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ENQUIRIES: Marimibm

DATE: 08 April 2024

TO WHOM IT MAY CONCERN

Council Resolution Extract Number OCM/04/2024 of a Special Council Sitting held on 27 MARCH 2024: -

OCM/04/2024	MPAC OVERSIGHT REPORT ON THE ANNUAL REPORT
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RESOLVED:

1. That Management to ensure implementation of the previous MPAC and Council resolutions; Upon consideration of the Draft Annual Report and AG Report of 2022/23 and all its processes, MPAC therefore recommends the following:
2. That all AG Findings, Audit Committee recommendations and MPAC recommendations to Council be implemented before the end of this financial year.
3. That the Accounting officer submit the Implementation plan and report in Council on quarterly basis.
4. That the Accounting Officer report on UIFWe recovery and write-offs to Council on quarterly basis.
5. That Financial Misconduct Board and all external service providers submit reports of cases referred to them by the end of April 2024.
6. That the Accounting Officer, Senior Managers and Executive develop implementation plan of the AG recommendations and way forward, for the

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realization of the commitment signed between the Executive Mayor and AG on the 22nd March 2024.

7. That Council deliberates on the report;

8. That Council adopts the report;

9. That the report be published in the Municipality's official website;

10. That the report be submitted to the Provincial Legislature, CoGHSTA, SALGA, AGSA and the Provincial Treasury in terms Section 132(1) B of the Municipal Finance Management Act, 56 of 2003;

11. That the recommendations of the report be monitored and implemented by Management, Mayoral Committee, and all relevant Portfolio Committees.

INPUTS/COMMENTS

1. MPAC report was adopted with reservations, that the Legal Team to assist with the wording on the report
2. The Accounting Officer to share the progress report on an on-going External Investigations.

Regards;



CLR NM MASWANGANYI
COUNCIL SPEAKER

27-03-2024.
DATE

MOPANI DISTRICT MUNICIPALITY

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE



OVERSIGHT REPORT ON THE 2022/23 ANNUAL REPORT REPORT DATE: 27 MARCH 2024

Vision

To be the food basket of Southern Africa and the tourism destination of choice

Confidential

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Chairperson's Foreword

It will not be a misstatement of facts to begin My expression by sincere gratitude to My colleagues in the committee for their undivided focus to compile a report of this magnitude in their pursuit of proper oversight. Though unpopular we have no doubt that the bar was properly positioned where it actually ought to be.

The main purpose of the MPAC is to exercise oversight over the executive functionaries of council and to ensure good governance in the municipality and in order for the MPAC to fulfil this oversight role, it needs to be provided with the necessary information and documentation to interrogate the actions of the executive, hence We further appreciate all the role-players who furnished us with all relevant evidence to positively contribute to this process.

It must be born in mind that the Municipal Finance Management Act (MFMA) assigns specific oversight responsibilities to Council with regard to the Annual Report and the preparation of an Oversight Report. Given the process required by Council to effectively undertake its oversight role, the establishment of the Municipal Public Accounts Committee (MPAC) of Council provides the appropriate mechanism through which Council can fulfil its oversight responsibilities. It is against this background that SALGA, as well as National Treasury and DCOG, promoted the establishment and effective functioning of Municipal Public Accounts Committees (MPACs)

This committee was therefore mandated by council during the 31st January 2024 sitting to probe the Annual Report, develop and table the Oversight report to council in less than two months and we therefore wish to present the compiled oversight report per your directive.

Cllr. MM Mukhabele

Chairperson: Municipal Public Accounts Committee (MPAC)

1. INTRODUCTION

The 2022/23 Draft Annual Report for Mopani District Municipality was tabled in council on the 31st January 2024. Subsequently the report was referred to Municipal Public Accounts Committee (MPAC) for oversight responsibilities as stipulated by Section 129(1) of the MFMA. MPAC was to comply with this and other legislation to eventually table an oversight report before council on the 31st March 2024.

The Oversight Report will, as a point of departure give a brief background by providing the relevant legislative prescripts guiding the compilation of the Oversight Report, outline processes that were followed, deadline for tabling and approval by Council.

Public notice on the availability of the 2022/23 draft annual report was placed on the local newspapers. The notice was for comments on the draft report by members of the public. Public notice on the public hearing was also advertised in various media platforms including the Official Website of the Municipality and the Official Facebook Page of the institution.

The purpose of this oversight report is to therefore account to council for the execution and processes followed as per the assigned responsibility and resolution of council.

2. EXECUTIVE SUMMARY

The Annual Report, inclusive of the AFS for the 2022/23 financial year and the AG report were submitted to MPAC for oversight and scrutiny. As mandated by Council in its sitting dated 31st January 2024, resolution no **OCD/01/2024**, to probe the presented Draft Annual report, develop and table the Oversight report to Council in less than two months from the date of the report, MPAC has fulfilled the obligation and a series of activities unfolded in the run up towards producing this oversight report.

3. LEGAL FRAMEWORK

The following Legislation is applicable to MPAC for improving the quality of annual reporting and Council Oversight:

1. *The Constitution of the Republic of South Africa, 1996*
2. *The Municipal Structures Act 32 of 2000*
3. *The Municipal Systems Act 117 of 1998*
4. *The Municipal Finance Management Act 56 of 2003.*

4. METHODOLOGY

The recommendations made in this report emanated from the information gathered and observations made during the processes followed and activities conducted by MPAC which included and were not limited to Working sessions, committee meetings, project site visits, stakeholders engagements and the public hearings.

