

ANNEXURE E



Aiming above the horizon

OVERSIGHT REPORT: 30 JUNE 2022

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GLOSSARY

AFS	- Annual Financial Statements
AGSA	- Auditor General of South Africa
APR	- Annual Performance Report
CIlr	- Councillor
EM	- Executive Mayor
FDDM	- Fezile Dabi District Municipality
PMS	- Performance Management System
IDP	- Integrated Development Plan
MEC	- Member of Executive Council
MMC	- Member of Mayoral Committee
MFMA	- Municipal Finance Management Act
MPAC	- Municipal Public Accounts Committee
MSA	- Municipal Systems Act
PMU	- Project Management Unit
SALGA	- South African Local Government Association
SDBIP	- Service Delivery Budget Implementation Plan

1. FOREWORD BY THE CHAIRPERSON OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

I want to first extend my gratitude to my home The Economic Freedom Fighters for deploying me as a Councillor at Fezile Dabi District Municipality and to the Municipal Council for entrusting me with Chairing this Integral Oversight Committee. When I was elected as Chairperson of the Municipal Public Accounts Committee, I expressed my main mission and objective which is the Cardinal Pillar number 7 as enshrined in EFF's Constitution and Founding Manifesto ***“Striving for an Open, Accountable, corrupt-free government and society without fear of victimization by state agencies.”***

The Municipal Public Accounts Committee has been established by Council in terms of Section 79 of the Municipal Structures Act, Act 117 of 1998. The purpose of this Committee is to conduct and perform an oversight function on behalf of the Council over the executive functionaries of the Council. We draw a clear distinction between oversight and interference with the administration as outlined in the Municipal Finance Management Act, 2003, Act 56 of 2003, and the Code of Conduct of Councillors outlined in the Municipal Systems Act, No.32 of 2000.

The primary functions of this Committee are to:

1. Consider and evaluate the content of the annual report and make recommendations to Council when adopting an oversight report on the annual report.
2. Examine the financial statements and audit reports of the municipality and municipal entities, in doing so, the committee must consider improvements from previous statements and reports and evaluate the extent to which the Audit Committee and Auditor General's recommendations have been implemented.
3. To promote good governance, transparency, and accountability in the use of municipal resources.
4. To undertake any investigation in its area of responsibility after reviewing any investigation report already undertaken by the municipality or the Audit Committee
5. Perform any other function assigned to it through a resolution of the Council.

It is worth noting that the current state of our Provincial and Local spheres of government is in complete disarray due to a lack of decisive leadership, corruption, and unethical leadership and administration. An Annual Report is one of the key instruments that should reflect transparent governance and accountability, or the lack thereof. It is a post-financial year document that provides an overview of the process of financial and non-financial performance in respect of the previous financial year.

Fezile Dabi District Municipality has tremendous potential but unfortunately, it is dragging its feet in redressing the current status quo. In effectively executing our oversight function we will ensure that we leave no stone left unturned. We identified multiple deficiencies in our Internal Control systems that have been recurring annually and the Auditor General has even flagged them. The non-compliance and recurring Unauthorised, Irregular, Fruitless, and Wasteful Expenditures will be thoroughly investigated and stern recommendations made to Council by this committee.

It should be appreciated that the compilation of the Draft Annual Report was a collective effort, where all the different entities of the Municipality had to make a definite contribution. To coordinate all the contributions MPAC needs to convene several meetings to ensure that the contents of the Annual Report are acceptable and correct. I am however still concerned with the lack of participation from the general public in relation to providing input to this document. I believe that FDDM should extend the scope of public participation from just a newspaper advert to more relatable and practical means.

As a Councillor and Chairperson of MPAC, I am not at all pleased with the municipality receiving a qualified audit opinion yet again, as I believe more can and should be done to obtain a clean audit. I also want to express my gratitude to the community of Fezile Dabi District Municipality, and members of MPAC for your hard work and commitment which has gone unnoticed during the compilation of this report as mandated by the council in terms of section 129 of the Local Government: Municipal Finance Management Act No. 56 of 2003.

I want to acknowledge the unconditional support this committee has been accorded by the office of the Auditor General, Provincial Treasury and CoGTA, the Executive Mayor, the Speaker, Councillors, the Acting Municipal Manager, and all the Managers and officials of the municipality for a well-cooperated collaboration in compiling this report.

I hereby present this oversight report in which MPAC recommends to Council to adopt the Annual Report for the period ending 30 June 2022 without reservations.

.....
Cllr. A Motaung

.....
Date

Chairperson MPAC

2. MEMBERS OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

The MPAC is established in terms of Section 79 of the Municipal Structures Act and performs an oversight function on behalf of Council and is not a duplication of other committees of Council, such as the Finance Committee or the Audit Committee. Council is vested with the responsibility to oversee the performance of their municipality, as required by the constitution, the Municipal Finance Management Act, and Municipal Structures Act.

