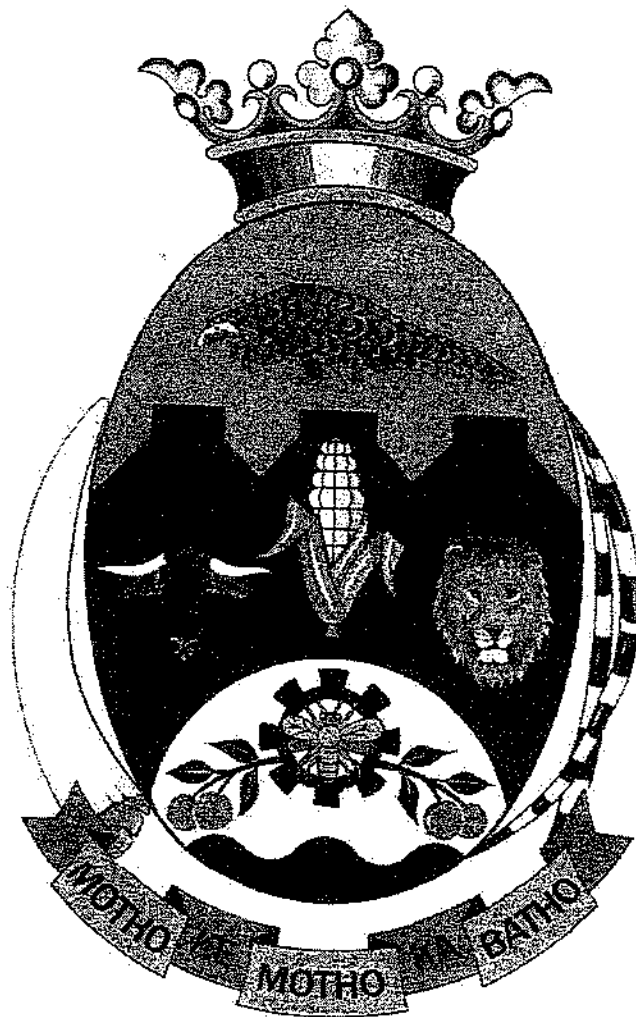


LEPELLE NKUMPI LOCAL MUNICIPALITY



**2021/2022 ANNUAL OVERSIGHT REPORT OF THE MUNICIPAL
PUBLIC ACCOUNTS COMMITTEE**

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 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 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), was able to comply with section 129(1) of the Municipal Finance Management Act 56 of 2003 in term of tabling its oversight report by no later than two months from the date on which the annual report was tabled in the council in terms of section 127. The draft annual report was tabled before council on the 30 January 2023. The Municipal Public Accounts Committee (MPAC), through its chairperson, tables the oversight report on the draft 2021/22 annual report before 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 09 and 16 March 2023 respectively. No written community representations were received from the Office of the Municipal Manager nor the Speaker on the AR.

The MPAC is composed of the following members and role players:

- | | |
|-----------------------|-------------|
| • Cllr Makgahlele M.B | Chairperson |
| • Cllr Mathabatha M.D | Member |
| • Cllr Masebe B.N | Member |
| • Cllr Hlogoane H.M | Member |
| • Cllr Lebese J.M | Member |
| • Cllr Muthwa L.S | Member |

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 30 January 2023 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, Municipal Manager's foreword and Municipal Overview.
- Chapter 2: Governance
- Chapter 3: Service Delivery Performance
- Chapter 4: Organisational Development Performance
- Chapter 5: Financial Performance

Findings:

- (a) Chapter 4 does not include component D of managing the municipal workforce expenditure as per Circular 63.
- (b) Chapter 5 reflects only component A and does not include component B of spending against capital budget, Component C of cash flow management and investment, Component D of other financial matters.
- (c) All Chapter 6 components are reflected in Chapter 5.

The AR tabled by the Mayor must include the following components of the AR as provided for in circular 63.

- Appendix A: Councillors, Committee Allocation and Council Attendance.
- Appendix B: Committee Allocation and Committee Purpose.
- Appendix C: Third Tier of Administrative Structure.

- Appendix D: Functions of Municipality / Entity.
- Appendix E: Ward Reporting.
- Appendix F: Ward Information.
- Appendix G: Recommendations of the Audit Committee.
- Appendix H: Long Term Contracts and Public Private Partnership.
- Appendix I: Municipal Entity / Service Provider Performance Schedule
- Appendix J: Disclosures of Financial Interest.
- Appendix K: Revenue Collection by Votes and by Source.
- Appendix L: Conditional Grants Received (Excluding MIG).
- Appendix M: Capital Expenditure
- Appendix N and O: All Capital Projects in the Current Financial Year and all Capital Projects per Ward.
- Appendix P: Service Backlogs at Schools and Clinics.
- Appendix Q: All Service Backlogs Experienced by the Community where Other Spheres of Government are Responsible.
- Appendix R: Declaration of Loans and Grants made by the Municipality
- Appendix S: Declaration of Returns Not Made in Due Time Under MFMA Section 71.
- Appendix T: National and Provincial Outcome for Local Government.

