



**OVERSIGHT REPORT OF THE MUNICIPAL PUBLIC
ACCOUNTS COMMITTEE ON THE ANNUAL REPORT
AND THE AG REPORT OF LEPELLE-NKUMPI LOCAL
MUNICIPALITY FOR THE FINANCIAL YEAR
2017/2018**

1. INTRODUCTION

Section 129(1) of the Municipal Finance Management Act (MFMA) 56 of 2003 states that the council of a Municipality must consider the report of the Municipality and of any Municipal entity, under the Municipality's sole or shared control, and by no later than two months from the date on which the annual report was tabled before 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 the council –

- (a) Has approved the annual report with or without reservations;
- (b) Has rejected the annual report; or
- (c) Has referred the annual report back for revision of those components that can be revised.

The Municipal Public Accounts Committee (MPAC), through its chairperson, tables the draft oversight report on the annual report in the municipal council for discussion and resolution. The analysis and review of the annual report is based on the provisions of the National Treasury guidelines as contained in circular 32 of 2005 and the process of public consultations and hearings which took place on 06 March 2019 and 14 March 2019. No written community representations were received from the Office of the Municipal Manager and the Speaker on the AR.

MPAC is composed of the following members and role players:

- Cllr. M.I Mollo Chairperson
- Cllr. D.M Thindisa Member
- Cllr. R.S Phele Member
- Cllr. M.R Ntswane Member
- Cllr. T.C Thobejane Member
- Cllr. C.M Choung Member
- Cllr. V.M Moganedi Member
- Cllr. K.G Leshilo Member
- Cllr. K.G Seribishane Member
- Cllr. W.M Shogole Member
- Cllr. J.M Mamosebo Member
- Mr. M.S Mphahlele Secretariat
- Mr. W.T Mashita MPAC Researcher

2. RESPONSIBILITY OF THE MAYOR

Section 127 (2) of the MFMA states that the Mayor of a Municipality must, within seven months after the end of a financial year, table in the municipal council the annual report of the municipality and of any municipal entity under the municipality's sole or shared control.

The Mayor, in terms of section 127(2) of the MFMA, tabled the annual report (AR) of the municipality in the municipal council on 28 January 2019 and the AR was referred to MPAC for a detailed analysis and review. MPAC then drafted an oversight report (OR) which is now tabled in council for discussion.

The AR tabled by the Mayor included the following components of the AR as provided for under section 121(3) of the MFMA:

- Chapter 1. Mayor's Foreword and Executive Summary in terms of Section 52(a) of the MFMA
- Chapter 2. Governance in terms of Section 121(2)(2) of the MFMA supporting the requirements of Section 18(1)(d) of the MSA in accordance with Section 65(1)(a) of the MFMA and Section 46 of the MSA
- Chapter 3. Service Delivery Performance
- Chapter 4. Organisational Development Performance in terms of Public Service Regulation (2001) Chapter 1 Part III J.3: from 1 April 2001
- Chapter 5. Financial Performance in terms of the MFMA Act(2003)
- Chapter 6. The Auditor General's Audit Findings in terms of Section 45 of the MSA in accordance with Section 41(1) (c).

The AR tabled by the Mayor did not include the following components of the AR as provided for in Circular 63 of the National Treasury and MFMA Act No 56 of 2003

Appendices

- Appendix B: Committee attendance and Council attendance
- Appendix E: Ward reporting
- Appendix P: Service connection backlogs at schools and clinic
- Appendix Q: Service backlog experienced by the community where another sphere of government is responsible for service provision
- Appendix S: Declaration of returns not made in due time under MFMA s71
- Appendix T: National and Provincial outcome for local government

The municipal council referred the annual report, as tabled by the Mayor to MPAC for consideration and to submit a report to council within two months as referred to in section 129 of the MFM

3. RESPONSIBILITY OF THE ACCOUNTING OFFICER (AO)

Section 127(5) of the MFMA states that immediately after the AR is tabled in the council in terms of section 127(2), the AO must in accordance with section 21A of the Municipal System Act (MSA) –

- (i) Make public the AR
- (ii) Invite the local community to submit representations in connection with the AR; and
- (iii) Submit the AR to the AG, the relevant Provincial Treasury and the Provincial Department responsible for local government in the province.

