

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

TO: Council

FROM: Municipal Public Accounts Committee

SUBJECT: MPAC Oversight Report

DATE: March 2022

Purpose

This serves to present to Council the Oversight Report for the Annual Report of 2020/2021 to consider for adoption.

Background

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.

Recommendations

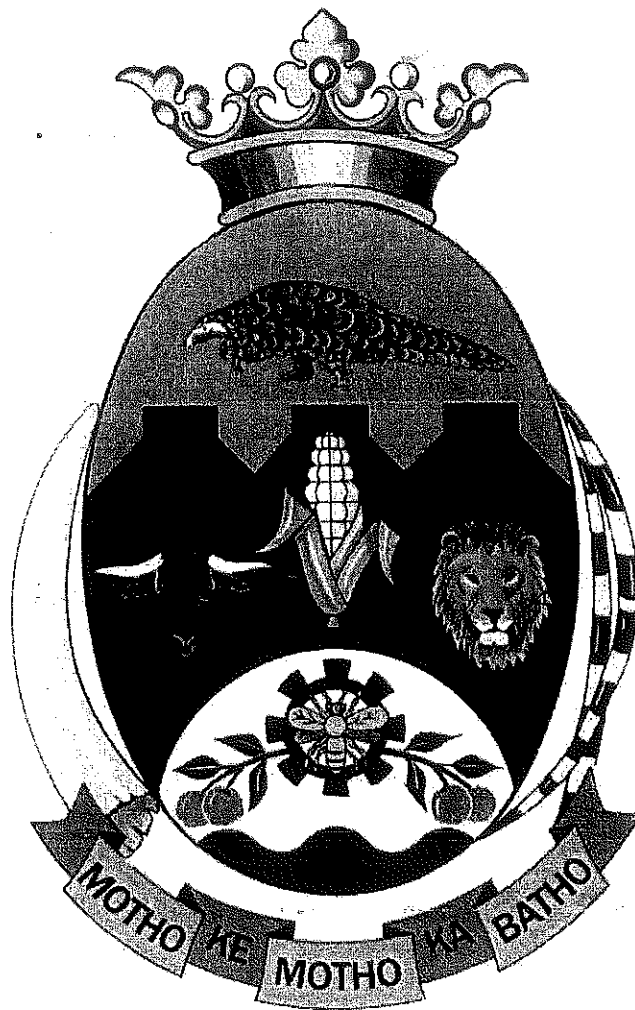
It is recommended to council to adopt the Oversight Report for 2020/2021 Annual Report without reservation

Cllr. Makgahlela MB

MPAC Chairperson

7

LEPELLE NKUMPI LOCAL MUNICIPALITY



2020/2021 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 31 January 2022. 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 14 March 2022 and 23 March 2022 respectively. No written community representations were received from the Office of the Acting Municipal Manager nor the Speaker on the AR except for inputs from members of the community on public participation meeting.

MPAC is composed of the following members and role players:

- Cllr. Makgahlele MB Chairperson
- Cllr. Mathabatha MD Member
- Cllr. Muthwa LS Member
- Cllr. Masebe NB Member
- Cllr. Hlongoane MH Member
- Cllr. Lebese MJ 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 Accounting Officer must:

- (a) attend Council and Council committee meetings where the annual report is discussed for the purpose of responding to questions concerning the report and,

(b) submit copies of the minutes of those meetings to the Auditor General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the province.

The Accounting Officer must in accordance with Section 21 (a) of the Municipal Systems Act make public an Oversight report referred to in subsection (1) within seven (7) days of its adoption

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

- The annual performance report of the municipality prepared by the municipality in terms of section 46 of the Municipal System Act; and
- An assessment by the municipality's accounting officer of the municipality's performance against measurable performance objectives referred to in section 17(3)(b) MFMA for revenue collection from each revenue source and each vote in the municipality's approved budget for relevant financial year.
- An assessment by the municipality's accounting officer of any arrears on municipal taxes and service charges;
- Particulars of any corrective actions taken or to be taken in response to issues raised in the audit reports in term of section 121(3)(b) and (d)MFMA;

The AR tabled by the Mayor did not include the following components of the AR as provided for in circular 63.

- The contents of the Annual Report did not follow the sequence as required by Circular 63 of the MFMA.
- The Annual Report on the Municipal Manager's foreword failed to acknowledge sister departments (SALGA and COGHSTA)

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 21A 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 and advertised 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) 2020/2021.

The AFS for the municipality for the financial year 2020/2021 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 2020/2021.

The AG has however found that the financial statement submitted for auditing were 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 2020/2021 audit report which excluded, among others the following:

- Consumer debt recovery plan.
- Material under spending of the budget.
- Measures taken to Improve performance.

5.4 An assessment by the AO on municipal performance.

The municipality is constantly striving to improve in areas where performance is not up to the required standard. Further the municipality is committing itself to a better life for all through sound economic growth, provision of basic infrastructure and disciplined social welfare and sound and participating institutional-management system.

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.

5.7 MUNICIPAL PERFORMANCE

The annual performance report (APR) of the municipality for the financial year 2020/2021 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.

