



**FETAKGOMO TUBATSE
LOCAL MUNICIPALITY**

**OVERSIGHT REPORT ON
2022/2023
DRAFT ANNUAL REPORT**

**MARCH
2023/2024 FINANCIAL YEAR**



FETAKGOMO TUBATSE LOCAL MUNICIPALITY

SUBMISSION TO	: MUNICIPAL COUNCIL
FROM	: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)
DATE OF MEETING	: 27 MARCH 2024
ITEM NUMBER	:
TITLE/SUBJECT	: OVERSIGHT REPORT ON 2022/2023 DRAFT ANNUAL REPORT
REF/COMMITMENT NR	:

1. SUBJECT:

Oversight Report on 2022/2023 Draft Annual Report of Fetakgomo-Tubatse Municipality.

2. PURPOSE

The purpose of this submission is for the Council to consider and adopt MPAC's Oversight Report and further approves the 2022/2023 Draft Annual Report without reservation in line with section 121 and 129 of MFMA no.56 of 2003 read together with circular 32 of MFMA.

3. BACKGROUND

Madam Speaker, MPAC is a committee of Council established in terms of sections 79 of Municipal Structures Act no 117 of 1998 and 79A of Municipal Structures Amendment Act, no 3 of 2021. This committee is mandated to strengthen oversight on the performance of municipality acting on behalf of the council. During the Council Meeting held on the 31 January 2024, Council referred the 2022/2023 Draft Annual Report to MPAC for further scrutiny. Section 121(2) of MFMA and circular 32 of same stipulate clearly the objectives of the Annual Report which among others include:

- ❖ to provide the record of activities of the municipality,
- ❖ to promote accountability to the local communities on 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.

Madam Speaker, in terms of section 129 of MFMA, the council of a municipality must consider the annual report of the municipality and of any municipal 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, which must include a statement whether the council—

- (a) has approved the annual report with or without reservations.
- (b) has rejected the annual report; or
- (c) has referred the annual report back for revision of those components that can be revised.

MPAC is hereby confirming that the 2022/2023 Draft Annual Report was scrutinised in line with the above legislative directives.

4. MANDATE OF MPAC

4.1. Legislative mandate

Municipal Public Accounts Committee is established in terms of section 79 of Municipal Structures Act, 117 of 1998 read together with section 79A of Municipal Structures Amendment Act No.3 of 2021. The statutory framework further includes section 129 of the Municipal Finance Management Act (MFMA) No 56 of 2003, Section 160 of the Constitution of the Republic of South Africa, Section 59 of the Municipal Systems Act and Sections 33 of the Municipal Structures Act 1998. MPACs are established inter alia to: -

4.2. Aims and Objectives of MPAC

- 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.

4.3. The scope of MPAC

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.
- Recommend any investigation in its area of responsibility, and
- Perform any other functions assigned to it by Council.

4.4. Members of MPAC.

The following MPAC members took part in the processes of scrutinising the 2022/2023 Draft Annual Report and are responsible for the production of this oversight report.

No	NAME	POSITION	CONTACTS
1	Cllr Mojalefa LH	Chairperson	0799257488
2	Cllr Modipa FM	Member	0715781233
3	Cllr Mohlala TH	Member	0636058520
4	Cllr Mokoena DF	Member	0733944438
5	Cllr Molapo TI	Member	0794071552
6	Cllr Molapo WS	Member	0823423189
7	Cllr Phasha MA	Member	0767288515
8	Cllr Thobejane ME	Member	0798373619
9	Cllr Tjie MR	Member	0731198611

5. Methodology

5.1. Working Sessions.

The committee had a working session from the 5th to 8th March 2024 The Ranch Hotel to deal with the Auditor-General's report and Annual Report. The committee scrutinise both the Auditor-General and the Draft Annual reports of the municipality. During the scrutiny of the report, the committee identified areas where questions had to be drafted and a questionnaire was sent to the Executive Committee. The verbal response session in a form of public hearing to confirm the written responses was organised and took place on the 22 March 2024.

5.2. Public Hearing

MPAC held a Public Hearing regarding the 2022/2023 Draft Annual Report on the 22 March 2024 at Moses Mabotha Hall in Apel. Members of executive committee were invited to come and confirm verbally their

responses on the Draft Annual Report questionnaire. Councillors and members of the public were also invited to come and observe the proceedings of how MPAC holds executive committee accountable.