Findings:

The following Appendixes were not attached to the AR:

- Appendix C, H, J, L, M, N, O, P, Q, R and S.

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

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 21 A of the Municipal Systems 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 complied with the provisions of section 127(5) of the MFMA in that the AR was placed on the municipal website for submission of representations on the AR.

4. METHODOLOGY

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

- Perusal and analysis of the AR.
- 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.
- Projects visits.
- Consideration of written responses by senior management.
- Formulation of questions for oral response at public hearing.
- Consideration of oral responses by senior management.
- Sessions with officials.
- Drafting and adoption of oversight report.

5. FINANCIAL MATTERS

5.1 Annual financial statements (AFS) 2021/2022.

The AFS for the municipality for the financial year 2021/2022 have been submitted to the AG on time as required by the legislation. 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 2021/2022.

There is evidence to the Committee that the Audit Committee (AC) expressed and submitted its views on the AFS but were not fully implemented.

The AG has however found that the financial statements submitted for auditing were not prepared in all material respect in accordance with the requirements of section 122(1) of the MFMA.

5.2 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 plans in place for the municipality to recover the outstanding municipal arrears and of actions taken or to be taken to remedy the situation.

An assessment by the AO on arrears on Municipal taxes and service charges is not adequate in that there is no improvement in consumers' debts repayment. The debtors' collection period is still above the norm.

5.3 Particulars of corrective actions in respect of 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 2021/2022 audit report.

5.4 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 and resolutions on measures to improve in this area are not implemented both administratively and politically.

5.5 Recommendations of the audit committee (AC)

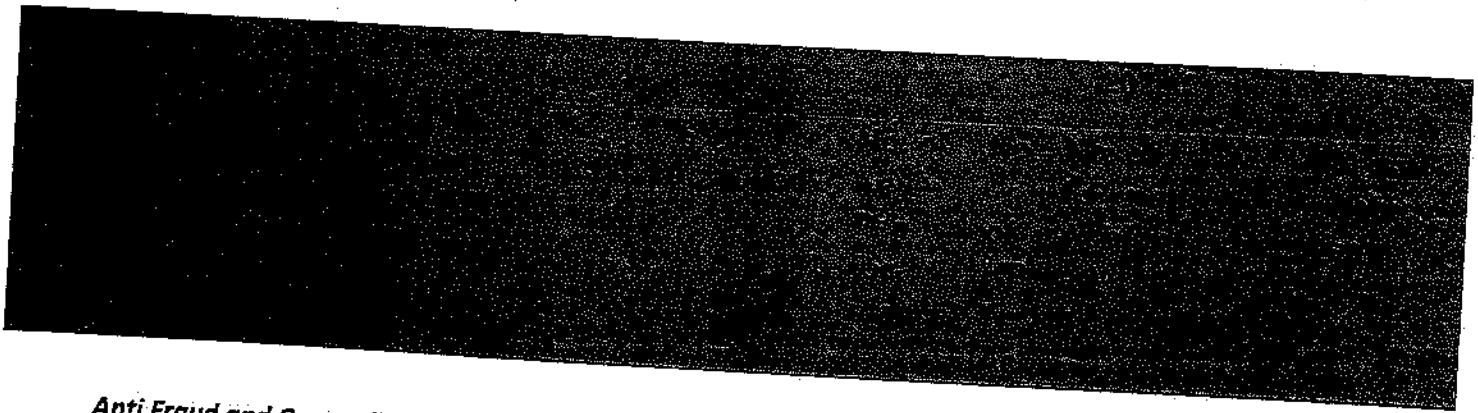
The Audit Committee's recommendations on how to improve on performance were submitted as part of the components of the Annual report. The AO must ensure that all recommendations made are implemented without fail.

5.6. Municipal Performance

The annual performance report (APR) of the municipality for the financial year 2021/2022 has been prepared and included in the AR as required by section 121(1) and (3) of the MFMA respectively.

The performance targets set in the budget and service delivery and budget implementation plan (SDBIP) have been included in the AR.

COMPARISM OF THE CURRENT AND PREVIOUS FINANCIAL YEAR PERFORMANCE (2020/2021 AND 2021/2022)



Basic Service Delivery	75	13	62	17%	83%	57	13	44	23%	77%
Spatial Rationale	5	2	3	40%	60%	10	04	06	40%	60%
Local Economic Development	2	2	0	100%	0%	03	02	1	67%	33%
Financial Viability	5	3	2	60%	40%	10	08	02	80%	20%
Municipal Transformation	20	15	5	75%	25%	18	15	03	83%	20%
Good Governance	15	10	05	67%	33%	15	09	06	60%	40%
Total	122	45	77	37%	63%	113	51	62	45%	55%

MPAC noted a 6% decrease in the number of targets not achieved on basic service delivery, there is no changes in the number of targets achieved on spatial rationale, 33% increase on local economic development, 20 % decrease on financial viability, 8% decrease on municipal transformation and 7% increase on good governance from the previous financial year.

The MPAC noted the fluctuation on performance progress on basic service delivery, local economic development, financial viability, municipal transformation, good governance, except on spatial rationale which is constant.

