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Tropical Paradise

**A145 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MPAC OVERSIGHT REPORT ON  
THE 1<sup>ST</sup> QUARTER 2018/19 SDBIP REPORT.**

**(E/C 2019 06 27; 2019 06 27)**

**(12/2/3/1/1)**

**RESOLVED**

- a) That Management and the Mayor adhere to the reporting timeframe as outlined in the MFMA.
- a) That the unauthorised expenditures be managed and be reduced.
- b) That the management continues to engage with Mopani District Municipality to find a solution on water service cost.
- c) That they be interaction between the department and that the department report correctly in the 3<sup>rd</sup> quarter SDBIP.
- d) That all service providers be evaluated in the 3<sup>rd</sup> quarter SDBIP.
- e) That all expired contracts be terminated and the new bid be advertised.
- f) That the 2018/19 SDBIP 1<sup>ST</sup> quarter be approved.

**Signed by the Speaker**

**Councillor DJ Mmetle** .....

**A145 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MPAC OVERSIGHT REPORT ON THE 1<sup>st</sup> QUARTER 2018/19 SDBIP REPORT.**

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**REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE**  
**CHAIRPERSON: COUNCILOR DG MKHABELA.**

**PURPOSE OF THE REPORT**

The purpose of the report is to table before Council the Municipal Public Accounts committee's oversight report on the 2018/19 1<sup>st</sup> quarter SDBIP report.

**BACKGROUND**

The 2018/19 1<sup>st</sup> quarter Service Delivery and budget Implementation Plan (SDBIP) report was tabled in Council on the 31 January 2019. The SDBIP was referred the Municipal Public Account Committee for oversight process though council resolution resolution (A106; C 2019 01 31).

**DISCUSSIONS AND FINDINGS BY THE COMMITTEE**

The committee has perused the 1<sup>st</sup> quarter SDBIP report and issued clarity seeking questions to the accounting officer which were to be responded to on time to allow the committee to make further follow –up questions and the verify the provided evidence.

The committee has noted with great concern the delay from the management in responding to the questions and that most of the questions are not responded to the satisfaction of the committee.

*See Attached MPAC questions and responses from management as **Annexure B)***

## **FINDINGS BY THE COMMITTEE**

### **Non-compliance with the reporting time frames**

1. In terms of the MFMA 56 OF 2003 Chapter 7 ,Section 52, general responsibilities of the mayor (d) state that the mayor must, within 30days of the end of each quarter submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality.
  - a. The 2018/19 1<sup>st</sup> quarter SDBIP Report was submitted to Council on the 31 January 2019 together with the mid-year report which is four month later and not in line with the legislation; through council resolution (A106 and A109; C 2019 01 31) .
  - b. The finding is also recurring from the 2017/18 1<sup>st</sup> and Mid-year report been submitted to council in January 2018.
  - c. The finding is recurring from the 2017/18 4<sup>th</sup> quarter SDBIP Report serving in council late on the 25 October 2018 through council resolution (A 84 C2018 10 25).
  - d. Submission of the two reports at the same time 1st and 2nd quarter which makes it difficult for the committee to conduct oversight and to recommend corrective measures to be effected in the 2nd quarter report.

### **Operational expenditure analysis**

The committee has analyzed the operational expenditure and noted the following;

- a) There is overspending on the legal expenditure and that during the 1<sup>st</sup> quarter the municipality has overspend to 197% of the allocated budget. Some of the legal expenditure emanates from old cases.
- b) There is continues fruitless expenditure and overspending as a results of delay in payment of Eskom Account which ultimately lead to interest to be added.
  - The fruitless expenditure is recurring from the 2015/16, 2016/17, 2017/18 Unauthorized Irregular and Fruitless Expenditure Report

- *Engagement has been made with the management regarding the fruitless expenditure and unauthorized expenditure experienced in the 1<sup>st</sup> quarter SDBIP report and it was noted that ;*

- a) The municipality is currently heavily committed on operational expenditures and high salary costs and the revenue collected from all streams is not adequate to cover Eskom payments.
- b) Unfunded initiatives such as the provision of water through water tankers to areas where MDM is failing to provide a sustainable service to the community. The finding is recurring and that the engagement must be made with Mopani District Municipality to water service cost.

#### **Validation of Indigent register**

The committee engaged with the management and found that;

- a) The validation was done by external service provider and management agreed that the current indigent register must be reverted and done from scratch which will be done in 2019/20 financial period by a professional company.
- b) The committee also resolved to recommend to the council that the management's recommendations, that the current indigent register must be reverted and done from scratch which will be done in 2019/20 financial period by a professional company.

