

ANNEXURE A



**BITOU MUNICIPALITY
PLETTENBERG BAY**

ANNUAL REPORT/OVERSIGHT REPORT 2022/23

**This Oversight Report is based on the Annual Report 2022/23 and is
drafted and submitted in accordance with the Local Government :
Municipal Finance Management Act, Act 56 of 2003.**

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1. INTRODUCTION

The Annual Report is one of the key instruments for the transparent and accountable local governance and accountability. It is a post- fiscal year document that provides an overview of the financial and non – financial performance concerning the previous financial year, which in this instance relates to the 2022/2023 financial year. The Local Government: Municipal Finance Management Act, Act 56 of 2003, stipulates that the Annual Report must be tabled in and passed by Municipal Council.

2. 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.

3.1 LEGAL FRAMEWORK

Section 129 of the MFMA, states that:

In terms of section 129 of the Local Government Municipal Finance Management Act, Act 56 of 2003, the Council of the municipality must consider the Annual Report of the Municipality and of any Municipal entity under the Municipality's sole or shared control, and by no later two months from the date on which the Annual Report was tabled in the Council in terms of Section 127, adopt an Oversight Report containing the Council's comments on the Annual Report, which must include a statement whether:

- a) Council has approved the Annual Report with or without reservations.
- b) Has rejected the Annual Report.
- c) Has referred the Annual Report back for revision of those components that can be revised.

The Act further states that during this process, the Accounting Officer must.

- a) Attend Council and Council committee meetings where the Annual Report is discussed, for the purpose of responding to questions concerning the Report; and
- b) Submit copies of the minutes of those meetings to the Auditor General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the province.

3.2 DELEGATION OF AUTHORITY

The Council in its meeting of the 25 January 2024, resolved as follows:

1. *That cognizance be taken of tabling of the 2022/2023 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 to consider and evaluate the 2022/2023 Draft Annual Report, provide a detailed analysis thereof; and submit an Oversight Report to Council by the 31 of March 2024.*
4. *That the 2022/2023 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 authorized to publish the 2022/2024 Draft Annual Report for public comments and recommendations.*

3.3 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.

The 2022/2024 Draft Annual Report was published in the printed media (notice number: 13/2024), as well as on the Municipal Website on 25 January 2024 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 15 February 2024.

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
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

3.4 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.

4.1 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 making recommendations for consideration.

4.2 MEETING ATTENDANCE

For the purpose of complying with the requirements above, the Municipal Public Accounts Committee met on the 4th March 2024 to consider and discuss the content of the Annual Report.

MPAC MEMBERS	AFFILIATION	04 March 2024
Cllr Nokuthula Seti (Chairperson)	African National Congress	Present
Cllr Samkele Mangxaba	African National Congress	Present
Cllr David Swart	Democratic Alliance	Present
Cllr Sumeya Ndayi	Democratic Alliance	Apologized

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

5 DISCUSSION

The MPAC Committee met on the 4 March 2024 to discuss the Draft Annual Report and the compilation and approval of the Oversight Report. The Annual Report 2022/23 was advertised for public inputs and comments, immediately after the Council meeting of the 25 January 2024. The deadline for public comments was 15 of February 2024. 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 on the municipal website as per notice no. 13/2024.

6 PROVINCIAL TREASURY COMMENTS ON THE TABLED 2022/2023 ANNUAL REPORT

6.1 LEGISLATIVE COMPLIANCE

Conformance:

According to the Provincial Treasury, the conformance assessment highlights compliance by Bitou Municipality with the Municipal Finance Management . Act no. 56 of 2003 which is as follows:

COMPLIANCE	YES/NO
The Municipality submitted the draft 2022/23 Annual Performance Report/Annual Report together with the AFS to the Auditor General by the 31 August 2023, which is within the Legislative guideline.	No
The unaudited Annual report was tabled into Council at least two months after the end of the 2022/23 financial year, in accordance with MFMA Circular 63.	Yes
If not tabled two months after the end of the financial year, the Annual Report was tabled to council on 25 January 2024 which is within 7 months after the end of the financial year in accordance with MFMA section 127(2).	Yes
The draft Annual Report was made public on 26 January 2024 which in line with MFMA Section 75 s and the public invited to comment by 21 February 2024.	Yes

6.2 Format and content of the Annual Report as per MFMA Circular 63

COMPLIANCE	YES/NO	GAPS IDENTIFIED/AREAS FOR IMPROVEMENT
The relevant chapters and annexures have been included.	No	The Annual Report follows the outline as proposed by the National Treasury guidelines. However, appendices A – S has not been attached to the Annual Report.
The 2021/22 and 2022/23 Audit findings have been included.	Yes	The 2021/22 and 2022/23 Audit findings has been included on page 213 and 214 of the Annual Report.
The Mayor's foreword has been included and contains all the relevant components.	Yes	See page 3
The Municipal Manager's foreword has been included and contains:	Yes	See page 6-8