5. ACTIVITIES TOWARDS THE DRAFT OVERSIGHT REPORT

After the draft annual report was referred to MPAC, a series of activities unfolded in the run up towards producing an oversight report. The committee conducted the following activities listed below:

5.1 MPAC had its working session to probe the report from the 19th to the 23rd February 2023 where;

- i. Day one, 19th February 2024 – The presentation on the Draft Annual Report was unpacked by the Deputy Manager PMS to the committee;
- ii. The Audit Committee Chairperson was invited to unpack the key focus points on the AGSA Audit report to the committee;

- iii. Day 2 to 5, 20th to 23rd February 2024 - the Manager Internal Audit presented on the Audit Report Findings and the committee started to probe the report while highlighting key focus areas for the development of a questionnaire;
 - iv. The questionnaire was submitted to the Executives on the 24th February for written responses to be returned by the 8th March 2023;
 - v. Invitees to these sessions included the Audit Committee Chairperson, Deputy Manager PMS, Chief Risk officer, Internal Audit Unit, SALGA, CoGHSTA and Provincial Treasury as observers of the session;
- 5.2 Project site visits were conducted on the 26th , 29th February 2024 and 1st March 2024 on some flagged projects;
 - 5.3 Meeting to analyze the responses was held on 12-13 March 2024;
 - 5.4 Public hearing was held on the 14th March 2024;
 - 5.5 Engagement Meeting to address the follow-up questions with BTO, Water Services and Infrastructure development directorate.
 - 5.6 Meeting to develop and ultimately adopt the report convened on 25th and 26th April 2024.

During the submission of the questionnaire, the executives were requested to provide portfolio of evidence supporting the information and responses provided. MPAC was to engage on the provided information as part of producing the draft oversight report. The Accounting Officer promised to submit further supporting information which were due on Friday 22nd March 2024, however, the POE's were officially submitted by the Accounting Officer on Monday 25th March 2024.

It is on this note that MPAC would like to extend a word of appreciation to the Executives for their cooperation. These activities would not have happened had it not been because of their undivided support towards this exercise.

6. DELIBERATIONS EMANATING FROM THE ACTIVITIES CONDUCTED

The public hearing was conducted in hybrid format on the 14th March 2024 at Mokwakwaila Community Hall (Thusong Service Centre) and through the

official Municipal Facebook live-streaming. The Invites were issued to the following stakeholders:

- Executive Mayor
- Council Speaker
- Chief whip
- Members of Mayoral Committee
- Chairpersons of Section 79 Portfolio Committees
- Members of Council
- South African Local Government Association (SALGA)
- Community Development Workers (CDWs)
- District Ward Committee Forum
- Mopani District Municipal Management
- Limpopo Provincial Treasury
- Limpopo Legislature
- Auditor General South Africa
- Department of Cooperate Governance, Human Settlement & Traditional Affairs (CoGHSTA)
- MPAC Chairpersons and support staff from local municipalities
- MPAC Committee and support staff from Greater Letaba local municipality
- Mopani District Municipal Audit Committee Chairperson
- Community based organizations; and
- Members of the public (Invited through various media)

All the expected invited stakeholders attended public hearing and others through various media channels. Due to clutch of dates of the Public Hearings Maruleng Local Municipality MPAC committee was unable to grace the occasion as expected.

7. ISSUES FROM THE PUBLIC HEARING/ FINDINGS

MPAC engaged on the issues raised by the AG in the 2022/23 draft annual report based on its findings. This means that the public hearing was premised

on the AG's findings, Management Report and draft annual report. Some issues raised had similarities with those raised in the previous financial years.

8. GENERAL OBSERVATIONS AND FINDINGS

MPAC has noted the following observation in the process of compiling the oversight report;

AG attested the improved audit outcome to qualification based on the designed action plan and its implementation. The municipality still fail to keep full and proper records of financial affairs of the municipality resulting in ineffective use of financial consultants. Payment of duplication of which results in financial losses. Expenditure payments were not made within 30 days relating to capital and current expenditure. Slow implementation of council resolutions. The municipality did not put proper measures in place to ensure assets are safeguarded against vandalism and losses. Several municipality key service delivery indicators were not achieved.

The Accounting Officer provided information to the committee as promised at the public hearing on the 25th March 2024.

9. RECURRING FINDINGS

MPAC noted with serious concern findings that were recurring for more than a year but not being addressed. This is evident that there is no implementation of the Audit Action Plan by the Executives and monitoring by oversight committees;

10. DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS, OBSERVATIONS AND RECOMMENDATIONS

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
1. Documents Published on the Municipality's Website	- Page 43 of Draft Annual Report	
The MFMA Section 75 sets out the information that a municipality must include in its website. Municipalities are of course encouraged to use their websites more extensively than this to keep their community and stakeholders abreast of service delivery arrangements and municipal developments. The Municipality has in its Annual Report failed to publish: (i) All current budget-related policies, (ii) All long-term borrowing contracts 2022/23 (iii) Contracts agreed in 2021/22 to which subsection (1) of section 33 apply, subject to subsection (3) of that section, and (iv) PPP agreements referred to in MFMA section 120 were made in 2022/23.	1. As per report, the publishing of documents within 10 working days after the approval by the Municipal council was not adhered to. The Accounting Officer in response cited incapacity from the IT department for failure to comply with the legislative requirement. 2. Not all budget related policies served in Council and approved on the 31st of May 2023. The Management claimed to be unaware of any budget-related policy that failed to serve. However, MPAC provided several policies that	MPAC recommends that: 1. Management to ensure capacitation of the IT department as a matter of priority. 2. Management to provide the budget-related policies which were reviewed on both the approved original by the 31st May 2023 and reviewed by the 1st July 2023. 3. Management to provide an agenda as proof of the council sitting of the 01st July 2023.