#### **OHS Meetings**

- a) The committee has noted the underperformance in terms of the OHS meetings and that the quarterly target was not met. The annual targets for the unit is 140 and 35 quarterly, and the actual as of September 2019 was 3.
- b) Despite the number of meeting the unit was able to provide sufficient evidence of the 19 inspections which were conducted.
  - It is recommended that management develop a plan to achieve the set target.

- The committee has further recommended that the Management must closely monitor the implementation plan to ensure the achievement of the set target.

### **Community feedback meetings**

- a) Community feedback meeting were not held as planned due to councillors not honouring the meetings,
  - The committee resolved to recommend to Council that councillors holds community feedback meeting as required.

### **Lack of interaction between the Departments**

The committee has noted lack of interaction between the departments in the municipality. Lack of interaction has led to the poor reporting and lack of responsibility on the SDBIP especially where the set target for the quarter was not achieved.

- a) Examples with specific reference can be made on Page 75, table D157, of the SDBIP; the Electrical Engineering service could not liaise with office of the Fleet management and supply chain management to provide progress on the purchase of crane for electrical services. Even when requested to liaise with the relevant department, the response provided is not relevant and does not respond in line with the key performance area in the SDBIP.
- b) Page 68, Ref D143 of the SDBIP, rand value spend on Waste Management, the Community Service Department should interact with office of the CFO (Budget Office) to get the correct figures as required in the SDBIP. Even when requested to liaise with the department the department did not liaise.

### **Poor intergovernmental relations**

#### **Collection of Traffic Fines**

- Page 73, Ref D153, traffic fines collections, there is an indication that the Department is not receiving the necessary support from the office of Magistrate to process warrant.

- The department was not able to provide the committed with proof or evidence for communications or meetings with office of the Magistrate.
- MPAC questions were responded late on 24 June 2019 and further follow ups or accountability meetings could not be arranged to get the response which will satisfy the council.

### **EVALUATION OF SERVICE PROVIDERS**

- a. The MFMA 56 OF 2003, section 116(2) (d) requires the accounting officer to regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate to on the management of contract or agreement and the performance of the service providers.
- b. The 2018/19 1<sup>st</sup> quarter SDBIP does provide assessment of all service provides in the Municipality and therefore the municipality is not complying with the legislation.
- c. The finding is recurring that not all service provides are been report in the

#### **Poor contract management**

In the evaluation of service providers, the committee has not with great concern that the municipality is rendering services with expired contracts and that finding is recurring includes;

- a) The contract between the municipality and BCIT for collecting payment in the CBD expired in June 2017. The Director Community Services must facilitate the signing of the SLA with Legal division and ensure that the new service provider start working.
- b) The contract between the municipality and Action IT for reporting system ends 1/04/2018.

**RECOMMENDATIONS**

- a) That Management and the Mayor adhere to the reporting timeframe as outlined in the MFMA.
- a) That the unauthorised expenditures be managed and be reduced.
- b) That the management continues to engage with Mopani District Municipality to find a solution on water service cost.
- c) That they be interaction between the department and that the department report correctly in the 3<sup>rd</sup> quarter SDBIP.
- d) That all service providers be evaluated in the 3<sup>rd</sup> quarter SDBIP.
- e) That all expired contracts be terminated and the new bid be advertised.
- f) That the 2018/19 SDBIP 1<sup>ST</sup> quarter be approved.

**FOR CONSIDERATION**



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**MUNICIPAL PUBLIC ACCOUNT COMMITTEE  
INTERNAL MEMORANDUM**

**CONFIDENTIAL**

<b>TO:</b>	<b>MPAC (MKHABELE G)</b>
<b>FROM:</b>	<b>MUNICIPAL MANAGER (BS MATLALA)</b>
<b>DATE:</b>	<b>10 JUNE 2019</b>

**MPAC RESPONSES 2018/19 1<sup>ST</sup> QUARTER SDBIP REPORT**

1. In terms of the MFMA 56 OF 2003 Chapter 7 ,Section 52, general responsibilities of the mayor (d) state that the mayor must, within 30days of the end of each quarter submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality.

- a. The 2018/19 1<sup>st</sup> quarter SDBIP Report was submitted to Council on the 31 January 2019 together with the mid-year report which is four month later and not inline with the legislation; council resolution (A100; C 2019 01 31) .The finding is recurring from the 2017/18 1<sup>st</sup> quarter SDBIP Report serving in council late.
- b. Explain in details the reasons for failure to comply with the legislations and provide corrective measures which are in place to rectify the findings.