5.3. Issues identified on the Draft Annual Report.

CHAPTER 1

The committee identified the following on its reflection on chapter one:

- **Energising of high-mast lights and other households:** The report indicates that nine out of forty unenergized high-mast are now energised and 1200 out of 9995 households are also energised. The committee raised a concern regarding the slow pace of energising. MPAC's interaction with the executive committee, indicated that the slow pace was because of Eskom capacity. There is a progress in energising another ten high-mast lights and remaining households.
- **Mayoral Flagship:** The report indicates that 60 youth were appointed through the Mayoral Flagship. The committee's engagement with the executive, found that the programme is there to assist graduates with training and job experience.
- **Waste Management:** The committee requested clarity regarding waste collection of 6782 households in Apel. It was clarified by indicating that the number refers to collection in villages such as Ga-Nkoana, Mabopo, Mankotsana, Lerajane, Mohlaetse, Stydkral, Mphanama and Mashilabela.

CHAPTER 2

The committee's reflection on this chapter identified the following for clarity:

- **Top Ten Risks in the municipality:** The committee found that nothing was done to address risk number nine on the report. Our interaction with the executive committee found that, the Municipality has engaged RAL and SANRAL to address this risk. The Municipality through the accounting officer has met with SANRAL a several times and agreements have been reached on how the two parties will work together to address this challenge.
- **Uploading of documents on the Municipal Website:** The committee found that there are some documents that should have been uploaded on the website in terms of legislation but were not there. The executive committee indicated that, they were not available during those financial years but were uploaded later.
- **2022/2023 Client satisfaction survey:** The report indicates that the 2022/2023 client satisfaction survey was not conducted due to budgetary constraints in communication unit. During our engagement with executive committee, we have noted that the survey report was produced late, hence written 2023/2024 survey and the money were used in conducting the study. The previous year client survey was used for the development of service delivery improvement strategy.

CHAPTER 3.

In this chapter, the committee identified the following areas for clarification:

- Township establishment on portion 6 of farm Hoeraroep 515 KS: Our engagement with executive committee found that, the township establishment has been returned to the Municipality due to the need to complete other processes. The municipality is busy addressing those processes. The Municipality owns Portion 2, 3, 4, 5, 6 and 7 Hoeraroep 515 KS. Therefore the municipality intends to establish townships on two portions of Hoeraroep 515 KS.
- Tjate Heritage site development: With regard to current status of Tjate Heritage site, engagements were conducted with other stakeholders to partner with them to assist with development.
- Completion of three by-laws: The three by-laws have been completed. The municipality is in the process of gazetting the two by-laws and the noise pollution by-laws is at advanced stage for implementation.
- Construction of Motodi sports complex: The stadium has been re-designed after the previous work done by the previous Engineer and Contractor. The project will be implemented in the new financial year 2024/25.

CHAPTER 4.

In chapter four, the committee has among others discovered that in Table 42, number one indicated that OHS policy was not reviewed since its adoption in 2017/05/29. The executive committee indicated that the policy was still relevant but there are plans to review it for the next financial year.

CHAPTER 5

The following issues were identified on Appendices.

The report on Appendix H1-H2 and Appendix I, shows some of service providers not having the expiry date and the contract value. Marumo Consulting for planning and designing in Praktiseer and Mashamothane does not indicate the contract expiry date and contract value. Consultants' engineers are hired at a rate equivalent to 14% of the construction contract amount. The precise appointment fee and the duration of the contract will be established following the appointment of a contractor. As control measures, the Contract department has revised the contract register ensuring that important details such as scope of work, the start of contract and expiry dates are duly noted. An addendum was issued to that effect which shows the contract expiry and contract amount. Regarding the Anaka Group Pty, the contract expired while the procurement process was still ongoing. Consequently, it was extended on a month-to-month basis to ensure uninterrupted daily operations. Minatlou Fleet Management is contracted on a rate-based basis.

CHAPTER 6

The following issues were identified on the 2022/2023 Auditor General's report.

On Number 32 and 33 the AG talks of reasonable steps not taken to prevent Unauthorised expenditure of R224 904 509 and the irregular expenditure of R26 089 492. MPAC's engagement with executive committee found that, the irregularity expenditure of R 26 089 492 stemmed from evaluation discrepancies and non-compliance flagged by the Auditor General of South Africa whereas the unauthorized expenditure arises from under-budgeting on both non-cash and cash items.

Number 37 on the report states that some of the quotations were accepted from bidders whose tax matters had not been declared by the SARS to be in order in contravention of SCM regulations 43. Quotations were accepted from bidders with compliant tax matters as per SARS regulations. However, there was a lapse in timely order signing. While the bidders were compliant during the procurement process, their status changed by the time orders were generated. This oversight resulted in irregular expenditure. Management has since implemented control measures to address this issue. Before generating orders or signing appointment letters, CSD reports are now regenerated to ensure and mitigate the occurrence of appointments with non-compliant bidders.

The AG's report indicates the material irregularity of Overpayment of R8 783 248 of the supplier for the compilation of valuation roll on number 51-52. During MPAC's engagement with the executive committee, it was found that the matter is in the hands of Internal Audit for further processing.