The AO has fully complied with the provisions of section 127(5) of the MFMA in that the AR was placed on the municipal website and advertised for submission of representations on the AR in the local community radio stations and in the Sowetan Newspaper on the 27th February 2019 notice on public participation and on the 06 March 2019 notice on public hearing.

4. METHODOLOGY

MPAC executed the following procedures during consideration of the AR with a view of arriving at determination consistence with the provision of section 129(1) (a)(b) or (c)

- Perusal and analysis of the AR
- A session with the office of the Auditor General
- Formulation of questions for written responses by management
- Request for inputs and comments in response to the advertisement of the AR
- Request and noting of inputs and comments from community members
- Project visits
- Consideration of written responses by senior management
- Formulation of questions for oral response at public hearing
- Consideration of oral responses by senior management
- Drafting and adoption of oversight report

5. FINANCIAL MATTERS

5.1 Annual financial statements (AFS) 2017/2018.

The AFS for the municipality for the financial year 2017/18 have been submitted to the AG on 31ST August 2018. The AO complied with the provisions of section 126(1)(a) of the MFMA in that the AFS of the municipality were prepared and submitted to the AG within two months after the end of the financial year 2017/2018

Although the Annual financial Statements were submitted on time but there were not prepared in all material respect in accordance with the requirements of Section 122(1) of the MFMA. Material misstatements were not corrected and supporting documents were not submitted to the Auditor General. This was despite the fact the municipality has outsourced this service with the view of an Audit improvement.

There is evidence that the Audit Committee (AC) expressed and submitted its views on the AFS to the Municipal Council, but it is of great concern that the Auditor General indicated that the review of the Annual Financial Statements and Performance Report performed by the Audit committee before submission to the external Audit was inadequate and ineffective

6. FRAUD AND CONSEQUENCE MANAGEMENT

The primary responsibility for preventing and detecting fraud rests with management and those charged with governance. The MFMA and its regulations clearly stipulate that matters such as incurring unauthorized, irregular and fruitless and wasteful expenditure; the possible abuse of the SCM system (including fraud and improper conduct); and allegations of financial misconduct should be investigated. Disciplinary steps should be taken based on the results of the investigations.

Unauthorized expenditure identified in the previous year was not investigated to determine whether any person was liable for the expenditure valued at R 5 240 632 and during the year under review we incurred an unauthorized expenditure valued at R 587 460 which have not been properly investigated

Irregular expenditure identified in the previous year was not investigated to determine if any person was liable for the expenditure valued at R 201 315 167 and during the year under review we incurred irregular expenditure amounting to R 71 018 805.

Fruitless and wasteful expenditure identified in the previous year was not investigated to determine whether any person was liable for the expenditure amounting to R 1 982 994 and during the year under review we incurred R 4 894 as the result of fruitless and wasteful expenditure

The committee has concluded that there is no commitment on part of management to deal with the issue of UIF and also to ensure that the municipality improves in this area which is one area that contribute to a negative audit opinion that the municipality is experiencing year in year out. The committee have since made recommendation on this issues that an independent forensic audit be conducted on UIF so that it can be written-off by council if certified as irrecoverable in terms of section 32(2)(b) of the MFMA.

As part of the committee's work in trying to come up with solutions on this matter. The committee perused the municipal supply chain management policy and both the regulation. It was then concluded that it is important that the bid evaluation committee be strengthened by ensuring that only senior official are appointed to this committee with the believe that they are better off in understanding and applying the legislations.