COMPLIANCE	YES/NO	GAPS IDENTIFIED/AREAS FOR IMPROVEMENT
<ul style="list-style-type: none"> - Information on internal management changes in relation to section 56/57 managers. - A statement on the previous financial year's audit opinion. - Information related to the revenue trend by source including borrowings undertaken by the municipality. 		
The report includes a comprehensive overview of the demographics, population, growth, highlights and challenges faced in the municipal area during the 2022/23 financial year.	Yes	See page 9-16
The Municipality disclosed information on B-BBEE compliance performance information with elements related to Management Control, skills Development, Enterprise, Supplier Development and Socioeconomic development.	Yes	See page 57

6.3 ORGANISATIONAL DEVELOPMENT AND SERVICE DELIVERY PERFORMANCE

Key Performance Areas

STRATEGIC OBJECTIVE	NUMBER OF TARGETS IN SDBP	NUMBER OF TARGETS	NUMBER OF TARGETS NOT ACHIEVED	PERCENTAGE OF TARGETS ACHIEVED
An active and engaged citizenry, able to engage with and shape the municipality's programme	2	2	0	100%
Build a capable corruption-free administration that is able to deliver on development mandate.	13	11	2	84,6%
Eradicate poverty and uplift previously disadvantage communities, promote social cohesion	0	0	0	0
Grow local economy, create jobs, empower previously	3	3	0	100%

STRATEGIC OBJECTIVE	NUMBER OF TARGETS IN SDBP	NUMBER OF TARGETS	NUMBER OF TARGETS NOT ACHIEVED	PERCENTAGE OF TARGETS ACHIEVED
disadvantaged, transform ownership patterns to economic development of local economy.				
Manage expenditure prudently, grow revenue base and build long term financial sustainability so as to invest in social and economic development.	7	4	3	57.1%
Provision of basic service.	20	14	6	70%
Spatially integrated areas separated by apartheid, promote access for poor to work, recreational and commercial opportunities.	4	4	0	100%
Total	48	38	11	77.5%

Comment on overall performance in terms of Strategic Objectives:

- The Municipality achieved 77.5 per cent of its total targets set for the 2022-23 financial year, this is a significant improvement on the 55.8 per cent of targets it achieved in the 2021-22 financial year.
- The performance in terms of the “Provision of Basic Service Delivery” objective improved significantly from 25 per cent in 2021-22 to 70 per cent in 2022-23.
- The performance of the strategic objective “Manage expenditure prudently, grow revenue base and build long term financial sustainability so as to invest in social and economic development “improved from 33.3 per cent overall achievement in 2021-22 to 57.1 per cent in 2022-23.

6.4 Overview of performance

ORGANISATIONAL OVERVIEW	<ul style="list-style-type: none"> • The overall vacancy rate in 2021/22 was 8.56 per cent and declined by 2.08 percentage points to 6.48 per cent in 2022/23, indicating a stable and growing workforce and growth and stability in the community. The Municipality considers annual staff turnover between 2021/22 (4.09 per cent) and 2022/23 (5.27 per cent) as high, however the average between the two year is 4.68 per cent. • The Municipality allocated 107.12 per cent in 2021/22 and 95.42 per cent of the personnel budget to skills development and training indicating that the Municipality recognises the importance of investing in its workforce and thereby contributing to increased productivity and improved service delivery. • Although the personnel expenditure is within acceptable norms, the Municipality should strike a balance between essential basic services, managing costs and maintaining long-term financial sustainability.
GOVERNANCE	<ul style="list-style-type: none"> • The municipality sustained its audit finding between 2021-22 and 2022-23 which is no material findings on the reported performance information for basic service.
FINANCIAL PERFORMANCE	<ul style="list-style-type: none"> • The total actual revenue for 2022/23 was R839.992 million against an adjusted budget of R805.791 million resulting in a variance of 4.07 per cent and an increase of R30.535 million (3.7 per cent) of the actual 2021/22 revenue budget. Revenue items with negative variances are property rates (-0.83 per cent), service charges (-4.40 per cent) and transfers recognised- operational (-5.64 per cent). Operational expenditure declined between 2021/22 and 2022/23 with 1.13 per cent with a large negative variance reported for Transfers recognised- capital. Capital expenditure increased marginally from R78.217 million in 2021/22 with 8.7 per cent to R84.807 million in 2022/23 which indicates the Municipality's commitment to invest in the future growth, development, and sustainability of the community. • Bitou's overall sustainability index score of 54 (Ratings Africa) reflects a fair level of sustainability and some consistency at this level over the last four years. The operating performance of Bitou is unfortunately displaying an uneven trend as per the Ratings Africa report. • The Municipality reported large variances in terms of two conditional grants: Local Government Financial Management (-64.9 per cent), Municipal infrastructure (-67.9 per cent). On the other hand, the rest of the conditional grant (23) has been spent effectively. • No reasons for underspending of the conditional grants reported on pages 196 and 197 are provided.