6. MPAC Analysis of the AG Report and AO Responses

6. 1. Expenditure Management:

The municipality did not implement an effective and efficient system of internal controls to respond to unauthorised, irregular, fruitless and wasteful expenditure. The municipality did not ensure that compliance checklists were prepared to identify and prevent instances of non-compliance with relevant laws and regulations.

Reasonable steps were not taken:

- To address non-compliance on procurement and contract management as required by legislation.
- To address the deficiency in internal controls.
- To address the recovery of fruitless and wasteful expenditure on arrears and penalties charged on licensing of municipal vehicles.

Circular 68 states that each Council therefore has a duty to introduce and adopt policies and processes to:

- a) Prevent unauthorized, irregular, fruitless and wasteful expenditure
- b) Identify and investigate unauthorized, irregular, fruitless and wasteful expenditure;
- c) Respond appropriately in accordance with the law; and
- d) To address instances of unauthorized, irregular, fruitless and wasteful expenditure conclusively.

Process to be followed when dealing with unauthorized, irregular, fruitless and wasteful expenditure

Unauthorized expenditure

In considering authorization of unauthorized expenditure, council must consider the following factors:

- (i) Has the matter been referred to Council for a determination and decision?

- (ii) Has the nature, extent, grounds and value of the unauthorized expenditure been submitted to Council?
- (iii) Has the incident been referred to a council committee for investigation and recommendations?
- (iv) Has it been established whether the accounting officer or official or public office bearer that made, permitted or authorized the unauthorized expenditure acted deliberately or in a negligent or grossly negligent manner?
- (v) Has the accounting officer informed Council, the mayor or the executive committee that a particular decision would result in an unauthorized expenditure as per section 32(3) of the MFMA?
- (vi) Are there good grounds shown as to why an unauthorized expenditure should be authorized? For example:

- ☐ The mayor, accounting officer or official was acting in the best interests of the municipality and the local community by making and permitting unauthorized expenditure;
- ☐ The mayor, accounting officer or official was acting in good faith when making and permitting unauthorized expenditure; and
- ☐ The municipality has not suffered any material loss as a result of the action.

In these instances, the council may authorise the unauthorised expenditure. If unauthorised expenditure is approved by council, there would be no further consequences for the political office-bearers or officials involved in the decision to incur the expenditure.

Recovery of unauthorized expenditure

All instances of unauthorized expenditure must be recovered from the liable official or political office-bearer, unless the unauthorized expenditure has been authorized by council in an adjustments budget. The matter must be handed to the municipality's legal division for the recovery of the debt through the normal debt collection process.

Irregular expenditure

In terms of section 32(2)(b) irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable.

In other words writing-off is not a primary response, it is subordinate to the recovery processes, and may only take place if the irregular expenditure is certified by Council as irrecoverable, based on the findings of an investigation.

With reference to (a) as defined, - in terms of section 170 of the MFMA, only the National Treasury may condone non-compliance with a regulation issued in terms of the MFMA or a condition imposed by the Act itself. The municipal Council therefore has no power in terms of the MFMA to condone any act of non-compliance in terms of the MFMA or any of its regulations. The treatment of expenditure associated with the non-compliance is therefore the responsibility of the Council

With reference to (b) as defined – there is no provision in the MSA that allows for a contravention of the Act to be condoned. Nevertheless, should a municipality wish to request that an act of non-compliance with any provision of the MSA be condoned, then the accounting officer should address the request to the Minister of Co-operative Governance and Traditional Affairs, who is responsible for administering the MSA. The resultant expenditure should however be dealt with in terms of section 32(2) of the MFMA.

With reference to (c) as defined – there is no provision to allow irregular expenditure resulting from a contravention of the Public Office-Bearers Act to be condoned. This is consistent with section 167(2) of the MFMA, which provides that such irregular expenditure cannot be written-off and must be recovered from the political office-bearer concerned.

Once it has been established who is liable for the unauthorized expenditure, the accounting officer must, in writing, request that the liable official or political office-bearer pay the amount within 30 days or in reasonable installments. If the person fails to comply with the request,

Fruitless and wasteful expenditure

The processes to respond appropriately to fruitless and wasteful expenditure are similar to the following three processes outlined for irregular expenditure:

- (i) *disciplinary charges* against officials and political office bearers;
- (ii) *criminal charges* against officials and political office-bearers; and
- (iii) *recovery* of the fruitless and wasteful expenditure from the liable persons.

The description of the categories of irregular expenditure in the above three instances can be applied directly to fruitless and wasteful expenditure. The difference is that fruitless and wasteful expenditure can arise in any circumstance and is not dependent on non-compliance with any legislation.

The committee during its process of developing the oversight report realized that:

Irregular Expenditure:

The R 6 954 441.71 irregular expenditure as disclosed in comaf 26-iss 62 of the management letter was as a result of non-compliance to SCM regulations.

Unauthorised Expenditure:

The unauthorised expenditure amounting to R291 326 944.00 as disclosed in comaf 26-iss 62 of the management letter, was as a results of third party projects and under budgeting

Fruitless and Wasteful Expenditure:

The fruitless and wasteful expenditure amounting to R162 792.93, as disclosed in comaf 26-iss 62 of the management letter, was a result of arrears and penalties charged on licensing of municipal vehicles, staff salaries, and late submission of invoices to Eskom.

