

A 16 2015/2016 MPAC OVERSIGHT REPORT

(E/C 29 03 2017, C 31 03 2017)

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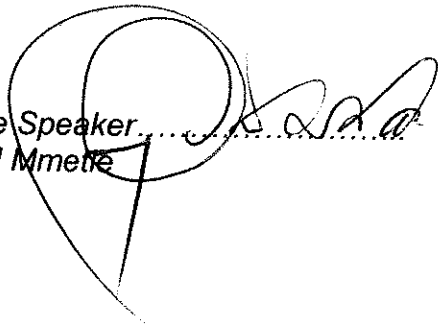
RESOLVED

1. Having fully considered the 2015/2016 Draft Annual Report, the Municipal Public Accounts Committee recommends that Council adopt the Draft Annual Report 2015/16 with corrections and reservations as follows:
 - a) That in future the draft Annual Report be corrected and edited for mistakes and typing errors before tabling it to Council.
 - b) That corrections be made on the availability of informal settlements in Greater Tzaneen Municipality's area of jurisdiction, on page 15 of the Draft Annual Report. As per attached **Annexure "C"**
 - c) That the municipality refrain from procuring goods and services without following the supply chain management regulations which result in irregular expenditures and litigations.
 - d) That all budgeted positions be filled to address all gaps which results in an abnormal overtime.
 - e) That a report on the non-spending of the conditional grants and the reversal of the money to the National Treasury be tabled to Council in the next normal Council sitting with an action plan to avoid the matter from recurring.
 - f) That anti-corruption awareness be conducted at the testing station and all recommendations by the management be implemented and progress be reported in the next council meeting.
 - g) That the indigent register of the municipality must include only residents of the Greater Tzaneen Municipality, and of list of indigents register who reside within the municipal area be submitted to the committee before they can be considered by the council.
 - h) That a list of all the indigents who resides outside the municipal boundaries be referred to the relevant municipalities and that occurrence be avoided in future.

- i) That the municipality must develop a policy on the recruitment of Expanded Public Works Programme (EPWP) and the Community Workers Programme (CWP) participants and it be implemented with effect from the 1st of July 2017.
- j) That the management comply with the time frames and legislations for reporting system and the performance management assessment be conducted and progress be reported in the next council sitting.
- k) That the Mayor and the Municipal Manager implement consequence management for non-compliance with the reporting system and legislation with effect from the 1 of April 2016 and a report as recommended by the Audit Committee.
- l) That the project visit on electrification of households indicated on page 17 table 5 of the draft annual report be conducted by MPAC, user department, portfolio head of Infrastructure and PMU, and progress be reported in the next normal Council sitting.
- m) That implementation on the strategic risks be done and progress on the implementation be reported in the next normal Council sitting.
- n) That a customer survey plan be developed as a matter of urgency to ensure compliance with Batho-Pele Principles Policy.
- o) That Public Awareness be conducted on the utilization of the Thusong centers by the community members.
- p) That the Community Development Facilitators report daily to the Thusong Centers and provide services they are appointed for as per their job description.
- q) That a register where members of the public write their comments be submitted monthly and serve in the relevant portfolio committee where the comments can be addressed and ultimately be reported in Council.
- r) That the drafted Audit Action Plan be submitted to Council for Approval and be implemented as indicated in page 257, table 161 of the Auditor General report on Financial Performance.
- s) That the progress on implementation be submitted to Council after approval.
- t) That the recommendation of the Auditor General on training be reprioritized and implemented on Risk and Supply Chain with effect from the 1st July 2017.
- u) That the Municipality must verify the accreditation of service providers with relevant authorities before appointing.
- v) That the Municipality must refrain from utilizing unaccredited service providers.

- w) That officials must refrain from abusing the policy on sick leave and internal controls be developed to ensure that it is not abused.
- x) That the Municipal response team addresses public protests conflicts regarding projects that are on hold due to protests.
- y) That the Mayor and the Municipal Manager follow up on the letter written to the Minister of Water Affairs regarding Greater Tzaneen Municipality being awarded the water service authority status.

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

A handwritten signature in black ink, appearing to be 'DJ Mmetle', written over a dotted line. The signature is stylized and cursive.

A 16 MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC) OVERSIGHT REPORT ON THE 2015/16 DRAFT ANNUAL REPORT.

(E/C 2017 03 31; 2017 03 31)

(12/2/3/1/1)

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

1. Purpose of the report

The purpose of the report is to report back to Council on the oversight conducted on the 2015/16 Draft Annual report and the recommendations thereof.

2. Background

As part of the process to discharge oversight and accountability by the Executive and the administration on the performance of the Greater Tzaneen Municipality, the Council has established the Municipal Public Accounts Committee (MPAC) in terms of section 33 and 79 of the Municipal Structures Act, 117 of 1998.

The committee's duties are amongst others, to conduct oversight on the annual reports, and all quarterly reports referred to the Committee by Council and make recommendations to Council. The 2015/16 Draft Annual Report was tabled and noted by Council during its meeting on the 30th January 2017 and referred to MPAC by Council for oversight processes.