The Municipal Public Accounts Committee was elected on the 28th of January 2022. Council resolved that Cllr A. Motaung be elected as the Chairperson of the Municipal Public Accounts Committee. The following Councillors serve as members of the Municipal Public Accounts Committee:

INITIAL & SURNAME	PARTY
Cllr April Motaung	EFF
Cllr L Nhlapo	EFF
Cllr M Makhanda	EFF
Cllr N Mokodutlo	ANC
Cllr E Masiteng	ANC
Cllr M Magashule	ANC
Cllr Malherbe	FF Plus
Cllr F Scholtz	DA

3. INTRODUCTION

The Local Government: Municipal Finance Management Act, Act 56 of 2004 (MFMA), assigns specific oversight responsibilities to Council with regard to the Annual Report and the preparation of an Oversight Report. The Municipal Public Accounts Committee was established for ensuring that the executive implements programs and plans in a way consistent with policy, legislation, and the dictates of the Constitution. Given the processes required by council to effectively undertake its oversight role, the establishment of an Oversight Committee of council would provide the appropriate mechanism in which council could fulfill its oversight responsibilities. In the case of the Fezile Dabi District Municipality the Municipal Public Accounts Committee (MPAC) fulfills the role of performing Oversight Committee in the annual report processes.

The Oversight Committee's primary role is to consider the Annual Report, receive inputs from the various role players, and prepare a draft Oversight Report for consideration by Council. MPAC was further established for monitoring the service delivery and the levels of performance of the municipality. It should also assess effectiveness, efficiency, service quality, and municipal productivity and provide reports on service delivery and budget implementation plan. Such implementation should assess whether promised service delivery targets have been delivered. MPAC plays an important role in scrutinizing the spending of the municipal budget at the end of the financial year, which mirrors the work done by the finance department before the beginning of the financial year.

It is emphasized that the oversight committee of a municipality cannot be a once-off event that is confined to scrutinizing the financial statements but must be ongoing and aim at continuous improvement in the manner in which the municipality performs its functions and delivers its services to the community. MPAC would on a continuous basis assess the implementation of programs in the Integrated Development Plan in terms of the Service Delivery and Budget Implementation Plan; as well as oversee the financial performance of the municipality as reflected in the Annual Report and the Audit Report. Section 129 of the MFMA requires the municipality to prepare an oversight report on the annual report and to publicise it.

4. BACKGROUND

In an attempt to address the challenges of audit queries in a sustainable way and improve service delivery, the municipality should deal with the causes of a qualified opinion that is reflected in its audit report. The oversight role of the council is an important component of the financial reforms and it is achieved through the separation of roles and responsibilities between Council, the Executive (Executive Mayor and MMC Councillors), and the Administration. Good governance, effective accountability, and oversight can only be achieved if there is a clear distinction between the functions performed by the different role players.

Non-executive Councillors are required to maintain oversight on the performance of specific responsibilities and delegated powers that they have given to the Executive. In other words, in exchange for the powers which Council has delegated to the Executive, Council retains a monitoring and oversight role ensuring that there is accountability for the performance or non-performance of the municipality. The MFMA vests in Council-specific powers of approval and oversight.

The South African Local Government Association (SALGA) defines the concept of oversight as related to the idea of accountability: Accountability is the extent to which decision-making is responsive to the needs of the people in a municipality, is transparent, consultative, and has systems in place to detect and punish wrong-doing or work not being done. Accountability is also both a condition and a process. As such, citizens can ask serious questions and assess the degree to which the municipality and its professional staff and officials, as well as elected councillors, are accountable.

5. FUNCTIONS OF MPAC

MPAC's functions are to:

- Report to the Council on its activities;
- Review municipal quarterly and annual reports and report on such reviews to Council and shall develop a comprehensive oversight report on the annual report;
- Monitor the implementation of the IDP and SDBIP and submit reports thereto;

- Oversee policy formulation and implementation;
- Ensure that Council complies with external reporting requirements;
- Examine the financial statements and audit reports of the municipality and consider improvements from previous statements and reports and must evaluate the extent to which recommendations from the AG and Audit Committee have been implemented;
- Promote good governance, transparency, and accountability;
- Examine the midyear review in line with the IDP;
- Consider SDBIP reports;
- Recommend any investigation in its area of competence to the Council;
- Request information from Councillors through the Office of the Speaker and from employees through the Office of the Municipal Manager and the relevant MMC Councillor be informed accordingly; and
- Perform any other function assigned to it by the Council.

6. COMPOSITION OF THE OVERSIGHT COMMITTEE

Membership

The Oversight Committee is a Committee of Council established under section 79 of the Municipal Structures Act, 1998. In the Fezile Dabi District Municipality MPAC fulfills the role of the Oversight Committee. Due to the separation of roles and responsibilities, between Council and the Executive it is not appropriate that members of the Executive be members of the Oversight Committee.

Meeting Schedule

The 2021/2022 Annual Report was submitted to council at its meeting on 30 January 2023, and was referred to the MPAC to carry out the necessary oversight. After the Council meeting of the 30 January 2023, and in response to the Council resolution taken at that meeting, the municipality's Annual Report for 2021/2022 was made public in terms of Section 127(2) of the MFMA and the community was invited to submit representations and comments. The community was advised through the municipality website and advert on the Sowetan Newspaper of the availability of the Annual Report and was invited to submit representations

on the report. Copies of the annual report were placed at the municipal administration buildings and libraries, as well as on the website. The Annual Report was also submitted to the Auditor-General, Provincial Treasury, and the Department of Local Government & Traditional Affairs. No written submissions were received on the 2021/2022 Annual Report.