6.2 Procurement and Contract Management

Item no.	Bid Description	Bidder	Bid no.	Expenditure	Total Value	Audit Com-ments
1.	Construction of Lekurung Rec-reational Facility	Nkoane Phaahle General Mainte-nance	LNMO11/2 020/21	3 778 734	9 010 204.00	Manage-ment is encour-aged to put in

						place effective controls and / or monitor implementation of controls that ensure that Local Content-related bids awarded are reported to DTI
2.	Turnkey Project: Electrification of 280 connections Mamogoasha Village	Risima Projects	LNMO05/2021/22	2 368 387	4 516 758	Management is encouraged to put in place effective controls and / or monitor implementation of controls that ensure that

						Local Content-related bids awarded are reported to DTI
3.	Provision of physical security services for Municipal facilities on month to month basis	BRAVOSPAN Security Services	LNMO48/2 020/21	747 777	5 979 816	Obtained and inspected the adjusted AFS and confirmed that all deviations were disclosed but partially resolved.

The AG has found that performance of some contractors or providers was not monitored on a month to month basis, as required by section 116(2) of the MFMA and section 7 of the Treasury Instruction on local content.

The committee during engagements with the management was informed that Covid 19 restrictions hindered projects monitoring.

Further Management highlighted that the appointment of Bravospan security Services was an emergency as one security company (MMP)'s contract has to be terminated. The municipality opted to appoint Bravospan as it was already in the municipal system to provide security services.

The Mayor indicated that the municipality has written a communique to Provincial Treasury for advice on appointment of a service provider that is non-tax compliant.

6.3 Proper Records Keeping

The municipality did not have a proper record management system to maintain critical information that supports the reported performance in the annual performance report. This included information that relate to the collection, collation, verification, storing and reporting of actual performance information.

6.4 Human Resource Management

The committee found that the municipality has many vacant junior positions and employees acting on the positions for periods exceeding six (6) months.

The accounting officer must implement effective human resource management controls to ensure positions are filled on time to ensure that acting periods on vacant posts does not exceed 6 months.

6.5 Oversight Responsibility

The committee is more concerned with the effects of failure by council to fill vacant positions in particular senior management positions, which have dire effect on the communities of this municipality given that all unspent conditional grant will not be approved for rollover, meaning that capital projects budgeted for with own funding will have to be compromised to complete rollover MIG projects during budget adjustment.

6.6 Assessment of Assurance Providers

One of the important oversight function of municipal council is to consider auditees' annual report. To perform this oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report includes the audit report, which provides assurance on the credibility of the financial statements and the annual performance report, as well as on the auditee's compliance with legislation. However, management, the leadership and those charged with governance contribute throughout the year to the credibility of the financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.

The AG have found that the first level assurance senior management provide some assurance, deficiencies were identified during the assessment of these controls. Some of these deficiencies were repeated from the prior year. The control failures in material misstatements, which could have been prevented if the necessary oversight responsibility was exercised by senior management.

The accounting officer is the authoritative figure in the municipality. The accounting officer implemented the audit action plan to address findings of the prior year. However, repeated findings were found which could have been avoided if the control weaknesses were adequately addressed **i.e Cash and Cash Equivalents on mistatements in AFS disclosure note 7; AFS-Commitments whereby the municipality does not have accounting policy for commitments.**

The audit committee, the second level of assurance reviewed the financial statements before the issuing of the financial statements to the AGSA, however material misstatements were identified during the audit of the AFS.

Municipal council the third level is still facing challenges regarding compliance with laws and regulations as several material non-compliance were identified. Investigations and recommendations made by MPAC into unauthorised, irregular and fruitless and wasteful expenditure conducted were not implemented **i.e: as per MPAC recommendations on the 27 October 2022 during Ordinary Council Meeting @ Gaseloane:**

- In terms of section 32(b)(c) and (d) of the MFMA the fruitless and wasteful expenditure of R5 571.00 incurred for the month of June 2022 for the demolition of wall in the Chief Whip's Office be recovered in full from the Acting Municipal Manager and the Acting Technical Services Manager and further that the wall be fixed at their own costs.
- That officials liable for the awarding of tender without involvement of Bid Committees on the appointment of 25 irregular appointed consultants for installation of high mast lights in 2018 be charged.
- That fruitless and wasteful expenditure of R16.30 on arrears and penalties charged on licensing of municipal vehicles be recovered from the person liable, disciplinary actions be taken and the AO report back to MPAC within 30 days.

The committee wants to elaborate that council must hold the Executive accountable and the Executive must hold the Mayor accountable, the Mayor must then hold administration accountable finally the audit committee must execute its duties with care and diligence.

6.7 Transfer of Skills

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 where material misstatements were identified by the auditors on the work performed by the consultants or in areas of the consultants' responsibilities.

The committee is concerned that the municipality is dependent on the use of consultants (compilation of AFS) yet without a proper plan in place on how the municipality will benefit as the result of skills transfer and becomes independent from this expensive exercise.