A public notice was placed on the municipal website on the availability of the 2015/16 draft annual report. Also an advertisement was placed in the Letaba and Mopani Herald newspapers dated 09/02/2017. Hard copies of the said report were distributed to all Greater Tzaneen Municipality Libraries, Thusong centers and the Traditional authorities' offices.

The Municipal Public Accounts Committee drafted the questions on the 2015/16 Annual report which were submitted to the office of the Municipal Manager to respond in writing

on or before the 21st February 2017. As part of promoting transparency, good governance and accountability, the Municipal Public Accounts Committee held a Public Hearing on the 17th March 2017 at Lenyenye Community Hall for the 2015/16 Draft Annual Report. Different stakeholders, Community members, all Councilors, Traditional authorities, Auditor General, Audit Committee, COGHSTA, Provincial Treasury and MPAC Chairpersons from all Municipalities in the Mopani District were invited to observe the proceedings during the Public hearing.

3. Establishment

The Municipal Public Accounts Committee chairperson Councilor DG Mkhabela was appointed by Council on a full time basis on the 17th August 2016, Council resolution. The Following are the members of the Municipal Public Accounts Committee:

1. Councilor DG Mkhabela (Chairperson)
2. Councilor T Mushwana
3. Councilor NG Maunatlala
4. Councilor I Rapatsa
5. Councilor J Mokgoloboto
6. Councilor N Mohonone
7. Councilor M Mafokwane
8. Councilor D Malemela
9. Councilor E Ngobeni

The Municipal Public Accounts committee was fully established on the 29 August 2016.

4. Site Inspection Visit.

Project site visit was conducted on the 09-10 March 2017 and the following project were visited.

| Project name | Status as per annual report | Physical verification of the project by MPAC | Current status of the project |
|---------------------------------|------------------------------------|---|--------------------------------------|
| Sasekani to Nkowankowa tar | 100% | Complete | The road cracks and pot holes |
| Senakwe to Morapalala | 100% | Complete | The road cracks and pot holes |
| Mafarane to sedan | 100% | Complete | Fine |
| Speaker Vehicle | 100% | Complete | Fine (through eye observation) |
| Split meters | | | Inspection not conducted |
| Renewal R and M air conditioner | 100% | Complete | Fine |
| | | | |

And the following other project were also visited:

| Project name | Status as per annual report | Physical verification of the project by MPAC | Current status of the project |
|-----------------------|------------------------------------|--|---|
| Tzaneen swimming pool | 100% | Complete | The kiosk roof is leaking and toilets are not fully functional, leakage |
| Relela community hall | 100% | Complete | Satisfactory |
| Nkowankowa taxi rank | 75% | On progress , delay due to protest and weather condition | On progress |

| | | | |
|--|------|--|-------------|
| Tickyline, Glasswork Myakakayaka tar road | 99% | The service provider was still busy on site. | On progress |
| Mariveni To Rita | | On hold due to public protest | On hold |
| Morutji –matswi | | Delay due to litigations | On progress |
| Runny made sports centre | 65% | On progress , delay due to protest and weather condition | On progress |
| RDP house at Runny made village | 100% | Complete | Fine |
| Rikhotso low level | 100% | Complete | Fine |
| Marumofase pedestrian bridge | 70% | On progress | On progress |
| Refurbishment of Lenyenye Stadium | 99% | On progress | On Progress |

The Municipality took external loan of R30 000 000 from standard bank to finance the finalization of the above-mentioned capital projects as per council resolution No. A60 dated (E/C 29 08 2016, C29 08 2016) attached **Annexure “A”**.

5. COMMENTS BY THE COMMITTEE ON THE MANAGEMENT RESPONSES.

When perusing the annual report, the committee made an observation that the information provided was either incomplete or not trustworthy. The Municipal Public Accounts Committee requested that the Municipal Manager, Mr. SR Monakedi respond to the questions on the draft annual report 2015/16 on or before the 21st February 2017. The responses were received on the 8th March 2017, after countless reminders from the

MPAC office. This conduct by management, hampers the effectiveness of the committee to conduct oversight effectively.

During the public hearing, the Accounting Officer had to clarify most of the information that was not correctly reported and it was indicated to the committee that it was an oversight for the information not to be included in the report or that it was an error that the information was included in the 2015/16 draft annual report.

Legal costs

The municipality is still overspending on the legal costs with huge sums of money which can be utilized for service delivery in the communities. Currently the municipality is engaged on legal battle with the Engineering Director Mrs. D Malatji, with a possible settlement of the unknown amount as per the 2015/16 draft annual report.

Low and non-spending on conditional grants

The Municipality failed to spend the R19, 4 million allocated conditional grant for the financial year 2015/16.

Performance of contractors

The committee observed that there is a lack of monitoring by management since the Auditor General also found that there was no monitoring of contractors on a monthly basis. The committee also noticed as per the 2015/16 draft annual report that on the assessment of service providers, there was poor supply chain management process on the procurement of service providers and lack of monitoring.

Filling of vacant positions

It was detected that there is a lot of vacant positions not being filled, including strategic positions like the Corporate Services Director and Electrical Engineering Director, and the Manager Communications and Marketing etc.

