

A 69 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) OVERSIGHT REPORT ON THE 2019/2020 DRAFT ANNUAL REPORT.

(E/C 2021 06 30; 2021 06 30)

(12/2/3/1/1)

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

1. Purpose of the report

- To report back to Council on the oversight conducted on the 2019/20 Draft Annual report and the recommendations thereof.
- To provide a record on the activities of the municipality for the financial year 2019/2020.

2. Background

The Municipal Finance Management Act, Section 129 (1), stipulates that” ***the Council of a municipality must consider the annual report of the municipality and of any 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***”. The 2019/20 Draft Annual Report was noted by Council on the 31st April 2021 and referred to the Municipal Public Accounts Committee for the oversight process to be conducted.

3. Composition of the Municipal Public Accounts Committee of Greater Tzaneen Municipality.

The Municipal Public Accounts Committee is constituted as follows proportionally representing all political parties in Council.

- i) Councilor DG Mkhabela (MPAC Chairperson)
- ii) Councilor N Mohonone

- iii) Councilor T Mushwana
- iv) Councilor MJ Mokgoloboto
- v) Councilor NG Maunatlala
- vi) Councillor M Mafokwane
- vii) Councilor KI Rapatsa
- viii) Councillor E Ngobeni
- ix) Councillor M Sekhwela

4. Annual Report Processes by the Municipal Public Accounts Committee

- a) The Municipal Public Accounts Committee held a two days working session on the 2019/2020 Draft Annual Report on the 12 and 13th May 2021 at Hotel@TZN. The purpose was to peruse the Draft Annual Report and formulate questions out of the report.
- b) On the 14th May 2021 the committee held a meeting with the Auditor General, Mr. Mpho Kekana who presented the Audit report and the findings to the committee. He outlined to the committee how certain decisions were arrived at, and further indicated that management were given an opportunity to do amendments where possible on the report.
- c) Questions drafted on the 2019/20 Draft Annual Report were responded to by Management on the 21st May 2021.
- d) The committee conducted the project site visit on the 2019/2020 Draft Annual Report on the 17 & 18 May 2021.
- e) The committee held the Public Hearing on the 2019/2020 Draft Annual Report Virtual and was livestreamed on the Municipal Facebook page on the 17th June 2021.

5. Findings by the committee on the 2019/2020 Draft Annual Report.

The Municipal Public Accounts Committee perused the 2019/20 Draft Annual Report and the following issues were identified during the perusal of the report and engagement with

the Executive Committee during the public hearing. The committees' findings and recommendations were based on the following;

- Electricity distribution losses and metering inaccuracies which result in revenue loss.
- The achievements reported in the annual performance report, differs from the supporting evidence provided, which reflects on Annexure A note 26 of the AFS.
- The municipality is still unable to pay money debtors within the 30 days' period as required by the MFMA section 65 (2) (e).
- Greater Tzaneen Economic Development Entity (GTEDA) is operating with only four (4) Board members due to resignations of 3 other Board members.
- There is inadequate compliance of the Employment Equity Act in GTEDA, since the Entity do not have people living with disabilities in its employ.
- The municipality reported 12 informal settlements with the unknown number of population.
- The non-existence of the Anti-corruption committee in the Municipality has been identified as a concern.

Site Inspection Visit.

The committee conducted the projects site visits on the 17 and 18 May 2021 on the following projects:

Project name	Status as per annual report	Source of funds	Project start date	Project completion date	Project visited date	Physical verification of the project by MPAC	Current status of the project
Upgrading of Lenyenye Taxi Rank	100%	Own funding	02/02/2017	08/06/2017	26/02/2018	The project is completed	Complete
Upgrading of Mulati Access Road	70% by end of Dec	MIG	11/09/2017	31/01/2021 (as per the Draft Annual Report)	18/05/2021	The project is on progress with no challenges during the verification by the committee.	In progress
Construction of Mawa Block 12 Low level bridge	30%	MIG	11/09/2017	Depending on the appointment of the contractor	18/06/2021	The bridge is complete	The bridge is complete
Upgrading of Relela Access Road	30%	MIG	07/09/2018	Depending on the appointment of the contractor	18/06/2021	Complete	A contractor has been appointed , awaiting submission of contractual requirements in preparation of the site handover
Matapa to Leseke Access Road	30%	MIG	07/09/2018	Depending on the appointment	18/06/2021	The road is on progress.	On progress,

				of the contractor			
Nelson Ramodike High School Acces Road	45%	MIG	11/09/2017	30/06/2021	18/05/2021	The project is not completed	On progress
Upgrading of Access Road To Mbambamencisi		MIG	11/09/2017	Depending on the appointment of the contractor	18/05/2021	The project is complete	The project is complete
Tarring Nkowankowa A Codesa and Hani Street	100% of the base, preparing to lay the bricks	MIG	22/01/2019		18/05/2021	Project in progress.	On progress

5. Comments by the committee on the management responses.

Legal costs

There are several cases the municipality is defending, and some of the cases have been active for a longer period due to applicants abandoning the case.