6.8 Projects

The committee conducted projects visits identified in the annual report and the following projects were visited:

Project No1.

Project Report:

Project Name	Electrification of 280 Households at Mamogogasha Village	Project Number	LN005/2021/22
Project Budget	R 4 516 758.40	Expenditure To Date	R 143 072.86

Consultant	Risima Project Management (Turnkey)		Contractor	Risima Project Management Enterprise	
Award Date	04/02/2022	Start Date	15/02/2021	Completion Date	14/06/2022
Scope of Work	<p>Electrification of 280 Households at Mamogoasha Village with the following scope:</p> <ul style="list-style-type: none"> • Site Establishment=01 (100%) • Pegging out the works (MV and LV) (100%) • Digging Holes (MV)=55 (100%) • Digging Holes (LV)=181(100%) • Plant POLES (MV)=55(100%) • Plant Holes(LV)=181(100%) • MV Structures and MV Stays=25(100%) • LV Structures and LV Stays=163(100%) • Service boxes =80 (100%) • MV Stringing = 9000 (100%) • LV Stringing = 7500 (100%) • Transformer Installation = 08(95%) <ul style="list-style-type: none"> ▪ 7 x 100KVA (3 Phase) ▪ 1 X 50KVA (3 Phase) • Installation of Earthing (MV and LV) =24 (100%) • House Connection Base = 280 (75%) • Testing and Commissioning = 08 (0%) 				

	Slow Progress on site. Memo for recommendation for termination has been sent to the Municipal Manager					
Job creation	Adult Male	Adult Female	Young Male	Young Female	Disable	TOTAL
	2	2	10	4	0	18

Project Visit date:10 /03/ 2023

Attendance: MPAC, Ward Councillor, Ward Committee member, PMU Office

Absent: PSC, CLO, Contractor

Findings:

- Electricity Metres not installed
- Airdacks not installed
- Feeder lines not installed
- Some houses were not installed with pole boxes
- Slow moving of the project which lead to underspending.

Recommendations:

- Termination of contract
- Blacklisting of the contractor

Project No2:

Project Report:

Anti Fraud and Corruption Hotline: 0800 20 50 53

Project Name	Electrification of 100 Households at Bolahlakgomo Village			Project Number	LNM001/2021/22	
Project Budget	R1 592 646.36			Expenditure To Date	R 651 120.03	
Consultant	Volt Consulting			Contractor	Aspire Safety Consultants % A New Awakening Trading.	
Award Date	08/01/2022		Start Date	24/02/2022	Completion Date	24/05/2022
Scope of work	<ul style="list-style-type: none"> • Electrification of 100 Households at Bolahlakgomo • Site Establishment = 01(100%) • Pegging out the works (MV and LV) = 100%. • Digging Holes (MV) = (100%) • Digging Holes (LV) = (100%) • Plant Holes (MV) = 07 (100%) • Plant Holes (LV) (60) = 51 (85%) • MV Structures & MV Stays = 05 (100%) • LV Structures & LV Stays (22) = 18 (90%) • Service Boxes (27) = 22 (81%) • MV Stringing = 3000(100%) • LV Stringing (2000) =500 (25%) • Transformer Installation (02) = 02 (100%) <ul style="list-style-type: none"> ▪ 1 x 100KVA (3phase) ▪ 1 x 32KVA (2phase) • Installation of Earthing (MV and LV) = (100%) • House Connections Base = (0%) • House Connections- Meter & Airdack = (0%) • Testing and Commissioning = (0%) 					
Status Quo						
Challenges encountered						

Job Creation	Adult Male	Adult Female	Young Male	Young Female	Disabled persons	TOTAL
	2		7	2	1	14

Project Visit Date: 10 /03 / 2023

Attendance: MPAC, Ward Councillor, Ward Committee member, PMU Office, PSC, CLO, Contractor

Findings:

- Airdacks not installed.
- Feeder lines not installed
- Slow moving of the project that leads to underspending.

Recommendations:

- Termination of contract.
- Blacklisting of the contractor.

Project No 03

Project report:

Project Name	Electrification of Manaileng Village		Project Number	LNM0242020/21	
Project Budget	R4 063 734.75		Expenditure	R 3 805 327.58	
Consultant	Mulanga Consulting Engineers		Contractor	Kingki Electrical Contractor	
Award Date	08/01/2021	Start Date	01/02/2021	Completion Date	13/04/2022
Scope of Work					
	Electrification of 149 households in Manaileng Village with the following scope: <ul style="list-style-type: none"> ▪ Site establishment = 01 (100%) 				

	<ul style="list-style-type: none"> ▪ Pegging out the works (MV and LV) (100%) ▪ Digging Holes (MV) = 77 (100%) ▪ Digging Holes (LV)= 136 (100%) ▪ Plant Poles (MV) = 77 (100%) ▪ Plant Poles (LV) = 136 (100%) ▪ MV structures and MV stays = 77 (100%) ▪ LV structures and LV stays = 136 (100%) ▪ Service boxes = 61 (100%) ▪ MV strings = 6800 (100%) ▪ LV strings = 7000 (100%) ▪ Transformer installation = 07 (100%) ▪ Installation of earthing (MV and LV) = 16 (100%) ▪ House connection Base = 149 (100%) ▪ House Connections-Meter and Airdack = 149 (100%) ▪ Digging and install 5m Poles = 58 (100%) ▪ Testing and Commissioning = 07 (100%) 					
Status Quo	100% complete					
Challenges	Cable theft of 42 House Connections					
Job Creation	Adult Male	Adult Fe- male	Young Male	Young Fe- male	Disabled	Total
	04	02	06	04	0	16