7. Assets management

An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA

The Auditor General found amongst others that infrastructure assets worth of R 48 339 914 have no start-and end point GPS co-ordinates in the assets register. That number of infrastructure and other assets have duplicated asset identification numbers and duplicated GPS co-ordinates included in the property, plant and equipment. Capital work in progress was not disclosed in accordance with GRAP 17, Property, Plant and Equipment. There is no system in place to disclose work in progress including the carrying value of property, plant and equipment that is taking a significant longer period of time to complete than expected, including reasons for any delays

Funds were invested at VBS Mutual Bank, in contravention of municipal investment Regulation 6. The accounting officer did not ensure that the municipality promotes accountability and service delivery through evaluating and monitoring responses to risks and overseeing the effectiveness of the internal control environment, including financial and performance reporting and compliance with legislation in making investments with banks as per the required legislation

No.	Investment description	Amount
1	VBS 3 months	R50 000 000
2	VBS 12 months	R100 000 000

This investment of R 150 000 000 investment with VBS, its recoverability is doubtful which then puts the municipality in a financial crisis. Cost containment measures must be put in place to ensure that the municipality continues to meet its obligations, plans and programs must be developed to improve on our revenue collection.

8. Use of consultants

In the local government environment, the partnership between the private and public sectors has become important in driving strategic goals. To optimise the value of this partnership, we identified areas that need attention to get the best value for money. The total expenditure on consultants was R7 040 610 the municipality incurred during the year under review.

The committee was concerned with a number of issues raised by the Auditor General on this subject:

Transfer of skills

Requirements for transfer of skills were not included in the terms of reference.

- Conditions or clauses for transfer of skills were not included in the contract.
- Measures to monitor transfer of skills according to the contract were not implemented.
- There was no evidence that skills were transferred or training programmes took place.
- Employees were not identified for training or were not available to attend training.
- Transfer of skills was not evaluated at the end of the consultancy project

Performance management and monitoring

Measures to monitor contract performance and delivery were not defined and/or implemented.

- The consultancy project was not evaluated for value for money

Internal control deficiencies

Management did not implement action plans to address weaknesses on the use and management of consultants which were reported in the prior year audit.

- Management does not review, at least on an annual basis, whether the objectives of the institution are better achieved through use of consultants or permanent staff.
- Management does not prepare information that analyses the extent of the use of consultants

The committee resolved that the work of consultants must be reviewed and if need be those that are not adding value to the broader objective of the institution be reconsidered.

9. An assessment by the AO on arrears.

An assessment by the AO on arrears on Municipal taxes and service charges is not adequate in that there is insufficient explanation on the causes of the arrears and of actions taken or to be taken to remedy the situation especially on none compliance with both Section 64(2) of the MFMA and GRAP 23 which lead to an understatement of R 24 415 210. Consequently, the municipal council is then unable to discuss the issue in a meaningful way.

10. Particulars of corrective actions in relation to issues raised by AG.

The AR does contain particulars of corrective actions taken or to be taken in response to issues raised by the AG in 2017/2018 audit report which excluded, among others the following:

- Useful and reliability of Objectives, Indicators and targets reported in APR
- Measures taken to Improve performance not disclosed
- Failure to comply with Laws, regulations and policies
- Failure by AO to evaluate whether management implement controls as designed, and performance of internal auditors.

11. An assessment by the AO on municipal performance

The AO has provided an assessment or report of the municipality's performance against measurable performance objectives for revenue collection from each revenue source and for each vote in the approved budget as required by section 121(3) (f) of MFMA.

The performance of the municipality in respect of revenue and debt collection has not been met. The projections made in relation to revenue collections are way above what was collected. Therefore it is important that the AO develop plans in which the municipality can improve on revenue collection.

Although the municipality's cash management looks healthy, the bank balance has significantly decreased due to the investment made with VBS mutual bank. The unfavourable debtor's collection period remains a concern. Amount of net cash for the year from operating activities in the current year is a negative.

12. Recommendations of the audit committee (AC)

The AC made the following recommendations in respect of the AFS:

- Inconsistencies of information should be addressed.
- Page 54 – Reference number for the vote should be completed under receivables from non – exchange transaction.
- Page 54 – Reconciliation of the doubtful debt provision should be linked to note 5
- Page 53 under cash and cash equivalent – information for VBS investment should be added.
- Page 72 – Management should double check whether there was no unauthorized expenditure incurred in 2017/2018 financial year.
- Page 72 – Contingence liability reported should be aligned to litigation report and should be reconciled with note 35.

