INVESTIGATION REPORT ON THE UNAUTHORISED, IRREGULAR, FRUITLESS AND WASETFUL EXPENDITURE

2021/22 FINANCIAL YEAR

31 MAY 2023

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE INVESTIGATION REPORT ON THE UNAUTHORISED, IRREGULAR, FRUITLESS & WASTEFUL EXPENDITURE FOR THE 2021/22 FINANCIAL YEAR: 31 MAY 2023

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Abbreviations

MFMA – Municipal Finance Management Act (No 56 of 2003)

MSA - Local Government Municipal Structures Act (No 117 of 1998)

MSA – Local Government Municipal Systems Act (No 32 of 2000)

MFPA – Public Finance Management Act (No 1 of 1999)

MDM- Mopani District Municipality

AO- Accounting Officer

IA – Internal Audit

AC – Audit Committee

UIF – Unauthorised, Irregular and Fruitless Expenditure

PMU – Project Management Unit

RMU – Risk Management Unit

FY – Financial Year

1. PURPOSE

This report aims to share with council on the findings, observations and recommendations made from the investigations conducted by MPAC on the Unauthorised, Irregular, Fruitless and Wasteful expenditures for the 2021/22 financial year. MPAC had earlier succeeded to comply with the 2021/22 oversight report the Annual report processes. The mentioned oversight report was tabled before council on the 31 March 2023. The referred oversight report was reflecting more on the findings by the AG and the Annual Report. This investigation report therefore aims to dig deeper and share with council on the institutional performance regarding UIF&W expenditures for the 2021/22 financial year.

2. EXECUTIVE SUMMARY

The Auditor General (AG) has highlighted an escalating trend in unauthorised, irregular, fruitless and wasteful expenditure in Mopani District Municipality MDM over some recent years. This is evident in the audit reports and the annual financial reports which were referred to the Municipal Public Accounts Committee (MPAC) for further investigation. Previous reports by the committee resulted in some amounts being written off, however, no amounts were recovered as yet. The MPAC UIFW/E investigation report 2011/12-2018/19 and the investigation report 2019/20 reported in Council in 2020 and 2021 respectively, have resulted in an Irregular expenditure of **R444 845 816.40.** being written off. The reports further recommended for external investigations where MPAC could not investigate further due to insufficient documentation received limiting the scope of work for the committee. The Stap Stigma and Matukane Forensic Investigations (Service

Provider) were appointed to further investigate the irregularities leading to the escalating UIFW expenditures. The UIFW/E was then standing at a total amount of **R1.9 b**, split as follows: Unauthorised expenditure amounting to **R612 988 503.99**; Irregular expenditure amounting to **R295 704 526.74** and Fruitless and Wasteful expenditure amounting to **R1 009 329 323. 00.** All these expenditures were for the period 2011-2020.

MPAC has since learned that the Municipality has recently further appointed an external Law Firm in consultation with the internal Legal Services to advice and implement the measures pertaining to the Stap Stigma and Matukane Forensic investigations on the UIFW expenditures. The progress made to date includes attempts to recover some of the irregular expenditure incurred and consequence management to the affected Municipal Officials. **MPAC cannot share the progress with Council at this stage as most of the work is still before the courts.**

This investigation report focuses on the 2021/22 financial year and the UIFW/E as per the AG findings of 2021/22 amounting at **R 308 298 034.00** which may be categorised as follows:

(a) Unauthorized Expenditure: **R 173 210 435**

(b) Irregular Expenditure: **R 91 610 416**

(c) Fruitless & Wasteful Expenditure: **R 43 477 183**

3. LEGISLATIVE MANDATE

The oversight work by MPAC is mandated by the following applicable Legislative Framework:

1. *The Constitution of the Republic of South Africa Act 108 of 1996*

2. *The Municipal Systems Act 32 of 2000*
3. *The Municipal Structures Act 117 of 1998*
4. *The Municipal Finance Management Act 56 of 2003*

4. METHODOLOGY

The procedures performed are based on the information and documentation made available to MPAC during the investigation. The conclusion and recommendations are based on the information obtained through the following measures:

1. Interviews with Directorates, Units and Officials deemed relevant for the investigation
2. Scrutiny of documents obtained in conjunction with legislative requirements and
3. Information discovered during the probing of the draft annual report.

The committee however, met extreme challenges of not receiving the necessary requested information for an informed conclusion of the report. The committee wrote to management on the 08/08/2022, 11/08/2022, 10/10/2022 and 08/11/2022 requesting for information however, the exercise bore no positive responses as no information was received. During the investigation processes, the committee had to adjourn on day 2 of the planned 5 days working session to await additional documentation and to avoid incurring further Fruitless and Wasteful expenditures. When the committee ultimately resumed, only 5 of the requested 36 files relating to irregular expenditure were submitted. Should further documentation or information made available to MPAC, conclusions and inferences may change, and if considered necessary supplementary report will be issued to Council.

5. DEFINITIONS

4.1. Unauthorised expenditure is defined in section 1 of the MFMA as follows:

Any expenditure incurred by a municipality otherwise that is in accordance with section 15 or 11(3), and includes-

- Overspending of the total amount appropriated in the municipality's approved budget:
- Overspending of the total amount appropriated for a vote in the approved budget:
- Expenditure from a vote unrelated to the department or functional area covered by the vote:
- Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose:
- Spending of an allocation referred to in paragraph(b), (c)or (d) of the definition of "allocation "otherwise than in accordance with any conditions of the allocation; or
- A grant by the municipality otherwise than in accordance with this Act.

In terms of circular 68 of National Treasury, when considering Unauthorised Expenditure from an operating budget both tabled A4 (Budgeted Capital Expenditure by Vote), In tables A1 to A10. Municipal Budget and Reporting Regulations (MBRR) prescribe the structure and formats of municipal budget, including votes, in tables A1 to A10.

Decisions can only be made by council in terms of budget or an adjustment budget. It follows that only the council may authorise instances of Unauthorised Expenditure and council must do so through an adjustment budget. This principle is further reiterated in section 32(2)(a)(i) of the MFMA read with regulation 25 of the MBRR which state that Unauthorised Expenditure must be authorised by municipality in an adjustment budget that is approved by council. This is the rationale for the provisions in regulation 23(6) of the MBRR which provides the legal framework for the authorisation of an unauthorised expenditure.

4.2 Irregular Expenditure

"Irregular expenditure "in relation to a municipality or municipal entity as defined in section 1 of the MFMA as:

- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- Expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office –Bearers Act, 1998(Act No. 20 of 1998); or
- Expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality`s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Once the Accounting Officer or Council becomes aware of any allegation of irregular expenditure, such allegation may be referred to the municipality`s own Internal Audit Unit or any other appropriate investigative body for investigation, to determine whether or not grounds exists for a charge of financial misconduct to be laid against the official liable for the expenditure.

