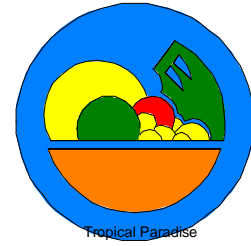




**GREATER TZANEEN MUNICIPALITY**  
**GROTER TZANEEN MUNISIPALITEIT**  
**MASIPALA WA TZANEEN**



P.O. BOX 24  
TZANEEN  
0850

TEL: 015 307 8000  
FAX: 015 307 8049

---

**A 74 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) OVERSIGHT REPORT ON  
THE 2021/2022 DRAFT ANNUAL REPORT.**

**(2023 03 30)**

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

---

**REPORT OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE.**

**1. Purpose of the report**

The purpose of the report is to notify Council on the oversight conducted by the Municipal Public Accounts Committee, on the 2021/2022 Draft Annual report. To inform Council about the activities of the municipality as per the annual report for the financial year 2021/2022.

**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 2021/22 Draft Annual Report was noted by council on the 26<sup>th</sup> of

January 2023 and referred to the Municipal Public Accounts Committee to conduct oversight.

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

The Municipal Public Accounts Committee is established in terms of the Municipal Structures Act, as amended 2021, Section 79(1)A. The Greater Tzaneen Municipal Council established the committee on the 08<sup>th</sup> of December 2021 during the Council meeting.

### **4. Annual Report Processes by the Municipal Public Accounts Committee**

- a) The Municipal Public Accounts Committee held a meeting with the Auditor-General, where the Audit manager of the Auditor General presented the AG's 2021/2022 report on the 31<sup>st</sup> of January 2023.
- b) On the 23<sup>rd</sup> of January 2023 the committee embarked on a project site visit to confirm the status of the projects.
- c) The Municipal Public Accounts Committee further held three days working session on the 2021/2022 Draft Annual Report on the 27 and 28<sup>th</sup> February and 01<sup>st</sup> March 2023 at the Country Lodge, Tzaneen. The purpose was to peruse the 2021/2022 Draft Annual Report and formulate questions on the report.
- d) The Municipal Public Accounts Committee held a public Hearing on the Draft Annual Report on the 13<sup>th</sup> of March 2023. The Public Hearing was Live streamed through the Greater Tzaneen Municipal official Facebook page.
- e) The committee further held a meeting on Monday the 27<sup>th</sup> of March 2023 to discuss the oversight report and formulate the resolutions.

- f) The Committee further met on Thursday the 30<sup>th</sup> March 2023 to approve the oversight report.

**5. Findings of the Auditor-General's report for the financial year 2021/2022.**

The following are some of the issues encountered in the 2021/2022 auditor-general's report and from the responses from management during the engagement with the executives on the public hearing held on the 13<sup>th</sup> of March 2023. The committee derived its finding and recommendations based on the following:

- a) The Audit Action Plan for the period under review not fully implemented.
- b) Electricity distribution losses and metering inaccuracies which result in the municipality losing lot of money which will not be recovered, which is a recurring finding.
- c) Overpayment of Eskom for R3 130 315, 00 relating to the invoice of September 2022 invoice.
- d) The difference between the Eskom bill and the Municipality meter readings.
- e) The municipality still not able to pay its debtors within the 30 days, which is in non-compliance with the Municipal Finance Management Act Section 62 (1) (d).
- f) Fruitless Expenditure incurred for advertising with wrong information.
- g) Financial loss in settlement of cancelled event where Supply Chain Management regulation was not followed.

- h) Fleet Management decentralized in different departments with no accountability for the transactions related to fleet.
- i) The Municipality's investment properties in a state of dilapidation
- j) The municipal employees outside the ministerial threshold paid overtime.
- k) Indigent beneficiaries not receiving the basic services due to the user department not flagging the approved indigents at the beginning of the year.