7. REVIEW OF THE ANNUAL REPORT

PURPOSE:

To table before Council the oversight report of the Municipal Public Accounts (MPAC) in respect of the Fezile Dabi Annual Report for the period ending 30 June 2022 as required in terms of section 129 of the MFMA and Circular no.32 of the MFMA.

EXECUTIVE SUMMARY:

MFMA Circular No. 32 recommends the establishment of an Oversight Committee for the detailed analysis and review of the annual report, following its tabling in council and then drafting an oversight report that may be taken to council for discussion.

MPAC is required to perform the responsibilities of the Oversight Committee as envisaged in MFMA Circular No. 32 and Section 129. MPAC considered the 2021/2022 Annual Report of the Fezile Dabi District Municipality during its meeting held on the 07 March 2023. The minutes meeting are contained herewith in **Annexure 'A'**.

8. PROCESS FOLLOWED

The Fezile Dabi District Municipality Draft Audited Annual Report for the period ending 30 June 2022 was tabled in council on the 30 January 2023 by the Executive Mayor, Honorable Cllr D Khasudi as per section 127 (2) of the Local Government: Municipal Finance Management Act no.56 of 2003.

During the council meeting of the 30 January 2023 where the annual report was tabled, a representative from the Office of the Auditor General of South Africa was also present as per the requirement of section 130 (2) of the MFMA.

The copy of the draft annual report for the period ending 30 June 2022 was also submitted to the Auditor General of South Africa, Provincial Treasury and CoGTA to perform consistency check on the contents of the annual report as per the requirements of section 127 (5) (b). Upon received Auditor General made the following comments and were all subsequently corrected and addressed:

- **Page 5 - 1.2 Municipal Manager's Executive Summary – Governance –** “ Contracted services disclosed in note 24 to the financial statements were overstated by R2 847 042” - Indicate that the error relates to 2021 as per audit report “Insufficient and appropriate audit evidence for contingencies to the amount of R11 032 739and contingent” - Correct spacing and Correct amount is R11 32 793 per audit report
- **Page 109 - Table 4.10: Senior Managers Evaluated in terms of PMS – indicates that performance assessments were done, however CoAF 2 was raised;**
- **Page 113 - 5.3 EXPENDITURE AND CREDITORS** - The paragraph refers to irregular expenditure however summary of IE has not been included as UE above
- Fruitless and wasteful expenditure has not been included
- **Page 113 - COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE** - The amount does not agree with AFS, correct amount is R8 898 519 and R8 998 5910
- **Page 114 - COMPONENT B: SPENDING AGAINST CAPITAL BUDGET** - Final budget for PPE is R5 126 401 per budget and actual amounts statement, these 2 (R1 000 000 + R4 046 401) make up R5 046 401
- **Page 116 - 3.2.1 Employee Related Costs to Total Expenditure** - Actual Salaries, Wages and Allowances/Total Expenditure 122 745 809 - Amount per AFS is 121 060 809
- **Page 121 – COMPONENT C: REMEDIAL ACTION TAKEN TO ADDRESS ISSUES AND PREVENTATIVE MEASURES TAKEN** - Prior year misstatements on consultants and general expenses are said to be resolved however are still qualified

Refer to paragraphs 3 and 5 of audit report 2021-22

Immediately after tabling the annual report in council, the report was advertised in the Sowetan newspaper for a period of 21 days to invite the public and local communities to make both written and oral representations on the contents of the annual report as per section 127 (5) (a) of the MFMA and Section 21A and B of the Local Government: Municipal Systems Act no.32 of 2000.

MPAC considered and analyzed the report during its meeting held on the 7th of March 2023 as per section 129 of the MFMA and Circular no. 32 of the MFMA.

This report was prepared by MPAC in a form of an oversight report for the purpose of tabling it to Council for approval as per section 129 of the MFMA.

9. ANNUAL REPORT 2021/22 CONTENTS IN SUMMARY

When evaluating the Annual report of the municipality for the period ending 30 June 2022, MPAC took into consideration and validate the existence of the following key components of the reports as required in terms of section 121 of the MFMA and Circular 32 of the MFMA:

Following the Municipal Public Accounts Committee (MPAC) that sat on Thursday, 09 March 2023, it was resolved that a list of questions be submitted and responded to in writing by the Acting Municipal Manager. Kindly find the questions and listed below:

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
1	<p>Chapter 1: Executive Mayor's Foreword and Executive Summary</p>	<p>Upon reviewing the Annual Report this section was found to be adequately covered in the report. Included in this section of the report is a section of the report is statements of account in a from Executive Mayor's Foreword, Executive Summary by the Municipal Manager and Municipal Overview linked to the council approved integrated development plan for the current term of council.</p> <p>Refer to pages: 4 – 10 of the Annual Report</p>	<p>The committee did not raise any questions in respect of Chapter 1 of the Annual Report</p>	<p>None</p>	
2	<p>Chapter 2: Governance</p>	<p>Upon review of the Annual Report governance section of the report was accounted for highlighting the following:</p> <ul style="list-style-type: none"> • Composition of Council, Political Office Bearers and Mayoral Committee; • Key Decision in a form of council resolutions taken during the period under review; 	<p>The committee did not raise any questions in respect of Chapter 2 of the Annual Report</p>	<p>None</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
		<ul style="list-style-type: none"> • Administrative governance structure outlining details of senior management team; • Intergovernmental Relations Structure of the municipality focusing on meeting conducted during the period under review; • IDP Public participation meetings which were successfully convened in all local municipalities for the review of the 2022/23 IDP; • Corporate Governance with specific focus on Risk Management issues, including activities performed during the 2021/22 financial year; • Anti-Fraud and Supply Chain Management was also covered under this section of the report; • This section of the report also covers summary report on functionality of the municipal website including publication of information on the website; 			