4.3 FRUITLESS AND WASTEFUL EXPENDITURE

"Fruitless and Wasteful expenditure "means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

The concept of fruitless and wasteful expenditure is founded on public administration and the accountability principles, to promote efficient, economic and effective use of resources and the attainment of value for money. The idea is also founded on the fact that the Council, the Mayor and the Accounting Officer have a fiduciary responsibility to ensure that municipal resources are used in the best interest of the municipality and the local community.

5. MPAC FINDINGS

The Unauthorised, Irregular, Fruitless and Wasteful expenditure report was tabled in Council and referred to MPAC for further probing in a Special Council sitting dated 26 August 2022. In the report the municipality emphasised its plans to ensure measures to reduce irregular expenditure by 75% and eliminate fruitless and wasteful expenditure by 100%.

Following the previous recommendations by MPAC, the Annual Financial Statement as at 30 June 2022 confirmed an irregular expenditure of **R444 845 816.40.**, which had been written off. The main contributing factors include but are not limited to the following:

1. Regulation 32 incorrectly applied
2. Three written quotations not obtained
3. Quotations not evaluated in local content
4. Overspending on contracts

5. Overspending on votes
6. Under-budgeting
7. SCM processes being contravened
8. Over-allocation of projects to one Engineering consultant within a panel
9. Tender invitations sent to contractors after the closing date
10. Staff Debtors
11. Interest on late payment of invoices

The following areas cover the investigated matters as per the AG findings for 2021/22:

(d) Unauthorized Expenditure: **R 173 210 435**

(e) Irregular Expenditure: **R 91 610 416**

(f) Fruitless & Wasteful Expenditure: **R 43 477 183**

1. UNAUTHORISED EXPENDITURE

The table below summarises the findings, observations and recommendations as per the UIFW/E register referred to MPAC and the findings by AG as per the Annual report 2021/22.

Expenditure by vote	Adjusted Budget	YTD OPEX	Spending Over NG	Result of Investigation	Recommendation
Vote 1: Mayor & Council					
1.1 General Council	R 15 082 969	R 15 627 332	R 598 363	The vote showed to be within budget	1. Budget management controls needs to be strengthened to prevent constant overspending of the budget.
Total	**R 15 082 969**	**R 15 627 332**	**R 598 363**		
Vote 2: Office of the Municipal Manager					
2.1 Security Services	R 52 132 920	R 75 576 042	R23 443 122	Municipal Manager Overspend on security Services which were under budgeted. -The Municipality took over six (6) Plants from Lepelle Northern Water without budgetary arrangements and payment for this security	1. MPAC recommends that the scope of work for construction of new infrastructure must include security services to avoid overspending; 2. Consequence Management should apply to officials who

				services resulted in overspending.	processed the appointments; 3. Unauthorised expenditure has served the purpose and therefore recommends to council for Write-Off
Total	**R 52 132 920**	**R 75 576 042**	**R 23 443 122**		
Vote 3: Finance & Admin- Finance					
3.2 Budget and Reporting	R 9 182 640	R 9 332 399	R 149 754	Budget and Reporting leave provision for in case the official leave the municipality was not catered for (Does not have a vote) No Budget for interest	1. Unauthorised expenditure has served the purpose and therefore MPAC recommends to council for Write-Off.

				Interest charged on LNW and DWS,SALGA levy	
3.3Expenditure	R 14 218 220	R 34 446 987	R 20 228 767	SALGA levies were under budgeted and also interests reported under UIFW for bulk purchases, Eskom and electronic communication.	
3.4 CFO	R 25 397 584	R 28 831 133	R 3 433 549		1. Overspending should be analysed at the level of the main vote and the budget as whole. 2. Budget management controls needs to be strengthened to prevent constant overspending of the budget; 3. MPAC recommends to council for a write-off
3.5 Revenue Management	R 6 170 900	R 6 772 319	R 601 419		

Total	**R 54 969 344**	**R 79 382 838**	**R 24 413 489**		
Vote 4: Corporate Services					
4.4 Administration – Capital	R 2 499 996	R 2 589 411	R 89 415	The overspending emanated from the renting off of copiers and printers	1.The Municipality must consider setting a budget for the purchasing of copiers and printers and do away with renting; 2. MPAC recommends for a write-off as the Municipality benefitted from the services rendered
4.5 Legal Services	R 30 346 664	R 55 462 531	R 25 115 867	The Initial budget amount was R 4 500.000.00 in 2019/20 fy, It was adjusted to R 12 500 000.00(Mid-Year adjustment) The total expenditure as per the expenditure report as at June 2021 was	1. Municipality should increase the amount of budget allocated for legal to avoid Unauthorised Expenditure; 2. The Municipality should provide permanent budget for employment of borehole operators;

				R15 943 625.05. The budget was exceeded due to a number of the cases that were defended. In addition, several payments were made from this vote, labour cases as well as investigations R 1,995 997.39 was paid for labour cases and R 809 509.00 was paid for investigations R 3 860 940.00 was paid for out of court settlement cases.	3. MPAC recommends to council for the write-off of the expenditure.
4.6 Information Technology	R 34 200 249	R 49 479 516	R 15 279 267	Reasons for over expenditure was for Mscoa implementation in terms of the three-	1. The Munsoft Financial System should be fully utilised to ensure the accuracy of Financial

				year master agreement signed on the 26 September 2019. The cost included annual maintenance fee (billed annually) after implementation cost of R 33 800 for year (2019/20 Financial Year) and monthly service fees (billed monthly) of R450 000.00 for year (2019/20 fy).The Municipality extended the scope of contracted service to include services for recovery of input VAT.	statements and also to add value for money. 2. Training should be provided in Budget and Treasury department on the use of Munsoft System. 3. There is no actual fruitless or wasteful expenditure incurred and therefore MPAC recommends to Council for Write -Off.
Total	R 67 046 909	R 107 531 458	R40 484.549		
Vote 5: Technical Services					

5.2; Engineering Services	R 6 708 245	R 32 061 249	R 25 353 004	MPAC observed that the salaries and stipends of borehole operators were not budgeted for and the matter is before the courts	1. The Municipality should provide permanent budget for employment of borehole operators; 2. Further recommendation is reserved until the court matters are concluded.
Total;	R 6 708 245	R 32 061 249	R 25 353 004		
Vote 7: Community Services (After the adjustment budget in May 2022)					
Fire Services Capital	R 12 197 496	R 60 083 761	R 47 886 265	1. MPAC found two appointment letters dated 28 June 2021, one Signed by the Municipal Manager and the other one not Signed. 2.The Signed appointment indicate the procurement of Four Fire Trucks amounting to **R 11 032 612.77**, the	1.MPAC recommends for consequence Management for failure to adhere to SCM processes and misallocation of budget; 2. MPAC recommend for write-off of the expenditure since the municipality benefited.