- Page 73 note 39.5 – add more write –ups to give background to VBS impairment
- Page 73 note 39.8 – treatment of VBS investment should be reviewed and management should take note that VBS investment is not a debt.
- Information in GRAP 104 which outline process on how to treat VBS investment should be included in the Accounting Policy.
- Management should document reasons why they have invested money with VBS.
- Cash and cash equivalent at the end of 2018 should tie to note 3 of the statement of the financial position.
- Investment interest income in the Cash flow statement should tie to note 41.
- Interest earned on investment should be disclosed.
- Note 27 in the statement of financial performance should tie with 9 and note 10.
- Amount for other revenue in the statement of financial performance should tie with the amount stated in note 22.
- Interest relating to VBS accruals should be calculated and disclosed.
- Classification of land as inventory prior development should be supported by policy or Council resolution.
- Assessment should be performed to determine the probability of recovering the cost for invaded land.
- Note 25 - It should be provision not impairment, narrative for investment disclosure
- Page 9 amount disclosed in the statement of Comparison of Budget and Actual amounts should tie to amounts in the notes.
- Amount for traffic fines need narratives
- Note 42 need to be mapped correctly to note 17.
- Page 61 – note 20 should include date for payment as stated in the SLA and also split the note according to LNM portion and CDM portion.
- Page 56 – Value for showground and Building at Habakuk should have R1.00 cost price due to their conditions.
- Page 55, 8.1 – Management should revisit the note to ensure that there were no stock written off during the year under review.

- Page 54 – Provision for impairment for 2018 should be recalculated.
- Page 70 – Interest income need to be re calculated.
- Note 34 – Compare the information under the note with the information in the deviation report.
- Page73, note 39.11 – Information reported under other materials need to be reviewed.
- Note 42 – Classifications should be corrected and liquidity risk information need to be reviewed.
- Page 76 information for “going concern” should be reported in percentages
- Page 4 – under Municipal Manager’s foreword - “Acting Municipal Manager” need to be corrected to read “Municipal Manager” and his gender should be corrected.
- Management should ensure that TB and Cash flow balance.

The AC made the following recommendations in respect of the Annual Performance Report

- Inconsistencies and errors.
- Information from page 8 - 11 should be deleted as it is applicable for Annual Report,
- Information from Section 36 to 46 of Municipal System’s Act applicable for Annual Performance report should be included under Legislative Mandate.
- Page 5 – replace idea with system
- Page 20: Add column for Original Indicator, discontinued and revised.
- Page 7 – Corporate Governance should be replaced by COGHSTA.
- Page 17 – Information should be deleted.
- Page 27 – Include Expenditure for Capex, Opex and Grants
- Page 27 Reasons for discontinuing projects should be included.
- Page 22 – monthly projections should be reviewed and be annual projection and also add column for annual actuals.
- Annual performance is aligned to quarterly performance.
- Revenue and Expenditure reported correspond with the amount outlined in the draft Annual financial statement.

- Add page numbers and define acronyms.
- Under column for number of indicators discontinued replace – by 0.
- Page 224 under Service providers' assessment report contract amount and expenditure incurred should be reported.
- Contract amounts completed in the Service provider assessment report should correspond to the contract amount in the SLA.
- Expenditure reported in the service provider's assessment report should be aligned to the expenditure in the financial reports.

Council must adoption all the AC recommendations on both the AFS and the APR. The general performance of the institution must improve. Executives Management must attend AC meetings and all AC recommendations be implemented.

13. Creditors of the municipality

The AR does not contain information on whether the municipality has met its statutory obligations, payments of service providers within the 31 days as prescribed by the Supply Chain Regulation.

14. Municipal Performance

The annual performance report (APR) of the municipality for the financial year 2017/2018 has been prepared and included in the AR as required by section 121(1) and (3) of the MFMA respectively. The AG has however found several Inconsistencies in the annual report which are contained in the AG report on APR.

The performance targets set out in the service delivery and budget implementation plan (SDBIP) have been included in the AR. It is of great concern that amongst the six key performance areas four performed poorly. Basic Service Delivery 10% achievement which is a key function of the municipality. Spatial Rational 20%, Local Economic Development 25% and to the contrary Financial Viability 86% given our current financial status.