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
		<ul style="list-style-type: none"> • This section of the report covers the activities performed by MPAC in fulfillment of its oversight responsibilities, this also includes activities performed by the Audit Committee of the municipality. <p>Refer to pages: 11 – 25 of the report</p>			
3	<p>Chapter 3: Service Delivery Performance (Performance Report Part I)</p>	<p>This section of the report accounted for the work performed by the departments of the municipality responsible for service delivery that is Environmental Health and Emergency and Local Economic Development covering activities relating to:</p> <ul style="list-style-type: none"> • Environmental Health Service; • Environmental Management; • Disaster Management; • Agricultural Development and Support; • Koppies Greenhouse; 	<p>The Committee raised a question on what type of assistance was provided to SMMEs and Cooperatives</p>	<p>The Assistance provided varied and was dependent on the request/proposal submitted</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
		<ul style="list-style-type: none"> • Agricultural Cooperatives Supported; • SMMEs supported; • Tourism development; • Community and Social Development; and • Sports Development. <p>Refer to pages: 26 – 53 of the Annual Report</p>			
4	<p>Chapter 3: Service Delivery Performance (Performance Report Part I) - Component C</p>	<p>Upon reviewing the report it is evident that this section of the report was accounted as required in terms of section 46 of the Municipal Systems Act. During the period under review the Auditor General performed on performance information and focus was placed on KPA 2: Basic Service Delivery and Infrastructure Development.</p> <p>For detailed information in this regard refer to pages 54 – 103 of the Annual Report.</p>	<p>The committee did not raise any questions in respect of Chapter 3 (Part 1) of the Annual Report</p>	<p>None</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
5	<p>Chapter 4: Organisational Development Performance (Performance Report Part II)</p>	<p>Upon review the following key organisational development areas were disclosed and reported on in order to measure the outcome of effective organisational development against the municipality’s strategic plans:</p> <ul style="list-style-type: none"> • Municipal Human Resource; • Capacitating the municipal workforce; • Managing the municipal workforce expenditure; • Organisational structure enhancement; • Increased accountability; • Increased participation in problem solving, goal setting and new ideas; and • Identifying and development of skills needed to perform <p>Refer to pages 104 – 110 of the report</p>	<p>The committee did not raise any questions in respect of Chapter 4 (Performance Part ii) of the Annual Report</p>	<p>None</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
6	<p>Chapter 5: Financial Performance</p>	<p>Upon review the of this section of the report the following areas were adequately covered in the report:</p> <ul style="list-style-type: none"> • Supply Chain Management including its bid committees; • Expenditure and Creditor analysis; • Component A with focus on the statement of financial performance; • Component B with focus of spending against capital budget; • Component C with focus on cash flow management and investments; • Component with focus on other financial matters focusing Auditor General Report, plans to enhance financial viability, financial ratios based on Key Performance Indicators; <p>Refer to pages 111 – 117 of the Annual Report</p>	<p>The following questions were raised in respect of chapter 5 of the annual report:</p> <ol style="list-style-type: none"> 1. Does the Municipality have a Register for Unauthorised, Irregular, Fruitless, and Wasteful Expenditures? 2. Can the Committee please be furnished with an actual UIFW register for the financial years ending June 2021 and June 2022? <p>Questions on Procurement and contract management:</p> <ol style="list-style-type: none"> 3. AG found that quotations were accepted from service providers without the submission of Declaration forms on whether they were in the employ or conducted business with the state or not as required by SCM Regulation 13(c): <ol style="list-style-type: none"> 3.1. How many of these occurred, what was the total sum, and kindly please list all of them? 	<p>1. Yes, the Municipality does have the UIFW register</p> <p>Yes, some of the service providers were direct payments submitted to SCM Unit</p> <p>3.1. The number of service providers that are affected is</p>	<ol style="list-style-type: none"> 1. Committee is extremely concerned with the responses from Management where in most cases there is no justification for non-compliance with relevant legal prescripts and policies. 2. The Committee is extremely concerned with the Internal Control deficiencies and lack of monitoring thereof. 3. The Committee was concerned that the municipality did not have a solid UIFW Register.

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>3.2. What is the justification and motivation for this practice to occur and who approved it?</p> <p>3.3. What actions were taken after this was brought to the attention of management by AG?</p> <p>4. AG discovered that quotations were accepted from bidders who were not compliant with Tax regulations and contravened SCM Regulation 43:</p>	<p>6 (six) and the amount totals to R354 996.00.</p> <ol style="list-style-type: none"> 1. Seziscan CC R15 000,00 2. Skilling SA (PTY) LTD R39 996,00 3. Diwawene Investments- R195 000,00 (PTY)LTD 4. Artkkulay CC- R29 999,99 5. Ramsay Media (PTY) LTD- R28 750,00 6. Bambanani Kahli (PTY) LTD – R46 251,00 <p>3.2 No justification and motivation and was approved by the Accounting Officer.</p> <p>3.3 No action was taken by Management.</p>	<ol style="list-style-type: none"> 4. The Committee is concerned the violation of SCM policy and Municipal SCM Regulation that was made a norm. 5. MPAC is extremely concerned with lack of responsiveness from Management with queries from the AG. 6. MPAC is extremely concerned with there being no Action Plan implementation in place. 7. Investigations should be conducted on all unjustified transactions. 8. Stern Consequence management systems should be implemented.

