

**A100 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MPAC OVERSIGHT REPORT ON THE
3rd QUARTER 2017/18 SDBIP REPORT.**

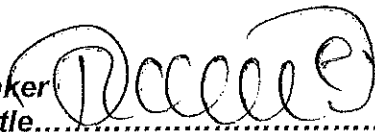
(C 2018 11 02)

(12/2/3/1/1)

RESOLVED

- c) That Management and the Mayor adhere to the reporting timeframe as outlined in the MFMA.
- d) That in future the report be Audited prior submission to Council.
- e) That Legal Division must provide advice before Service Level Agreements can be signed with service providers.
- f) That the Municipal Manager must establish a unit for contract management.
- g) That all reasons for deviations and corrective measures with corrections be effected in the report.
- h) That the 2017/18 SDBIP 3rd quarter be approved with corrections.
- i) That Projects with cracks such as Burgersdorp sports centre, Kubu-Lwandlamuni Bridge, Mafarana-Burgersdorp be fixed.
- j) That the Retention payment be withheld for those projects with defects.
- k) That the relevant Portfolio Committee and Project Management Unit conduct inspections on all five projects with challenges.

**Signed by the Speaker
Councillor DJ Mmetle.....**



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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 on the Municipal Public Accounts committee's oversight report on the 2017/18 3rd quarter SDBIP report.

BACKGROUND

The 2017/18 3rd quarter Service Delivery Budget Implementation Plan (SDBIP) was referred to the Municipal Public Accounts committee by Council on the 25th May 2018 for oversight processes by the committee. (Council resolution A45 C 2018 05 25, 3RD quarter performance report SDBIP for 2017/18).

DISCUSSIONS

The Municipal Public Account Committee perused the 2017/18 SDBIP report and crafted clarity seeking questions which were submitted and responded by the management. The responses by the management provided clarification and indication that as of the 17 October 2018 there is an improvement in various aspects of concerns which were raised by the committee and which includes;

- a) Auditing of performance information on a monthly basis and,
- b) Holding of OHS meetings.

However findings and challenges and recommendations of this oversight report are based on the 3rd quarter SDBIP reports, responses from the management and legislations.

FINDINGS BY THE COMMITTEE

REPORTING TIME FRAMES

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 2017/18 3rd quarter SDBIP report was submitted in council on the 25TH May 2018 which is not in line with the MFM legislation
- b) The Finding is recurring from the 2017/18 1st quarter SDBIP serving in council on the 25 January 2018.
- c) The 3rd quarter report should have served in the council of the 25 April 2018 which is in line with the approved council setting calendar.

NON AUDITING OF PERFORMANCE REPORT

The Municipal Systems Act, 2000, Section 45 requires that the results of performance measurements in terms of section 41 (1) (c), must be audited as part of the internal auditing process and annually by the Auditor-General. All auditing must comply with section 14 of the Municipal Planning and Performance Management Regulations, 2001 (Regulation 796

The performance report was not audited prior submission to council, due to reopening of the reporting system. The non-auditing of reports makes the committee to be dealing with mistakes that would have been avoided during the auditing process. When clarity seeking questions are been issued to the management, most of the response will differ with the contents of the report while other responses will refer to the contents of the report as errors or mistakes.

ASSESSMENT 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.

The municipal public account committee has observed that not all contract or performance of service providers are been reported in the SDBIP.

1. Contract between the municipality and Contour technology to render the services of electricity prepaid vending for the municipality has long lapsed in 2005. And Contract between the municipality and focus outsourcing solutions CC to render the services of water and lights for the municipality has long lapsed in 2005.

- a) The two contracts are not reported in the SDBIP on the assessment of service providers
- b) The two contracts form part of the unauthorised, irregular and fruitless expenditure report of 2016/17 Financial year.
- c) These two contracts are still in used in 2017/18 and 2018/19.
- d) The committee has noted the response and commitment by the management to advertise and appoint new service providers by January 2019

2. The contract between the municipality and Action IT for reporting system ends 1/04/2018. The contract is extended on a month to month basis and the committee observed this as poor contract management which can be avoided if contract can be properly managed.