Of serious concern is that out of the total number of 126 targets planned for the year, 73 of targets were not achieved equalling to 42%. Out of the 59 targets of basic service delivery only 6 targets were achieved during the year under review which led to only 10% achievement.

2017/18 Financial Year

Key Performance Area	No. of Key Performance Indicators	Discontinued Indicators	No. of KPI Achieved	No. of KPI not Achieved	% Achieved	% not Achieved
Basic Service Delivery	59	05	6	53	10%	90%
Spatial Rationale	5	02	1	04	20%	80%
Local Economic Development	04	-	1	3	25%	75%
Financial Viability	07	-	6	1	86%	14%
Municipal Transformation	16	-	12	4	75%	25%
Good Governance	35	-	27	8	77%	23%
Total	126	07	53	73	42%	58%

MPAC noted that none of the departments achieved all the targets they have reported on. It is also difficult to determine the extent to which departments could have achieved or not achieved the set targets had there been performance assessments between the Municipality and Executive management and stability in Senior Management.

The Auditor General made mention of certain specific areas that might in future have an impact on the audit opinion which are:

Presentation and disclosure – Overall presentation:

Overall presentation of the performance information in the annual performance report is comparable and understandable

Relevance – Completeness of relevant indicators:

Completeness of relevant indicators in terms of the mandate of the auditee, including:

- relevant core functions are prioritised in the period under review

□ relevant performance indicators are included for the core functions prioritised in the period under review

The committee would like to bring the issues raised by the auditor General to the attention of the AO

15. PROCUREMENT AND CONTRACT MANAGEMENT

These processes and controls must comply with legislation to ensure a fair, equitable, transparent, competitive and cost-effective supply chain management (SCM) system and to reduce the likelihood of fraud, corruption, favouritism and unfair and other irregular practices. A summary of the findings from the audit are as follows:

Irregular expenditure of R103 050 979 (34%) incurred in the current financial year was as a result of the contravention of SCM legislation. Further irregular expenditure incurred in previous years, amounting to R201 315 167, was also identified in the current year, 11% (5% of irregular expenditure relating to the previous year) of this irregular expenditure was identified during the audit process and not detected by the municipality's monitoring processes

Awards to persons in the service of the state

Regulation 44 prohibits awards to persons in the service of the auditee (i.e. employees and councillors), persons in the service of any other state institution and entities owned/managed by them. The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to.

(a) The below bidders did not include municipal rates, taxes and service charges for director(s), however they were awarded with contracts

No	Bidders	Description	Amount R	Expenditure R
1	Bagaphala Projects Trading CC	Appointment of Service provider for upgrading of Hweleshaneng access road LNM032/2017/18	20 439 578.68	9596126.48
2	Vomayise Consulting Pty Ltd	Appointment of Service Provider for Supply, delivery, registration and licensing of 12	1 382 704.29	1 382 704.29

		Cubes refuse Compactor Truck LNM042/2016/17		
TOTAL			21 822 282.97	10978830.77

(b) The below bidder's municipal rates were in arrears; however, they were awarded with contracts.

No	Bidders	Description	Amount R	Expenditure R
1	Kingki Electrical contractor	Contractor for the Electrification of Mahlatjane Village (15 Households) LNM005/2016/17	641 928.30	553810.90
TOTAL			641 928.30	553 810.90

(c) The below bidder's municipal rates were not in the bidder's name and there was no affidavit attached to support this; however, they were awarded with contracts.

