



FETAKGOMO TUBATSE  
LOCAL MUNICIPALITY

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**OVERSIGHT REPORT**  
**ON**  
**2018/2019 DRAFT**  
**ANNUAL REPORT**





## FETAKGOMO TUBATSE LOCAL MUNICIPALITY

### SUBMISSION

SUBMISSION TO	: MUNICIPAL COUNCIL
FROM	: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)
DATE OF MEETING	: JUNE 2020
ITEM NUMBER	:
TITLE/SUBJECT	: OVERSIGHT REPORT ON COUNCIL RESOLUTION (OC02/2020: 2018/2019 DRAFT ANNUAL REPORT)
REF/COMMITMENT NR	:

#### 1. Subject:

MPAC's Oversight Report on council resolution: **OC02/2020** (2018/2019 Annual Report)

#### 2. Purpose

The purpose of this submission is to table the Oversight Report on the 2018/2019 Draft Annual Report to the municipal council for adoption as per section 129 of MFMA, no.56 of 2003. Chairperson this is in compliance with section 121(1) of MFMA read together with circular 32 which prescribes that municipal council should deal with Annual Report within nine months after the end of the financial year.

#### 3. Background

Chairperson, MPAC is a committee of Council established in terms of section 79 of Municipal Structures Act no 117 of 1998 as amended. This committee is mandated to strengthen the oversight in the performance of municipality on behalf of the council. During the Council Meeting held on the 29 January 2020, Council referred the 2018/2019 Draft Annual Report to the Municipal Public Accounts Committee for further scrutiny. Section 121(2) of MFMA and circular 32 of same stipulate clearly the objectives of the Annual Report which among others are:

- ❖ to provide the record of activities of the municipality,
- ❖ to promote accountability to the local communities of the decisions made,

- ❖ to provide information that supports the revenue and expenditure decisions made,
- ❖ to provide report on performance in service delivery and budget of the municipality.

MPAC is hereby confirming that the 2018/2019 Annual Report was scrutinised and interrogated in line with the mandate as alluded above by the said pieces of legislations.

#### **4. The Role of Municipal Public Accounts Committee**

##### **4.1. Establishment**

Municipal Public Accounts Committee is established in terms of section 79 of Municipal Structures Act, 117 of 1998. MPACs are established inter alia to

- Strengthen oversight and accountability;
- Improve compliance to legislations;
- Eliminate elements of fraud, corruption and maladministration;
- Promote transparency and good governance;
- Deliver quality services to the people; and
- Promote effective, efficient and economically sound system of financial control and management.

##### **4.2. The Scope of MPACs**

MPAC may amongst others exercise oversight on but not limited to the following:

- Exercise oversight in the municipality on any matter on behalf of the Council;
- Exercise oversight on Financial and Non – Financial Information;
- Probe and clarify any deviations in form or information contained in statements;
- Probe and clarify any deviations in performance or expenditure incurred in relation to performance;
- Probe and clarify any deviations within Supply Chain Management processes and procedures;
- Probe and clarify all instances of unauthorized, irregular, fruitless and wasteful expenditure;
- Ensure that SCM reporting is clear and unambiguous and discloses any deviations;
- Seek to identify responsible people in case of any deviations from any process or policy and ensure that consequence management is followed.

- Demand evidence of the performance outcomes often claimed by management.
- Perform any other functions assigned to it by Council.

#### **4.3. Members of MPAC**

1. Cllr Mphethi ND – Chairperson
2. Cllr Mabelane MM - Member
3. Cllr Makua MJ – Member
4. Cllr Gumede RT – Member
5. Cllr Mnisi FG – Member
6. Cllr Mamokgopa LD – Member
7. Cllr Makofane IT - Member
8. Cllr Mashabela MN - Member

### **5. Methodology.**

#### **5.1. Working Session.**

The session was held on the 17<sup>th</sup> to 20<sup>th</sup> March 2020 at regional office, Apel. Chairperson, during the scrutiny of the report, the committee has identified a number of issues which according to MPAC contributed to challenges in terms of performance of the municipality which led to qualified opinion as per Auditor-General's report. The committee resolved during session to draft questionnaire to be submitted to the management and also conduct interviews in order to get clarity on issues raised by the Auditor-General.

#### **5.2. Interviews conducted.**

Interviews were arranged for the 23 March 2020 in order to gather facts regarding issues raised by the Auditor-General. Interviews were supposed to have been conducted on the chairpersons of bid committees who chaired the meetings which led to the appointment of companies which the Auditor-General has raised some queries on their appointments. Unfortunately interviews with chairpersons could not take place due to other commitments and another date will be set.