- a) This finding is recurring and it was also reported in the 2016/17 2nd quarter SDBIP MPAC oversight report.

3. During the 2017/18 1st quarter SIDP report, MPAC oversight process have discovered that The Contract with Physon Business at the value R3 200 000 ended in March 2018 and assessment comment by the management read as follows;

“Management functions should not be outsourced. Continue with service provider till contract lapse”

- a) The committee observed this contract as a fruitless expenditure which could have been avoided because the function must be performed by the management. Despite management been aware of the fact that they can perform the function on their own, management further requested to extend the contract till the end of June 2018 and September 2018
- b) During this investigation the committee discovered that the new service provider was appointed as of the 1st October 2018 and despite the comment which was provided by the management in the 1st quarter report

PROJECT MANAGEMENT

The Municipal Public Account Committee conducted an investigation on few projects which are listed in the 2017/18 3rd quarter SDBIP report. The municipal public account committee has developed a questionnaire template which it deem it necessary to provide council with critical information.

Project name	Abolition of parks facilities	Burgersdorp Upgrading of Sports Ground	Khubu to Lwandlamuni Low Level Bridge	Juliesburg Upgrading of Sports Ground	Relela Cluster Community Hall	Rehabilitation of Tzaneen airfield runway	Khwekhwe Low Level Bridge
Issues	Findings						
1. Progress (previous) report from PMU/council	Complete	Complete	Complete	Complete	Complete	100%	Complete
2. Service Delivery Budget Implementation Plan/IDP/Budget	R700 000	R13,593,764.17	R 3 681 438,00	R 13 640 613,00	R 15,956,639.67	R2 500 000	R 1 749 054.52
3. Project starting date	24 July 2017	05/07/2017	02/02/17	05/07/2017	14/04/16	22 September 2017	05/07/2017
4. Project scope		Concrete Palisade fence, ablation blocks, Grandstand, Septic tank, Soccer pitch, Volleyball & Netball courts combo, Water Reticulation.	Construction of 3.6m by 2.2m low level bridge	Concrete Palisade fence, ablation blocks, Grandstand, Septic tank, Soccer pitch, Volleyball & Netball courts combo, Water Reticulation.	Multipurpose community hall that accommodates 1 000 people, comprising of offices, toilets, kitchen, conference hall, waiting area, a guard house and will cater for indoor games. The new hall will be 1200 square meters and the revamping of the existing hall into offices will be 600 square meters	Rehabilitation of the Runway through (1) containing edge breaks by the installation of edge beams (kerbs), (2) Runway crack sealing and breaking of all worn out sections and placing asphalt.	Construction of Low Level bridge using labour intensive construction methods. The low level bridge construction will consist of reinforced concrete foundations, masonry walls and reinforced concrete deck.
5. Progress on site (physical & financials)	100% complete	Financial : 100% Physical : 100%	Financial : 100% Physical : 100%	Financial : 100% Physical : 100%	Financial : 100% Physical : 100%	Physical – 100% Financial – 97%	Physical : 100%

6. Variation orders if any (processes & procedures)	Yes	R 123 808.20 (Vat Inclusive) approved due to Compensation of Land Owners and additional watering points.	R427 500,00 Vat Incl. approved due to additional work	None	R 3 188 636.26 1. Roads layout providing suitable access to residence in the area and also acting as stormwater collectors in conjunction with the accompanying side drains. 2. A stormwater network consisting of V-drains to accommodate and convey run-off; 3. Paving with concrete 60mm blocks which will also act as parking bays; 4. Concrete V drains (2mX0.3m) 5. Retaining wall(Gabions) around the vicinity of the hall stand by the water stream	None	Financial : 100%
7. Initial completion date	24 November 2017	18/01/2018	14 June 2018	18/01/2018	22/05/17	22 December 2017	R 191 040.00 due to rising water table after box cutting, relocation of steel pipe at outlet of bridge