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>4.1. How many of these occurred, what was the total sum, and kindly please list all of them?</p> <p>4.2. What is the justification and motivation for this practice to occur and who approved it?</p> <p>4.3. What actions were taken after this was brought to the attention of management by AG?</p> <p>5. AG discovered that contracts were not awarded in an economical manner and the prices of goods/services were not reasonable as required by MFMA s 62(1)(a):</p> <p>5.1. How many of these occurred, what was the total sum, and kindly please list all of them?</p>	<p>4.1 One (1) Service Provider and that is Advocate Riaan Schmidt with the transactions amounting to R1,398,048.40.</p> <p>4.2 No justification and motivation and was approved by the Accounting Officer.</p> <p>4.3. No action was taken.</p> <p>5.1. Eight (08) Service Providers were affected with the total amount of R1 142 610 and those were:</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>5.2. What is the justification and motivation for this practice to occur and who approved it?</p> <p>5.3. What actions were taken after this was brought to the attention of management by AG?</p>	<p>- Iphenglesedi (PTY)LTD – R271 730,00</p> <p>- KM & FM Trading (PTY) LTD – R17 550,00</p> <p>- Nchebele (PTY)LTD – R220 700,00</p> <p>- Sydney Pro Mach (PTY)LTD –R16 180,00</p> <p>- Akgang General Trading – R178 850,00</p> <p>- Manontlhontho (PTY) LTD – R141 800,00</p> <p>- Cheetaforce General Trading (PTY) LTD – R154 900,00</p> <p>- Kgosihadi Trading & Projects –R140 900,00</p> <p>5.2 No justification and motivation and was approved by the Accounting.</p> <p>5.3 No action was taken by Management.</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>6. AG discovered that some of the goods/services of a transaction value above R 200 000 were procured without the invitation of competitive bids as stipulated in SCM Regulation 19(a). Deviations were also approved by the Accounting Officer when it was practical to invite competitive bids and as a result, contravened SCM Regulation 36(1). Similar non-compliance was reported in the previous year:</p> <p>6.1. How many of these occurred, what was the total sum, and kindly please list all of them?</p>	<p>6.1 Two (02) Service Providers were affected with transactions totaling to R723 165</p> <ul style="list-style-type: none"> - KM & FM Trading (PTY)LTD – R372 051,00 - KM & FM Trading (PTY) LTD – R351 114,00 	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>6.2. What is the justification and motivation for this practice to occur when it had occurred previously in prior years?</p> <p>6.3. What steps were taken in the previous year to remedy this non-compliance?</p> <p>6.4. Is there any Audit-Action Plan in place, and what steps were taken when this was brought to the attention of management?</p> <p>7. There was a contravention of SCM Regulation 5 where contracts were extended without the approval of a properly delegated official:</p> <p>7.1. How many of these occurred, what was the total sum, and kindly please list all of them?</p>	<p>6.2 No justification and motivation and Accounting Officer approved the transactions.</p> <p>6.3 No steps were taken.</p> <p>6.4 There was an Action Plan but was not implemented.</p> <p>7.1 One (1) Service Provider with transactions amounting to R2 397 840</p> <ul style="list-style-type: none"> - XSemble (PTY)LTD - 	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>7.2. What is the justification and motivation for this practice to occur and who approved it?</p> <p>7.3. What actions were taken after this was brought to the attention of management by AG?</p> <p>8. AG found that there were awards made to providers of other state institutions whose directors were in the service of other state institutions and in the process contravened MFMA 112(1)(j) and SCM Regulation 44. Similar awards were also identified in the previous year and no effective steps were taken to prevent the abuse of SCM processes:</p>	<p>7.2 The payment was approved by the Accounting Officer. The existing Managers cannot respond the officials who were responsible was the former CFO and Municipal Manager</p> <p>7.3 There was no action from Management to remedy the situation.</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>8.3. Was there an attempt at taking steps in the previous year to remedy this non-compliance, and what were those steps?</p> <p>8.4. Is there any Audit-Action Plan in place, and what steps were taken when this was brought to the attention of management?</p> <p>9. There was a contravention of SCM regulation 46(2)(e) and the Code of Conduct for Councillors in terms of the MSA and the code of conduct of staff issued in terms of MSA, were persons in service of the municipality whose close family members had a private/business interest in contracts awarded to the municipality failed to disclose any interest:</p> <p>9.1. How many of these occurred, and what was the total sum?</p>	<p>8.3 No steps were taken.</p> <p>8.4 No steps were taken.</p> <p>9.1 1 (One) Service Provider was affected with a</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>9.2. Who are these connected persons, kindly name them and their designation and relationship to the municipality.