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
According to Municipal budget and reporting regulations, the municipality must within 10 working days after the Municipal Council approves the adjusted budget make public the approved adjusted budget and supporting documents.	were approved on the 01st of July 2023. The Accounting Officer's view that the presented policies were reviewed after just a month after approval was unsatisfactory. 3. The municipality did not publish the adjusted budget and special budget approved by the council on 28th February 2023 and 31st May 2023 respectively. In response, the Accounting Office stated that it was published in the website within 10 days after approval by Council.	
2. Public Meetings - Page 37 of Draft Annual Report		

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
Chapter two of the Draft annual report indicates Public Participation, Communication, and Forums as part of the communication channels;	1. No information was recorded on the public participation mechanisms used in the 2022/23 financial year. In response the Accounting Officer listed different methods that were employed to invite and engage with the public. 2. The fourth quarter mayoral imbizo was not held during the Financial year where the Accounting Officer cited that it was postponed to a later date. This failure denied the community an opportunity to be involved in decision-making process of the municipality within that particular year.	1. The Executive Mayor must consider appointing someone to Act on his behalf, so the community is not denied of their right in decision-making processes of government. 2. Management must engage in continuous assessment and review of process plan to avoid clashes. 3. Management prioritize budgeting for the ward District Committee

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
	3. The IDP/ Budget/ PMS representative forums and Steering Committee were not held as per the process plan. The failure has According to the Accounting Officer due to competing council engagements and the rescheduling was arranged. 4. The ward district Committee was not convened for the 2022/23 financial year. The Accounting Officer stated that the failure is due to it not budgeted for. This is a recurring challenge for this KPA, always targeted without any budget or getting implemented.	
3. Number of By-Laws Gazetted by 30 June 2023		Paragraph 41 of AG Findings

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
AG identified that an achievement of two by-laws was reported against a target of five. However, the Audit evidence showed the actual achievement to be zero. Consequently, the target was not achieved.	1. The Municipality failed to gazette the by-laws as planned. In responding to the question, the Accounting Officer indicated that there was no sufficient budget in the year and further delays were due to inputs not coming forth from various stakeholders. It is unsatisfactory that the purported insufficient budget couldn't cater for even one by-law.	1. Management to ensure that there is sufficient budget to cater for targeted by-laws. 2. Management engages with clear time lines with stakeholders on by-laws feedback.
4. Public Satisfaction Levels - Page 43 of Draft Annual Report The municipality did not conduct a customer satisfaction survey for 2022/23 financial year. The municipality appointed the Batho Pele Committee in the 2022/23 financial year. The committee was	1. The Municipality failed to conduct the Community satisfaction survey during the financial year. In response, the Accounting officer expressed that the	1. Management ensure the Batho Pele Committee capacitation with relevant knowledge and tools to carry their responsibilities.

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
established for addressing community complaints and issues pertaining to service delivery.	Batho Pele committee was established but could not function effectively because they were inadequately capacitated to perform community satisfaction survey. On that note, CoGHSTA was expected to conduct a capacity-building session.	
5. Slow Implementation of Council, Portfolio, MPAC, AUDIT Committee and IGR Resolutions Performance Report (SDBIP) The municipality resolved to implement all council structures resolutions throughout the year (Council, Portfolio, MPAC, IGR & Audit Committee). However the target was not achieved in the year under review.	1. Management of Council, Portfolio, MPAC, AUDIT Committee and IGR Resolutions. The Accounting Officer responded that Some of the resolutions required extra budget and others were not budgeted for and some required sector departments to	- Page 13-15, and 27-29 of Annual 1. Management prioritize the implementation and tracking of all Council resolutions and report progress in council on quarterly basis.

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
	assist in implementing, and some needed the investigation to be concluded first and some are under progress. At the Public Hearing he cited an example of Water Summit resolution as one such as may require budget and those with legal implications. 2. The Accounting Officer further detailed that Management has developed a tool to track the implementation of resolutions from the mentioned structures, and that a progress report is prepared and available for perusal by MPAC. It was also specified that these reports are standing agenda items in Manco meetings to track progress.	

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	3. MPAC however did not receive a record of that submission for perusal and reference.	
6. Slow Implementation of Auditor General. Internal Audit and Risk Management Findings and Recommendations - Page 13-15 of Annual Performance Report (SDBIP) There is slow implementation of Audit General, Internal Audit and Risk findings for the year under review. The actual performance of 57%, 72% and 72% respectively as reported in the Draft 2022/23 Annual Report.		
1. It is a growing concern that findings and recommendations of Internal Audit, AG and Risk Management are not fully implemented by Management?	1. Management prioritize the implementation and tracking of all Council resolutions and report progress in council on quarterly basis.	
2. Management in its response to MPAC cited that Some of the resolutions require additional budget while others were not budgeted, and some require sector departments to assist in implementing and some needed the		

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
	investigation to be concluded first and some are under progress. Internal Audit recommendations are being implemented however are not conclusive but are an ongoing value since they are about adding value and monitoring the current operations. 3. Documental proof as evidence were not supplied to MPAC for perusal and reference to substantiate the statement.	
7. Overdue Labour related cases unresolved within a Financial Year - Page 13 of Annual performance Report (SDBIP) & Page 84 of the Draft Annual Report		

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
Overdue outstanding labour related cases that are still ongoing from previous financial year currently at 20% against the expected target of 100%. The explanation provided for failure to conclude other cases attested to be postponement due to the bereavement of the representative. It is expected as per SDBIP that cases should at least be concluded within 90 days also as reflected in the APR. CASE NO 1: Deputy Manager SCM: R1 771 557,36 CASE NO 2: Deputy Manager ICT: R298 061, 06 CASE NO 3: Senior LED Officer: R 1 484 428, 78	1. The labour cases prolonged for over 90 days and falling outside the targeted period per SDBIP. In responding to the raised question, the Accounting Officer detailed that the cases cannot be finalised within 90 days due to complexity of the matters that needed professional care to be concluded to avoid mistakes that could lead to litigations that may cause the loss to the Municipality. 2. MPAC observed that unrealistic targets are set resulting in under performance. 3. The response by the Accounting Officer was irrelevant on the provision of the status of cases	1. Management must set realistic targets in their KPA's in respect of labour related cases. 2. Management should advise Council on the development and costs of cases on quarterly basis. 3.