No	Bidders	Description	Amount R	Expenditure R
1	Bravospan 90 CC	Professional Service Provider for Provision of Physical Security for a Period of 36 Months (LNM086/2017/18)	48 837 552.12	4069796.03
TOTAL			48 837 552.12	4 069 796.03

(d) Award made to persons in service of the state

No	Employee of the State	ID number	Employer (State entity)	Company owned by employee of the State	
1	OLT TEFFO	GP: INFRASTRUCTURE DEVELOPMENT	CONSTRUCTION PROJECT MANAGER CANDIDATE	GP: INFRASTRUCTURE DEVELOPMENT	CTK CONSTRUCTION PTY LTD
2	R Gounden	Road Accident Fund	CHIEF FINANCIAL OFFICER	Road Accident Fund	LEADERSHIP ACADEMY FOR GUARDIANS OF GOVERNANCE
3	MC MALAPELA	NAT: HIGHER EDUCATION & TRAINING		NAT: HIGHER EDUCATION & TRAINING	SHADINKIE (PTY)LTD
4	SIBISI, Doctor SIBUSISO P	Council for Scientific and Industrial Research	01206 - CSIR CEO	Council for Scientific and Industrial Research	BUSINESS CONNEXION
5	Linda Nene	PetroSA SOC Ltd	SHEQ Manager	PetroSA SOC Ltd	WORK DYNAMICS (PTY)LTD)
6	Mr Ashwin Hirjee Trikamjee	The KwaZulu Natal Royal Household Trust	Board Member	The KwaZulu Natal Royal Household Trust	GIJIMA HOLDINGS (PTY)LTD

Management did not provide effective leadership based on a culture of honesty and ethical business practices of promoting fairness and good governance. Lack of monitoring controls to ensure that payments made to service providers do not exceed the contract amount.

The committee then arrived at a conclusion that committees in particular evaluation committee's role of ensuring compliance is compromised. The committee then recommend that this committee be composed of senior official who are better off in understanding and applying the legislation.

16. Leadership

Oversight responsibility

The accounting officer did not exercise adequate oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls. It was also indicated that Mayor, the Municipal Manage and Senior Management provide some assurance as per the AG's report. The Audit committee

and the Internal Committee are providing some assurance as per the AG's report which also raises concerns to the committee.

Furthermore the Auditor General was concern that municipal council and Municipal Public Accounts Committee are providing limited or no assurance.

The municipality developed a plan to address internal and external audit findings, but adherence to the plan is not monitored on a timely basis by the appropriate levels of management to ensure that the root causes of findings are adequately resolved and that findings do not recur.

The committee acknowledge management responses that instability in Senior Management as the result of suspension, resignation and continuous culture of acting at Senior Management. This have to be addressed as a matter of urgency. The political leadership also have an important role to play in ensuring that the municipality becomes sustainable especially during this time of difficult financial crisis. Decisive leadership is now needed, we all need to committee to this project and make this municipality a success.

Human Resource Management

Employees, other than senior managers, have not signed performance agreements for the current performance period. The municipality is not complying with section 12.6 of the Bargaining Council on acting periods. The Auditor General under status of drivers of internal control made mention that interventions must be made to Human Resource division which Senior Management must ensure that they respond to the call.

The committee have acknowledged the responses by management on the issue of capacity and the plan in place to respond to this challenge but the committee concluded that,

- The implementation of PMS system cannot be put on suspense anymore Management must benchmark with sister municipalities were the system is already in operation.
- The AO must ensure that the PMS system is implemented at the beginning of 2019/20 financial year based on the current employment contracts between the employees and the employer
- The AO must ensure that the position of PMS Officer is filled by the beginning of the financial year 2019/20

Members must not mistook the intension behind this tight schedule, it must be remembered that for use to achieve broader objective commitment is needed. The process of job evaluation once completed the program will be integrated into the new system.

17. Projects Visits

Project Name	Upgrading of Magatle internal street gravel to tar and stormwater control	Project Number	LN017/2016/17
Project Budget	R 5 887 071.19	Expenditure To Date	R 3 675 980.85

On the 19th February 2019 the committee as part of their operational plan for the month visited this project to verify progress in relation to the reported status of the project. The committee raised questions on this project and management managed to clarify some of the questions raised. Never the less it was found that road markings were not done. It was then concluded that the retention on this project be withheld till all the outstanding work was completed.

Project Name	Madisha ditoro Community Hall	Project Number	LN027/2016/17
Project Budget	R 3,642,423.38	Expenditure To Date	R 3, 460, 302.21
Consultant	Tshashu Consulting Engineers	Contractor	Itsanang Distributions JV Motshaki Trading

Madisha Ditoro was visited and it was found that the contractor have left side leaving behind amongst others.