CONFIDENTIAL

**Site Inspection Visit.**

The committee conducted the projects site visits on the 23 January 2023 on the following projects:

| Project name  | Source of funds | Project start date | Project completion date | Project visited date | Current status of the project   |
|---|-----------------|--------------------|-------------------------|----------------------|---|
| Paving of Moseanoka to Cell C Pharare Internal Streets in Ward 28 | MIG             | 09/02/2022         | 30/06/2023              | 23/01/2023           | The physical progress is at 80%. The contractor completed selected layers of 7.2km, Sub-base of 7.0km, paving of 6.6km, Busy with the construction of 2.1km Paving, layer works, v-drains, cross drains, culverts, and kerbings are ongoing activities. |

| Project name                    | Source of funds | Project start date | Project completion date | Project visited date | Current status of the project  |
|---------------------------------|-----------------|--------------------|-------------------------|----------------------|--|
|                                 |                 |                    |                         |                      | <p>One (1) Intersection connection is complete. The engineer has paid Eskom for the relocation of powerline and Eskom appointed the contractor and contractor is with procurement of material.</p> |
| Upgrading of Mulati Access Road | MIG             | 12/02/2021         | 27/03/2023              | 23/01/2023           | <p>The physical progress is at 100%. Practical handover was done on the 27/03/2023. The</p>  |

| Project name | Source of funds | Project start date | Project completion date | Project date visited | Current status of the project   |
|--------------|-----------------|--------------------|-------------------------|----------------------|---|
|              |                 |                    |                         |                      | <p>Contractor completed selected layers of 5.6km, Sub-base of 5.6km, Paving of 5.6km, cross drains, culverts, v-drain, Kerbing, bus stop, bell mouth.</p> <p>The contractor is busy with the snag list, and which include adding of bus stop, speedhumps, bell mouth and cleaning of the site. Completion</p> |

| Project name  | Source of funds | Project start date | Project completion date | Project visited date | Current status of the project  |
|---|-----------------|--------------------|-------------------------|----------------------|--|
|   |                 |                    |                         |                      | will be done on the 14/04/2023.  |
| Paving of Risaba, Mnisi, Shando, to Driving School in ward 5. | MIG             | 19/02/2021         | 30/06/2023              | 23/01/2023           | <p>The physical progress is at 81%. Contractor completed selected layers of 5,6km, Sub-base of 4.8km, paving of 4.6km.</p> <p>Busy with the construction 1.8km paving, layer works, v-drains, cross drains, culverts, and kerbings are ongoing activities on site.</p> |



| Project name  | Source of funds | Project start date | Project completion date | Project visited date | Current status of the project   |
|---|-----------------|--------------------|-------------------------|----------------------|---|
|   |                 |                    |                         |                      | 2 Bridge / major culverts are 90% complete.   |
| Paving of Main Road from Nduna, Mandlakazi, Efrika, Zangoma, Mpemyisi to Jamba Cross Internal Street (in ward 13) and Nwamitwa Bridge via Nhlengeleti School to Taxi Rank, Clinic via Lwandlamoni School to Nwamitwa/Mandlakazi Road (in Ward 12) | MIG             | 01//03/2021        | 31/03/2023              | 23/01/2023           | Ward 12<br>Contractor completed selected layers of 4.9km, Sub-base of 4.9km, paving 4.9km, and kerbings. Busy with v-drains, cross drains, culverts, speed humps and cleaning of the site. Contractor planning to practical |

| Project name                                | Source of funds | Project start date | Project completion date | Project date visited | Current status of the project   |
|---|-----------------|--------------------|-------------------------|----------------------|---|
|   |                 |                    |                         |                      | <p>handover the project on the 31/03/2023.</p> <p>Ward 13</p> <p>Contractor completed selected layers of 5,6km, Sub-base of 5.6km, paving of 5.6km</p> <p>Busy with v-drains, cross drains, culverts, speed humps, kerbing, and cleaning of site.</p> |
| Tarring Nkowankowa A Codesa and Hani Street | MIG             | 16/04/2021         | 07/04/2023              | 23/01/2023           | Planning to handover the project on the   |

| Project name | Source of funds | Project start date | Project completion date | Project date visited | Current status of the project   |
|--------------|-----------------|--------------------|-------------------------|----------------------|---|
|              |                 |                    |                         |                      | 07/04/2023. The scope of work as per the appointment of the contractor is complete. |

CONFIDENTIAL

## **5. Areas of concern by the committee during the perusal of the 2021/2022 Draft Annual Report.**

**Besides the committee perusing the audit report the following are some of the areas of concern in the 2021/2022 Draft Annual Report.**

### **IDP Participation and Alignment**

- a) There is an indication on page 45 of the draft annual report that the budget does not align directly to the KPI in the strategic planning.
- b) The four quarters aligned reports were not submitted within the stipulated timeframes.