6. MPAC Analysis of the AG Report and AO Responses

6. 1. Cash and Cash Equivalent – Unreconciled differences identified on the bank reconciliations performed as at 30 June 2021

Municipal Finance Management Act, 2003 (Act No.56 of 2003) section 62(1) (b) indicates that the accounting officer of a municipal is responsible for managing the financial administration of the municipality, must for this purpose take all responsible steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Contrary to the above requirement, the following unreconciled differences were identified on the year-end bank reconciliations submitted for audit:

- i) Paymaster General Account-FNB-62063345790: The reconciliation submitted for audit has an unreconciled difference of R223, 242.86.
- ii) Revenue Account-FNB-62063342720: The reconciliation submitted for audit has an unreconciled difference of R129, 712.5

MPAC has noted that the accounting officer failed to review the Annual Financial Statements before submission to Auditor General. It was clarified that the Accounting Officer did review the annual financial statements before submission to the Auditor-General. The difference in the reconciliations was due to journals that were processed incorrectly.

Going forth the Accounting Officer will regularly review of journals before processing and ensure that water votes for billing reports are reconciled.

6.2. Cash Flow Statement – Deficiencies identified on the cash flow statement.

In terms of GRAP 1 paragraph 17 – 'Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation'.

The committee has noted that the financial statements are currently being outsourced and the municipality is undergoing a skills transfer process that will ensure it to prepare its own set of financial statements.

It was further clarified that there is value for money in the use of consultants hence the municipality is undergoing a skills transfer process.

6.3. Unauthorised Expenditure not reported to Council

In terms of paragraph 32(2) (a) of the MFMA, a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure, in the case of unauthorised expenditure, is unauthorised in an adjustments budget, or certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council.

Unauthorised expenditure that occurred through overspending of the budget per vote in the 2020/2021 financial year amounting to R13 793.410 was not presented to the council for further investigation.

The committee identified that the accounting officer failed to investigate unauthorised expenditure amounting to R13 793 410. The unauthorised expenditure was identified during the audit process in August 2021 and was supposed to go to the finance committee and Council for noting for October 2021 however it failed to meet a quorum. The expenditure has been subsequently reported to Council for referral to MPAC for investigation as per section 32(2) (a)

6.4. Contingent Liabilities: AFS Disclosure note amount does not reconcile to the contingent liability schedule as at year end.

In terms of paragraph, 17 of GRAP 19, a contingent liability is a possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Paragraph 35 further states that, a contingent liability is disclosed, as required by paragraph, 101, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. In terms of section 62(1)(c)(i) of the MFMA, the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal controls.

MPAC noted that the accounting officer failed to disclose the following litigation matters in the AFS:

- Lepelle-Nkumpi Municipality // Illegal Occupiers at Unit B (Municipal Park): Demolition of an illegal structure
- Ledwaba-Ndlovu Traditional Council // LNM: Eviction and intervention application.
- Ditlou Machidi Traditional Council: Demolition, destroying and vandalizing the properties.
- INAZALO Enterprise management systems (Pty) LTD (formerly Sebata Municipal): Action instituted against the municipality for R4 943 578.17

It was highlighted that it was human oversight when reconciling the positive confirmation from the attorneys to the litigation report used when preparing the annual financial statements.

The committee noted the progress on the litigations as follows:

a) Lepelle-Nkumpi Municipality // Illegal Occupiers at Unit B (Municipal Park): Demolition of an illegal structure

This matter was before the court on 4 March 2021 and was postponed to 8 October 2021. The rule nisi obtained on 26 November 2019 was extended and converted to an interim court order pending finalisation of the matter. Matter is set down for oral evidence.

b) Ledwaba-Ndlovu Traditional Council // LNM: Eviction and intervention application.

The municipality has filed an intervention application to dismiss the applicant's claim. The matter is not yet set down.

c) Ditlou Machidi Traditional Council: Demolition, destroying and vandalizing the properties.

Municipality has filed the answering affidavit herein. The applicant has filed its replying affidavit and the parties are yet to file the heads of arguments.

**d) INAZALO Enterprise management systems (pty) LTD
(formerly Sebata Municipal): Action instituted against the municipality for R4 943 578.17**

- Entered appearance to defend
- Briefed Counsel
- Drawing plea and Counterclaim

6.5. Land Inventory Classified as PPE

In terms of GRAP 1 paragraph 17 "Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation"

Contrary to the above requirement, during the audit of PPE it was noted that invaded land inventory of which was developed for residential purposes per the agreement between Lepelle-Nkumpi Local Municipality and Mahlori Development Consulting and Project Management Solutions has been erroneously classified as PPE due to misapplication of GRAP 17 requirements. The invasion of land inventory is not an event that triggers reclassification from one class to another.

It was further clarified that Asset Unit has currently enrolled for GRAP training to ensure that year-end reconciliation to be performed based on conditions.

6.6. Disposal of assets deficiencies

In terms of GRAP 1 paragraph 17: "Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses. The application of Standards of GRAP with additional disclosures, when necessary, is presumed to result in financial statements that achieve a fair presentation"

- (a) The committee was concerned about the maintenance of crèches or whether the crèches are handed over to communities, but it was clarified that the memorandum to donate the crèches will serve in the infrastructure/budget and treasury portfolio committees.
- (b) The committee has also noted that depreciated municipal cars/fleet were not auctioned due to non-responsive bids.

6.7. Differences identified between reported achievements per Annual Performance Report (APR) and achievements per portfolio of evidence (POE) submitted for audit.

In terms of paragraph 5.2(4) of Framework for Managing Programme Performance Information, the AO is responsible for ensuring that the institution has appropriate systems to collect, collate, verify and store information.