				unsigned one indicate procurement of Five Trucks amounting to **R 13 790 767.71** 3.Bid Evaluation Committee recommended for the purchase of Five Fire Trucks 4.Acceptance by the service provider indicate four Trucks amounting to **R 11 032 612.77** 5. That four trucks were procured instead of five due to budget constrain and it was delivered later on the truck was repossessed by the	

				service provider due to non-payment by MDM.	
Total	R12 197 496	R 60 083 761	R 47 886 265		
Vote 8 Water/Water Distribution					
Water /Water Distribution Borehole Operators				1. MPAC observed the trend on overspending on votes; 2. The overspending on the votes resulted in the payment of salaries and stipends of borehole operators; 3. MPAC further took note of the court matter between the	1.MPAC reserves its recommendation on the matter relating to borehole operators as it is still before the courts; 2.The municipality must separate the votes for water consumed and licensing fees paid during the budgetary processes; 3.MPAC recommends to Council for a write-off of the expenditure amount
8.10 Giyani Sewage Works	R 5 139 096	R 7 085 840	R 1 946 744		
8.14 Kgapane Sewage Works	R 3 327 350	R 9 295 850	R 5 968 500		
8.17 Thapane Water Works	R 414 000	R 1 256 502	R 842 502		
8.20 Nkowankowa Water Works	R 4 999 996	R 46 295 110	R 41 295 114		
8.27 Worcester	R 100 009	-	R 100 009		
8.32 Giyani Water Works	R 27 729 994	R 56 408 558	R 28 678 564		

8.33 Letaba Water Works	R 40 546 655	R 57 128 612	R 16 581 957	borehole operators and the municipality	
8.34 Tzaneen Water Works	R 62 408 912	R 74 784 186	R 12 375 274		
8.35 Maruleng Water & Sewage	R 4 840 700	R 5 791 851	R 951 151		
Total;	R 149 506 712	R 258 046 509	R 108 739 815		

3. IRREGULAR EXPENDITURE

Detailed below, 1- 8, are the findings made by the AG, which MPAC investigated on.

1. Procurement of goods/services split into parts or items of lesser value (NON- COMPLIANCE WITH SCM)

The procurement of office furniture and fire services furniture in the table below was split into parts or items of a lesser value and resulted in the procurement being done through obtaining quotations rather than competitive bidding.

The action is in contravention with the Municipal supply chain management regulation 12 which states that "goods or services may not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy; and that when determining transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction."

Description	Supplier Name	Order no	Payment no	Approved date of order	Expenditure amount	Result of Investigation	Recommendation
Supply and delivery for fire service furniture- Hoedspruit MDM 2020/21 015 RFQ-	Marion G Holdings	24567	177302	3/11/2020	**R150 000.00**	There is no evidence of how the appointed contractors were invited to submit Quotations. -42 Contractors were said to have been selected randomly from the panel of contractors. -The three panels have a total of 389 contractors. -There is no reference to the	1. The Municipality's internal control processes for ensuring compliance with applicable laws and regulations need to be consistently monitored to ensure that instances of noncompliance are prevented. 2. Consequence Management through the Financial Misconduct Board should apply to

						required CIDB grading on the procurement documents that was provided to the contractors.	members of the BAC and BEC committee for contravening section 217(1) of the constitution of the Republic of South Africa and Section 62(1) of the MFMA 3. MPAC recommends for a write-off as the expenditure incurred was used for community benefit. The finding was investigated by MPAC during last term of council.
Supply and delivery of office furniture in	Unlock Youth	24553	177332	30/10/2020	**R185 400.00**		

Tzaneen MDM 2020/21 MDM 2020/21-012ARFQ-	Trading enterprise						
Supply and delivery of fire service furniture Modjadjiskloof (16 single beds & 15 Garment lockers)MDM 2020/21 017 RFQ-Phillistus Holding	Phillistus Holding	24566	177258	3/11/2020	**R181 390.00**		
Supply and delivery office furniture in Maruleng MDM 2020/21 008RFQ-	Rosie Makgo Projects (Pty) Ltd	24554	178399	30/10/2020	**R197 000.00**		
Supply and delivery of office furniture (Modjadji) MDM 2020/21 004RFQ-	Marion G Holdings	24366	176717	5/10/2020	**R140 868.00**		
Supply and delivery of fire service furniture Phalaborwa MDM 2020/21 016 RFQ	Gilberts Industries (Pty) Ltd	24565	177149	3/11/2020	**R155 000.00**		

Supply and delivery of office furniture in Phalaborwa MDM 2020/21 013 RFQ	Rosie Makgo Projects (Pty) Ltd	24552	177843	30/10/2020	**R190 000.00**		
Supply and delivery of fire service furniture Giyani MDM2020/21 018 RFQ	KV Phasha and Prtner (Pty) Ltd	24568	177251	3/11/2020	**R131 300.00**		
Supply and delivery of fire service furniture Modjadjiskloof MDM 2020/21 010RFQ-	Ndzalo Security Projects	24556	177169	30/10/2020	**R110 000.00**		
Supply and delivery of office furnitur in Tzaneen MDM 2020/21 012B RFQ -	Saina Enterprise	24555	177259	30/10/2020	**R198 000.00**		
Supply and delivery of office furniture MDM 2020/21 006RFQ -	Leeto La Rebu Trading and Projects	24283	176836	1/10/2020	**R149 500.00**		

					R1 788 458.00		

The procurement took place a few days apart. Items procured are identical. There is no justifiable reason as to why a competitive bidding process was not followed to procure these items. Management's actions are indicative of a lack of adequate planning. Management has circumvented the SCM processes as items were split into parts and thus avoiding a competitive bidding process. Expenditure incurred on these orders is regarded as irregular.

2. Three written quotations not obtained from different prospective providers

Municipal SCM regulation 17 states that a supply Chain Management policy must stipulate the conditions for the procurement of goods or services through formal written price quotations, which must include conditions stating that if it is not possible to obtain at least three quotations the reasons must be recorded and approved by the chief financial officer or an official designated by the chief financial officer."

Contrary to the above requirements, goods with a value above **R30 000** were procured without obtaining three quotations and there was no approval of the deviation by municipal manager/ CFO and reported to the ensuing meeting of council as required in terms of sub-regulation (1) (a) and (b) of the SCM Regulation. Refer to the table below for the details of the award:

No	Payment no/order no	date	Supplier name	Description	No of quotation attached	Amount	Result of Investigation	Recommendations
1	177332 & 24553	30/10/2020	Unlock Youth Trading enterprise	Supply and delivery of office furniture in Tzaneen MDM 2020/21 MDM 2020/21-012ARFQ	2	**R185 400.00**	Files and Supporting Documents were not made available to MPAC during probing.	1.MPAC recommends for an external investigation. 2. Consequence management should be applied to the officials who processed the payment 3. MPAC recommended for a write-off as the expenditure incurred had value for money.