**SDBIP the MM's office detected that various Departments did not report as required and they were requested to correct the reporting. The situation was addressed and therefore the 2nd Qtr report was submitted on time.**



## 2. OPERATIONAL EXPENDITURE ANALYSIS

a. Page 9, office of the Municipal Manager, overspending on legal fees is at 197% during the first quarter. Read also with page 27, Table 8, ref d10 on legal issues.

- Provide a detailed breakdown of legal expenditure for the quarter as per the report

See (annexure 1)

- What plans do you have to minimize legal expenditure?

Legal expenditure emanates from litigations which relates mainly to contracts which are managed by Departments. Managements is committed to manage contracts in a manner that litigations are avoided or minimized in the future. Overspending was mainly because of old cases which have significantly reduced. Management is confident that legal expenditure will reduce drastically in the foreseeable future.

b. Page 9, office of Chief Financial Officer, there is continues fruitless expenditure and overspending as a results of delay in payment of Eskom Account which ultimately lead to interest to be added.

- The fruitless expenditure is recurring from the 2015/16, 2016/17, 2017/18 Unauthorized Irregular and Fruitless Expenditure Report

What plans do you have to avoid the above fruitless expenditure of payment of interest as a result of delay in payment of Eskom Account?

- The municipality is currently heavily committed on operational expenditures and high salary costs and the revenue collected from all streams is not adequate to cover Eskom payments, thus payment arrangements are made with ESKOM. Eskom meetings are being held but they are currently not exempting interest nationally to municipalities.
- The electricity tariffs are currently being reviewed by an external consultant to ensure cost recovery electrical division in order to improve revenue

- A revenue enhancement strategy is currently being developed externally to improve operational procedures between all revenue generating departments
- Credit control process are being reviewed and a new policy developed to improve revenue collection.
- Debt collection service provider to be appointed the bid is in evaluation stage as the current bid expired.
- Water tariffs will be reviewed by a professional consultant in 19-20 financial year.

### 3. OFFICE OF THE MUNICIPAL MANAGER

- a. Page 32-33 Table 8, Ref D28 and D29, projects which are aimed at strengthening the capacity of internal Audit are behind schedule. What is the progress as of to date?

D28 – Procurement processes for Contracted Internal Audit Services have been initiated through an advert for bids.

D29 – The Procurement of Internal Audit system was delayed to allow IT to finalize the upgrading of the infrastructure before bringing a new system. Specifications are drafted and will be advertised before year end to allow appointment at the beginning of the new financial year.

- b. Council resolutions are not implemented as per the agreed time. How do you plan to improve on the implementation of council resolutions?

Not all Council Resolutions have timeframes. Some of the Resolutions are long term and their implementation is continuous. It must however be stated that there is a need to improve in the manner that resolutions are captured to ensure clear timeframes. Efforts will be made to capacitate both administration and Council to make time bound recommendations and resolutions to ensure easy tracking.

#### 4. OFFICE OF CHIEF FINANCIAL OFFICER

- a) Page 42, Table 10, ref D55, KPI (# of mSCOA *Progress report submitted to council*), *contract management report*, could not be achieved and the reason for deviation does not align with the KPI, or either the KPI is not well structured. Please provide clarification.

The targets were set in 2017/18 and not reviewed as the MFMA does not require to submit separate reports to council on a monthly basis. A consolidated monthly report is taken to council monthly by each department, however the mSCOA implementation plan was submitted to council in July 2018 and Feb 2019

- b) Ref, D82, there is indication that the indigent register was last approved in the 2016/17 financial year, was there no validation done in the 2017/18 financial year? Explain in details.

The validation was done by external service provider and management agreed that the current indigent register must be annulled and done from scratch which will be done in 19/20 financial period by a professional company

#### 5. CORPORATE SERVICES DEPARTMENT

- a. Table 12, D103, page 56, OHS Meeting, the annual targets is 140 and 35 quarterly, and the actual as of September 2019 was 3. Which is poor performance.

- What strategies do you have to achieve the target?

Even if we may not achieve the set target, we are accelerating inspections of various work stations. The department is confident that significant progress will be made in that regard.

- Please provide portfolio of evidence for the 3 activities as per the report.

The Municipality has only one OHS practitioner and she was not well during the period in question which account for poor performance. As opposed to what is cited in the question, a total of 19 inspections were done. POE's are attached at (annexure 2).

- b. Community feedback meeting were not held as planned due to councilors not honoring the meetings, and the office of the chief whip was recommended to intervene. What strategy do you have to ensure that community feedback meeting are been held?

The convening of community feedback meetings is the responsibility of Ward Councillors. The Public Participation and Project Division assist Ward Committees in developing their annual programme and also remind them of activities in the said programmes.

The holding of community meetings is largely dependent on Ward Councillors.