Contrary to the above, the reported achievement as per POE submitted for audit in support of the reported achievements in the Annual Performance Report do not agree with the reported performance in the APR.

- (a) The committee identified that the reported achievement for Upgrading of 2km of access road from gravel to tar at Kliphuiwel does not agree with the reported achievement as per Annual Performance Report. It was clarified that the project was still under construction during the end of the financial year. Project is rolled over to the current financial year for completion of the project.
- (b) The committee further noted that the construction of 2km of access road from gravel to tar at Klipheuwil has two phases.

6.8. Irregular Expenditure not recorded in relation to excess payments made for acting periods beyond those allowed by the Municipal Systems Act

According to section 71 of the Municipal Systems Act municipalities must comply with any collective agreements conducted by organised local government within its mandate on behalf of local government in the bargaining council established for municipalities. Furthermore, section 12.6 of the Bargaining Council state that "The period in which an employee acts in a higher position should not exceed four (4) calendar months. The council must approve the acting for a period longer than (4) months. The council must approve additional acting for a period not exceeding two (2) months".

- (a) The committee identified the irregular payment on acting allowance, and was clarified that it was not irregular but non-compliance with the laws and regulations and the expenditure will not be recovered as the services were rendered.

6.9 PPE-Land Register does not have the unique asset master record number (GPS coordinates)

In terms of section 62 (1) (c) (i) (ii) of the MFMA "the AO of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control and internal audit operating in accordance with any prescribed norms and standards"

In terms of paragraph 6.2 of Lepelle-Nkumpi Local Municipality Asset Management Policy "immovable assets on the FAR will not be physically numbered with barcode labels but will have a unique asset master record number (GPS coordinates)"

- (a) The committee identified that the land register does not have unique asset master record number and it was clarified that the land assets have more than enough unique asset master record numbers in the form of unique ERF numbers.

6.10 Performance indicator not well defined and verifiable

Framework for Managing Programme Performance Information (FMPPI) provides that "a performance indicator is well defined when it has a clear definition so that data will be collected consistently and easy to understand and use"

The committee was concerned that management did not work in line with FMPPI in terms of electricity maintenance within the municipality and it was clarified that performance Management report and plans are done in line with the framework for managing programme performance information. It was an oversight during the reporting time.

6.11 SCM: Reliability of the deviations register – Deviations awarded in prior years were reflected as current year awards on the deviations register

MFMA, 2003 (Act no.56 of 2003) section 62(1) (b) indicates that the accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that full and proper records of the financial affairs of the municipality are kept in accordance with any prescribed norms and standards.

Contrary to the above, it was noted per inspections made of the deviations register that the deviations of MSCOA alignment of Payday to Payroll system reflected to have been made in the current year but the approval for the award was made in the prior year.

- (a) The committee was concerned with the plan to address the recurrence in the deviation register and was clarified that controls are established and implemented to ensure that procurement registers (tender register/ quotation register/ deviation register) and contract register are reconciled to ensure accurate reporting.

6.12. Competitive Bids which did not meet the admin criteria were awarded the bid

In terms of section 2 (1) (b) of the SCM regulations, it is stated that each municipality and municipal entity must in terms of section 111 of the Act have

and implement supply chain management policy that is fair, equitable, transparent, competitive and cost effective.

Section 28(1)(a)(i) of the SCM regulations state that, "Bid Evaluation Committee must evaluate bids in accordance with the specifications for a specific procurement"

It was identified that bids which did not meet the administration criteria as stipulated in the invitation for bidding i.e. advert, bid document, were awarded the bids.

- (a) The committee was concerned about the awarding of a bid to a bidder who did not submit the audited AFS, only unaudited financial statements were submitted, and it was clarified that administrative criteria was used for the bid. Audited financial statement are only required for registered company in terms of the Companies Act. The appointed company in question is currently registered as a close corporation (CC).

Therefore the requirement of the annual AUDITED financial statements is not applicable.

- (b) The committee was also concerned that the Bidder did not attach NHBRC certificate, and the committee wanted to know why management overlooked the NHBRC certificate while it was a requirement.

It was clarified that the minutes for the specification of the bid document does not include the NHBRC certificate as a requirement. This was erroneously included in the bid document. A key requirement for SCM is the requirement that the specification should be evaluated and adjudicated

6.13. B-BBEE points incorrectly awarded to competitive bidder.

Paragraph 2 of the Preferential Procurement Policy Framework Act (PPPFA) no.5 of 2000, Framework for implementation of preferential procurement policy states that:

"An organ of state must determine its preferential procurement policy and implement it within the following framework:

1. A preference point system must be followed

2. (i) for contracts with a rand value above a prescribed amount a maximum of 10 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 90 points for price,
 - (ii) for contracts with a rand value equal to or below a prescribed amount a maximum of 20 points may be allocated for specific goals as contemplated in paragraph (d) provided that the lowest acceptable tender scores 80 points for price.
- (a) The committee wanted to know if the municipality have UIF register and it was clarified that the municipality has a register which is taken to Council quarterly.
 - (b) The committee was also concerned why the municipality have contrary in awarding points to competitive bidders and clarity was provided that scoring of points for the bids did not result in incorrect awarding but rather incorrect allocation of points hence administration has a checklist to verify allocation of points.
 - (c) The mitigation plan to be put in place is to ensure that administration review minutes and recalculation of points allocated by the relevant committees

6.14. SCM – Contract register submitted for audit is incomplete.

During the audit of contract management, it was identified that the contracts for Red Ant Relocation and Eviction Services and Maximum Profit Recovery (PTY) Ltd were not included in the contract register submitted for audit.