3. Quotations not evaluated on local content

Regulation 8 (2) of the PPR states that "An organ of state must, in the case of a designated sector, advertise the invitation to tender with a specific condition that only locally produced goods or locally manufactured goods, meeting the stipulated minimum threshold for local production and content, will be considered.

Regulation 8 4(a) further states that "If there is no designated sector, an organ of state may include, as a specific condition of the tender, that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.

Extracts from the Mopani District Municipality's SCM policy

Clause 34

a) ***Mopani District Municipality shall support the Proudly South African Campaign and promote local content & production on its procurement.***

b) ***Mopani District Municipality shall apply PPPFA regulation 2017 Pre-qualification criteria for preferential procurement regulation 9 to advance certain or designated groups, Conditions shall be specified on bid adverts / documents that only tenderers may respond-***

Contrary to the above, even though the goods procured falls within furniture products, heat ventilation and air conditioning which are designated sectors for local content., Mopani District Municipality procured office furniture, however the request for quotations did not state the specific condition that only locally produced goods or locally manufactured goods meeting the stipulated minimum threshold for local production and content were to be considered.

The following quotations were awarded:

No	Supplier Name	Description	Amount	Result of Investigation	Recommendations
1	KV PHASHA & PARTNERS	Supply & Delivery of office furniture for Giyani fire station MDM 2020/21 -018: KV PHASHA & PARTNERS	**R131 300.00**	Files and Supporting Documents were not made available to MPAC during probing	1.The Municipality's internal control processes for ensuring compliance with applicable laws and regulations need to be consistently monitored to ensure that instances of noncompliance are prevented. 2. Consequence Management through the Financial Misconduct Board
2	SAINA ENTERPRISE	Supply & Delivery of office furniture for Giyani fire station	**R198 000.00**		
3	ROSIE MAKGO PROJECTS PTY LTD	Supply & Delivery of office furniture for Maruleng fire station	**R 197 000.00**		
4	LEETO LA REBU	Supply & Delivery of office furniture for Tzaneen fire station	**R 61 450.00**		
5	ROSIE MAKGO PROJECTS PTY LTD	Supply & Delivery of office furniture for Phalaborwa fire station	**R 190 000.00**		
6	MARION G HOLDINGS	Supply & Delivery of office furniture for Modjadjiskloof fire station	**R 140 868.00**		
7	MARION G HOLDINGS	Supply & Delivery of office furniture for Hoedspruit fire station	**R 150 000.00**		

No	Supplier Name	Description	Amount	Result of Investigation	Recommendations
8	UNLOCK YOUTH TRADING ENT	Supply & Delivery of office furniture for Tzaneen fire station	**R185 400.00**		should apply to members of the BAC and BEC committee for contravening section 217(1) of the constitution of the Republic of South Africa and Section 62(1) of the MFMA 3. MPAC recommended for an external Investigations 4. MPAC recommends to Council for a write-off.
9	PAUL MARIA PROJECTS	Supply & Delivery of office furniture for Hoedspruit fire station	**R189 800.00**	Files and Supporting	1.The Municipality's internal control

No	Supplier Name	Description	Amount	Result of Investigation	Recommendations
10	NDZALO SECURITY	Supply & Delivery of office furniture for Modjadjiskloof fire station	**R110 000.00**	Documents were not made available to MPAC during probing.	processes for ensuring compliance with applicable laws and regulations need to be consistently monitored to ensure that instances of noncompliance are prevented. 2. Consequence Management through the Financial Misconduct Board should apply to members of the BAC and BEC committee for contravening section 217(1) of the
11	PHILISTUS HOLDINGS	Supply & Delivery of office furniture for Modjadjiskloof fire station	**R 181 390.00**		
12	LEETO LA REBU	Supply & Delivery of office furniture for water services MDM2020/21-00610/29/2021 LEETO LA REBU	**R149 500.00**		
13	MASHUPJATLA (PTY)LTD	Supply & Delivery of office furniture for Nkowankowa water services MDM2020/21-005: MASHUPJATLA (PTY)LTD	**R 148 500.00**		
14	GILBERT INDUSTIES PTY LTD	Supply & Delivery of office furniture for phalaborwa fire station	**R155 000.00**		
15	Moremasefoko Trading	Supply, Delivery and Installation of Air Conditioner	**R 146 625.00**		
16	Ghonya Trading and Projects	Supply, Delivery and Erection of Containerized Offices	**R1 435 000.00**		

No	Supplier Name	Description	Amount	Result of Investigation	Recommendations
					constitution of the Republic of South Africa and Section 62(1) of the MFMA 3. MPAC recommended for an external Investigations.
Total			R 3 769 833.00		

4. Over allocation of projects to one Engineering Consultant within a panel.

Diges Group cc was appointed into the pool of consultants as per bid no MDM 2020/21-001. According to the allocation letter dated 21 September 2020, Diges was further allocated the following project: Rural Household Sanitation (Maruleng, Greater Giyani, Ba-Phalaborwa, Greater Tzaneen, and Greater Letaba) as the Civil Engineering Consultant to render professional services. Paragraph 6 of the allocation letter states that the total professional fees (inception, concept & viability, Design and documentation, supervision and disbursements and Contingencies, etc. included) payable for this project (including fees already paid) should not exceed 17.5% of the total construction costs.

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
1	Construction of VIP toilets Greater Letaba Municipality	**R 3 696 300.00**	Moswatse Mapula Construction	9-Nov-20	Completed	**R3 696 300.00**	Files or documents were not made available to the committee during probing.	1.MPAC recommends that an amount of **R16,009,376.75** that was overpaid above the threshold should be recovered from the consultant; 2. Consequence management should be applied to official who processed and approved invoices;
2	Construction of VIP toilets Greater Letaba Municipality	**R 3 696 300.00**	Sigivo Trading Enterprise	9-Nov-20	Active	**R3 696,300.00**		
3	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Black Pen Trading	26-Oct-20	Completed	**R499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
								3.External investigation to investigate the entire processes; MPAC recommends to Council for a write-off.
4	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Raphar Holdings	26-Oct-20	Completed	**R499 500.00**	Files or documents were not made available to the committee during probing.	
5	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Elohim Holdings	26-Oct-20	Completed	**R 499 500.00**		
6	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Tsgrens MTE (PTY)	26-Oct-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
7	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Kwanano Trading and Projects	26-Oct-20	Completed	**R 499 500.00**		
8	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Mercy P Trading	26-Oct-20	Completed	**R 499 500.00**		
9	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Reashoma Ditshosini Pounlty (PTY)LTD	26-Oct-20	Completed	**R 499 500.00**		
10	Construction of VIP toilets	**R 499 500.00**	Sehlabene Multi Projects	26-Oct-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	Greater Letaba Municipality							
11	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Rubies and Pearls (PTY)LTD	26-Oct-20	Completed	**R 499 500.00**	Files or documents were not made available to the committee during probing.	
12	Construction of VIP toilets Greater Giyani Municipality	**R 3 696 300.00**	Soza Mhlonga Electrical	9-Nov-20	Completed	**R 3 696 300.00**		
13	Construction of VIP toilets Greater	**R 3 696 300.00**	Phem Consulting	9-Nov-20	Completed	**R 3 696 300.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	Giyani Municipality		and Project Managers					
14	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Mwa – Mhlave Trading Enterprise	26-Oct-20	Completed	**R 499 500.00**		
15	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Samu 431 Trading (PTY)LTD	26-Oct-20	Completed	**R 499 500.00**		
16	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Shadu Trading Projects (PTY)LTD	26-Oct-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
17	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Dobs 1818 Trading and Projects	26-Oct-20	Completed	**R 499 500.00**		
18	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Mncobela Trading Enterprise	26-Oct-20	Completed	**R 499 500.00**	Files or documents were not made available to the committee during probing.	
19	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Tsatsi & Kgau Trading	26-Oct-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
20	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Tshidiso First Class Trading and Projects	26-Oct-20	Completed	**R 499 500.00**		
21	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Unamina and Sons Company	26-Oct-20	Completed	**R 499 500.00**		
22	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Vickzol Trading Services	26-Oct-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
23	Construction of VIP toilets in Greater Tzaneen Municipality	**R 3 696 300.00**	Baybol General Trading	9-Nov-20	Completed	**R 3 696 300.00**		
24	Construction of VIP toilets in Greater Tzaneen Municipality	**R 3 696 300.00**	Melrose Civil and Building Construction	9-Nov-20	Completed	**R 3 696 300.00**		
25	Construction of VIP toilets in Greater Tzaneen Municipality	**R 499 500.00**	Bom and Sons General Trading	26-Oct-20	Completed	**R 499 500.00**	Files or documents were not made available to	

