



**FETAKGOMO TUBATSE  
LOCAL MUNICIPALITY**

**OVERSIGHT REPORT ON  
2021/2022  
DRAFT ANNUAL REPORT**

**MARCH  
2022/2023 FINANCIAL YEAR**



FETAKGOMO TUBATSE  
**LOCAL MUNICIPALITY**

<b>SUBMISSION TO</b>	<b>: MUNICIPAL COUNCIL</b>
<b>FROM</b>	<b>: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)</b>
<b>DATE OF MEETING</b>	<b>: 31 MARCH 2023</b>
<b>ITEM NUMBER</b>	<b>:</b>
<b>TITLE/SUBJECT</b>	<b>: OVERSIGHT REPORT ON 2021/2022 DRAFT ANNUAL REPORT</b>
<b>REF/COMMITMENT NR</b>	<b>:</b>

**1. SUBJECT:**

Oversight Report on 2021/2022 Draft Annual Report of Fetakgomo-Tubatse Municipality.

**2. PURPOSE**

The purpose of this submission is for the Council to approve MPAC's Oversight Report and consider and adopt the 2021/2022 Draft Annual Report 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 in the performance of municipality acting on behalf of the council. During the Council Meeting held on the 31 January 2023, Council referred the 2021/2022 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 2021/2022 Annual Report was scrutinised as per the above legislative directive.

## **4. DISCUSSIONS**

### **4.1. Mandate of MPAC**

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: -

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

## 4.3. Members responsible for the 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

## 4.4. Methodology

### 4.4.1. Working Sessions.

The committee had a working session from the 13<sup>th</sup> to 15<sup>th</sup> March 2023 Parkin 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 send to the Mayor. The committee adopted the questionnaire and sent it to the Mayor for written responses. The questionnaire was sent to the

Mayor on the 17<sup>th</sup> March 2023 expecting the response on the 23<sup>rd</sup> March 2023. The verbal response session to confirm the written responses was organised for the 28<sup>th</sup> March 2023.

#### **4.4.2. Account on some of issues identified on the Draft Annual Report.**

##### **CHAPTER 1**

The committee reflected on the unfolding of the SEZ project in our municipal jurisdiction. On the milestones achieved, the committee have found that there is a tripartite agreement signed between LEDT, Sekhukhune District and Fetakgomo Tubatse municipality. Our engagement with management found that the Municipal Manager is currently holding meetings monthly with the interim management of FTLMSEZ in order to unlock the full potential of SEZ. LEDA has committed to acquire Glencore industrial as part of the SEZ project.

##### **CHAPTER 2**

The committee's reflection on this chapter has found that there is a report of Top Ten Risks in the municipality. As one of the Top ten Risks, IT controls were not adequately designed and/or implemented. As part of intervention, currently municipality has enhanced ICT control and the ICT manager has been appointed to oversee day to day operations. Furthermore, the ICT steering committee was appointed by the municipality as part of improving control environment.

##### **CHAPTER 3.**

In this chapter, the reflected of the committee has identified that there are different numbers of refuse collection in farms as between table 14 and chart 07. The report also indicates that the roads capacity is insufficient to cater for month end and holidays traffic velocity around Burgersfort town. Various by – passes Western and Eastern ring roads are proposed in the town to alleviate month end traffic congestion. Lack of municipal own land poses a challenge in the construction of the said by – passes. Currently the municipality has appointed professionals to design various integrated roads in Burgersfort town including the Eastern and Western by-pass. The project is at the scoping and preliminary design stage.

##### **CHAPTER 4.**

In chapter four, the committee has among others discovered that Table 40 depicts 656 approved posts and 288 filled and 364 not filled. Our engagement with management found that municipal only prioritised funded approved positions. Positions which are not funded are included as part of statistic. Over and above the Municipal Manager is busy with the business of reengineering in order to do the credible organisational structure. The report has in Table 43, number one indicated that OHS policy was not reviewed since its adoption in 2017/05/29.

## **CHAPTER 5**

The following issues were identified on Appendices.

The report on Appendix H1-H2 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. The report also shows that legal service providers, no. 43-49 on appendix I, were appointed in 2017 and their expiry date are on month-to-month basis. 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.

## **CHAPTER 6**

The following issues were identified on the 2021/2022 Auditor General's report.

Number 32 on the AG's report states that some of the goods and services of transaction value of R200 000.00 were procured without inviting competitive bids as required by SCM regulation 19 (a). Upon engaging the Municipal Manager, the committee discovered that the Municipality has amended the SCM policy in line with Municipal Supply Chain Regulations. The SCM policy was further aligned to the new Gazetted PPR (Preferential Procurement Regulations) 2022. even though that the transaction was above R200 000, was aligned to the policy and national treasury draft regulation, which was not gazetted, the transactions processed were subjected to compliance with SCM processes and procurement regulations.