- (a) The committee wanted to know if the municipality have Contracts register and it was clarified that the municipality have contract register.
- (b) The committee further wanted to know why the municipality not include contracts for c and Eviction Services and Maximum Profit Recovery (PTY) Ltd in the Contracts register and a response was that it was human error when reconciling the contract register.

- (c) The Accounting Officer will reply in writing on who takes responsibility for the human error.

6.15. SCM-SLA does not detail same goods as those per the tender document

In terms of clause 4.1 of General Conditions of contract, it is stated that goods supplied shall conform to the standards mentioned in the bidding documents and specifications.

- (a) MPAC was concerned that Service Level Agreement did not detail the same goods or services as per the tender document and it was clarified that the tender document was erroneously published as electrification of 225 household on the cover page in contrary with the attached BOQ which stated 149 households. The SLA and appointment letter and tender BOQ is for 149 households.
- (b) Reconciliation between the approved SDBIP, tender documents and SLA will be revisited for implication to be assessed and resolved as a mitigation factor.

6.16 Leave Provision: Differences on recalculation of leave provision.

It was identified that the number of leave days used to calculate the accrual for leave pay and number of leave days per leave report does not agree to leave days recalculated by auditors as per the leave policy, resulting in an understatement of the leave provision.

- (a) The committee was concerned about the recalculation of leaves as there is no system in place to give accurate results and it was clarified that the contractor is on site and that the system will be effected in July 2022.

6.17. Receivables – Recalculated CDM advance commission debtor based on the age analysis does not reconcile to the recorded debtor balance.

(a) The committee was concerned that management did not submit correct debtors statement to CDM and it was clarified that incorrect classifications of water related transactions due to late processing of water journals which lead to inconsistencies not identified on time.

(b) The committee further wanted to establish why management did not propose any adjustment to correct the error of overstatement of an amount of R477 412.4 and it was clarified that the misstatement was not material. Municipality has started on working on the actions to correct in preparation for the 2021/22 financial statements.

6.18. Inconsistencies between financial records and AFS.

The committee was concerned on why management did not respond to query of consumer debtors on refuse and it was indicated that administration will investigate on what causes the difference and if not possible an item will be presented to council for write off so that age analysis can agree to the system and billing reports.

6.19. Chapter 3: Service Delivery Performance

Tec: (1-17, 21-32, 34-37, 39-40, 42, 44-45, 47-48, 50, 57, 63)

The committee wanted to be clarified on the following:

(a) Whether the municipality did sign the SLA for engineering consultants

(b) The root cause for municipality not appointing service consultants.

(c) If they (Tec: 1-17, 21-32, 34-37, 39-40, 42, 44-45, 47-48, 50, 57, 63) were deferred to 2020/21 financial year.

No answer was provided.

6.20. Tec-33: Construction of Ga-Molapo Creche

The committee wanted to know why was the project discontinued and the reason was due to insufficient funds.

6.21. Tec-38: Upgrading of Lebowakgomo Stadium: Flood lights, Soccer pitch, toilets.

The committee was concerned about non achievement, but with the expenditure of R123 726.67 and it was clarified that the amount was paid to the project consultant for the project designs.

6.22. Tec-41: Construction of 1km road from gravel to tar at Lebowakgomo Unit H

The committee wanted to know why late appointment of service provider and it was indicated that there were delays in appointing the contractor due to SCM processes and it was further indicated that the project is currently at practical completion stage and the contractor is busy with snag items.

6.23. Tec-43: Upgrading of Kliphuiwel access road from gravel to tar

The committee wanted to know the reasons for non-compliance and it was clarified that the road is a 2km road and the allocated budget was reduced from R8 500 000.00, which was insufficient to complete the whole 2km's to R5 800 000.00. The scope had to be reduced in line with the available budget which could only complete 0.5km and the project needs to be budgeted for to complete the remaining scope.

6.24. Tec-46 & 49: Upgrading of 1km access road (Rakgoatha) and 4km access road (Maijane, Makaung, Makaepa) from gravel to tar.

The committee wanted to know the projects progress and it was clarified that upgrading of 1km access road (Rakgoatha) project is completed and the 4km access road (Maijane, Makaung, Makaepa) from gravel to tar- The project is a multi-year project, phase one is 95%- Complete, there was a delay due to stoppage by the local SMME's and contractor payment issues. The contractor resolved to terminate his contract with the Municipality due to unfavourable working conditions. However, the Municipality intervened and resolved that the contractor should resume work on site and complete the remaining work.

6.25. Tec-51 & 53: Upgrading of 2.4km access road (Mashite) and 3.9km access road (Hweleshaneng) from gravel to tar.

The committee was concerned about the delay in appointment of service providers for upgrading of 2.4 km access road (Mashite) and it was indicated that there was no reasons for the delay and on the 3.9km access road (Hweleshaneng) from gravel to tar the reasons for the delay was insufficient budget.

It was further indicated that upgrading of 2.4 km access road (Mashite) is completed and 3.9km access road (Hweleshaneng) is at specification stage.