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
26	Construction of VIP toilets in Greater Tzaneen Municipality	**R 499 500.00**	Moraka Group (PTY)LTD	26-Oct-20	Completed	**R 499 500.00**	the committee during probing.	
27	Construction of VIP toilets in Greater Tzaneen Municipality	**R 499 500.00**	Minatlou Trading	26-Oct-20	Completed	**R 499 500.00**		
28	Construction of VIP toilets in Greater Tzaneen Municipality	**R 499 500.00**	Miyelani Phakula Trading (PTY)LTD	26-Oct-20	Completed	**R 499 500.00**		
29	Construction of VIP toilets	**R 499 500.00**	Timbacha Trading	26-Oct-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	in Greater Tzaneen Municipality							
30	Construction of VIP toilets in Greater Tzaneen Municipality	**R 499 500.00**	Bejana Samuel Business Enterprise	26-Oct-20	Completed	**R 499 500.00**		
31	Construction of VIP toilets in Greater Tzaneen Municipality	**R 499 500.00**	Nceda Connect (PTY) LTD	26-Oct-20	Completed	**R 499 500.00**		
32	Construction of VIP toilets in Greater	**R 499 500.00**	Mothlapedi Trading Enterprise	26-Oct-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	Tzaneen Municipality							
33	Construction of VIP toilets in Maruleng Municipality	**R 3 696 300.00**	Mabule Rail and Infrastructure Solutions	9-Nov-20	Completed	**R 3 696 300.00**		
34	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Carpanathi Trading and Projects	9-Nov-20	Active	**R 499 500.00**		
35	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	EMM Trading and Projects	9-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
36	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Evely Building Enterprise and Projects	9-Nov-20	Completed	**R 499 500.00**		
37	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Justmat Trading and Projects	9-Nov-20	Completed	**R 499 500.00**		
38	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Moesedi Trading and Projects	9-Nov-20	Completed	**R 499 500.00**	Files or documents were not made available to the committee	
39	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Moraba D and S Trading	9-Nov-20	Active	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
40	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Mphaphudi Driving School and Projects	9-Nov-20	Completed	**R 499 500.00**	during probing.	
41	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Norma Trading Enterprise	9-Nov-20	Completed	**R 499 500.00**		
42	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Thuru Trading Business Enterprise	9-Nov-20	Completed	**R 499 500.00**		
43	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Mofinah ETM Trading Enterprise	9-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
44	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 3 696 300.00**	Rigogo Projects	9-Nov-20	Completed	**R 499 500.00**		
45	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 3 696 300.00**	Capotex Trading Enterprise CC	9-Nov-20	Active	**R 3 696 300.00**		
46	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 499 500.00**	Diamond and Golden Chariot (PTY) LTD	9-Nov-20	Completed	**R 499 500.00**		
47	Construction of VIP toilets	**R 499 500.00**	MabosheJ (PTY) LTD	9-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	in Ba-Phalaborwa Municipality							
48	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 499 500.00**	RCM WOX (PTY) LTD	9-Nov-20	Completed	**R 499 500.00**		
49	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 499 500.00**	JACKMASIYE PTY LTD	9-Nov-20	Completed	**R 499 500.00**		
50	Construction of VIP toilets in Ba-	**R 499 500.00**	XIGABALA	9-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	Phalaborwa Municipality							
51	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Mokweretla General Trading	24-Nov-20	Completed	**R 499 500.00**		
52	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 3 696 300.00**	Dinokong Supply and Projects	24-Nov-20	Completed	**R 3 696 300.00**		
53	Construction of VIP toilets Greater Letaba Municipality	**R 3 696 300.00**	Xilepfu Trading and Projects	24-Nov-20	Completed	**R 3 696 300.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
54	Construction of VIP toilets Greater Tzaneen Municipality	**R 3 696 300.00**	JTZ Family Trading Enterprise	24-Nov-20	Completed	**R 3 696 300.00**		
55	Construction of VIP toilets Greater Giyani Municipality	**R 3 696 300.00**	Double Hot Spot (Pty) Ltd	24-Nov-20	Active	**R 3 696 300.00**		
56	Construction of VIP toilets Greater Tzaneen Municipality	**R 499 500.00**	Mashale's Son Construction	17-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
57	Construction of VIP toilets Greater Tzaneen Municipality	**R 499 500.00**	Hakota Trading Enterprise	17-Nov-20	Completed	**R 499 500.00**		
58	Construction of VIP toilets Greater Tzaneen Municipality	**R 499 500.00**	Frontnovators	17-Nov-20	Completed	**R 499 500.00**		
59	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Dorisign (Pty) Ltd	17-Nov-20	Completed	**R 499 500.00**		
60	Construction of VIP toilets	**R 499 500.00**	Aspire Safety Consultants	17-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	Greater Tzaneen Municipality							
61	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Swisasekile Trading Enterprise	17-Nov-20	Completed	**R 499 500.00**		
62	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 499 500.00**	Tshepiso Catering and Building	17-Nov-20	Completed	**R 499 500.00**		
63	Construction of VIP toilets Greater	**R 499 500.00**	Shingwenyani Trading and Projects	17-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	Tzaneen Municipality							
64	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 499 500.00**	Mmasalanabo Trading and projects	17-Nov-20	Active	**R 499 500.00**		
65	Construction of VIP toilets in Maruleng Municipality	**R 499 500.00**	Motshakhedi Construction	17-Nov-20	Completed	**R 499 500.00**		
66	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Mphamphe General Trade and Projects	17-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
67	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Mzerewa Group	17-Nov-20	Completed	**R 499 500.00**		
68	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Ndzalo Construction and Engineering	17-Nov-20	Completed	**R 499 500.00**		
69	Construction of VIP toilets in Ba-Phalaborwa Municipality	**R 499 500.00**	Ndzunisani Trading and Projects	17-Nov-20	Completed	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
70	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Mudoti and Mohale (Pty) Ltd	17-Nov-20	Completed	**R 499 500.00**		
71	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Nsovo Trading Enterprise	17-Nov-20	Completed	**R 499 500.00**		
72	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Perrizon Homes	17-Nov-20	Completed	**R 499 500.00**		
73	Construction of VIP toilets	**R 499 500.00**	Rei Plant and Hire	17-Nov-20	Active	**R 499 500.00**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
	Greater Tzaneen Municipality							
74	Construction of VIP toilets Greater Giyani Municipality	**R 499 500.00**	Ngwako A Maloa Farming and Projects	17-Nov-20	Completed	**R 499 500.00**		
75	Construction of VIP toilets Greater Letaba Municipality	**R 499 500.00**	Peulane Engineering	17-Nov-20	Completed	**R 499 500.00**		
Total Rural Household						**R 79 020 900.00**		
17.5% of the Rural Household projects of **R79 020 900.00** (Maximum allocated)						**R 13 828 657.50**		