#### **5.3. Public Participation.**

Chairperson, section 127 (2) (a) (i) (ii) of MFMA 56 of 2003 read together with section 21A of Municipal Systems Act, 32 of 2000 as amended, mandated the mayor to make Annual Report public and invite communities to make representations. Municipality has embarked on a number of structural meetings to solicit representations from various structures regarding the 2018/2019 Draft Annual Report. The programme started on the 17<sup>th</sup> February 2020 and came to an end on 20 March 2020.

## Issues raised during Public Participation.

- 1. Issues raised on the 18<sup>th</sup> February 2020 at Municipal Chamber**
  - Clarity needed regarding the incomplete access bridge at maseven village.
  - An update regarding the issue of operation mabone.
  - Clarity needed from Technical department regarding the wrongfully placed pavilion at both Mapodile and Motodi sports grounds.
  - Concern on the activities not presented and clarified but appearing on the Annual Report.
  
- 2. Issues raised on the 24<sup>th</sup> February 2020 at Seokodibeng community Hall.**
  - Concern regarding allocation and incomplete RDP houses.
  - Need for regravelling of internal roads.
  - Request for grading sports fields.
  - Request for the building of community halls.
  - Concern regarding availability and access to water at Sekopung and Ga-Phasha.
  
- 3. Issues raised on the 24<sup>th</sup> February 2020 at Ga-Motodi Tribal Hall.**
  - Water issues
    - Why there is no hand-over on De-Hoop dam.
    - District to give water authority to local municipality.
    - The whereabouts of 3 million budgeted for water at Taung village.
    - Old and damaged water pipes at Ga-Motodi.
  - Concern on operation mabone.
  - Access bridge needed at Mabelane section.
  - Magokolotsane access bridge need to be upgraded.
  - Marota single car bridge need to be replaced with complete access bridge.
  
- 4. Issues raised on the 26<sup>th</sup> February 2020 at Ga-Malekana Tribal Hall.**
  - Municipality should also accommodate people with disabilities when planning their programmes.
  - Municipality to strengthen the old age desk at the institution.
  - Concern and dissatisfaction on the recruitment of CPW/EPWP beneficiaries
  - Pedestrian crossing needed at Malekane steel bridge.
  
- 5. Issues raised on the 3<sup>rd</sup> March 2020 at Municipal Council Chamber.**
  - Fleet market/Stalls are turned into white elephants.

- There is no maintenance of municipal parks.
- There is a concern of the Traffic congestion and the need for finalisation of ring road.
- Provision for skip bins to address littering and wastes all over.
- Concern of free water at taxi ranks whereas there is no water at residential areas.

## 6. Findings of the MPAC on 2018/2019 Draft Annual Report.

- 6.1. According to 2018/2019 Draft Annual Report, the municipality had 229 targets as planned, at the end of the year only 125 targets were achieved which amount to 55%.
- 6.2. Municipality has 539 positions on its organogram. Presently there are 308 occupied positions and 231 vacant positions.
- 6.3. Municipality has incurred an unauthorized expenditure of R4 087 039.
- 6.4. Municipality has incurred an irregular expenditure of R146 691 633.
- 6.5. Municipality has incurred a fruitless and wasteful expenditure of R31 874 532.
- 6.6. The Auditor-General has declared the appointment of ET Tshipota Electrical Contractors for an amount of R4 920 000.00 as irregular due to their tax matters which were not in order. The AG also noted that the winning bidder submitted a bid document which was not fully completed as required by the bid administrative requirements.
- 6.7. The appointment of Mphemahlo Risk Services for an amount of R477 128.00 per month was irregular. Mphemahlo Risk Services was appointed even though was not complying with the administrative compliance requirements as per the Auditor-General. Their reference letters were received by municipality after the BEC and BAC had made recommendations for the awarding of the tender.
- 6.8. The AG has discovered that there were discrepancies during the functionality evaluation when Tubatse Security Services was appointed on 19 September 2018 for an amount of R328 520.06 per month for three years.
- 6.9. The AG has declared the awarding of Brown Dog Security Services for an amount of R1 028 965.81 per month as irregular. *(AGSA noted that the COIDA letter of good standing submitted by the winning bidder (Brown Dogs Security services) appears to be fraudulent as the certificate number (2015028956) belongs to Mgamule Consulting Engineers as verified on the Department of Labour website. The response from Brown Dogs as submitted for audit is dated 21 October 2019. This is an indication that the validity of the COIDA certificate as not confirmed during evaluation and the matter was only followed up with the service provider after the finding was raised).*