SERVICE DELIVERY PERFORMANCE	<ul style="list-style-type: none"> • The Municipality increased Electricity Service Connection with 17.5 per cent, water- available within 200m from the dwelling with 29.6 per cent, sanitation- households with at least VIP service 25.4 per cent and Waste Collection- kerbside collection once a week, 25.7 per cent to households between 2021/22 and 2022/23 which indicates significant backlog reduction. Municipality has increased its target to provide subsidies for free basic services to indigent household in 2022/23 • Some reasons for non-achievement of basic service delivery target include delays of contractors and delays in the procurement process for which the Municipality intends to submit the roll-over application and also prioritise the completion of the top structures. To mitigate the implications of delays in the procurement process and contractor projects, the Municipality can implement proactive project management strategies, such as thorough planning, effective risk management, regular monitoring and reporting of project progress, etc. • The Municipality listed inadequate and ageing municipal infrastructure to meet current and expected demand for service as one of its top ten strategic risks. The Municipality should consider exploring innovative technologies and solutions to modernise and enhance infrastructure, digital connectivity, and resilience measure to improve service delivery, efficiency and sustainability. • The Municipality should foster collaboration and partnerships with other levels of government, private sector stakeholder, community organisations and agencies to leverage resources, expertise and funding opportunities for infrastructure projects.
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6.5 Conclusion and Recommendations

The Municipality is compliant with the legislative requirements as per MFMA section 75, 121 and 127. It is recommended that the Municipality incorporate the above-mentioned aspects (see section 2.1 and 2.2) to improve the quality of the annual report.

The Municipality has indicated reasons for underperformance and the corrective measures for all targets that were not achieved. These are noted and should serve to improve performance in the 2023/24 financial year provided that:

- Targets are set at levels that are realistic and take past performance into consideration.
- The Municipality addresses the risks and challenges highlighted in section 3.2 above.

The Municipality should implement initiatives to improve efficiency, effectiveness and responsiveness of municipal services, which may involve streamlining process, adopting technology solutions and benchmarking performance against best practices in comparable municipalities.

The Municipality should furthermore prioritize investment in critical infrastructure projects to address backlogs, enhance resilience and meet the evolving needs of the community.

7 APAC OBSERVATIONS

The APAC noted the following:

That the collection rate of debt remains a huge challenge with the total outstanding debt at the 30th June 2023 increasing by R4.4million compared to the month of May 2023, with the 96% of the outstanding debt being households. The collection rate for the month of June was 94.37% with the annual rate being 84%. The poor collection rate would undoubtedly impact negatively on the municipality's medium to long- term financial sustainability and solvency.

Creditors older than 30 days outstanding at the yearend amounted to R3.7 million which is contrary to the regulated 30 days within which creditors should be settled. The committee expressed its disappointment at the 83% CAPEX spend for the year versus the adjusted budget and recommended that the procurement processes commence in the last quarter of the prior year, as soon as the budget is approved by Council, to ensure maximum capital expenditure whilst following the SCM processes to the letter. On positive note, the Committee was informed that the financial performance outlook as at the end of June 2023 had greatly improved since the commencement of the financial year and that the cash flow at the end of June 2023 was sufficient to sustain operations in the medium term.

8 HIGHLIGHTS IDENTIFIED IN DRAFT ANNUAL REPORT 2022/2023

The Municipal Public Accounts Committee has noted and congratulated Bitou municipality on the announcement by the AGSA that the municipality has received a clean audit outcome for 2022/23 financial year. The Municipality is now able to report credible and reliable financial and performance results.

The clean audit outcome reflects that the municipality maintained a healthy financial position and that all money spent is properly accounted for. It also shows a great Leadership, starting from the Executive Mayor, the Municipal Manager, and administrative team, have displayed outstanding Leadership and strategic guidance despite the various challenges that were encountered throughout the year.

9 CONCERN:

The Committee wants to bring to Council's attention the concern raised by the Provincial Treasury on page 8 of this report, that in terms of strategic objectives, Bitou is not able to eradicate poverty and uplift the previously disadvantaged communities and promote social cohesion. MPAC does not agree with the statement as we believe that Bitou Municipality is addressing this, but it has not set parameters to measure it. Secondly, the Committee has noted the concern about the Municipality that it did not follow the Legislative guideline, which in this case is circular 63 of submitting the Draft Annual Report together with the AFS to the office of AGSA by the 31 August 2023. In our view, Bitou Municipality has not adopted the guideline, so it does not have to comply to it.