Project Visit Date: 10 / 03 / 2023

Findings:

- Partly electrified
- Some Airdacks stolen
- Some Metre boxes are not functional

Recommendations

- The contractor should speed up the installation of stolen airdacks
- The contractor fix damaged metre boxes

Project No 04

Project report:

Project Name	Upgrading of internal street and storm water @ Rakgoatha		Project Number	LNM013/2020/21		
Project Budget	R7 684 619.06		Expenditure	R 7 681 069.96		
Consultant	Thuso Project		Contractor	Maesh PTY Ltd		
Award Date	26/10/2020	Start Date	25/11/2020	Completion Date	29/09/2021	
Scope of Work						
	Upgrading of 1km internal street at Rakgoatha with the following scope: <ul style="list-style-type: none">▪ Clearing and grubbing earthworks▪ Construction of layer works▪ Asphalt Surfacing▪ Installation of concrete culverts▪ Construction of speed humps▪ Construction of concrete V-drains▪ Construction of concrete kerbs▪ Road signs and markings▪ Construction of concrete drift drain					
Status Quo	Complete					
Challenges	None					
Job Creation	Adult Male	Adult Fe-male	Young Male	Young Fe-male	Disabled	Total
	04	05	05	04	0	18

Project Visit Date: 10 / 03 / 2023

Findings:

- V-drain not well constructed.

Recommendations:

- Contractor to fix the v-drain
- Storm water drainage be installed.

Project No. 5

Project Report:

Project Name	Construction of gravel road to tar Maijane, Makaung and Makaepa Phase 2		Project Number	LNM025/2020/21	
Project Budget	R7 001 494.64		Expenditure	405 501.87 (standing time)	
Consultant	Zakumi Consulting Engineer		Contractor	Zebracraft and Thantsha Mamorare Construction	
Award Date	23/11/2020	Start Date		Completion Date	
Scope of Work					
	Construction of 1km road from gravel to tar at Maijane, Makaepa and Makaung with the following scope: <ul style="list-style-type: none"> ▪ Clearing and grubbing earthworks ▪ Construction of layer works ▪ Asphalt Surfacing ▪ Installation of concrete culverts ▪ Construction of speed humps ▪ Construction of concrete V-drains ▪ Construction of concrete kerbs ▪ Road signs and markings ▪ Construction of concrete drift drain 				

Status Quo	0%Complete					
Challenges	Project was stopped by the community					
Job Creation	Adult Male	Adult Fe- male	Young Male	Young Fe- male	Disabled	Total
	04	05	02	03	01	15

Project Visit Date: 08 / 03 / 2023

Findings:

- V-drain not well constructed in front of Maijane Hall.

Recommendations:

- Storm water installation along the street where the hall is situated.
- Contractor to fix the v-drain and alleviate strain from community members as the water flood in their yards.

Project No. 6

Project Report:

Project Name	Upgrading of Internal street from gravel to tar Unit H		Project Number	LNM008/2020/21	
Project Budget	R 7 571 456.30		Expenditure	R6 882 399.33	
Consultant	Mahlori Development Consulting and Project Management Solutions JV Nhlengani Engineers		Contractor	Dinare Trading Enterprise	
Award Date	28/12/2020	Start Date	07/06/2021	Completion Date	14/12/2021
Scope of Work					
	Upgrading of 1km internal street from gravel to tar at Unit H with the following scope: <ul style="list-style-type: none"> ▪ Clearing and grubbing earthworks ▪ Construction of layer works 				

	<ul style="list-style-type: none"> Asphalt Surfacing Construction of concrete kerbs Road signs and markings Storm water channel 					
Status Quo	100% Complete					
Challenges	None					
Job Creation	Adult Male	Adult Fe- male	Young Male	Young Fe- male	Disabled	Total
	03	01	05	04	0	13

Project Visit Date:

Findings:

None

Recommendations:

None

PROJECT NO. 7

Project Report:

Project Name	Upgrading of Mashite road from gravel to tar and storm water		Project Number	LNM012/2020/21	
Project Budget	R16 112 339.80		Expenditure	R16 111 846.31	
Consultant	Nemorango Consulting Engineer		Contractor	Nemorango Consulting Engineer	
Award Date	07/05/2021	Start Date	01/06/2021	Completion Date	01/12/2021
Scope of Work					

	Upgrading of 2.2km road from gravel to tar at Mashite with the following scope: <ul style="list-style-type: none"> ▪ Clearing and grubbing earthworks ▪ Construction of layer works ▪ Asphalt Surfacing ▪ Construction of speed humps ▪ Construction of concrete kerbs ▪ Road signs and markings ▪ Construction of concrete drift drain 					
Status Quo	Complete					
Challenges						
Job Creation	Adult Male	Adult Female	Young Male	Young Female	Disabled	Total
	02	03	06	05	0	16

Project Visit Date:

Findings:

- Drift not well constructed.
- During rainy days the road is over-flooded and it affects nearby houses.