- 6.10.** The AG has declared the awarding of Mabotwane Security Services for an amount of R1 149 993, 46 per month for three years as irregular. The AG indicated discrepancies during functionality evaluation and site inspection. (AGSA noted that the BAC performed a site inspection at Phuthadichaba Trading Enterprise's offices situated at 130 Marshall street, Polokwane on 19 September 2018. AGSA noted that this date is after the date of appointment of the winning bidder).
- 6.11.** The AG declared the appointment of Precious Affinity Holdings on 31 May 2019 for an amount of R2 601 407.42 as irregular and any expenditure incurred must be disclosed in irregular expenditure. (AG:- Based on the above, it was noted that Precious Affinity Holdings projects did not submit proof of ownership of the rock drill trucks, compressors, aerial device basket, Atlas Copco Compressors and Air Stringing Machines, from the owner as required by page T11 of the bid document. As a result, Precious Affinity Holdings should have been disqualified and not evaluated further on price and preference points).
- 6.12.** AG has also declared the appointment of KF Phetla Projects on the 24 May 2019 for an amount of R4 522 557.92 as irregular. (AG:-Based on the above, it was noted that KF Phetla projects did not submit proof of ownership of the rock drill trucks from the owner as required by page T11 of the bid document. As a result KF Phetla projects should have been disqualified and not evaluated further on price and preference points).
- 6.13.** AG report indicates that municipality has awarded contract to the company where the person working for the municipality is a member/director and no declaration of interest on MBD 4 as per the table below. MPAC is still gathering facts about the matter.

Table. 1. (Taken from Auditor General's 2018/2019 Report Fetakgomo Tubatse Municipality)

No	Name of person	Position	Name of business partner/spouse/associates	Supplier name	Relationship	Amount
1	Ntombizodwa Marcia Nkosi	Committee Officer	Loyiso Tyara	Future Business Consulting	Director	8 395
2	Thomas Phogole Ramaube	General Worker Parks	Carcia Pududu Mahlakwana	Mphela Mokwena Holdings	Director	14 950
3	Happy Lazarus Phoku	Admin Clerk	Nyaku Jolly Phasha	Matladi Thabang Projects	Director	250 262



4	<i>Maruping Johannes Mogofe</i>	<i>General Waste Assistant</i>	<i>Mashoeu Janet Malatjie</i>	<i>WJJ Projects</i>	<i>Director</i>	<i>1 179.8</i>
5	<i>Tlakale Naume Phala</i>	<i>Councillor</i>	<i>Sibongile Sakwamisa</i>	<i>Khari Group</i>	<i>Director</i>	<i>355 172</i>
6	<i>Maleke Maisela</i>	<i>Communit y Services Admin</i>	<i>Kgope Antonio Mmola</i>	<i>Malope a Mogoshi Trading and Projects</i>	<i>Director</i>	<i>24 490</i>

## 7. Organisational and personnel implications.

The Oversight report will assist the municipality and Officials to take care of their responsibilities when preparing Annual Reports.

## 8. Legal Implications

- Section 121(1) of MFMA 56, 2003 stipulates that in each year, municipalities must prepare annual report in accordance with chapter 12.
- Section 129 of MFMA 56, 2003 stipulates that council of municipality must adopt the oversight report.
- Circular 32 of MFMA prescribes that after an Annual Report has been tabled, the Oversight Report need to be compiled.
- Section 127 (5) (a) (i) (ii) stipulates Annual Report to be public and communities to make representations.

## 9. Financial Implications

The municipal finances must be used effectively.

## 10. Risk Implications

Non-compliance to legislation will lead to audit queries.

## 11. Communication

Office of Municipal Manager, stakeholders and employees.

## 12. MPAC Recommendations:

- 12.1. that Council notes the Oversight Report on 2018/2019 Draft Annual Report.
- 12.2. that Council approves the 2018/2019 Draft Annual Report with reservations based on the following:
- i. investigation be done on unauthorised expenditure of R4 087 039; irregular expenditure of R146 691 633 and fruitless and wasteful expenditure of R31 874 532 and report be submitted to council.
  - ii. Forensic investigation be done on the overpayments of rental amounts on leased property and report be submitted to council.
  - iii. MPAC is still investigating the issue where members of the municipality are being reported to have not declared their business interests.
  - iv. MPAC is still scrutinising the queries raised by the Auditor-General regarding irregular appointments and unfair disqualifications on certain companies during tendering processes.
  - v. Forensic investigation be conducted on all appointments of service providers where the Auditor-General has raised queries and declared appointments as irregular or having contravened the SCM policy and the MFMA.
- 12.3. that Auditor-General's audit queries of the current and previous financial year be addressed.
- 12.4. that municipal manager submit audit action plan on quarterly basis to the Council.
- 12.5. that management should thoroughly review the Annual Financial Statements in time before submitting to Auditor-General.
- 12.6. that departments always submit supporting documents as evidence to the achieved targets to council on quarterly basis.
- 12.7. that municipality reconfigure, strengthen and capacitate the SCM unit.
- 12.8. that Council instructs the Municipal Manager to furnish MPAC with ID numbers of people alleged to have not declared their business interests as per item (iii) above for further investigations.

**13. Contact Person**

**ClIr Mphethi N D**

**Chairperson MPAC**

*Mphethi ND*

**ClIr Mphethi N D**

**Chairperson: MPAC**

*26/06/2020*

**Date**