On the unexplained withdrawals from municipal bank account as stated by AG report on Number 53-54, MPAC requested clarity with regard to the inquiry with the DPCI to assess whether a case should be opened. The committee's interaction with executive committee found that the matter is still with Internal Audit for further processing. However, the Accounting Officer has recovered R4 392 740 as at 30 November 2023 and further engagement with the bank to recover the remaining is continuing.

On overpayment to supplier of Motodi sports complex and Magotwaneng access bridge on 55-58 of the AG report, the committee's engagement with executive committee found that, the matter is still with the Internal Audit. The AG report further indicated the commitment of the Accounting Officer to resolve the issue.

5.4. Project Visits.

The committee conducted site visits on the following projects:

Leboeng access road phase 2.

The report indicates that the completion of Leboeng access road phase 2 was delayed by the slow pace by SANRAL to approve the construction of bell mouth connection. The progress regarding the construction is at 17% out of 28 construction percentage.

Motodi Sports Complex

The visit to this project was prompted by the issue of overpayment to the supplier as raised by the Auditor General. The report further indicated the commitment of the Accounting Officer to resolve the issue.

Ga-Debeila to Mhlaletsu access road Phase 1 and 2.

The report is indicating that phase one of the project has been completed and further indicates that the contractor is busy finishing the snag list.

Magotwaneng access road and bridge.

The visit to this project was prompted by the issue of overpayment to the supplier as raised by the Auditor General. The report further indicated the commitment of the Accounting Officer to resolve the issue.

5.5. Public Participation on Draft Annual Report

Public Participation unit drafted a programme to consult members of the public regarding the Draft Annual Report. The programme started on the 12th February 2024 until the 28th February 2024. The following stakeholders were also consulted during the road shows, Councillors, CDW, Ward Committees, Magoshis, Rate payers and Special groups. Members of MPAC were part of the roadshows. In most cases, members of the public raised issues relevant to IDP programmes.

Public Participation raised some of the following issues:

Leboeng access road phase 2.

Members of the community raised a concern regarding the connection of the road to R36. It was clarified that the delayed is caused by the slow pace by SANRAL to approve the construction of bell mouth connection. The progress regarding the construction is at 17% out of 28 construction percentage.

Ga-Debeila to Mhlaletsu access road phase 2.

The report indicates that the project is practically complete. Community members were clarified that the contractor is busy finishing the outstanding snag list.

Energising of electrified projects.

Community members raised issues regarding the slow pace in energising the electrification projects. It was clarified that the problem is with Eskom capacity, but the municipality is busy addressing the issue.

Access roads

Magoshis also raised the issue of access roads to their kraals. It was clarified that the programme is there to address the access roads to the magoshis.

6. ORGANISATIONAL AND PERSONNEL IMPLICATIONS.

The Oversight report assists the municipal council to hold Executive Committee and administration accountable for their activities.

7. LEGAL IMPLICATIONS

Reference is hereby made to the following pieces of legislation:

- Section 121(1) of MFMA No 56 of 2003.
- Section 129 of MFMA No 56 of 2003.
- Section 127 of MFMA No 56 of 2003.
- Section 79 of MSA No 117 of 1998
- MSAA No 3 of 2021

8. FINANCIAL IMPLICATIONS

The committee has incurred financial expenses on travelling and accommodation while scrutinising the Auditor-General and Draft Annual report reports.

9. RISK IMPLICATIONS

Not addressing issues which informed reservation resolution will affect the functionality of the municipality. The municipality will not have complied if this report cannot be tabled to council before the end of March 2023.

10. COMMUNICATION

Communication was done with the office of the speaker, the Mayor and the Municipal Manager.

11. MPAC RECOMMENDS

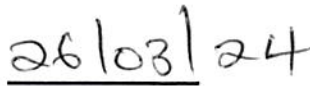
- 11.1. that Council adopts MPAC's Oversight Report on 2022/2023 Draft Annual Report.
- 11.2. that council approves the 2022/2023 Draft Annual Report without reservations.
- 11.3. that Accounting Officer fast track process leading to the recovery of R337 231 which is the remaining money from the unexplained withdrawals from the municipal bank account.
- 11.4. that Accounting Officer fast track the completion of processes that lead to the recovery of R8 783 248 from the service provider as overpayment done on valuation roll.
- 11.5. that the Accounting Officer fast track processes of resolving the issue of overpayment done at Motodi Sports Complex and Magotwaneng access bridge.
- 11.6. that Council fast-track the reviewal of OHS policy.
- 11.7. that Accounting Officer strengthen the management and monitoring mechanism of the contracts of service providers contracted with the municipality.
- 11.8. that MPAC conduct further investigations into UIFW as part of its annual plan and submit final report to Council.

12. CONTACT PERSON

MPAC CHAIRPERSON



Cllr Mojalefa L H
Chairperson: MPAC



Date