Recommendations:

- Monitoring of projects to avoid the above challenges / experience.

7. CONCLUSION

MPAC acknowledges qualified audit opinion by the AGSA for the year 2021/2022. The MPAC also notes several non-compliance issues findings as raised by the AGSA in their report.

Through engagements with the management, the MPAC realises that there are many "break-downs in control" resulting in material misstatements that could have been prevented if adequate controls were in place. Poor exercise of oversight responsibility results in control failure and this could have been prevented.

The MPAC is concerned by the exorbitant UIFW expenditures that the municipality continues to incur as this deprives the community of Lepelle-Nkumpi Local Municipality more services that could have been delivered. The lack of reasonable steps being taken to prevent these expenses is also very concerning to the committee.

The lack of strategies to recover consumer debts remains part of the reasons why the municipal revenue continues to be below expectation. Solid, conducive measures to collect revenue must be explored to improve the financial viability of the municipality.

Finally, the committee has noted that numerous misstatements are as a result of non-adherence to municipal policies, SCM regulations and legislations. There are a lot of deficiencies and breakdowns in the available internal controls and adherence is not adequately monitored.

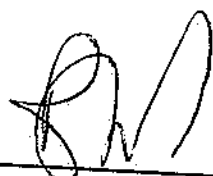
8. RECOMMENDATIONS

- a) Council adopt the 2021/2022 Oversight Report.
- b) Council adopt AR with reservations.
- c). That the AO must ensure that all recommendations made by the Audit Committee are implemented and Council be duly updated.
- d). That the AO must ensure full implementation of the debt recovery plan and update Council.
- e). That the AO implement realistic measures to prevent UIF.
- f). The AO must ensure that all contracts are monitored on a month to month basis, as required by section 116(2) of the MFMA.
- g). That the AO must ensure that a proper record management system is in place to maintain information that supports the reported performance is developed both manually and electronically.
- h). That the AO should minimise the use of consultants and opt for in-house services as this exercise does not add value for money.

- i). That the Mayor provide a proof for seeking advice from Provincial Treasury regarding irregular appointment of Bravospan to MPAC within seven (7) days the resolution has been taken.
- j). That the AO must ensure that the committee responsible for compilation of the AR is fully committed and be closely monitored.
- k). That the AO must revoke Lefela-Ditirelo campaign around Lebowakgomo to enhance revenue collection and consider escalating the programme to villages in the near future.
- l). That the AO must ensure that the Annual Financial Statements are reviewed by the CFO on monthly basis to avoid recurrence material misstatements.
- m). That the AO must ensure adherence to audit action plan to avoid material misstatements.
- n). The AO must ensure monitoring of Executive Managers through weekly schedule of reporting on their performance, as MPAC has noted the following:
 - A 6% decrease in the number of targets not achieved on basic service delivery, there is no changes in the number of targets achieved on spatial rationale.
 - A 20 % decrease on financial viability.
 - A 8% decrease on municipal transformation.
- o) All Unauthorized, Irregular, Fruitless and Wasteful Expenditures incurred from 2018 to the current financial year be recovered from persons accountable and report back to Council within 30 days on the adoption of the report.
- p) Only 100% completed projects should be handed over without snag lists to avoid abnormal variation orders.
- q) That in future official responsible for handing over an incomplete project be held financially liable for costs incurred.
- r) That contracts of the Contractors for electrification of 100 households at Bolahlakgomo and 280 households at Mamogoasha be terminated and further be blacklisted.
- s) That before a construction of any road project, a storm water drainage system be constructed to avoid flooding and erosion with the possibility of damaging the project during rain

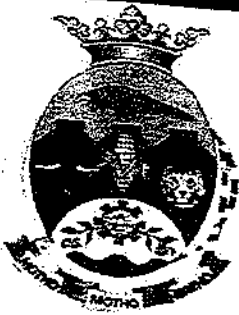
season, e.g. Rakgoatha, Mogoto-Mshongo, Maijane-Mashite and Ga-Makgoba road projects.

- t) That storm water be installed along the street where the hall is situated in Maijane and the contractor to fix the v-drain and alleviate strain from community members as the water flood in their yards.
- u) The AO must provide accurate information to MPAC – **COMAF 25 /ISS60: Administration indicated that the matter was handed to Ethics Committee whereas upon investigation by MPAC the matter was never handed to the Ethics Committee.**
- v). That the Accounting Officer Provide MPAC with the report on the investigation of boreholes by Bowmans including the progress report on UIFW recovery as per specified in the 2020/2021 and 2021/2022 AFS and a list of all cases reported to SAPS within 30 days from the day council took a resolution.
- w). That AO fully implement the council resolution **S/C RESOLUTION NO. 7.1.01/2022/2023** that PMU Unit be permanent.
- x). In future when compiling the AFS the closing balance of the previous year must be reflected as the opening balance to avoid confusion e.g **COMAF 4 – ISS 4: there was inconsistency of the amount of R4 462 938 that management could not account for.**