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
	given that during the period of Draft Annual Report probing all cases were still on-going. 4. Justification of the over R 3.5 Million spending on the three cases was not convincing despite it tagged to have value for money.	
8. Waste Water (Sanitation) and Water Provision - Page 50-51 of Draft Annual Report The Municipality has in 2022/23 financial year targeted to give 5 461 Households with access to sanitation. The municipality managed to complete 4 902 units for sanitation. The Municipality cited this below target achievement to slow progress by the emerging contractors. The Households with access to water has not reached the expect target for the year, 6 000	1. The committee has learned through the report that the household targets for access to sanitation fell short of the intended targets. 2. In response to this failure, the Accounting Officer stated that there was late appointment of contractors,	1. Management must ensure forward planning on timeous appointment of contractors. 2. Engineers and contractors failing to complete their projects be blacklisted and not granted other projects.

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
households were targeted and only 1355 were achieved. The challenges highlighted are late appointment of contractors, slow progress on site and delays in energising of projects by Eskom;	slow progress on site, and the projects are still on-going. 3. The committee further observed that contractors with low assessment rating were granted opportunity and failed to complete projects	
9. Purpose and Intent of Blue Drop Certification The Blue Drop certification programme aims to improve South Africa's drinking water management by identifying and developing core competencies. It combines goodwill from municipalities, businesses, and government support programs to achieve excellence. The scoring per table below is a reflection that the Municipality is not doing well. <i>Mopani District Municipality</i>	Page 52 of Draft Annual Report 1. MPAC has observed that the Municipality blue drop scoring is non-compliant and has been decreasing over time. 2. In response to this non-compliance, the Accounting Officer stated that the Municipality could not achieve all as some depended on the availability of budget and the appointment of competent Process	1. The Accounting Officer must ensure that the budget is allocated and appointment of competent staff is adhered to and implemented without delay. 2. The Accounting Officer must ensure the allocation of budget for the installation of meters to guarantee water losses are reported as expected.

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS		OBSERVATION	RECOMMENDATIONS							
<table><tr><td>Blue Drop Score 2023</td><td>%</td></tr><tr><td>Blue Drop Score 2014</td><td>%</td></tr><tr><td>Blue Drop Score 2012</td><td>%</td></tr><tr><td>Blue Drop Score 2011</td><td>%</td></tr></table>	Blue Drop Score 2023	%	Blue Drop Score 2014	%	Blue Drop Score 2012	%	Blue Drop Score 2011	%	Controllers and that the Supervisors are planned to be appointed this Financial Year. 3. The Committee observed that the water losses report is only from the plant where meters have been installed per Accounting Officer's response at the public hearing not all areas.	
Blue Drop Score 2023	%									
Blue Drop Score 2014	%									
Blue Drop Score 2012	%									
Blue Drop Score 2011	%									
10. Waste Water Risk abatement - Page 17 of Annual Performance Report (SDBIP)										
The development of a wastewater risk abatement plan was not implemented, one was planned, and none was achieved during 2022/23 financial year.	1. The risk water abatement plan was targeted without any budget allocation. It served as an area of underperformance throughout the year.	1. The Accounting Officer must ensure that plans are supported by budget before dependance on donations which are not guaranteed.								

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	2. The Accounting Officer has in response stated that the reason for planning without budget allocation is because it is a must-have and needs to be implemented and the other reason is that sometimes donations or grants are received for unfunded projects	
11. Free basic services and indigent support - Page 59 of Draft Annual Report		
Mopani District Municipality provides the free basics services on provision of water through the water service agreement with the local municipality. The free basic water services is provided to registered and certified indigent customers support services where in 6kl is provided for free on annual basis.	1. In responding to the question on whether the Municipality has an indigent policy which was being implemented, the accounting officer has in both written and public hearing stated that there was no indigent policy in place.	1. Management should clear this conflicting statements on indigent policy and update council on its status.

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
	2. The committee deemed it to be a misleading statement because in the Water services POE an indigent policy was provided which the Accounting Officer could not deny when presented.	
12. Local Economic Services - Page 61-63 of Draft Annual Report Chapter three of the annual report, indicate issues of Local Economic Development as one of the functions of the municipality. The information on the above-mentioned section only highlighted issues of EPWP.	1. MPAC has noted a decrease in the EPWP jobs created from 2020/21 with 4287; 2021/22 with 2806 and 2022/23 with 2800. The down spiral is not assisting given the unemployment status in our communities. 2. On the question of LED initiatives and LED information, the Accounting	1. Management must ensure improvement on EPWP funding and develop sustainable solutions.