6.26. MM – 03: 12 Special Focus mainstreaming progress reports compiled and submitted by June 2021.

The committee requested reasons for not producing twelve (12) mainstream reports and it was indicated that events were halted by covid-19 regulations which resulted in special focus having nothing to report on.

6.27. MM-09: 01 Business Continuity Plan compiled and approved by council by June 2021.

The committee wanted to know whether the project was budgeted for in the next financial year and it was clarified that the project is budgeted for and the municipality will seek assistance from DBSA and audit committee members

PLANNING AND LED

6.28. PLED-09: 03 Reports compiled on Needs analysis, verification of information, procurement plan and signing of advisor contract by Transaction Advisor.

The committee wanted to know how far the municipality is with the appointment of service provider and was clarified that bids did not comply with SCM regulations and tender was re-advertised.

It was indicated that the National Treasury has issued a circular instructing municipalities to stop with the procurement processes till further notice.

6.29 PLED-12: No hectares of land transferred.

The committee wanted to know why the transfer of land was not yet done, and it was

clarified that transfer of the remainder of farm will be done by Minister of National Department

of Agriculture and Rural Development. And further that the department of Land Affairs was consulted and awaiting response.

6.30 PLED-14: 5 km of streets surveyed by June 2021.

The committee wanted to know why the new roads not identified and reasons for non-achievement and it was clarified that the municipality has identified and surveyed all the roads and are included in the IDP.

6.31. PLED-15: 51 Building inspections conducted per year.

The committee wanted to know the challenges for non-achievement and it was indicated that the challenge is on shortage of personnel within the building section. The appointed official is currently responsible for inspections and assessments of both residential and business building plans.

6.32. PLED-16: Draft Building Control Policy developed and not approved by council.

The committee was concerned about non-submission of inputs and comments by stakeholders and it was clarified that some of the department (technical and community services) were not operating during Covid -19 alert level 5 and 3.

6.32. PLED-18: 200 Newly acquired properties registered in municipality's name by June 2021

The committee wanted to know how far the municipality with COGHSTA in terms of Land Tenure Rights is and it was indicated that the municipality agreed with CoGHSTA to budget for upgrading of Land Tenure rights. (Unit F and Unit B).

6.33. PLED-20 & 21: 90% Internal Audit and AGSA findings addressed.

The committee wanted to know the reasons for the delay on the registration of sites and it was clarified that the 10% outstanding is on land matter for registration of sites which is ongoing and budgeted for full implementation in the current financial year.

COMMUNITY SERVICES

6.33. COM-09: 01 Environmental Management Plan reviewed and approved by council by June 2021.

The committee wanted to know the reasons for the delay on the development of Environmental Management Plan and it was indicated that it was due to lack of budget. It was further indicated that the project is on the draft budget for 2022/23 F/Y awaiting approval by the Council. Alternative funding will also be sorted from DBSA; Department of Environmental Affairs and LEDET

6.34. COM-10: 09 Parks and open spaces maintained per annum.

The committee wanted to know the reasons for not having personnel to clean parks and the response was that:

- The Unit doesn't have personnel and EPWP was used as and when appointed. Technical Services assisted as and when they're not overloaded in cleaning the parks in the past.
- Submission to Corporate Services to appoint dedicated personnel to clean the parks has been submitted awaiting job evaluation by SALGA

It was further indicated that to curb the above situation the municipality is in a process of reviewing organisational structure in consultation with COGHSTA and that the review session of that organogram is scheduled for 28 and 29 March 2022.

6.35. COM-13: 95% of Internal Audit findings addressed.

The committee wanted to know the reasons for non-achievement and it was clarified that it is due to financial constraints, shortage of staff, delays in appointment of service providers.

It was further indicated that action plan on implementation of internal audit findings has been developed and monitored monthly during executive management meetings and quarterly by audit committee.

6.36. COM-19: 03 Projects implemented as per approved procurement plan (2020/2021 FY)

The committee wanted to know reasons for non-achievement and it was indicated that it was due to non-responsiveness of suppliers to the administrative and bid requirements and the municipality has appointed 20% of its projects, 80% is on various procurement stages including re-advertisement.

To avoid the above situation training for potential suppliers to be conducted and briefing session after upliftment of covid-19 regulations

BUDGET & TREASURY

6.36. B+T-08: 65% of tenders awarded within 90 days.

The committee wanted reasons for not appointing tenders within 90 days and it was indicated that is due to shortage of staff.

6.37. B+T-10: 31.5% Revenue collected

The committee wanted to know the reasons for non-achievement and the response was the impact of covid-19 effects on the economy and household disposal income and also the culture of non-payment of services by clients.

It was also indicated that the municipality has developed consumer consultation schedule that has to be presented to council for adoption and to offer incentives (write-off interest charged on overdue account upon settlement of debt)

6.38. B+T-14: 25% Risks mitigated

The committee was concerned about land matters not resolved and it was indicated that the declaratory order was obtained by municipality from Polokwane high court against the two tribal authorities (Mphahlele and Ledwaba) on the ownership of land within Lebowakgomo.

6.39. B+T-16: 25.5% Budget spent

The committee wanted to know the causes for non-adherence to procurement plan and it was indicated that it was due to non-responsiveness of suppliers to the administrative and bid requirements.

CORPORATE SERVICES

6.40. CORP-17: 0% Correspondence filed

The committee wanted to know why the indicator was not achieved and it was clarified that the General file Plan was under review by the Provincial Archives.