FOR AND ON BEHALF OF
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE
MPAC CHAIRPERSON: MAKGAHLELE MB

28/03/2023
DATE



LEPELLE-NKUMPI LOCAL MUNICIPALITY

Postal Address
Private Bag X07
CHUENESPOORT
0745

www.lepelle-nkumpi.gov.za

Physical Address
170 BA Civic Centre
LEBOWAKGOMO, 0737
Tel : (+27)15 633 4500
Fax : (+27)15 633 6896

COUNCIL RESOLUTION FOR SPECIAL MANDATORY COUNCIL MEETING HELD ON THE 31ST MARCH 2023 IN THE CIVIC HALL @09h23

SC / RESOLUTION NO. 7.1.03/2022/2023 – 2021/2022 MPAC OVERSIGHT
REPORT ON ANNUAL REPORT

Council Resolved:

- To adopt the 2021/2022 Oversight Report.
- To adopt AR with reservations.
- That the AO must ensure that all recommendations made by the Audit Committee are implemented and Council be duly updated.
- That the AO must ensure full implementation of the debt recovery plan and update Council.
- That the AO implement realistic measures to prevent UIF.
- The AO must ensure that all contracts are monitored on a month to month basis, as required by section 116(2) of the MFMA.
- That the AO must ensure that a proper record management system is in place to maintain information that supports the reported performance is developed both manually and electronically.
- That the AO should minimise the use of consultants and opt for in-house services as this exercise does not add value for money.
- That the Mayor provide a proof for seeking advice from Provincial Treasury regarding irregular appointment of Bravospan to MPAC within seven (7) days the resolution has been taken.
- That the AO must ensure that the committee responsible for compilation of the AR is fully committed and be closely monitored.

LEPELLE - NKUMPI MUNICIPALITY
COUNCIL MINUTES / RESOLUTIONS
SIGNED BY:

12/04/2023
DATE
SPEAKER

MUNICIPAL CALL CENTRE NUMBER: 0800 222 011

"Motho ke motho ka batho"



- k) That the AO must revoke Lefela-Ditirelo campaign around Lebowakgomo to enhance revenue collection and consider escalating the programme to villages in the near future.
- l) That the AO must ensure that the Annual Financial Statements are reviewed by the CFO on monthly basis to avoid recurrence material misstatements.
- m) That the AO must ensure adherence to audit action plan to avoid material misstatements.
- n) The AO must ensure monitoring of Executive Managers through weekly schedule of reporting on their performance, to improve on the following findings by the committee:
 - ✓ A 6% decrease in the number of targets not achieved on basic service delivery, there is no changes in the number of targets achieved on spatial rationale.
 - ✓ A 20 % decrease on financial viability.
 - ✓ A 8% decrease on municipal transformation.
- o) All Unauthorized, Irregular, Fruitless and Wasteful Expenditures incurred from 2018 to the current financial year be recovered from persons accountable and report back to Council within 30 days on the adoption of the report.
- p) Only 100% completed projects should be handed over without snag lists to avoid abnormal variation orders.
- q) That in future official responsible for handing over an incomplete project be held financially liable for costs incurred.
- r) That contracts of the Contractors for electrification of 100 households at Bolahlakgomo and 280 households at Mamogoasha be terminated and further be blacklisted.
- s) That before a construction of any road project, a storm water drainage system be constructed to avoid flooding and erosion with the possibility of damaging the project during rain season, e.g. Rakgoatha, Mogoto-Mshongo, Maijane-Mashite and Ga-Makgoba road projects.
- t) That storm water be installed along the street where the hall is situated in Maijane and the contractor to fix the v-drain and alleviate strain from community members as the water flood in their yards.

LEPELLE - NKUMPI MUNICIPALITY
COUNCIL MINUTES / RESOLUTIONS

SIGNED BY:

SPEAKER


12/04/2023
DATE

MUNICIPAL CALL CENTRE NUMBER: 0800 222 011

"Motho ke motho ka batho"



- u) The AO must provide accurate information to MPAC – **COMAF 25 /ISS60:** Administration indicated that the matter was handed to Ethics Committee whereas upon investigation by MPAC the matter was never handed to the Ethics Committee.
- v) That the Accounting Officer provide MPAC with the report on the investigation of boreholes by Bowmans including the progress report on UIFW recovery as per specified in the 2020/2021 and 2021/2022 AFS and a list of all cases reported to SAPS within 30 days from the day council took a resolution.
- w) That AO fully implement the council resolution **S/C RESOLUTION NO. 7.1.01/2022/2023** that PMU Unit be permanent.
- x) In future when compiling the AFS the closing balance of the previous year must be reflected as the opening balance to avoid confusion e.g **COMAF 4 – ISS 4:** there was inconsistency of the amount of R4 462 938 that management could not account for.

LEPELLE - NKUMPI MUNICIPALITY
COUNCIL MINUTES / RESOLUTIONS
SIGNED BY:

SPEAKER

12/04/2023
DATE

MUNICIPAL CALL CENTRE NUMBER: 0800 222 011



Motho ke motho ka batho