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	Officer in response stressed that LED initiatives are comprehensively covered on page 62 of the report. The LED initiatives must be understood in the context of the role of government in the economy. Section 153 (a) of the South African Constitution requires municipalities to "to promote social and economic development". Furthermore, Section 153 (b) states that municipalities must "participation national and provincial development programmes. The Constitution read together with relevant prescripts such as White Paper on Local Government and Municipal Systems Act, enjoin municipalities to create a conducive	

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
	environment to ensure economic development of communities.	
13. Fire and Rescue services - Page 67 of Draft Annual Report Mopani has established a fully-fledged unit for fire services in the district. Each local municipality is allocated an operational Fire station in the following areas: Tzaneen, Giyani, Modjadjiskloof, Phalaborwa and Hoedspruit. Every station ensures twenty-four-hour services to communities;		
1. MPAC has observed that Fire Awareness were fully conducted around the communities, however the validity of Membership certificate expired in March per supplied POE which reflect a serious negligence.	1. MPAC sought affirmation on whether the Municipality has a budget for fire association and evidence of the provision of fire awareness to the communities.	1. The Accounting Officer must ensure that a valid membership certificate is secured and presented.

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
14. Environmental Management - Page 68 of Draft Annual Report The municipality ensures protection of the air by regulating industries whose processes result in emissions to the atmosphere, through the issuing and management of Atmospheric Emission Licences (AELs). AELs are issued in accordance with the provisions that are set out in the National Environmental Management: Air Quality Act, 39 of 2004.		
1. MPAC sought to know if the Municipality enforce compliance to environmental regulations, by-laws and policies to ensure compliance. 2. The Accounting Officer confirmed in his response that the Municipality is Compliant and that evidence has been supplied.	1. Management must consistently enforce compliance to environmental regulations.	
15. Disaster Management, animal licensing and control, control of public nuisances - Page 69-70 of Draft Annual Report Disaster Management is a continuous and integrated multi-sectoral and multi-disciplinary process of planning and implementation of measures aimed at disaster prevention, mitigation, preparedness, response, recovery, and		
1. The Committee raised a question on whether in the year under review did the municipality only encountered fire	1. Management update and provide accurate information to council on disaster incidences that transpired during 2022/23 financial year.	

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rehabilitation (Disaster Management Act 57 of 2002), so as to minimize the impact upon lives, environment, and natural resources.	as the only disaster in Mopani municipality. 2. Management response was that there were other incidents except fires such as floods which affected mostly Greater Tzaneen, Greater Letaba and Greater Giyani local Municipalities where Houses and Road infrastructure were damaged. 3. MPAC has however as per page 70 of the Draft Annual Report observed that Greater Tzaneen and Greater Letaba only had a record of Fire Incidences and thus leaving the response questionable and untrue.	
16. Non-Capturing of MIG Re[ports] - Page 17 of Annual Performance Report (SDBIP) The municipality is expected to capture the projects on the MIS on a monthly basis. For the 2022/23 financial year the	1. MPAC observed that out of the targeted 12 expenditure report on the	1. Management must adhere and comply to the requirements to

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
municipality did not capture expenditure reports on the MIS website (CoGHSTA), of the targeted 12 per annum 10 were reported.	MIS only 10 were submitted during the year under review. 2. Management response depicts that the failure is due to that reports were sent and referred back and due to disagreement the time for submission lapsed.	avoid the back and forth disagreements triggering a negative effect to the report.
17. Number in kilometers of Gravel roads graded - Paragraph 40 of AG Findings		
An achievement of 2 107,49 KM was reported against a target of 2 000 KM. However, the Audit evidence did not support this achievement. The actual achievement could not be supported by evidence but estimated it to be materially less than reported. Consequently, the	1. MPAC has learned through AG findings that the reported kilometres were found not to be in correspondence with the actuals. This is a recurring finding where kilometers and hours bladed cannot be reconciled.	1. The Accounting Officer must find a solution to address this recurring finding from AG where KPI must correspond with the instrument of measurement

DRAFT ANNUAL REPORT, MANAGEMENT REPORT, ANNUAL PERFORMANCE REPORT AND AG FINDINGS	OBSERVATION	RECOMMENDATIONS
achievement against the target was lower than reported.	2. Management response illustrates that graders measure work done in hours and not in kilometres like vehicles and the KPI states number of kilometres of gravel roads bladed. Verification has to be done on site using a vehicle and in some instances a measuring wheel to get accurate measurements in kilometres. 3. The records submitted to MPAC were noted as misleading in that the POE were not in correspondence to the period of Audit finding.	

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18. Information and Communication technology - Page 57 of Draft Annual Report		
The IT Governance Framework does not include the provision for the need to receive the periodic independent assurance of the effectiveness of the Municipality's technology and information arrangements on the systems the municipality is using (Munsoft & Payday).	1. MPAC has noticed that the municipality did not review the ICT Governance Framework during 2022/23 financial year. 2. The Management has in response admitted that it was an oversight that they did not observe on time that the framework was due for review.	1. Management must ensure that ICT governance framework are reviewed as expected.
	They further outlined Municipality has worked on the review of the ICT Governance Framework which will go through all Council Structure until approval by Council on the 31st of May 2024.	

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19. Service Delivery Projects - Page 34-48 of Annual Performance Report (SDBIP) The Annual Performance Report flagged several service delivery projects that performed poorly by Consulting Engineers and Constructors.		
	1. MPAC has noticed that Municipality appoint Service Providers late, and re-appoint Service providers deemed to be under performing. 2. Management response to the question raised was that National Treasury issued a directive on the 25th February 2022 to halt procurement processes due to litigations on Preferential Procurement Regulation, 2017 (Minister of Finance Vs Agribusiness NPC – 2022ZACC4) and that the directive was only lifted through Treasury note in June 2022 and only then the municipality could	1. Management must ensure that service providers with poor workmanship are assessed for poor performance and blacklisted accordingly 2. MPAC recommends for further external investigation and report be submitted to Council.

