

# LANGEBAAN

Ratepayers and Residents Association  
Belastingbetalers en Inwonersvereniging

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21 February 2020

Office of the Municipal Manager  
Saldanha Bay Municipality

## Representations regarding the Draft Annual Report 2018/19

Congratulations and thank you for the comprehensive and informative draft report.

The LRRAs do have a few comments, observations and concerns it would like to bring to your attention.

Municipal Managers Overview:

- Good report by the MM. Just one comment.
- Statement by MM: “We must keep trend with the growing demand of our consumers and balance it with **declining income**”
- The “declining income” statement is not correct; income actually increased.

1.4.4 Financial Overview, table 15.

- The LRRAs has in previous writings stated that the municipality is a monopoly that determine rates based on its budgeted expenditure. Accurate budgeting is thus important to all residents.
- The actual net surplus of R 81m is R 119m more than the budgeted loss of R 38m.
- The biggest effect is expenditure which is R 102m less than the original budget. If this is due to excellent cost management and the saving is carried into the next year budget and charges to residents are reduced, fantastic.
- However, if the saving is due to incorrect budgeting, this is totally unacceptable. Then unrealistic budgeted costs are used to extract higher than required income from residents.

- Please check additions as all the sub totals on this table 15 differs by about R 50m from the reported details. (Noticed this by accident, did not check other tables for addition errors, which you should probably do)

#### 1.4.6. Total Capital Expenditure:

- Actual expenditure at R 237.4m is R 91.7m less than the original budget that was used to determine rates and other service fees charged to residents.
- Reality is that residents were over-charged by the R 91.7m (less the portion planned to be financed, if any) as these under expenditures are rolled over every year.

The variance in the actual results to the original budget of R 119m plus the underspend of R 92m on capital, is very significant. We would like to emphasize that charges to residents was based on expenditure of R 211 million more than which was actually incurred. We believe this is unacceptable.

#### 2.1.2 Executive Majoral Committee

- Table 26 seems to be incorrect. For example, Councillor S Mohale's capacity information differs from that in note 59 of the financial statements. Councillor Andre Truter is not reflected in the table. There may be more variances.

#### Component F: Security and Safety

- The following is stated:
  - The aim of the municipality is to ensure the safety of all residents and visitors in this municipal area through effective law enforcement.
- 3.24 Law Enforcement and Security Services
  - Here it is stated that "the core function of this section is the enforcement of Municipal By-Laws and the protection and safeguarding of municipal assets".
- The statement that the municipality aims to ensure the safety of all residents is misleading if law enforcement is mostly focussed on by-laws and municipal assets.

#### 5.2.5 Housing, table 251.

- Operational revenue increased from an original budget of R 1.769m to an adjusted budget of R 31.742m to actual of R 46.222m.
- Please provide the reason for this significant change.

#### 5.2.6 Roads and Stormwater, table 252.

- Actual operational revenue for 2018/19 is indicated as an expense of R 9,927m, i.e. as (9 927). This is probably incorrect as an income is expected.

#### 5.10 Cash Flow, table 304

- The values reflected in 2017/18 audited outcome and the 2018/19 actual results for finance charges and suppliers is clearly incorrect. Finance charges R 460m and Suppliers R 16m.
- Annual Financial Statements Cash flow statement (page 13)
- The cash flow statement shows that actual “Net cash flows from operating activities” at R 206m is R 47m less than the approved budget amount of R 253m.
- Considering the better than budgeted surplus for the year and the less than budgeted capital expenditure, it would be reasonable to expect a better than approved budget position.
- Why then this shortfall against budget of R 47m?

#### 5.11 Gross Outstanding Debtors per Service, table 305

- The growth of 30% overall and 327% in other debtors is very concerning.
- We trust that this is getting adequate attention.
- A question: on the transfer of ownership of a property, the transfer lawyers must get approval from the local municipality to ensure all municipal accounts are fully paid before transfer is approved.
  - Is this statement correct?
  - If correct, is it used to collect arrears? If it is not used, why?

Proposed grammar and spelling check's on the annual report:

- 3.24 First paragraph on page 142 seems incorrect.
- 5.3.1 Grant performance. Dates reflected at top of page 222 seems incorrect.

- Page 226, tables 286, 287, 288: The asset value dates reflect 2017.

#### Annual Financial Statements Note 28.

- Other Income, Development Charges reduces from R 41 898 009 in 2018 to R 7 411 108 in 2019. Is this correct?
- Please provide the reason for this significant change.

#### Annual Financial Statements Audit Outcomes

- Congratulations on returning to a Clean Audit outcome.
- Irregular expenditure reported in note 52 to the financial statements include the following:
  - Payments made in the current financial years where section 67(1)(a) of the MSA was not adhered to and identified in the current financial year R 1 757 758
  - Payments made in previous financial years where section 67(1)(a) of the MSA was not adhered to and identified in the current financial year R 6 959 912.
- The explanation provided for these two irregular expenses are as follows:
  - During the 2018/19 financial year the municipality identified irregular expenditure due to the non-compliance to section 67(1)(a) of the MSA. The irregular expenditure amounts to R 8 717 670 and dates back to the 2010/11 financial year. The irregular expenditure was incurred before year-end and was written-off by Council before the annual financial statements were authorised.
  - Much less detail than for all the other reported irregular expenses.
- In paragraph 13 of his report, the auditor general refers specifically to these two irregular expenditures as R1.8m incurred in the 2018/19 financial year and R7.0m in previous years. No other irregular expenditures are referred to by the auditor general.

- In paragraph 38 the auditor general states “The public protector is currently investigating a matter relating to appointments made in the major’s office. At the time of finalising this report, the investigation was not concluded.”
- It can be assumed that this irregular expenditure is the cost of the employees in the major’s office that has been reported on for some time.
- For example, in the Weslander of December 2016 under the heading “Koen antwoord vir Kotze oor aanstellings in BM-kantoor”.
  - In this answer the major stated that the appointments were made in terms of the “Wet op Openbare Dienste van 1994, punt 12A”.
  - Reading the quoted act, it is very clear that it does not and did not apply to appointments in a major of a local municipality’s office.
- The important point here is that it has been known for a long time that these appointments were irregular. It was pointed out in council and in the local media. No steps were seemingly taken to terminate or regularise these disputed appointments.
- The question is then why are these expenses now reported as irregular?

#### Municipal Finance Management Act,

- 32.1 (a), (b), (c) & (d) determines personal liability for unauthorised, irregular or fruitless and wasteful expenditure on political office-bearers and accounting officer
- 32.2 states that a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure-
  - (b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

We trust that declaring this expenditure as irregular is not simply a path to having the council committee declare it irrecoverable. There is a good case to be made that at least part of this irregular expenditure should be recovered.

Thank you for the opportunity to make representations and we look forward to your response.

Yours truly

A handwritten signature in black ink, appearing to read 'Johan Bleeker', with a large, sweeping flourish at the end.

Johan Bleeker

For Langebaan Ratepayers and Residents Association