The committee wanted to know why is the municipality not having a fully functional filing system and it was clarified that the municipality has started streamlining the record system to ensure that the filing system is functional, and the awareness campaign is in process with the Records Officer who is hands-on to ensure the functionality of the system.

6.41. CORP-18: No PAAIA report compiled

The committee was concerned about the inability to implement PAAIA as planned and was clarified that the PAAIA Manual has been developed and referred to the Provincial Archives for translation into at least three official languages. A follow up will be made with the Provincial Archives to ensure that it is returned to the municipality.

7. FINANCIAL PERFORMANCE

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

The committee scrutinised the monthly Budget Statements for March, April, June and November 2020 and no findings were made.

8. REPORT ON THE IMPLEMENTATION OF CAPITAL PROJECTS

The committee conducted projects visits from the 2nd to 3rd March 2022 at Lebowakgomo Cluster, Mphahalele Cluster, and Zebediela Cluster and the following projects were visited:

Project No 1

Project Name	Upgrading of internal street and stormwater at Rakgoatha		Project Number	LNM013/2020/21	
Project Budget	R 7 684 619,06		Expenditure To Date	R 7 681 069,96	
Consultant	Thuso Projects		Contractor	Maesh Pty Ltd	
Award Date	26/10/2020	Start Date	25/11/2020	Completion Date	29/09/2021
Scope of Work	Upgrading of 1 km internal street at Rakgoatha with the following scope: <ul style="list-style-type: none">• Clearing and grubbing earthworks• Construction of layer works• Asphalt Surfacing				

	<ul style="list-style-type: none"> • 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	Completed					
Challenges						
Job creation	Adult Male	Adult Female	Young Male	Young Female	Disable	TOTAL
	4	5	5	4	0	18

Findings

- No stormwater drainage.
- Too much soil erosion on the road.

Challenges

- Sub-contractor had disagreement with contractor over the rates on site cleaning.
- V-drain subcontractor abandoned work.
- Contractor used their resource to finish the work

Project No. 2

Project Name	Construction of gravel road to tar Maijane, Makaung and Makaepa	Project Number	LN016/2020/21
---------------------	---	-----------------------	---------------

Project Budget	R 7 807 666.00		Expenditure To Date	R 7 793 206,43		
Consultant	Zakumi Consulting Engineers		Contractor	Mangethe Group Pty Ltd		
Award Date	26/10/2020	Start Date	10/11/2020	Completion Date	10/03/2021	
Scope of Work	Construction of 1km road from gravel to tar at Maijane, Makaung and Makaepa 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 V-drains• Construction of concrete kerbs• Road sings and markings• Construction of concrete drift drain					
Status Quo	95% completed					
Challenges						
Job creation	Adult Male	Adult Female	Young Male	Young Female	Disable	TOTAL
	4	5	2	3	1	15

Findings

- No bell mouth at road intersection.
- No concrete kerbs.

Challenges

- Site cleaning on road interceptions.
- No way breach at one household next to the road.
- V-drain constructed unable to control water alongside the road.
- Contractor not willing to finish the project, wants termination.

Project No 03

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 To Date	R 6 882 399,33	
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 • Construction of concrete kerbs • Asphalt Surfacing 				

	<ul style="list-style-type: none"> • Road Signs and Road Markings • Storm water channel 					
Status Quo	95% Practical completion					
Challenges encountered						
Job creation	Adult Male	Adult Female	Young Male	Young Female	Disable	TOTAL
	3	1	5	4	0	13

Project No 04

Project Name	Construction of Mooiplaas access road from gravel to tar		Project Number	LNM105/2018/19	
Project Budget	R 28 812 958.41		Expenditure To Date	R 28 791 692,10	
Consultant	Aphane consulting		Contractor	Moribo wa Afrika/ Maditsi JV	
Award Date	01/04/2019	Start Date	23/05/2019	Completion Date	11/12/2020
Scope of Work	Upgrading of 1.3km access road from gravel to tar at Mooiplaas with the following scope: <ul style="list-style-type: none"> • Clearing and gabbing earthworks • Construction of layer works • Asphalt Surfacing 				

	<ul style="list-style-type: none"> • Installation of concrete box culvert • Gabions • Guardrails • Road signs and markings • New intersection 					
Status Quo	Completed					
Challenges						
Job creation	Adult Male	Adult Female	Young Male	Young Female	Disable	TOTAL
	3	1	12	5	1	22

Findings

- Bridge too narrow.
- No shoulders at the bridge for pedestrian walking.
- Employment of EPWP labourers a concern.
- There is a hole next to the road that could lead to road damage.

Challenges

- Soil erosion on the road.
- Road need to be beefed-up with crush on the side.
- Labourers did not receive their training certificates from the contractor.