### **Risk Management**

Cases of fraud and corruption for the period under review not being finalised on time. During the period under review the municipality incurred financial losses with the following offences:

- a) Illegal use of municipal vehicle under investigation, with new allegations reported, Malicious damage to property and gross dereliction, Driving municipal vehicle under the influence of alcohol.
- b) Corruption, Bribery, extortion, bringing the image of the municipality into disrepute, new allegations having emerged wherein traffic fines were not deposited into the municipal account and cancelling tickets in exchange for money.

## **Evaluation of service providers**

- a) The municipality contracted the services of Baatshuma (PTY) Ltd to assist the municipality with the meter reading services and disconnection and reconnection of services, yet going through the auditor general's report and the annual report the municipality is encountering problems on the areas where they are paying a service provider to assist the municipality.

## **Greater Tzaneen Economic Development Agency**

- a) The Agency incurred a financial loss on advertising costs wherein they advertised with the wrong information, which then caused the agency to do an erratum to correct the information, which then came with additional cost to the agency.

## **Implementation of the Audit Committee resolutions for the period under review**

### **One of the areas of concern is the implementation of resolutions.**

- a) Of the 57 annual Audit Committee resolutions taken only 34 have been implemented.

## RECOMMENDATIONS

1. Having fully considered the 2021/2022 Draft Annual Report, the Municipal Public Accounts Committee recommends that Council adopt the Draft Annual Report 2021/2022 with reservations as follows:
  - a) That the Accounting officer investigate the appointment of the contract No: SCMU 01/2021, for the inconsistencies in the compliance requirements, assessment of capability, capacity of the bidder, and the outcome of the investigation by the board and the outcome be reported in council within 90 days of council meeting.
  - b) That the Accounting officer investigates the bids that were not advertised for minimum number of days in contravention with SCM regulation 22 (**Public invitation for competitive bids**), and the outcome of the investigation be reported to Council in the next normal Council meeting.
  - c) That the Accounting officer investigate the procurement of the San Hard Drive on an emergency basis, in contravention with the supply chain regulations and the findings be reported in the next normal Council sitting.
  - d) That the accounting officer must ensure that the Audit Action plan is fully implemented.
  - e) That the Accounting Officer ensures that much attention is given to the implementation of the Council resolutions.
  - f) That consequence management be applied to those that failed to flag the approved indigents which resulted in beneficiaries being deprived from receiving the deserving services.

- g) That the Accounting officer ensure that the budget aligns with the KPIs in the strategic planning as mentioned on page 45 of 2021/2022 Draft Annual Report.
- h) That the Accounting officer ensure that the four quarter aligned reports are submitted within the stipulated timeframes as mentioned on page 45 of 2021/2022 Draft Annual Report.
- i) That the accounting Officer must ensure that the overpayment of Eskom for R3 130 315, 00 relating to the September 2022 invoice is followed up and finalized and the money is refunded to the municipality, furthermore the progress be reported in the next normal council meeting.
- j) That the Accounting officer must ensure that the fruitless expenditure of R13 800,00 incurred in advertising cost be recovered from the responsible official.
- k) That the Accounting Officer ensures that legislation and policies are strictly adhered to, especially SCM policies and regulations.
- l) That monitoring and evaluation be strengthened for quality assurance on all implemented projects.
- m) That all councilors who did not declare their interest in contravention with the Municipal Systems Act, 2000 – Schedule 1 Code of conduct for councilors (Declaration of interest) Section 7.1(f) be referred to the Ethics Committee, and the outcome be reported back to Council in the next normal Council meeting.
- n) That the Accounting officer implement consequence management to all the officials who failed to declare their interest, and a report be tabled in the next council sitting of the consequences management taken.

- o) That the Municipality consider using the available staff component to deal with debt collection to do away with external services providers, that are rendering services that can be rendered internally.
- p) That all deviations done without following proper Supply chain regulations be investigated by the accounting officer, and the outcome be reported in the normal council meeting.
- q) That the accounting officer must ensure that the municipality do away with the emergency procurement of services (especially of venues/ accommodation) in contravention with the Supply Chain Management.
- r) That the Supply Chain Management regulation be complied with in its totality and those found to have infringed the regulation, consequence management be implemented.

**FOR CONSIDERATION**