No	Project name	Contract Amount	Name of service provider	Award date	Status	Amount	Result of Investigation	Recommendations
Total paid for this project						**R 29 838 034.25**		
Over spent						**R 16 009 376.75**		
40 % overspent						**116%**		

AG identified the following deficiencies with regard to the process that was followed to allocate projects to different consultants:

- There was an over allocation of projects to one supplier within a panel.
- Furthermore, the municipality is not taking proper steps in monitoring expenditure to consultants to ensure that it is within the 17.5% threshold and taking proactive action when the spending is reaching the threshold.

This matter was raised in the prior year audit on the pools for contractors however, recommendations made were not implemented.

The procurement process followed to award projects to the consultants is in contravention of the Constitution and the MFMA as it was not fair, equitable and transparent.

5. No formal process followed to allocate projects to engineering consultants within a panel

Auditor General has identified the following deficiencies with regard to the process that was followed to allocate projects to different consultants:

- There were no pre-determined criteria of allocating project to different consultants within the panel.
- Consultants are allocated projects even after being disqualified during the adjudication process
- There is no evidence of how bids were evaluated

Below are the details of the awarded contracts:

No	Project name	Contract Amount	Name of service provider	Award date	Result of Investigation	Recommendations
1	Tours Water Reticulation- Bulk lines refurbishment and reticulation	17.50%	Tangos Consultants	1-Oct-20	Files and documents were not provided to MPAC during probing.	1.The Municipality's internal control processes for ensuring compliance with applicable laws and regulations need to be consistently
2	Giyani Pipelines C & D(Makhuva)	17.50%	AES Consulting	1-Oct-20		
3	Refurbishment, rehabilation and upgrading of Internal Water reticulation network and Development of Borehole in Kuranta	17.50%	Botshabelo Consulting Engineering	1-Oct-20		
4	Refurbishment, rehabilation and upgrading of Internal Water reticulation network and Development of Borehole in Mokwasela	17.50%	Kgosihadi Consulting	1-Oct-20		

No	Project name	Contract Amount	Name of service provider	Award date	Result of Investigation	Recommendations
5	Mametja Sekororo RWS- Refurbishment of water reticulation (Oaks, Finale and Santeng)	17.50%	HWA Engineers and projects Managers	1-Oct-20		monitored to ensure that instances of noncompliance are prevented; 2. Consequence Management through the Financial Misconduct Board should apply to members of the BAC and BEC committee for contravening section 217(1) of the constitution of the Republic of South Africa and Section 62(1) of the MFMA 3. MPAC recommended for
6	Sekororo water reticulation	17.50%	I-Consulting Engineers	1-Oct-20		
7	Refurbishment of Middle Letaba WTW Scheme	17.50%	Mafumo Consulting	1-Oct-20		
8	Ngove Water Reticulation	17.50%	Tshatshu Consulting & Projects Managers	1-Oct-20		

No	Project name	Contract Amount	Name of service provider	Award date	Result of Investigation	Recommendations
						an external Investigations.

While the municipality has put panel of consultants in place, adequate systems have not been put in place to ensure fair allocation of projects. There are no controls in place for selecting consultants from the panels. This matter was raised in prior year audits on the pools for contractors however, recommendations made were not implemented.

The procurement process followed to award projects to the consultants is in contravention of the Constitution and the MFMA as it was not fair, equitable and transparent.

6. Functionality Criteria drafted in an exclusionary manner for panel 4-6 and 7-9 of CIBD Grading

Below are the details of the awarded contracts:

NO	Name of Service Provider	Contract Amount	Contract Name	F/Y	Result of Investigation	Recommendations
1.	Lokolang Trading Enterprise	**R528 776,33**	Refurbishment of Middle Letaba Water Scheme Cluster	19/20fy	Contract awarded to service providers that are within the panel without following SCM processes MPAC could not probe the expenditures due to limitation of scope, no files were submitted.	1.MPAC Recommends for an external investigation with the exception of Nandzu General Dealer and Edlin Civils & Logistics 2.MPAC recommends for consequence management to the responsible officials for contravention of SCM processes; 3. MPAC further recommends for a write-off
2.	Frontnovators	**R 219 040.06**	Refurbishment of Kgapane Water Treatment Plant			
3.	Mafambabasile Trading Enterprise	**R 340 345.63**	Modjadji Water Scheme (Groundwater Augmentation)			

4.	Nandzu General Trading	**R 25 355 926.44**	Water supply Infrastructure : Distribution Ritavi Water Scheme			
5.	Capotex Trd Enterprise	**R 2 126 863.77**	Sekgosese Water Scheme 1A			
6.	LEBP Construction & Projects	**R3 225 249 .89**	Kampersrus Bulk Water Scheme & Scotia Water Reticulation 2020A			
7.	Selby Construction	**R12 515 782.14**	Thabina Regional Water Scheme 2020A			
8.	Nkumani Multi Projects	**R159 796.74**	Nkambako WTW (Linking boreholes to bulk to boost bulk water supply)			
9.	Rigogo Projects(pty)LTD	**R 1 422 427.80**	Dzingidzingi Water Reticulation			
10.	Mbanga Trading	**R 1 402 222.36**	Sefofotse to Ditshosine Bulk Water Supply(Ramaroka)			
11.	Lokolang Trading	**R 503 313.92**	Modjadji water Scheme(Ground Water Augmentation – connecting to existing service reservoirs			
12.	Melrose Civil & Building	**R 681 358.12**	Tzaneen Sanitation			