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	start with procurement for 2022/23 projects. 3. On the question of service providers getting re-appointment with poor workmanship Management said it is because the service providers are not blacklisted and it is illegal to do so because for an example - If poor performance is not formally recorded, such information may not be used in assessing the capability of the service provider in the bid process. They furthermore responded that Service providers are appointed based on the criteria and specifications of the tender under consideration. Currently consideration is made against the	

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	Default Register by the National Treasury.	
20. Quarterly assessment of \$54 and 56 Managers - Page 14 of Annual Performance Report (SDBIP) The Annual Performance assessment target was not conducted for Sec. 54A and 56 Managers. A target of two was planned and zero achievement was recorded.		
1. MPAC noted that senior managers were not assessed, on their performance for the entire financial year. 2. Management responded that the Assessments for senior managers were held on the 7th July 2023 which was during the 2023/24 Financial year and that Senior Manager Corporate services was assessed, and Senior Manager water services was assessed, also that two senior	1. The Accounting Officer must ensure that Annual Performance assessment target is conducted as expected with all senior managers.	

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	managers (Technical & Community services) were out of the system for two months due to their contract being ended. 3. Management response did not address the period being questioned since the 7th July 2023 fell under 2023/24	
21. Municipal Policies - Page 82-83 of Draft Annual Report		
On the Draft Annual Report, there is an indication of 33 policies adopted by the municipality.	1. Management provided a POE of Policies to MPAC, however the Committee noticed that some were either not completed or reviewed per draft annual report	1. Management must ensure that policies are completed and reviewed per schedule.

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22. Skills Development and Training - Page 87 of Draft Annual Report Chapter four of the Draft Annual Report reflected Competency levels for some Senior Managers and Managers on Financial and Supply Chain Management Competency areas.		
	1. MPAC has taken note that not all Senior managers completed the MFMP, 2. Management responded that All Senior Managers and finance managers without MFMP qualifications will be enrolled after the appointment of the training provider, and that they are committed to prioritizing officials who have MFMP qualification as a prerequisite to support the performance of their responsibilities though the Accounting Officer's response at the public hearing was that MFMP was	1. The Accounting Officer must prioritize appointing a service provider for MFMP training to enable relevant officials to perform their duties effectively.

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	not a priority in their recruitment and appointment.	
23. Revenue - Page 21 of Annual Performance Report (SDBIP)		
Poor revenue collection, the municipality is at 39% as of the Annual Performance while the target was aimed at 95%. Poor debt collection on outstanding debts, only 37% was achieved out of the targeted 80% for the year. Data cleansing was not performed during the year and thus resulting in zero percentage.	1. MPAC observed that the Municipality have SLA's with the local Municipalities but when asked about the progress on its implementation that question was not answered precisely and follow-up was tendered to the Accounting Officer at the Public Hearing.	1. The Accounting Officer must enforce the SLA's signed with the locals and collection of debts owed by departments and maximize revenue collection for the municipality.
24. Budget and Reporting - Page 21 of Annual Performance Report (SDBIP)		

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Quarterly financial statements not compiled and submitted to Provincial Treasury as required for the entire year. The APR cited the challenges of capacity issues.	1. The committee has noted that Financial Statements were not compiled and submitted to the Provincial Treasury for the entire 2022/23 financial year. 2. The Management response stated that The BTO does not have skills to compile the quarterly AFS and is in a process of acquiring additional licenses of CaseWare and attending the training for the purpose of preparing AFS internally.	1. The Accounting Officer must fast track the training and ensure AFS is prepared internally.
25. Payment of Invoices	Page 23 of Annual Performance Report (SDBIP)	

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The municipality for the year under review has managed to achieved 47% in paying of its service providers. Interest incurred on the late payment of suppliers which amounted to R40 946 021 in interest charged for 2022/23 financial year.	1. The Committee noted a perpetual failure by BTO to pay service providers invoice within 30 days and avoid unnecessary interest charged. 2. The Accounting Officer has in response to this non-compliance stated that invoices are paid when received, invoices that took longer were invoices that did not have orders and management was still making assessments as some were very old invoices, the other matter are invoices that were received for both MIG and the DWS invoices which were issued before the certificate can be signed which management is using the last	1. BTO must ensure that creditors' invoices are paid within 30 days to curb interest charges. 2. Management must submit the repayment arrangement with the relevant service providers for the interest charges owed. 3. The Accounting Officer consider consequence management to officials failing to implement as expected.

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	signature date as the invoice date to address the matter.	
26. Grants Performance - Page 34-48 of Annual Performance Report (SDBIP) and page 94 of Draft Annual Report The DORA requires district municipalities to indicate in their budgets all allocations from its equitable share and conditional grants that will be made to local municipalities in their areas. The districts are required to develop payment schedules for such transfers that will be monitored by the National Treasury. Numeral Service delivery projects failed to be completed within the scheduled time as per Annual performance report, and some leaving unspent budget.		
	1. MPAC has noted that several Service delivery projects were not completed during the financial and some have been stuck for years without progress. 2. Management responded that the Municipality is mostly implementing multi-year projects which may be due for completion in subsequent years instead and Where there are under performance or delays the municipality	1. The Accounting Officer must ensure that all stalled projects are completed. 2. The Accounting Officer compile a detailed report of all delayed projects and update council of progress. 3. Management furnish MPAC with a record of corrective measures taken

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	implements corrective measures in terms of the signed contract.	against service providers of all stalled projects within seven (7) days.
27. Unfunded Budget - Page 13, paragraph 27 of AG Management Report The municipality adopted an unfunded budget for 2022/23 financial year and no financial recovery was prepared. There were interventions from the National and Provincial Treasury with officials seconded to advise the municipality on municipal finance and the review of financial statements. The poor financial management practices in the prior year were also linked to excessive spending on the use of consultants which raised material irregularity in the 2021 financial year.		
1. The Committee observed AG findings that the Municipality Continues to adopt an unfunded budget and sought reasons why it becomes a norm to operate as such and on the impact that came through the intervention team from CoGHSTA, National and Provincial treasury. 2. Management responded that the budget was unfunded because of the historical debt to Lepelle Northern		1. Management provide MPAC with a proof of unfunded budget reduction values and a copy of signed repayment agreements within seven (7) days.