Project No 05

Project Name	Construction of Maralaleng Community Hall	Project Number	LNMO78/2019/20
---------------------	---	-----------------------	----------------

Project Budget	R5 491 710.00		Expenditure To Date	R 5 485 809,09		
Consultant	Inhouse		Contractor	Thalema Trading Enterprise		
Award Date	26/05/2020	Start Date	03/07/2020	Completion Date	03/01/2021	
Scope of Work	<p>Construction of a hall facility with the following scope:</p> <ul style="list-style-type: none">• Site clearing.• Construction of the hall(Comprising of 1 X Kitchen,2x offices,1x changeroom,1x toilet for offices, Main hall, Male and Female Ablution facilities,1 x unisex disabled toilet,1X Ticket office) complete with brickwork, plastering, painting and tiling.• Reinforced concrete footing, columns and sceptic tank• Sewer reticulation connecting to septic tank• Water reticulation(Drilling and equipping of borehole, Installation of Elevated Water tank(5 000 l),Complete with Pressure pump• Supply and installation of security fencing at 1.8m height• Supply and installation of electricity• Construction of guardhouse• All electrical connections and commissioning• VIP Toilets(Male and Female)					
Status Quo	Completed					
Challenges						
Job creation	Adult Male	Adult Female	Young Male	Young Female	Disable	TOTAL
	2	1	9	2	0	14

Project No 06

Project Name	Upgrading of Mashite road from gravel to tar and stormwater control		Project Number	LNM012/2020/21		
Project Budget	R 16 112 339.80		Expenditure To Date	16 111 846.31		
Consultant	Nemorango Consulting Engineers		Contractor	Nemorango Consulting Engineers		
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• Road sings and markings• Construction of concrete drift drains• Construction of concrete kerbs• Speed humps					
Status Quo	Completed					
Challenges						
Job creation	Adult Male	Adult Female	Young Male	Young Female	Disable	TOTAL
	2	3	6	5	0	16

Findings

- V-drain a challenge at road intersection.
- Site partially cleaned.
- Employment of EPWP labourers a concern.

Challenges

- Water pipe damaged by contractor and reconnected by community at their expense.

Project No 07

Project Name	Electrification of 149 Household in Manaileng Village		Project Number	LNM024/2020/21	
Project Budget	R 3 632 962.00		Expenditure To Date	R 1 885 744.13	
Consultant	Mulanga Consulting Engineers		Contractor	Kingki Electrical Contractor	
Award Date	08/01/2021	Start Date	01/02/2021	Completion Date	28/02/2022
Scope of Work	<p>Electrification of 149 Household in Manaileng Village with the following scope:</p> <ul style="list-style-type: none"> • Site Establishment = 01 (100%) • Pegging out the works (MV and LV) (100%) <ul style="list-style-type: none"> • 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%) 				

	<ul style="list-style-type: none"> • LV Structures and LV Stays = 136 (100%) <ul style="list-style-type: none"> • Service boxes = 61 (100%) • MV Stringing = 6800 (100%) • LV Stringing = 7000 (100%) • Transformer Installation = 07 (100%) • Installation of Earthing (MV and LV) = 16 (100%) <ul style="list-style-type: none"> • House Connections-Base = 149 (100%) • House Connections-Meter & Airdack = 149 (0%) <ul style="list-style-type: none"> • Digging and Install 5m Poles = 58 (100%) • Testing and Commissioning = 07 (0%) 					
Status Quo	94% Not Completed					
Challenges	Awaiting Councillor for Approval Variation Order no.02 for upgrade the Existing Medium Voltage Mink Conductors to current specification of Fox Conductors which was approved for new design.					
Job creation	Adult Male	Adult Female	Young Male	Young Female	Disable	TOTAL
	04	02	06	04	0	16

Findings

- House connections – Meter and Air dark not done.

Challenges

- Project delayed due to Community strike from April to October 2021.
- Upgrade of the existing medium voltage mink conductors to fox conductors.

QUESTIONS TO MANAGEMENT ON PROJECTS VISITED.

- (a) The committee was concerned about the state of the narrow bridge without shoulders for pedestrian crossing at Mooiplaas access road and wanted to know what plans the Accounting Officer has to rescue the situation.

The Accounting Officer indicated that the Municipality has accepted the infrastructure as is from design to construction. Addressing the issue will mean the bridge may require redesign and reconstruction

- (b) The committee was concerned that in terms of hiring of EPWP labourers at Mooiplaas and Mashite access roads, why few labourers were employed considering the projects budgets.

The Accounting Officer indicated that the project was more mechanical construction and labour intensive construction methods were limited due to time constraints.

- (c) The Committee wanted to know the plan the Accounting Officer has to fix the hole next to the road that could lead to road damage at Mooiplaas access road.

The Accounting Officer indicated that the hole referred to is a storm water channel to channel water away from the road into the existing stream.

- (d) The Committee wanted to know how is the municipality going to assist labourers in getting training certificates from the Contractor at Mooiplaas access road.

The Accounting Officer indicated that the training service provider will be paid through the consultant's retention money in order for the certificates to be released.

- (e) The committee needed to know the plan the municipality has to fix burst pipe damaged by the Contractor at Mashite access road.

The Accounting Officer indicated that the pipe is fixed however the project is still under defects liability period of 12 months where the contractor is still liable for any defects identified on the project.

The committee discovered during project visit that the community members were the ones who fixed the burst pipe which is contrary to what the Accounting Officer has mentioned on the above statement.

Administration was tasked to do the follow-up on the matter and ensure that the community is paid back their money.

- (f) The committee was concerned why the contractor not cleaned the site after completion of the project at Mashite access road.

The Accounting Officer indicated that the local labourers refused to clean the site during completion due to fears of non-payment by the contractor after completion.

The contractor was instructed to clean the site upon completion and will not be issued the balance his retention if the site is not cleaned by the end of the defects liability periods.