</p> <p>9.3. What is the justification and motivation for this practice to occur and who approved it?</p> <p>9.4. What actions were taken after this was brought to the attention of management by AG?</p> <p>Expenditure Management</p> <p>10. AG found that there were goods procured by the Municipality and the service was not rendered and goods were not received:</p> <p>10.1 How many of these occurred, what was the total sum, and kindly please list all of them?</p>	<p>transaction of R195 000 Diwawene Investments</p> <p>9.2 (Mr. Motshoeneng) driver to the former speaker's office</p> <p>9.3 No justification and motivation and were approved by the Accounting Officer.</p> <p>9.4 There was no action taken by Management.</p> <p>10.1 One (1) Service Provider was affected with transactions of amounts totaling to R1 273 850 Voluscore Consulting (PTY) LTD</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>10.2 What were the specific goods procured?</p> <p>10.3 What is the justification and motivation for this practice to occur and who approved it?</p> <p>10.4 Is it common practice to pre-pay for a service provider?</p> <p>10.5 What actions were taken after this was brought to the attention of management by AG?</p>	<p>10.2 ICT systems used for virtual meetings.</p> <p>10.3 No justification and the Accounting Officer approved it.</p> <p>10.4 It is not common practice.</p> <p>10.5 No action was taken by Management</p>	
7	<p>Chapter 6: Auditor General Findings prior year report (2020/21)</p>	<p>Upon review this chapter provides an overview of the Auditor-General Report of the previous financial year (2020/21) with specific focus on the following:</p> <ul style="list-style-type: none"> Matters raised during the previous financial year's audit; and 	<p>General Questions:</p> <p>11. Why are there no adequate management, accounting, and information systems in place which recognize expenditure as it occurs according to AG?</p>	<p>11. We do have system in place but the deficiency is that controls are not properly followed. The ideal accounting systems as required by applicable payables and expenditure procedures were upon receiving the goods and</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
		<ul style="list-style-type: none"> Remedial action taken to address those issues and preventative measures taken. <p>This section of the report also includes the Auditor General report for current audit period namely 2021/22.</p> <p>Refer to pages 118 - 137 of the Annual Report</p>	<p>11.1. If we have such a system, what is it and is it efficient?</p> <p>11.2. Is the finance department well-trained and inducted into the system?</p> <p>12. AG found that reasonable steps were not taken to prevent the Irregular Expenditure amounting to R14 298 487:</p> <p>12.1. What is the reason behind this sum being different from the sum identified by the</p>	<p>capturing delivery note the receiving entity which is the Municipality raises Goods received note which upon the receipt of Tax Invoice and matched to GRN a payment is processed.</p> <p>11.1 It is the Solar Financial Systems and is efficient if properly used.</p> <p>11.2 Yes.</p> <p>12.1 Currently under investigation by MPAC.</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			<p>municipality for the year ending June 2022?</p> <p>12.2. What steps did the municipality take to remedy this, kindly attach the audit action plan?</p> <p>13. AG found that reasonable steps were not taken to prevent the Unauthorised Expenditure of 9 899 854, why is this?</p> <p>14. AG found that reasonable steps were not taken to prevent the Fruitless and Wasteful Expenditure of 4 090 798, why is this?</p> <p>15. Why were the Energy and Efficiency grants not evaluated within two months after the end of the financial year, why did this occur?</p> <p>16. Why were the preparations and submissions for auditing not prepared in material respects?</p> <p>17. Why the accounting records were not in order for the past 5 years?</p>	<p>12.2 Currently under investigation by MPAC.</p> <p>13. Currently under investigation by MPAC.</p> <p>14. Currently under investigation by MPAC.</p> <p>15 The project is still in progress.</p> <p>16. This was due to uncorrected prior period errors which will be corrected when we restate Opening Balances.</p> <p>17. No efforts were taken.</p>	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
			18. Why was there no supporting evidence in respect of cash flows?	18. It was because of Accumulated Uncorrected Material Misstatements.	
8	Appendixes	<p>Circular 32 of the MFMA place a requirement that a credible annual report should provide information in relation various appendixes as provided for by the circular. Therefore information relating to the following appendixes was proved for in the report:</p> <ul style="list-style-type: none"> • Appendix A: Councillors; Committee Allocation and Council Attendance; • Appendix B: Committee of Council and Committee Purpose; • Appendix C: Third tier Administrative Structure; • Appendix D: Powers and Functions of Municipality; • Appendix E: Ward Reporting; • Appendix F: Ward Information; 	The committee did not raise any questions in respect of Appendix Section of the Annual Report	None	