Performance of contractors

The Annual Report indicates that most the service providers execute their duties as per the Service Level Agreements and the departments are satisfied with the implementation of the projects and timeframes. The following are the few service providers identified for not performing as per the SLA:

1. Fidelity Cash Solutions (Cash in Transit) – there is an indication that money is sometimes not collected as per the SLA citing vehicle challenges, unfortunately the cash is not deposited daily at the bank which is against the policy of the municipality.
2. Musa Baloyi Attorney (Legal Services) – the service provider was used as correspondent attorney by a member of panel of attorneys of the Municipality and was removed from both attorneys due to extremely poor performance. There is an indication in the report that the service provider performed poorly and unethically, which forced the municipality to withdraw all the cases from the service provider.
3. Kunene Makopo (Insurance Brokers) – the municipality finds it difficult to obtain a correct monthly report from the service provider, there is poor turnaround time on authorization and the correspondences on outstanding claims are also poor.
4. Mapheto Business Enterprises (Physical Security) – Theft of the municipal assets is still a challenge,

Free basic services

On page 45 of the Draft Annual Report, a table on free basic services and indigent support is not provided with information. The information was only provided when the committee submitted questions for clarifications to Management as follows:

1. Total indigent currently receiving FBE (free basic electricity): 26 367 households

2. Total costs of indigent subsidized by council: Electricity (monthly 50 KW unit's electricity tokens used by indigents: **R4.5 million**
3. Those indigents not in Eskom areas but GTM rebates undertaken:
4. Waste rebates R1 073 030
5. Sewer rebates R 123 152
6. Free Basic water 6kl per month per household: R 352 670

Service Delivery performance

Management provided a list of all the constructed roads (tarred / paved) implemented in the 2019/2020 financial year with the progress report. The committee also managed to conduct a project site visit to verify the progress on implementation of the project against the reported information, which is outlined in a table above.

GTEDA

On the Greater Tzaneen Economic Development Agency, the committee observed the resignation of three (3) Board Members, which were not replaced. A response was provided during the Public Hearing held on the 17th June 2021, that GTM Council was not in a position to replace or appoint new Board Members, and advised GTEDA to operate with the remaining four (4) Board Members for the remaining Board Term.

Value Added Tax

There was an indication that the Agency had a Value Added Tax on reduction on liability amounting to R3, 528, 021, and it was clarified that GTEDA was wrongly assessed by SARS which resulted in a VAT liability amounting to R 6 853 115 for the 2016 to 2019 year of assessment. The entity's total liabilities exceed the total assets by R 6 606 057. A tax practitioner was engaged, and vat returns from 2014 to 2018 financial years were reviewed and objections were lodged on assessment raised by SARS. Subsequent to SARS audit, the Vat liability was remitted and reduced from R6 853 115 to R 2 520 867

during the 2019/20 financial year. A meeting was held with SARS Polokwane Office and GTEDA committed to a payment plan of R 50 000 Monthly to settle the outstanding liability. In addition to the payment commitment, GTEDA has applied for a debt compromise of the outstanding liability and management is awaiting response from SARS.

Employment of people living with disabilities in GTEDA

The committee observed that in the employ of the Agency there are no employees with disabilities which contravenes the Employment Equity Act, No 55 of 1998. The committee raised questions to be clarified on the reasons for the Agency not to employ people living with disabilities.

The chairperson of the Board indicated that the Entity reviewed and approved its Organizational Structure on 10 November 2016. To ensure adherence to legislation and regulations governing all municipalities and municipal entities, GTEDA further embarked on a process to align the structure with the South African Local Government Association (SALGA) TASK Job Evaluation System. The entire process was finalized in February 2019 and the report to that effect, was tabled to the Board, presented by SALGA.

However, the Organizational Structure has not yet been fully implemented as per the SALGA report, and positions are filled on an acting basis. The Board during its meeting held on the 5th of March 2021, resolved that full implementation of the SALGA report and Organizational Structure must be put in abeyance pending finalization of the Entity's going concern and sustainability. As a result, there were no appointments made and the Entity still operates with a component of six (6) staff members which includes the acting CEO.

RECOMMENDATIONS

1. Having fully considered the 2019/2020 Draft Annual Report, the Municipal Public Accounts Committee recommend that Council adopt the Draft Annual Report 2019/2020 with reservations as follows:

- a) That the 2019/2020 Draft Annual Report be corrected and completed before the Final report is submitted to the provincial Departments. (Chapter 4, starting from item 4.6 is incomplete and the Audit Action plan is not visible).
- b) That Greater Tzaneen Municipality establish the Anti-Corruption committee, to ensure that the issues related to corruption are dealt with by the committee.
- c) That the Greater Tzaneen Economic Development Agency, consider appointing people living with disabilities in line with the Employment Equity Act
- d) That the issue of GTEDA operating with 4 Board members be looked into, to ensure that the Agency perform its duties diligently.
- e) That the monitoring of performance of contractors be intensified by the user departments, to ensure that they perform according to the Service Level Agreement.
- f) That the municipality establish strategies to finalize the abandoned cases that are being defended.

FOR CONSIDERATION