audit should be monitored and updated timeously.

The Rules of Order must be implemented in a kosher way so that we avoid to the risk of blocking a meaningful participation in Council proceedings. Public participation in the form of Imbizos, should be intensely, widely and inclusively be done to ensure the involvement of the public in the affairs of the municipality.

### **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, 2021/2022 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 Council has adopted it.
4. That the Accounting Officer develops an action plan to address all issues raised by the Auditor General (clearly indicating 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.