13.	Melrose Civil & Building	**R 935 679.22**	Thabina Regional Water Scheme			
14.	LEBP Construction and Projects	**R 1 357 463.32**	Makhubidung Water Reticulation			
15.	LEBP Construction and Projects	**R 2 254 079.12**	Lephephane Water Reticulation Phase 1(Part 2 Rasebalane)			
16.	Good Example Trading	**R 490 047.08**	Lephephane Water Reticulation Phase 1(Part 1 Long Valley)			
17.	Edlin Civil & Logistics	**R 1 864 942.13**	Mametja Sekororo RWS 1B			
18.	Eternity Star Investment	**R 2 412 655.10**	Mametja Sekororo RWS 1B			
19.	Sigivo Trading	**R 342 097.00**	Construction of VIP toilets in Greater Letaba Municipality			
20.	Melrose Civil & Building Contruction	**R 783 561.83**	Construction of VIP toilets in Greater Tzaneen Municipality			
21.	Capotex TRD Enterprise	**R 1 093 400.84**	Construction of toilets in Ba-Phalaborwa Municipality			
22.	Xilepfu Trading and Projects	**R 329 958.97**	Construction of VIP toilets in Greater Letaba Municipality			

7. Tender invitation sent out to contractors after the closing date

MPAC has noted that there is no correlation between the dates when invites were sent out versus the closing dates of the tenders as advertised. Furthermore, it is not evident whether all contractors within the panel have been invited.

Below are contracts awarded where invitations were sent after the advertised closing dates

No	Project name	Project/ contract number	Advertised Closing date	Date invite sent	Contract Amount	Name of service provider	Award date	Result of Investigation	Recommendations
1	Sekgosese Water Scheme 1D	MDM 2020/21-026	09 Dec 20	19 January 2021	**R 12 640 210.23**	Bukuta BK CC	10-Mar-21	MPAC finds that irregular incurred in current year (2021/22) **is R7 835 394,75**, with the closing balance of **R4 804 815,48.**	1.MPAC recommend for write off since the municipality benefited from the work done. 2.That Consequence management should be applied to responsible officials for failure to comply with SCM processes
2	Makhushane Water Scheme	MDM 2020/21-027	09 Dec 20	19 January 2021	**R 8 212 822.69**	Tarcron Projects	10-Mar-21	MPAC finds that irregular incurred in current year (2021/22) is **R3 049 843,02** with the closing	

								balance of **R5 162 979,67**	
3	Tours Water Scheme bulk water refurbishment and reticulation	MDM 2020/21-025	09 Dec 20	19 January 2021	**R 46 428 297.95**	Ditlou Suppliers and services	10-Mar-21	MPAC finds that irregular incurred in current year (2021/22) is **R5 122 888,90** with the closing balance of **R41 305 409,05**	1.MPAC recommend for write off since the municipality benefited from the work done. 2.That Consequence management should be applied to responsible officials.

8. *STAFF DEBTORS*

AG identified an overpayment of salaries and leave to the following officials and still employed by the Municipality, Out of the ones identified by the AG, MPAC were also privileged with the additional information regarding overpaid Officials namely:

1. *Khosa EA*
2. *Shilaluke*
3. *Selowa MS*

Employee Number	Employee Name	Department	Position	Cause of Debt	Amount	Investigation Result	Recommendation
16578384	Nakana NE	Water Services	General Worker	Overpayment Leave	**R 47 172.00**	Supporting Documents were not provided to MPAC during probing	1.That consequence management should apply to the official who processed the payment 2.That recovery should be made to the overpaid officials. 3.That the Municipality to come up with the repayment plan for the official approaching retirement age. 4.MPAC recommends for
16594053	Pilusa M	Water Services	General Worker	Overpayment Salary (Leave)	**R 22 563.99**	MPAC finds that the mentioned official made an agreement with the employer to repay **R 2000.00** every month until the amount is settled. MPAC also finds that for the official affected to settle balance it will take eleven (11) months to settle the debt. MPAC also observed that despite the repayment plan in place, some of the affected officials will go into retirement	

						before the amounts is settled.	external investigation on this overpayment anomaly
22308032	Xivambu RN	Water Services	SNR Operator	Cause not specified	**R**	Supporting Documents were not provided to MPAC during probing, hence figures could be provided	
16616243	Ratshitanga TE	Water Services	Control Industry Tech	Overpaid Leave	**R 28 381.85**	MPAC discovered that this finding was discovered eleven months later after payment made. The affected official committed to make a repayment amount of **R 500.00** every months until the amount is settled, and this arrangement will take the municipality at least over 56 months for the official to settle the debt.	

4. FRUITLESS AND WASTEFULL EXPENDITURE

SUPPLIER	FINANCIAL YEAR	NON- COMPLIANCE	IDENTIFIED BY	AMOUNT	FRUITLESS AND WASTE EXPENDITURE	CLOSING BALANCE
SARS	2016	CCMA settlement for Maake MT	AGSA	**R1 081 553.00**		**R1 081 553.00**
Tlong re yeng	2016	The Municipality used Tlong re yeng for the procurement of goods and services (Nandoni-Nsami project)amount **R164 634 092.00** (expenditure to date).the work done was found to be poor and had to be redone after DWS and LNW intervened due to delays in finalising the project	AGSA	**R164 634 092.00**		**R164 634 092.00**
ESKOM (Interest on overdue account)	2016	Interest on late payment of invoices	AGSA	**R119 125.59**		**R119 125.59**
ESKOM (Interest on overdue account)	2017	Interest on late payment of invoices	MDM	**R181 207. 37**		**R181 207. 37**

TELKOM SA	2018	Interest on late payment of invoices	MDM	**R10 678.02**		**R10 678.02**
ESKOM	2018	Interest on late payment of invoices	MDM	**R104 332.39**		**R104 332.39**
LIMPOPO WATER INNITIATIVE	2018	Interest on late payment of invoices	MDM	**R37 101.00**		**R37 101.00**
Department of Water and Sanitation	2018	Interest on late payment of invoices	MDM	**R40 271 243.68**		**R40 271 243.68**
Department of Water and Sanitation	2018	VAT incorrectly paid to MDM due to incorrect calculations from the previous service provider	MDM	**R78 101.00**		**R78 101.00**
Sebata Municipal Solutions	2018	Financial System (mSCOA & old financial system)	MDM	**R6 152 642.14**		**R6 152 642.14**
Bedrock Sheriff Fees	2018	MJP/1230/Bedrock/Mopani District Municipality/JJ	MDM	**R5 244.09**		**R5 244.09**
Bedrock	2018	Interest charged	MDM	**R64 899.95**		**R64 899.95**
Department of Water and Sanitation	2019	Interest on late payment	MDM	**R86 116 994.91**	**R25 809 852.44**	**R93 108 366.95**