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
		<ul style="list-style-type: none"> • Appendix G: Recommendations of the Municipal Audit Committee; • Appendix H: Long term Contracts and Public Private Partnership; • Appendix I: Municipal Entity/Service Provider Performance Schedule; • Appendix J: Disclosure of Financial Interest; • Appendix K: Revenue Collection Performance (Not Applicable); • Appendix L: Conditional Grants Received: Excluding MIG; • Appendix M: Capital Expenditure – New & Upgrade/ Renewal Programmes: Including MIG; • Appendix N: Capital Programme by Project current year; 			

FEZILE DABI DISTRICT MUNICIPALITY: OVERSIGHT REPORT 30 JUNE 2022

No	Relevant Section in the Annual Report	Comments	Questions raised by MPAC during the presentation of the Annual Report for 30 June 2022	Management Response to questions Raised	Final Comments by MPAC
		<p>Refer to pages 138 – 177 of the report</p>			
	<p>Volume II – Annual Financial Statements</p>	<p>The report also contained detailed information of the Audited 2021/22 financial year financial statements as required by section 121 of the MFMA,</p> <p>Refer to pages 178 – of the Annual Report. The comprehensive AFS shall be incorporated into the Final Annual Report once it goes out for printing. We are unable to include them in this report due computer graphic configurations the municipality does not have in place.</p>			

10. GENERAL OBSERVATIONS BY MPAC

The following are general observations by MPAC: Internal Controls

10.1. Internal Controls

The Auditor General identified shortcomings in the internal controls of SCM] that require management interventions. The following unsatisfactory performance areas were identified, and recommendations were made to Council to improve such performance:

- (a) The financial viability of the municipality has deteriorated and has been raised by the Auditor-General as a concern.
- (b) The Municipality achieved qualified audit outcomes with findings, the same outcome since the 2020/21 financial year.
- (c) Effective Human Resource Management was not in place and was evident with no efficient Performance management system in place for staff and senior managers. There were also deficiencies in identifying and maintaining a register and monitoring Internal Policies.
- (d) Management is not ensuring the full implementation of the SCM policy and its processes and there was no monitoring from the municipality to ensure the enforcement of the SCM Policy and SCM Regulations:
 - i. Competitive Bidding as required by the SCM Regulations for transactions above R200 000 was not adhered to.
 - ii. Deviations dispensed were not done so in accordance with section 36 of the FDDM SCM Policy and not in cases of an emergency and exceptional circumstances.
 - iii. Declarations of interests were not complied with.
 - iv. The Awarding of disinfectant and fumigation services to suppliers was not conducted in an economical manner.
- (e) Inconsistencies between planned indicators/targets and actual achievements.
- (f) The existing Action Plan does not address the repeated instances of non-compliance, and the past audit findings have not been addressed. There was expenditure(s) incurred for goods not received that can result in a misstatement of R 3 537 098.
- (g) The Municipality has record-keeping and expenditure management deficiencies.

- (h) The Committee is extremely concerned with the pre-payments where no contract stipulating such exists and payment of goods without receiving the goods.
- (i) No reasonable steps were taken to prevent UIFW, even in instances of matters being reported in the previous Audits.
- (j) Management failed to monitor the plan to address audit findings.
- (k) The municipality failed to spend its capital budget.
- (l) There was irregular spending reported.
- (m) The municipality has a severe backlog of financial officials not achieving the minimum competency levels.

10.2. MPAC RECOMMENDATION REGARDING THE ANNUAL REPORT

Council resolves that: After having fully considered the 2021/22 Annual Report of the Fezile Dabi District Municipality and representations thereon, adopts the Annual Report without any reservations:

- (a) Measures be put in place to capacitate the performance management unit, to improve the quality of performance information, the quality of performance reports, and the regular performance review.
- (b) That the Mayoral Committee, as a priority, reviews the membership and functioning of the IT Steering Committee and holds the IT Steering Committee accountable to ensure that IT Service Level Agreements are in place.
- (c) Improve the quality of the Annual Financial Statements in order to eradicate the repetitive non-compliance and misstatements as per section 122(1) of the MFMA; and have the AFS properly reviewed by the Internal audit Unit and Audit Committee before being submitted for Audit Purposes.
- (d) Consistently Monitor the Action Plan and Corrective Action.
- (e) Ensure that the are controls to have effective alignment between the Annual Performance Reports and SDBIP.
- (f) That all month-to-month contracts be opened up for bidding and allow SCM processes to be followed.

- (g) Stricter application of SCM Policy and Municipal Supply Chain Management Regulation 36 and avoiding the unnecessary use of the Deviation function. Ensuring fair, transparent, equitable, and competitive SCM process to eliminate non-compliance.
- (h) No prepayments to suppliers before rendering of service or delivery of goods.
- (i) Strengthen the record-keeping and expenditure management functions.
- (j) Apply Consequence management on matters and monitor the progress of the Disciplinary Board.
- (k) Thoroughly investigate Unauthorised, Irregular, Fruitless, and Wasteful Expenditures.
- (l) Management is held to account for not addressing audit findings and that these measurements be incorporated into management performance compacts.
- (m) That a Repair and Maintenance Plan be drafted to ensure the realistic spending of the budget.
- (n) That the Disaster Management Plan be updated and improved.
- (o) That all the Draft Policies be updated and finalized.
- (p) That the increased expenditure on Employee Related Costs, Impairment Losses, and Contracted Services be curtailed and that where possible, the entire Capital Budget be spent.

11. RECOMMENDATIONS

Recommend to council that:

- 11.1. Council adopts the Annual Report for the period ending 30 June 2022 without reservations; and
- 11.2. The contents of the oversight report be made public.

MPAC OVERSIGHT LETTER: WRITTEN QUESTIONS TO THE ACCOUNTING OFFICER



Fezile Dabi District Municipality
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Aiming above the horizon

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)

Inquiries N.Q Mbasa/ SJ Dwaba 016 970 8712

10 March 2023

The Acting Municipal Manager

Mr S Thomas

Fezile Dabi District Municipality

QUESTION TO THE ACCOUNTING OFFICER, ACTING MUNICIPAL MANAGER

Following the Municipal Public Accounts Committee (MPAC) that sat on Thursday, 09 March 2023, it was resolved that a list of questions be submitted and responded to in writing by the Acting Municipal Manager. Kindly find the questions listed below:

1. Does the Municipality have a Register for Unauthorised, Irregular, Fruitless, and Wasteful Expenditures?
2. Can the Committee please be furnished with an actual UIFW register for the financial years ending June 2021 and June 2022?