Supply Chain Management

The committee observed that supply chain processes are disregarded which in turn cost the Municipality a lot of money in fruitless, wasteful, irregular and unauthorized expenditures.

Corruption on testing stations

The committee observed that the Municipality failed to implement the 2014/15 financial year recommendation to appoint the management representative at the testing stations. The department still provide the same recommendation which they failed to implement in the previous year.

Free basic services

Table 46, page 91 of the 2015/16 draft annual report, the actual target for the municipality was to register 1260 indigents for 2015/16 financial year. The municipality deviated and registered 1408 which include indigents who are not residing within the municipal area of jurisdiction.

EPWP and CWP participants

Chapter 3, page 120, the committee observed that the municipality depend on the indigent register, CDW, CDF & Traditional Authority as the criteria to recruit participants. The committee found the process to be bias and it excludes Councillors and Ward Committees. The committee also found that the municipality uses the indigent register which is reported to be inclusive of people/communities out-side the municipal area as reported at page 91, table 46 of the annual report.

Performance Management assessment 2015/16 financial year

On page 213, the committee observed that performance management assessment for 2014/15 was not conducted due to reasons provided under. The committee further noticed with great concern that performance management assessment for 2015/16 was not conducted due to;

- a) Resistance to adhering to the reporting time frame as set for the electronic reporting system.
- b) The auditing of portfolio of evidence had to be redone after reporting system was re-opened for the prior month reporting to accommodate those resisting to comply with the reporting requirements.

The committee also found that the municipality is intending to appoint a service provider to re audit portfolio of evidences to cater for late submission and reporting. The committee observed the statement as a special way to encourage non-compliance with reporting which will have a negative impact on the effectiveness of the Internal Municipal Audit and also have a negative financial impact for the Municipality.

Providing access to information

On Page 33 of the 2015/16 annual draft report there is an indication that the Municipality is not complying with one of the Batho Pele Principle policy of Providing Access to information to the public. The Committee also found out that the documents such as IDP, Annual report and other mentioned documents and information documents are being given to the security officers at the Thusong Centers. The municipality has appointed Community Development Facilitators to provide information and to manage Thusong Centres as per their job description attached with names of the responsible officials who are supposed to report to the Thusong centers daily. **See Annexure "B"**

Customer satisfaction

The committee observed that since 2013/14, 2014/15 and 2015/16 financial year, customer satisfaction survey was never conducted. This brings us back to the non-implementation of the Batho Pele Principles Policy.

Auditor general on the financial performance of the municipality

Page 257, table 161 annual draft report 2015/16, report on the general financial performance of the municipality. The committee found that the report must be given priority and be presented to council in order to promote effective financial management. If the report is not yet been presented it must be presented in the next council.

Debt owed by councilors and officials

The municipality failed to recover debts owed by former councilors, ML Mokgobi and RG Ngonyama which was supposed to have been deducted from their pensions as per the 2015/16 annual draft report, *See Page 255 table 158* of the annual draft report. The committee further found out that Debt collection service providers have been appointed by the Municipality to collect long outstanding debts.

Electrification

The municipality took a loan of R31, 3 million from DBSA to finance electrification of 2408 households. As reported in the questions and answers for MPAC public hearing question No.7, the committee found that only 2158 houses were electrified and there is a shortfall of 250 households. It is also indicated that even empty stands electrified.

Capacity Building

There is an observation that unaccredited service providers were appointed by the Municipality on page 112, 113 and 114 of the Draft Annual Report on numerous occasion.

The trainings that were offered by the unaccredited service providers were customer care training, report writing and minutes taking, and supervisory training.

On page 98 of the draft annual report, on the Performance of Conditional Grant; there is an indication that funds that were budgeted for capacity building on Risk and Supply Chain Training have been moved to cater for maintenance of the financial system of which the actual activity on the financial system is unknown.

Implementation of strategic risk report 2015/2016

There is non-compliance with the recommendations on the strategic risk report 2015/16 financial year by the Municipal Manager regarding Unauthorised, Irregular and Fruitless (UIF) expenditure. The office of the Municipal Manager did not encourage or promote compliance with the regulations and did not provide the MPAC with reasonable steps taken to promote compliance with legislations.

Implementation of 2015/16 audit committee's recommendations

The committee observed that there is slow implementation of Audit Committee's recommendations and that consequence management be applied to ensure compliance.

Implementations of Council resolution on the 2014/15 MPAC oversight report (E/C 2016 03 30; C 2016 03 30)

The following resolutions were not implemented

- ❖ That in future the draft Annual Report be corrected and edited for mistakes and typing errors before tabling it to Council.
- ❖ That the municipality must refrain from procuring of goods and service without following the supply chain management regulations which result in irregular expenditure
- ❖ That an investigation be conducted on why the traffic books and a register for fines were not submitted to the Auditor General upon request and corrective measures be taken against the responsible person.

- ❖ That anti-corruption awareness be conducted at the testing station and all recommendations by the management be implemented and progress be reported in the next council meeting.

RECOMMENDATIONS

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FOR CONSIDERATION