Lepelle Northern Water	2019	Interest on late payment	MDM	**R85 120 189.42**	**R17 188 897.63**	**R94 488 636.21**
ESKOM	2019	Interest on late payment	MDM	**R98 430.50**	**R437 887.92**	**R R98 430.50**
TELKOM	2019	Interest on late payment	MDM	**R7 881.87**	**R4 546.01**	**R7 881.87**
ABSA	2019	Interest on late payment	MDM	**R28 034.52**		**R28 034.52**
LIMPOPO WATER INNITIATIVE	2019	Interest on late payment	MDM	**R800 251.00**		**R800 251.00**
Thompson (Ersofranki Legal Battle)	2019	Interest on late payment	MDM	**R401 909.00**		**R401 909.00**
SARS	2019	Interest on late payment	MDM	**R579 241.26**		**R579 241.26**
Kampersrus Phase 1	2019	The Municipality paid for the Environment Impact conducted by the terminated consultant, however, this assessment was done on a different site and not on where the facility was built. The Municipality paid **R122 076.02**	MDM	**R122 076.02**		**R122 076.02**
Inaccuracies of quantities and Allowances	2019	The Municipality paid **R348 627.97** for geotechnical investigation however, no evidence of	AGSA	**R348 627.00**		**R348 627.00**

		the geotechnical investigation was provided.				
Kampersrus Phase 2: Delays	2019	The Municipality further incurred additional costs amounting to **R3 428 868.21** due to delays on Kampersrus phase 2	AGSA	**R3 428 868.21**		**R3 428 868.21**
CV Chabane Consulting	2019	Services rendered by CV Chabane consulting were disregarded as new design had to be by the replacement consultant. The Municipality did not get value for money for the services rendered by CV Chabane, therefore the amount paid for the planning stages is deemed to be fruitless and wasteful	AGSA	**R4 591 237.27**		**R4 591 237.27**
Compensation Commissioner	2019	Penalties	MDM	**R64 006.00**		**R64 006.00**
Greater Giyani Municipality	2021	Interest on late payment (Water & Electricity)	MDM	**R12 177.88**		**R12 177.88**
MGF Penalty Payment	2021	Interest on late payment	MDM	**R417.15**		**R417.15**

Joint Municipal Employee Pension Interest	2021	Interest on late payment	MDM	**R144.68**		**R144.68**
Tshiamiso Trading	2021		MDM	**R499 406.48**		**R499 406.48**
Interest paid to Makgetsi Construction	2021		MDM	**R1 091 977.77**		**R1 091 977.77**
TOTAL				**R395 980 727.17**		**R412 966 915.00**

For the Fruitless and Wasteful Expenditure incurred, MPAC recommends the following:

1. That Council writes off the Fruitless and Wasteful expenditure amounting to **R43 477 183.00**;
2. That Council to take steps to recover the Fruitless and Wasteful Expenditure amounting to **R164 634 092.00** from the Tlong re yeng for the poor work done and delays;
3. That consequence management be implemented for the responsible Personnel who could not advise for the Environment Assessment to be done in the correct site resulting in Fruitless and Wasteful expenditure amounting to **R122 076.02**;

4. That external investigation be appointed to look into the alleged geotechnical investigation which could not be proven and where the company is found to be in the wrong, an amount of **R348 627.00** be recovered from the service provider;
5. That CV Chabane Consulting be black-listed from doing business with the Municipality and an amount of **R4 591 237.27** be recovered.

6. GENERAL OBSERVATIONS

1. The challenges that the MPAC encountered during the course of sourcing the information and documents to enable them to conclude the matter were of unbearable reluctance on the part of management;
2. MPAC has noted with discouragement the deliberate level of unwillingness by Management and respective directorates to cooperate with the supply of required information to enable the Committee to conclude the investigation harmoniously, these apprises some of the challenges encountered during the investigation process;
3. The escalating UIFW/E resulted from irregularities emanating from multi-year contracts;
4. There were no formal processes followed to allocate projects to engineering consultants within a panel for the 2021/22 financial year and this is a recurring finding for the Municipality;
5. There was an Irregular expenditure for the 2011/12 – 2018/19 previously investigated by MPAC and recommendations thereof made to council for a write-off due to unavailability of supporting documents;
6. Tender invitations were sent out after the closing date of advertisements for the 2020/21 financial year;

7. There is a trend for overpayment of salaries, benefits and subsistence and travelling for Councilors and Officials without any recourse to the responsible officials who committed the errors.

7. RECOMMENDATIONS ON FINDINGS

1. That Management to ensure implementation of the MPAC and Council resolutions;
2. MPAC recommends that the expenditure incurred in the 2011/12 – 2018/19 financial year be written – off as the community benefitted from the service provided;
3. That Council writes-off the total Irregular expenditure amounting to **R 60 344 987.81**for the 2019/20 financial year;
4. That Council writes-off the total Irregular expenditure amounting to **R18 813 320.90** for the 2020/21 financial year;
5. That Council writes-off the total Irregular expenditure amounting to **R8 257 568.32** for the 2021/22 financial year;
6. That consequence management be implemented to Accounting Officer for the tender invitations sent out after the closing date for the 2020/21 financial year resulting in an Irregular expenditure of **R16 008 126.67;**
7. That consequence management be implemented to Accounting Officer for not having followed formal processes to allocate projects to engineering consultants in the 2021/22 financial year resulting in an Irregular expenditure of **R8 257 568.32;**
8. That Council writes-off the Fruitless and Wasteful expenditure amounting to **R43 477 183.00**, emanating from interest on late payments.

8. RECOMMENDATIONS TO COUNCIL

Upon consideration of the Draft 2021/22 UIF/W Expenditure Report and all its processes MPAC therefore recommends the following:

1. That Council takes note of the Unauthorized, Irregular, Fruitless and Wasteful Expenditure Report;
2. That Council deliberates on the report;
3. That Council adopts the report;
4. That Council upon all considerations approve the report with its recommendations;
5. That the report be submitted to the Provincial Legislature, CoGHSTA, SALGA, AGSA and the Provincial Treasury;
6. That the recommendations of the report be monitored and implemented by Management, Mayoral Committee, Legal Services, Audit Committee and all relevant Portfolio Committees;
7. That all the recommendations by MPAC be implemented and the progress of the implementation thereof, be reported to MPAC and Council by the end of the 2022/23 financial year.

Cllr MM MUKHABELE

MPAC CHAIRPERSON

30 MAY 2023

DATE

ANNEXURE B

MPAC COMMITTEE MEMBERS

1. Cllr MM Mukhabele
2. Cllr DG Mkhabela
3. Cllr MC Morwatshehla
4. Cllr J Mashele
5. Cllr MW Maake
6. Cllr MP Hlungwani
7. Cllr GN Bokisi