Procurement and Contract Management

3. AG found that quotations were accepted from service providers without the submission of Declaration forms on whether they were in the employ or conducted business with the state or not as required by SCM Regulation 13(c):
 - 3.1. How many of these occurred, what was the total sum, and kindly please list all of them?
 - 3.2 What is the justification and motivation for this practice to occur and who approved it?

- 3.2. What actions were taken after this was brought to the attention of management by AG?
4. AG discovered that quotations were accepted from bidders who were not compliant with Tax regulations and contravened SCM Regulation 43:
 - 4.1. How many of these occurred, what was the total sum, and kindly please list all of them?
 - 4.2. What is the justification and motivation for this practice to occur and who approved it?
 - 4.3. What actions were taken after this was brought to the attention of management by AG?
5. AG discovered that contracts were not awarded in an economical manner and the prices of goods/services were not reasonable as required by MFMA s 62(1)(a):
 - 5.1. How many of these occurred, what was the total sum, and kindly please list all of them?
 - 5.2. What is the justification and motivation for this practice to occur and who approved it?
 - 5.3. What actions were taken after this was brought to the attention of management by AG?
6. AG discovered that some of the goods/services of a transaction value above R 200 000 were procured without the invitation of competitive bids as stipulated in SCM Regulation 19(a). Deviations were also approved by the Accounting Officer when it was practical to invite competitive bids and as a result, contravened SCM Regulation 36(1). Similar non-compliance was reported in the previous year:
 - 6.1. How many of these occurred, what was the total sum, and kindly please list all of them?
 - 6.2. What is the justification and motivation for this practice to occur when it had occurred previously in prior years?
 - 6.3. What steps were taken in the previous year to remedy this non-compliance?
 - 6.4. Is there any Audit-Action Plan in place, and what steps were taken when this was brought to the attention of management?
7. There was a contravention of SCM Regulation 5 where contracts were extended without the approval of a properly delegated official:
 - 7.1. How many of these occurred, what was the total sum, and kindly please list all of them?
 - 7.2. What is the justification and motivation for this practice to occur and who approved it?
 - 7.3. What actions were taken after this was brought to the attention of management by AG?
8. AG found that there were awards made to providers of other state institutions whose directors were in the service of other state institutions and in the process contravened MFMA 112(1)(j) and SCM Regulation 44. Similar awards were also identified in the previous year and **no effective steps were taken to prevent the abuse of SCM processes:**
 - 8.1. How many of these occurred, what was the total sum, and kindly please list all of them?
 - 8.2. What is the justification and motivation for this practice to occur when it had also occurred previously in prior years?
 - 8.3. Was there an attempt at taking steps in the previous year to remedy this non-compliance, and what were those steps?
 - 8.4. Is there any Audit-Action Plan in place, and what steps were taken when this was brought to the attention of management?
9. There was a contravention of SCM regulation 46(2)(e) and the Code of Conduct for Councillors in terms of the MSA and the code of conduct of staff issued in terms of MSA, were persons in service of the municipality whose close family members had a private/business interest in contracts awarded to the municipality failed to disclose any interest:
 - 9.1. How many of these occurred, and what was the total sum?

9.2. Who are these connected persons, kindly name them and their designation and relationship to the municipality.

9.3. What is the justification and motivation for this practice to occur and who approved it?

9.4. What actions were taken after this was brought to the attention of management by AG?

EXPENDITURE MANAGEMENT

10. AG found that there were goods procured by the Municipality and the service was not rendered and goods were not received:

10.1. How many of these occurred, what was the total sum, and kindly please list all of them?

10.2. What were the specific goods procured?

10.3. What is the justification and motivation for this practice to occur and who approved it?

10.4. Is it common practice to pre-pay for a service provider?

10.5. What actions were taken after this was brought to the attention of management by AG?

GENERAL

11. Why are there no adequate management, accounting, and information systems in place which recognize expenditure as it occurs according to AG?

11.1. If we have such a system, what is it and is it efficient?

11.2. Is the finance department well-trained and inducted into the system?

12. AG found that reasonable steps were not taken to prevent the Irregular Expenditure amounting to R14 298 487:

12.1. What is the reason behind this sum being different from the sum identified by the municipality for the year ending June 2022?

12.2. What steps did the municipality take to remedy this, kindly attach the audit action plan.

13. AG found that reasonable steps were not taken to prevent the Unauthorised Expenditure of 9 899 854, why is this?

14. AG found that reasonable steps were not taken to prevent the Fruitless and Wasteful Expenditure of 4 090 798, why is this?

15. Why were the Energy and Efficiency grants not evaluated within two months after the end of the financial year, why did this occur?

16. Why were the preparations and submissions for auditing not prepared in material respects?

17. Why are the accounting records not in order for the past 5 years?

18. Why was there no supporting evidence in respect of cash flows?

Yours Sincerely

CIlr APRIL MOTAUNG

MPAC CHAIRPERSON