## 6. COMMUNITY SERVICES DEPARTMENT

- a) Page 61, table 14, Ref D121, the actual must change from 1 to zero or if there was no case reported.( provide clarification)

- Case went to Court on 19 February 2018 and again on 27/07/2018. Fingerprints of suspect obtained and awaiting possible identification by the relevant department in SAPS.

Yes correct Letaba Security repaired and replaced all damages at the Lenyenye Community Hall.

b) Page 68, Ref D143, rand value spend on waste management, there reason for deviation and corrective measures does not satisfy the committee and it shows lack of integration between the office of the Community Service and the Chief Financial Officer. You are therefore requested to engage and provide correct information which is suitable for public consumption as required.

Community Services are only responsible for certain expenditure line-items which represent less than 40% of the expenditure budget The information regarding expenditure ratio`s is abstracted directly from information received from the C.F.O.`s Budget-office, of which the waste Division are not allowed access on the system

<u>MPAC Question</u>	<u>Response by the Waste Division</u>
<p>C) Page 70, Ref, D147, compliance with the landfill license, reasons provided shows lack of funds to address the outstanding items.</p> <ul style="list-style-type: none"> <li>- Was there any provision for budget made in the 2018/19 to address the challenges?</li> <li>- Was the matter been taken in to consideration on February 2019 during budget adjustment?</li> <li>- Are we going to achieve the set target in this financial year?</li> </ul>	<p>1) The Audit for the 1<sup>st</sup> quarter was done as per attachment, with a 95% compliance ratio</p> <p>2) 5% outstanding items are DIRECTY a result of a lack of sufficient budget-approval for 2018-2019 to ensure the following items will be addressed appropriately viz:-</p> <ul style="list-style-type: none"> <li>a) GRAP 19 Study <ul style="list-style-type: none"> <li>i) External audit</li> <li>ii) Drainage design</li> <li>iii) End-use design</li> <li>iv) End-use plan approval by LEDET &amp; DEA</li> <li>v) Landfill closure plan (See annexure 3)</li> </ul> </li> <li>b) Drainage and erosion requirements</li> </ul>

d, Page 73, Ref D153, traffic fines collections, there is an indication that the Department is not receiving the necessary support from the office of Magistrate to process warrant. Did the department have a formal meeting with the offence of the magistrate to share the frustrations? Provide detailed report.

- Several meetings were held with the magistrate and promises were made that they will assist us but they are not. It is like the magistrate court does not have enough personnel to can attend to the traffic offences we are sending to them. It is our wish that the municipality can have its own municipal court in future.

## 7. ELECTRICAL ENGINEERING SERVICES

Page 75, table d157, purchase of crane for electrical engineering, there reason for deviation and corrective measures does not satisfy the committee and it shows lack of integration between the Electrical Department with Fleet Office. You are requested to liaise with the relevant office and provide correct information which will be suitable for public consumption.

As per D157 although the project for the crane was with the Electrical Engineering department the procurement was done by Fleet Management in conjunction with SCMU. Documents were provided as POE to substantiate the progress of QTR1 as received from the Supply Chain Manager. (See annexure 4)

D157	Service Delivery	Improve access to sustainable and affordable services	Fleet Management	Purchase of Crane for Electrical Engineering	Q1: Appointment of service provider completed (50%) Q2: Delivery of crane and training of driver/operator completed (100%) Q3: n/A Q4: n/a	New project	100%	50%	0%	R	This project sits with the Civil Engineering Manager Mr L Mahayi	Will ask for a update on the progress of the purchasing of a crane	Appointment letter Delivery
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## 8. EVALUATION OF SERVICE PROVIDERS

The MFMA 56 OF 2003, section 116(2) (d) requires the accounting officer to regularly report to the council of the municipality or the board of directors of the entity, as may be appropriate to on the management of contract or agreement and the performance of the service providers.

- a) There is a recurring finding that not all service provides are been report in the SDBIP.
- b) Please Includes assessment of service providers who are omitted as require by the legislation.

The Office of the Municipal Manager identified the shortcoming which is due to the fact that contract management is decentralised with different information being kept in various departments. Standard Operating Procedures was developed for the Evaluation of Service Providers and approved by Management. This now needs to be implemented to improve the accuracy of reporting.

#### **9. 1<sup>ST</sup> QUARTER PERFORMANCE EVALUATION OVERALL**

- a. The committee has further noted that most of the KPI could not be archived due to insufficient funds.
- b. Was the SDBIP, IDP, adjusted and aligned with the budgets during February as per the recommendations?

The SDBIP, IDP and Budget were aligned in February '19 and adjustments were approved in Council.

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**BS MATLALA**  
**MUNICIPAL MANAGER**