- Cabling and tubing
- Installation and connection of water sewerage system (French drain and/or Septic tank)
 - windows installation and glazing

The committee resolved that all payments certificates and any document in relation to Madisha Ditoro Community hall be submitted to the committee and also that the contractor be reported to the relevant authority for failure to complete the project since it was indicated that the municipality is in the process of terminating this

contract. It was also agreed that this project be completed before the end of this financial year.

Project Name	Rakgoatha Community Hall	Project Number	LNM026/2016/17
Project Budget	R 4,147,575.93	Expenditure To Date	R 1,226,396.41
Consultant	Tshashu Consulting Engineers	Contractor	Rigamani JV Vula Vala

The committee visited the above mentioned project and found that they were outstanding work to be completed. The scree/floor top was incomplete and borehole was not supplying water. It was concluded that all that all the outstanding work be completed before the end of the financial year.

Project Name	Upgrading of Hwelereng Internal Streets from Gravel to Tar	Project Number	LNM 031/2017/18
Project Budget	R 11 599 804.38	Expenditure To Date	R 8 595 608.75
Consultant	Endecon Ubuntu (Pty) Ltd	Contractor	Kgwadi Ya Madiba General Trading

On the 20th February the committee visited this project Upgrading of Hwelereng Internal Streets from Gravel to Tar and realized that the contractor had abandoned site. The committee was concerned with the level of safety around the project and recommend to management to barricade all storm-water drainages to avoid any accidents, furthermore it was concluded that the project be completed before the end of the financial year and that the contractor be reported to the relevant authorities.

Project Name	Development of new cemetery	Project Number	LNM043/2015/16
Project Budget	R11 521 765.02	Expenditure To Date	R 11 521 765.02
Consultant	Molemo consulting engineers	Contractor	Thalema trading

On the 20th February the committee visited the above mentioned project and they were several findings that were made. It was unclear whether the Clear vu fence was 8.8 km or 3.6 km as per the project scope of work. The committee resolved that management must submit the project scope of work and the bill of quantity of this project to the committee for further investigations.

Project Name	Upgrading of Rakgoatha Internal streets and stormwater (Phase 2)	Project Number	LN033/2017/18
Project Budget	R 21 022 925.54	Expenditure To Date	R 21 022 925.54
Consultant	Thuso Projects Pty Ltd	Contractor	Papate Elias Construction and Projects cc

The committee on their visit to this project on the 19th February 2019 was concern with the project costs and request that management submit documents supporting management's claim that the project was MIG funded to the committee to verify

18. CONCLUSIONS

MPAC having noted the failure of various role players in the municipality to resolve or ensure resolution of all the issues raised in the AG report and AC report for 2017/2018 and none implementation of resolutions of the municipal council arising from the oversight report on AR tabled before council of March 2018 and further having fully considered the AR of the municipality tabled in January 2019 and representations made.

19. RECOMMENDATIONS

19.1 Council adopts the oversight report.

19.2 Council adopt the Annual Report with reservations.

19.3 Resolves that the Mayor must table the outstanding components of the 2017/18 AR in council and provide a written explanation why they were not tabled as provided for in the MFMA and circular 63 by 30 May 2019.

19.4 That the AO ensure that summary reports are attached to the AR as Appendices rather than portfolio of evidence.

19.5 The AO must review contracts for both implementation of Mscoa and assets register the AO must then submit a report on the two to council by 30 May 2019.