- (g) The committee was concerned of the V-drains constructed unable to control water along the road at Maijane, Makaung and Makaepa access road.

The Accounting Officer indicated that the consultant has been instructed to find an engineering solution to resolve the storm water issue before the project is completed.

- (h) The committee was concerned that there was no speed humps, bell mouth at road intersections, concrete kerbs, road signs and markings at Maijane, Makaung and Makaepa access road.

The Accounting Officer indicated that there was a delay due to stoppage by the local SMME's and contractor payment issues. The contractor resolved to terminate his contract with the Municipality due to unfavourable working conditions. The affected scope of work which was not done during the stoppage speed humps, road signs and markings

The following was not part of the scope as per design:

1. Construction of bell mouth at road intersections.
 2. Concrete kerbs.
- (i) The committee wanted to know if the municipality is conducting physical inspection of projects on regular basis

PMU technicians conduct site visits at least once a month to monitor progress, compliance and quality control at each project. Furthermore consultants are appointed as the employer's agent to perform supervision and monitoring of construction activities.

- (j) The committee needed to be provided with initial scope of all the projects.

The Accounting Officer indicated that the project as stated above include the original scope of works

8. QUESTIONS FROM PUBLIC PARTICIPATION MEETING HELD ON THE 14/03/2022 ON 2020/2021 ANNUAL REPORT

WARD 02

The community was concerned of what has happened to the Access Road in Khureng because it was budgeted for 2020/2021 and to date there was no movement.

The Accounting Officer indicated that the budget was reprioritized for outer years due to budget constraints.

WARD 05

The community wanted to know what happened to the fencing of Motlapodi Wetland, because the municipality promised the community that the wetland will be fenced with a budget of R500 000.00 and now the budget was reduced to R350 000.00, and when will the project implementation start?

The Accounting Officer indicated that the contractor is appointed but could not commence with the construction of the palisade fence due to community disruption (project design).

WRAD 10

The community wanted to know why the storm water project was scrubbed out of the IDP.

The Accounting Officer indicated that the project was only removed in the budget and not in the IDP due to constraints.

WARD 14

The community wanted know why RAL Road in Rakgoatha village was shifted from 2020/2021 to 2021/2022 and to date there is no movement and the road is in bad condition.

The Accounting Officer indicated that the budget was reprioritised for outer years due to budget constraints.

9. RECOMMENDATIONS

9.1. Council adopt the oversight report.

9.2. Council adopt the oversight report without reservations.

9.3. That the Accounting Officer must ensure compliance in terms of Circular 63 when compiling the Annual Report.

- 9.4 That the Accounting Officer must ensure that the Annual Report is proof-read by sister departments before made public.
- 9.5 That the Accounting Officer should ensure that all affected departments take part in compiling the annual report.
- 9.6 That the Accounting Officer must ensure that the user departments take responsibility for contract management in their respective departments.
- 9.7 That the Accounting Officer must ensure that consequence management is applied to curb recurrence of oversight trend e.g. human errors.
- 9.8 That the Accounting Officer must ensure that the AFS are double checked before submission to AG.
- 9.9 That Council must ensure that storm water is constructed before the construction of the roads.
- 9.10 That the Accounting Officer must ensure that Lefela Ditirelo Campaign is revoked to enhance revenue collection.
- 9.11 That the Accounting Officer must ensure that the journals are reviewed regularly before processing and also ensure that water votes for billing report are reconciled.
- 9.12 That the Accounting Officer must furnish the committee with the internal audit action plan within seven (7) days.
- 9.13 That the Accounting Officer must ensure that the GPS Coordinates are installed for easy tracking of stand numbers / erfs.
- 9.14 That the Accounting Officer must submit the deviation register and contract register to MPAC within seven (7) working days.

9.15 That the Accounting Officer must ensure that the procurement processes tally from the specification throughout the whole process to avoid recurrence of wrong allocation of points and other related issues.

9.16 To note that the unauthorised expenditure was reported to council and referred to MPAC for investigation but due to the preparation of the oversight report, the report will be submitted to council in the next meeting.

9.17 That the Accounting Officer must in writing within seven (7) working days provide answers on Service Delivery Performance on the following matters:

Tec: (1-17, 21-32, 34-37,39-40,42,44-45,47-48,50,57,63) – as in the Management letter,

(a) Whether the municipality did sign the SLA for engineering consultants

(b) The root cause for municipality not appointing service consultants.

(c) If they (Tec:1-17, 21-32, 34-37,39-40,42,44-45,47-48,50,57,63) were deferred to 2020/21 financial year.

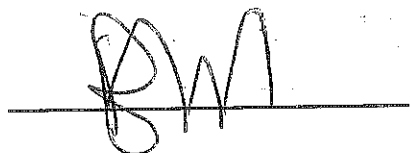
9.18 That the Accounting Officer must ensure that Upgrading of Kliphuiwel access road from gravel to tar is allocated the budget to complete the scope of work.

9.19 That the Accounting Officer should ensure that vacant positions are filled and further fast track the issue of review of organogram to curb shortage of staff.

9.20 That the Accounting Officer must report to MPAC within seven (7) working days the progress of the plan to repay the community members the

expenses they incurred to fix the burst pipe damaged by the contractor in Mashite.

9.21. That the Accounting Officer must ensure that all recommendations made are implemented without fail.



CLLR MAKGAHLELE M.B

MPAC CHAIRPERSON



DATE