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	Water, DWS, unspent grants to the National Treasury and Local municipalities, and the fact that there were no repayment agreements signed at that time. Furthermore, the advice from sector departments does have an impact on the municipality's financial position and progress has been made to gravitate toward a funded budget, since a move from about R2 billion unfunded position to about R100 million unfunded position to break even in the 2024/2025 financial year. The repayment agreements are signed are now signed.	
28. Debt Repayment	Page 13, paragraph 29 of AG Management Report	

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AG has taken note that the Municipality entered into a debt repayment arrangement with its major creditors, namely; the DWS with an outstanding balance of R 413 767 089.00 to repay a monthly instalment of R 2.5 million until the debt is fully repaid, and LNW with and outstanding balance of R 450 474 201.00 will be paid a monthly instalment of R 2.5 million for the 2023/24 financial year. This amount will be increased to R 6 million in 2025, R7 million in 2026 and R 8 million in 2027.	1. MPAC has noted that the municipality has entered into repayment agreement with major creditors and requested clarity on the consequences should the municipality fail to honour this obligation as well as the budget vote where this repayment will be effected from. 2. Management has responded that Water Services Vote (055) – inventory water will be utilized for repayment purpose but did not reflect on the consequences should the municipality fail.	1. Management to furnish MPAC with a cope of agreement within seven (7) days.
29. Budget not spent for intended purpose - Page 13-14, paragraph 31 of AG Management Report		

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AG has identified that unspent conditional grant not backed by cash and not used for the intended purpose at the value of R 86 178 289.00 for WSIG and RBIG.	1. The Committee has observed that the WSIG and RBIG grant funding were spent for unintended purposes. This is a recurring finding from the previous year by AG. MPAC further needed a proof of this spending which Management could not provide. 2. In responding to raised questions, Management indicated that the spending of WSIG and RBIG is historic and for the year 2019/20, and for 2020/2021 which was for the salaries and other operations, so this is historic matter. However, they are in negotiations with the National Treasury to sign the repayment agreement to return the money.	1. Management must submit the repayment arrangement with the National Treasury. 2. Management must provide MPAC with record of how the money was spent.

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30. Unauthorised, Irregular, Fruitless and Wasteful Expenditures - Paragraph 53,54 and 55 of AG Findings		
The AG identified that reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval and payment of funds, as required by section 65(2)(a) of MFMA. (i) Reasonable steps were not taken to prevent unauthorised expenditure amounting to R588 657 734. Most of the disclosed unauthorised expenditure was caused by spending in excess of the approved limits in several votes. (ii) Reasonable steps were not taken to prevent irregular expenditure amounting to R 51 694 817. Most of the disclosed irregular expenditure was caused by incorrect disqualification of bidders. (iii) Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R 40 946 021.	1. MPAC has observed that the UIFWe has been increasing due to excess spending, incorrect disqualification of bidders and penalties due to non-payment of creditors. 2. Management response was that the Municipality has prevented and reduced the incurrences of UIFW transactions, reported the UIF transactions in the AFS and also referred the identified UIFWe to the council committee for investigation. Furthermore, other reports were referred to MPAC and lawyers, and the investigation is underway hence	1. Management must update council on the outcome of external investigation on all referred UIFWe. 2. BTO must ensure that all uninvestigated UIFWe are submitted to MPAC for further attention 3. MPAC recommends for further external investigation into the irregular expenditure incurred and report be submitted to Council;

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The majority of the disclosed fruitless and wasteful expenditure was caused by penalties due to non-payment of bulk water purchases from the DWS and LNW.	management is waiting for those reports.	
31. Asset and Liability Management - Page 14-15, paragraph 40 of AG Management Report AG has noted that the Municipality has a net current liability of R 1 468 932 000. This means that the municipality will be unable to settle their current debts as they fall due.		
	1. The Committee noticed that the Municipality accumulated current liabilities exceeding its assets. They sought to know how this liability came about and possible strategies to correct this for recurrence. 2. Management responded that the debts owed Lepelle Northern Water (LNW) the Department of Water and Sanitation (DWS), and the National	1, BTO submit the proof of this agreement to with creditors to MPAC within seven (7) days from the date of this report.

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	Treasury for the unspent grants are more than the cash in the bank and Trade and other receivables and inventory combined. They further highlighted that the Municipality has initiated signing of the payment agreement with both DWS, LNW, and National Treasury to reduce the debt and pay all the current expenses to avoid the incurrences of the debt.	
32. Infrastructure Vandalism - Page 16, paragraph 44 of AG Management Report		
The Municipality experienced a significant deficiency for a number of years with regard to asset management and prevention of losses. The Giyani Water Treatment Plant 6 megalitres demonstrated that	1. MPAC has noted that despite Private Securities on site the Giyani Water Treatment plant was Vandalized and experienced structural damages.	1. MPAC recommends that a penalty and claim be instituted against the private security who were on site during that period.