10 CONCLUSION

As the MPAC, we are of the opinion that the Report of 2022/23 is a true and accurate reflection of Bitou municipality's financial and non- financial performance of 2022/23 financial year. The Committee can safely indicate that the Draft Annual Report 2022/23 was thoroughly unpacked, and the management took time to explain and reveal the steps they have taken to address concerns that were raised by the AGSA. The Committee also wants to thank Mr. Faizel Jacobs and Mr. Ignatius Fourie from AGSA office, who virtually presented Bitou's audited financial statements.

Therefore, our oversight role as MPAC for the Annual Report 2022/23 is herewith concluded and as Chairperson of MPAC, I would like to thank the Committee for playing a critical oversight role and come up with the recommendations listed below. The Committee also wants to thank the Mayor and Mayoral Committee and Council at large, for putting their trust in this Committee as well as the Municipal Manager and Directors/ Senior Managers for their contribution in developing and finalizing the Draft Annual Report 2022/23. Their diligence and constructive commitment are noted and appreciated.

11 RECOMMENDED RESOLUTIONS TO ADOPTED BY COUNCIL

1. That Council after having fully considered the Annual Report of Bitou municipality and representation thereon, adopts the Annual Report 2022/23 without reservations.
2. That the Accounting Officer prepares the Oversight Report for submission to the Municipal Public Accounts Committee within seven days.
3. 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.
4. The Accounting Officer submits the Oversight Report to the Provincial Legislature within seven days after it has been adopted by Council.
5. That the Accounting Officer monitors the progress of the Audit action plan that has been developed by Management to address all issues raised by the AGSA.
6. That the progress report on Audit action plan mentioned in 5.(five) above, .be presented to Council.
7. That Council takes note of the comments from the Plettenberg Bay Ratepayers Association.
8. The MPAC recommends that Bitou Municipality should set targets in the SDBIP for key performance areas to eradicate poverty and uplift the previously disadvantaged communities and promote social cohesion so that these can be measured.

Report of the auditor-general to the Western Cape Provincial Parliament and the council of the Bitou Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Bitou municipality set out on pages 5 to 168, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bitou municipality as at 30 June 2023, and its financial performance and cash flows for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act 56 of 2003 (MFMA) and the Division of Revenue Act 5 of 2022 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

7. As disclosed in note 62 to the financial statements, the corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2022.

Material impairments

8. As disclosed in note 11 to the financial statements, the municipality provided for the impairment of receivables from exchange and non-exchange transactions amounting to R358,4 million (2021-22: R327,1 million).

Material losses

9. As disclosed in the statement of financial performance and note 51 to the financial statements, the municipality has written off bad debts of R88,9 million during the year (2021-22: R93,7 million).
10. As disclosed in note 50.02 to the financial statements, material water losses of 35.85% (2021-22: 37.71%).

Other matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure note

12. In terms of section 125(2)(e) of the MFMA, the municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the GRAP and the requirements of the MFMA and Dora; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objective presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
18. I selected the following objective presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected an objective that measures the municipality's performance on its primary mandated functions and that is of significant national, community or public interest.

Objective	Page numbers	Purpose
Objective 6 – provision of basic services	17 - 23	The indicator relates to the delivery of basic services

19. I evaluated the reported performance information for the selected objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.
20. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
 - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
 - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- the reported performance information is presented in the annual performance report in the prescribed manner
 - there is adequate supporting evidence for the achievements reported and for the reasons provided for any measures taken to improve performance.
21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
22. I did not identify any material findings on the reported performance information for the selected objective.

Report on compliance with legislation

23. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
24. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
25. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
26. I did not identify any material non-compliance with the selected legislative requirements.

Other information in the annual report

27. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported on in this auditor's report.
28. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
29. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

30. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

31. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

32. I did not identify any significant deficiencies in internal control.

Auditor-General

Cape Town

30 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objective and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	<p>Section 1 – paragraph (a), (b) & (d) of the definition: irregular expenditure</p> <p>Section 1 – definition: service delivery and budget implementation plan</p> <p>Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1)</p> <p>Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b)</p> <p>Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i)</p> <p>Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b)</p> <p>Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e)</p> <p>Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1)</p> <p>Sections 126(1)(a), 127(2), 127(5)(a)(i), 127(5)(a)(ii)</p> <p>Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170</p> <p>Sections 171(4)(a), 171(4)(b)</p>
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	<p>Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a)</p> <p>Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b), 22(2), 27(2)(a)</p> <p>Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b)</p> <p>Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c)</p> <p>Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43</p> <p>Regulations 44, 46(2)(e), 46(2)(f)</p>
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b)

Legislation	Sections or regulations
	Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a) Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1)
MSA: Municipal Planning and performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a) Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Division of Revenue Act 5 of 2022	Section 12(5), 16(1)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8) Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2) Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)