Number 34 states that awards were made to service providers who are in the service of the state institutions or whose directors/principal shareholders were in the service of the state institution, in contravention of MFMA 112 (1) (J) and SCM regulation 44. As an ongoing intervention, the Municipality has advertised a tender for the vetting system which will be used in by various departments including supply chain in screening and ensuring that submitted documents are in

accordance with provisions in legislations.. The Office of the CFO notifies companies that were identified as part of the state employees in order to give them an opportunity to provide representations about their legal status as to whether they are working in the office of the state or not

Number 37 on the report states that withdrawals were made from the municipality's bank accounts without the approval of the accounting officer, the chief financial officer or a properly authorised official as required by section 11 (1) of the MFMA. The AG has clarified the committee that management is busy recovering the money. Our engagement with the Municipal Manager found that these were debit orders debited against municipality without approval by the municipal manager and chief financial officer. The municipality has through engagements with the Bank, ceased all debit orders and daily review of the bank statements are performed to flag any unauthorised debit orders. To date the Municipality has recovered a substantial amount of the unauthorised withdrawals made in 2022. Bank reconciliation is done on month to months basis to prevent anomaly to happen again.

#### **4.4.3. Meeting with Auditor General**

The committee met the Auditor General on the 28<sup>th</sup> March 2023 at Apel. The following issues were discussed during the meeting.

The AG raised a concern regarding the regressing of the municipality from getting Unqualified opinion in the previous year and obtain Qualified opinion in the year under review. The municipality was qualified on SCM and contracts only. The rest of components were unqualified, and the management is working in earnest to enhance internal control and commitment, contract management and SCM including record keeping. The municipality has since employed operational measure to increase monthly reconciliations and review to promote prudence in financial reporting.

The AG indicated that even though there are no material findings on the performance report, but the municipality did not achieve all the set targets and that should be a concern. The AG further emphasised a need to conduct investigations and determine consequence management on fruitless and wasteful expenditure hence these are expenditures which can be avoided.

#### **4.4.4. Project Visits.**

The committee conducted site visits on the following projects:

### **Leboeng access road phase 2.**

The report is indicating that the project is at 95% complete. The report also indicates that connection to main road and snag list are outstanding. The committee is yet to conduct investigation to quantify the reported percentages and the snag list outstanding.

### **Rehabilitation of Mabocha access bridge**

Our visit discovered that the project is complete.

### **Mashilabela access bridges.**

Our visit discovered that the installation of culverts on the bridge is completed.

### **Ga-Debeila to Mohlaletsi access road Phase 1 and 2.**

The report is indicating that phase one of the project is completed and further indicates that there are some snag list outstanding. There is a construction of subbase layer on phase two of the project. The committee is yet to investigate the snag list outstanding.

### **Mareseleng access road and bridge.**

Our visit found that there is a construction of subbase layer on the project.

## **4.4.5. 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 13<sup>th</sup> February 2023 until the 28<sup>th</sup> February 2023. The following stakeholders were also consulted during the road shows, Councillors, CDW, Ward Committees, Magoshis, Rate payers and Special groups. Members of MPAC were represented by the Chairperson and the MPAC Researcher during the roadshows.

### **The following issues were raised during the Public Participation:**

#### **Leboeng access road phase 2.**

Members of the community raised a concern regarding the report which indicated that the project is completed. MPAC's visit to the project found that the project is not complete, and the report indicates that the project is at 95% complete. The report also indicates that there is an outstanding of connection to main road and snag list.

#### **Ga-Debeila to Mohlaletsi access road phase 1.**



The report indicates that the project is complete. Community members from the area were clarified that the project was complete but there are still outstanding snag list as per the report.

### **Refuse collection.**

The report is indicating that there are 6782 number of houses which are assisted with refuse removal in Apel. Members of the community wanted to know whether the number is for Apel as a village or Apel as a number of villages. The report is also silence about the maintenance plan of the skip bins. The committee also found that the public awareness of the refuse collection was not enough hence it was not done during the year under review (2021/2022 financial year).

### **Job Creation**

Members of the community raised the concern that the report regarding job creation should also include permanent jobs which are created by the municipality. Management must ensure that job opportunities are increased through various interventions including the EPWP.

### **Writing the report.**

Members of the community from the special groups raised a concern that the report should also be written in Braille in order to accommodate also the visually impaired citizens. The acting Mayor promised that next time they will ensure that reports will be written in Braille when consulting special groups.

## **5. FINDINGS.**

- 5.1. Municipality had 93 targets in 2021/2022 and achieved 72 which amount to 77%.
- 5.2. There is progress in recovering the money which was withdrawn without the authorisation of the Accounting Officer as per AG's report.
- 5.3. There are legal service providers whose contracts have expired and are being contracted on month-to-month basis.
- 5.4. The report depicts that there are 656 approved municipal posts but only 288 were filled.

## **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 Auditor-General.

#### **11. MPAC RECOMMENDS**

- 11.1. that Council approves MPAC's Oversight Report on 2021/2022 Draft Annual Report.
- 11.2. that council adopts the 2021/2022 Draft Annual Report without reservations.
- 11.3. that Accounting Officer fast-track the process of filling vacant funded positions on the municipal organogram.
- 11.4. that Council fast-track the reviewal of OHS policy.
- 11.5. that Accounting Officer strengthen the management and monitoring mechanism of the contracts of service providers contracted with the municipality.
- 11.6. 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

31/03/23  
Date