19.6 The AO must submit to both MPAC and council by 30 April 2019 and 31 May 2019 respectively progress report on the implementation of Mscoa, and terms of reference of the contract on assets register

19.7 The AO must ensure compliance with legislation and review the municipal supply chain management policy and ensure that only level two managers serves in the bid evaluation committee

19.8 The AO must ensure that information on the reported performance is useful and reliable

19.9 The AO must ensure that there's improvement in the quality of our AFS

19.10 The AO must review the contract for the preparations of the AFS as the results of lack of improvement

19.11 The AO must ensure that the PMS is implemented at the beginning of the financial year 2019/20 based on the current service contract between the employer and the employees

19.12 The AO must priorities the filling of the position PMS Officer

19.13 The AO must ensure that with immediate effect compliance with section 12.6 of the bargaining council on the issue of acting period

19.14 The AO must ensure that if the positions that led to none compliance of section 12.6 of the bargaining council are critical and funded be advertised and filled with immediate effect

19.15 The AO must ensure dispute on the position of the Corporate Executive Director is resolved with speed and the position is filled with immediate effect

19.16 The AO must ensure that dispute with Chief Financial Officer is resolved with speed

19.17 The AO must ensure that the position of Executive Director LED and Planning is filled as a matter of urgency

19.18 The Mayor must ensure that the position of the Municipal Manager is filled as matter of urgency

19.19 The AO must provide the committee with evidence that the CSD System cannot detect if Directors are in the service of the state by 30 April 2019

19.20 The AO must ensure that all Municipal land is registered in the name of the municipality at deeds office

19.21 The AO must make an analysis of performance of all consultants and contractors appointed by the municipality and report to council by 31 May 2019

19.22 The AO must ensure that the service rendered by the Audit performance committee is discontinued and it be realigned into their role and responsibilities performed by the Audit committee as part of costs containment measures

19.23 The AO must submit to council by 31 April 2019 a sustainability plan as the result of the effect of the R 150 000 000 investment in VBS

19.24 Senior Management, the Municipal Manager and the Mayor must provide assurance to the institution as first level of assurance

19.25 The Audit Committee and the internal Audit must provide assurance as second level assurance

19.26 Council and MPAC must provide assurance as third level assurance

19.27 The AO must ensure that steps are taken to recover that R 574 980.86 over payment made to Tshashu Consulting and report to council by 30 April 2019

19.28 The AO must ensure that all payments certificates and any other documents in relation to professional services for the construction of Rakgoatha and Madisha Ditoro Hall performed by Tshashu Consulting are submitted to MPAC by 30 April 2019

19.29 The AO must ensure that retention on Upgrading of Magatle Internal street is withheld till all the outstanding work is completed

19.30 The AO must ensure that Madisha Ditoro Community hall is completed before the end of this financial year

19.31 The AO must submit to MPAC by 30 April 2019 all payments certificates and any document in relation to Madisha Ditoro Community hall

19.32 The AO officer must ensure that a quantified report on the remaining work for Madisha Ditoro community hall is submitted to MPAC by 30 April 2019

19.33 The AO must ensure that Rakgoatha Community hall is completed and that all outstanding issues are resolved before the end of this financial year

19.34 The AO must ensure that Upgrading of Hwelereng Internal street from gravel to tar is completed before the end of this financial year

19.35 The AO must ensure that the contractor for upgrading of Hwelereng Internal Street from gravel to tar is reported to the relevant authority

19.36 The AO must ensure that scope of work and the bill of quantity for Development of new cemetery are submitted to MPAC by 14 April 2019

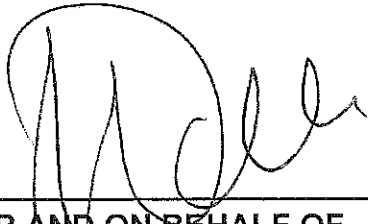
19.37 The AO must provide evidence that Upgrading of Rakgwatha Internal street and storm-water (phase2) is MIG funded by 30 April 2019

19.38 That Unauthorised, irregular and fruitless and wasteful expenditure disclosed in notes 36, 37 and 38 to the financial statements respectively, must be investigated to determine whether any official is liable for losses incurred as a result of this expenditure through an independent forensic investigators

19.39 That Disciplinary steps must be taken against officials who caused or permitted the unauthorised, irregular and fruitless and wasteful expenditure and losses incurred must be recovered from the person liable.

19.40 Council must adoption the AC recommendations on both the AFS and the APR,

19.41 The Speaker of council must ensure that all resolutions are implemented to the latter



FOR AND ON BEHALF OF
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
MOLLO M.I MPAC CHAIRPERSON

28.03.2019

DATE