8.Revised completion date if any	N/A	18/01/2018 approved due to construction of additional watering points and inplement weather.	28 October 2018 approved due to additional work	30/10/2018 approved due to inplement weather.	23/10/2017 approved due addition scope	31 January 2018 (After Extension of time of 1 month)	06/11/2017
9.Completion date	7 November 2017	18/01/2018 approved due to construction of additional watering points and inplement weather.	28 October 2018 approved due to additional work	30/10/2018 approved due to inplement weather.	23/10/2017 approved due addition scope	28 September 2018 (After termination of main contractor)	06/12/2017
10.Date for handing over	7 November 2017	18/01/2018 approved due to construction of additional watering points and inplement weather.	28 October 2018 approved due to additional work	30/10/2018 approved due to inplement weather.	23/10/2017 approved due addition scope	28 September 2018	06/12/2017 approved due to approved Variation order.
11.Retention period	3 months	12 Months	12 Months	12 Months	12 Months	3 Months	06/12/2017 approved due to approved Variation order.
12.Participation of communities through (Ward Cllr; Community Liaison Officer, Project Steering Committee, Traditional Leaders, labourers)	Community Liaison officer was appointed	Yes	Yes	Yes	Yes	The ward councillor was involved and there was a steering committee before the first contractor's contract was terminated.	Yes
13. Was there any Social Facilitation arranged?	No	Yes	Yes	Yes	Yes	N/A	Yes

14. Was there any sub-contraction for local contractors in the project?	No	yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
15. Workmanship (quality of services delivered as reported by Resident Engineer).	Good	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
16. Relationship between Contractor and Engineer	Good	Good	Good	Good	Good	Good	Good	Good	Good
17. Comments from PMU/PSC/Engineer/Contractor/Coghsta on the work being done.	Good	Good	Good	Good	Good	Good	Good	Good	Good

	There is a need for Phase two to be prioritized in the next financial year to avoid deterioration of the runway.	None	Good	Good	Good	Good	Good	
18.Challenges and recommendations for improvements	The contractor who was initially appointed was appointed mainly because he was the lowest bidder. When he was busy with the project there was a problem with poor workmanship and his contract was terminated.	None	Good	Good	Good	Good	Good	
19. Workmanship (quality of services delivered as reported by Resident Engineer).	Poor workmanship initially done by the main Contractor. Meetings were convened, first contractor's contract terminated and a competent contractor was engaged to remedy all works	None	None	None	None	None	None	

<p>20 Overall comments by the committee</p>	<p>Good</p>	<p>The project is completed; however there is challenges Volleyball and tennis court are cracked.</p>	<p>The project is completed; however there is challenges The bridge is having cracks.</p>	<p>Fine</p>	<p>Fine</p>	<p>The Flying Club is happy that the project is finally completed but they are concerned about the delay in the starting of Phase 2 which include resealing of the runway and will help in preventing the runway from deteriorating.</p>	<p>Completed</p>
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KEY SUMMARY AND CHALLENGES ON PROJECTS WHICH ARE OBSERVED BY THE COMMITTEE

1. Burgersdorp Upgrading of Sports Ground- The project is completed; however there is challenges; Volleyball and tennis court are cracked.
2. Khubu to Lwandlamuni Low Level Bridge- The project is completed; however the bridge is having cracks.
3. Rehabilitation of Tzaneen airfield runway- project is finally completed but they are concerned about the delay in the starting of Phase 2 which include resealing of the runway and will help in preventing the runway from deteriorating.
4. Mafarana to burgarsdorp- the project is completed and however they are cracks at the site mafara area.
5. Morutji –tar road, the project is in progress and however the committee has observed that the bridges which are constructed are not well aligned with the road and may cause accidents.

RECOMMENDATIONS

- a) That Management and the Mayor adhere to the reporting timeframe as outlined in the MFMA.
- b) That in future the report be Audited prior submission to Council.
- c) That Legal Division must provide advice before Service Level Agreements can be signed with service providers.
- d) That the Municipal Manager must establish a unit for contract management.
- e) That all reasons for deviations and corrective measures with corrections be effected in the report.
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FOR CONSIDERATION