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municipality has not been able to adequately safeguard its asset. The plant experienced structural damage, vandalism and as a result not in a usable condition.	2. In responding on the steps to be taken to safeguard the property, Management specified that they will provide fencing is the area or the location of the assets, Placing the security officer to safeguard the assets, Limit the access to the location of the assets of the municipality, Installations of the Tracker system to the assets, Insure the assets and branding the Assets with the MDM name and the LOGO.	
33. System Analysis - Page 18, paragraph 56 of AG Management Report AG identified that the municipality's financial system shows significant control deficiencies. During the audit, duplicate payments amounting to R 1 770 454 were identified and reported to the accounting officer.	1. The Committee observed that the Municipality experience recurring duplicate payment due to weaknesses in the system and required details on	

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	whether the system can detect duplicate	
34. Material non-compliance at Kgapane Waste water Treatment Plant - Page 25, paragraph 96 of AG Management Report AG has during audit and infrastructure site visit identified that the Kgapane Waste Water Treatment Works does not have the water use license (WUL).		
1. MPAC has noticed that Kgapane WWTW is not in position of Wafer use licence		1. Management must ensure that the Water use licence is acquired.

RECOMMENDATIONS ON FINDINGS

1. That Management to ensure implementation of the previous MPAC and Council resolutions;

RECOMMENDATIONS TO COUNCIL

Upon consideration of the Draft Annual Report and AG Report of 2022/23 and all its processes, MPAC therefore recommends the following:

2. That all AG Findings, Audit Committee recommendations and MPAC recommendations to Council be implemented before the end of this financial year.
3. That the Accounting officer submit the Implementation plan and report in Council on Monthly basis.
4. That the Accounting Officer report on UIFWe recovery and write-offs to Council on monthly basis.
5. That Financial Misconduct Board and external service providers submit reports of cases referred to them by the end of April 2024.
6. That the Accounting Officer, Senior Managers and Executive develop implementation plan of the AG recommendations and way forward, for the realization of the commitment signed between the Executive Mayor and AG on the 22nd March 2024.
7. That Council deliberates on the report;
8. That Council adopts the report;
9. That the report be published in the Municipality's official website;
10. That the report be submitted to the Provincial Legislature, CoGHSTA, SALGA, AGSA and the Provincial Treasury in terms Section 132(1) B of the Municipal Finance Management Act, 56 of 2003;

11. That the recommendations of the report be monitored and implemented by Management, Mayoral Committee, and all relevant Portfolio Committees.



Cllr MM MUKHABELE
MPAC CHAIRPERSON

26/03/2024

DATE

ANNEXURE A

Names of Municipal Public Accounts Committee Members

Cllr Mukhabele MM - Chairperson
Cllr Mkhabela DG
Cllr Mashele J
Cllr Maaake MW
Cllr Morwathsehla MC
Cllr Mabasa TA
Cllr Shivambu NI

ANNEXURE B

PROJECT VISITS REPORT

MPAC during the working session on Draft Annual Report identified few projects which were flagged in the AG's report findings affecting the audit outcome and those reflecting challenges of underperformance per Annual Performance report (SDBIP). The following projects were visited:

MUNICIPALITY	PROJECT NAME	COMMITTEE FINDINGS	RECOMMENDATIONS
Ba-Phalaborwa Local Municipality	Benfarm C	The project is behind schedule and should have been completed by 24th January 2023. The pipe line in not yet connected. There was no progress on site since September 2023.	That the issues pertaining to this overdue project be referred to Financial Misconduct Board. That the estimated R 1.8 Million borehole refurbishment be Further investigated internally. That the Accounting Officer ensure that the Transformer protected against theft.

		Eskom managed to bring back the Transformer. The Engineer is waiting for pressure to be installed by the end of October 2023.	
	BICO	MPAC observed that the Palisade Fencing is not in good Condition To fix the palisade fencing urgently.	That the palisade fence be fixed urgently. That payments be withheld until the palisade fence is fully corrected or replaced.
	Namakgale Sewage Works	The area is bushy and critical areas are not accessible by personnel on site and it is not safe for the employees. Chlorination system is not working. Jojo was Tank not installed properly. Humus pump station is not in operation.	That the area be cleaned at all times. That the Jojo Tank be installed properly. That the Humus pump and Chlorination system be fixed as a matter of urgency. That the Generator to be fixed urgently

		Generator no longer Working. One personnel who is managing the plant. Entrance gate not in good condition	That sufficient process controllers and relevant personnel are employed.
Greater Giyani Municipality	Giyani Water Treatment Works	The project is behind scheduled. The Contractor is having problem of cash flow. The delay of the delivery of bridges. Five sessions were signed. Vandalism and theft of cables.	That PMU to furnish the Committee of the total costs of the project That all costs related to theft and vandalism be recovered from the Private security, and removed from the system or terminated.
Greater Letaba	Sefotse DiIshosing	The project is not progressing and long overdue, and had a duration of 2017-2019. The concrete foundation is shabby cracking.	That the Committee to schedule another date to check the progress. That new sub-contractors be appointed to complete the project.
Greater Tzaneen Local Municipality	Lenyenye Sewage Works	The area is bushy and hardly accessible.	That the area and the surrounding bush be cleaned.

		Cables stolen and vandalised. Cables that were replaced were not tested for power supply. One personnel running the plant.	That the Private Security on site be penalised through recovery for failure to safeguard cable theft or terminated That the new installed electric wiring be tested by the service provider. That additional staff be employed to capacitate the plant.
			That the spillage from the Plant be addressed urgently.
	Maselapata	No source of water to fill the erected steel tank. The borehole that was drilled does not have water. The Contractor to connect the pipe from the main line. The communal taps in the community are dry and being vandalised.	That Connection from the main line to supply water to the community be fast tracked.