



dlg&hs

Department:
Local Government & Human Settlements
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

160524 SCCOOP.

MEC'S PRESENTATION TO SELECT COMMITTEE ON COGTA ON SECTION 139[1][b] INTERVENTIONS

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24TH MAY 2016



ORDER OF PRESENTATION

1. INTRODUCTION
 - PURPOSE
 - BACKGROUND
2. COMMON REASONS FOR INTERVENTIONS
3. MUNICIPAL REPORTS PER B2B PILLARS
 - Matlosana LM
 - Tswaing LM
 - Ventersdorp LM
 - NgakaModiri Molema LM



INTRODUCTION

PURPOSE

- To submit the progress report on Section 139(1)(b) in the North West Province.

BACKGROUND

- The Department of Local Government and Human Settlements (DLG&HS) appointed an Assessment Team in terms of the Local Government Municipal Systems Act, No. 32 of 2000, Section 106 (1) (b) to investigate whether the municipalities fulfill their statutory obligations;
- The situation of the municipalities necessitated that the MEC responsible for Department of Local Government and Human Settlements to institute Section 139 (1)(b) of the Constitution;



INTRODUCTION CONT.

- The report covers Interventions instituted in the following municipalities:
 - Matlosana LM
 - Ventersdorp LM
 - Tswaing LM
 - Ngaka Modiri Molema DM
 - Madibeng LM [separate presentation]
- The reports cover the following topics;
- Mandate/ Municipal Unique Challenges
 - Achievements and challenges
 - Remedial Actions



COMMON REASONS FOR INTERVENTIONS

- The reasons for placing the municipalities under section 139(1)(b) include among others the following:
 - Poor water and sanitation services provision which often results in water supply disruptions
 - Poor water quality (blue and green drop status)
 - Poor maintenance and operations of water and sanitation infrastructure.
 - Uneven provision of services to communities.
- Project delays due to prolonged procurement processes



COMMON REASONS FOR INTERVENTIONS

- Planning and prioritisation of infrastructure programmes and projects on water sanitation and other services (in line with the IDP)
- Allocation of the budget for water and sanitation programmes and projects
- Oversee the procurement of goods and services in relation to water and sanitation services
- Management of the Project Management Unit
- Monitoring and overseeing of water and sanitation projects and programmes



COMMON REASONS FOR INTERVENTIONS

- Poor governance and management of council matters by council
- Poor leadership and oversight by council
- Breach of code of conduct by councillors
- Poor relations between council and administration
- Deterioration of service delivery
- Poor administrative leadership
- Lack of administrative capacity within the municipality
- Poor financial management



- Lack of administrative capacity within the municipal administrations.
- The municipalities has incurred long-standing debt with ESKOM and water-boards, financing institutions such as PIC
- Poor Audit outcomes
- Vacant critical senior management positions

CONSULTATION:

Consultation was done with all affected stakeholders in line with

Section 139[2][a-b]



1. Matlosana LM

- **Summary of the Mandate/ Unique challenges**
- The Administrator and the Team were assigned to carry out the following tasks:
- Manage overall administration;
- Stabilize and improve governance and administration;
- Improve service delivery (water, sanitation, refuse & electricity, unblock old projects);
- Financial management (financial controls, expenditure management, procurement processes, revenue enhancement & debt collection, AG's report);



1. Matlosana LM

- Analysis of post and current investigations and commissions of enquiry reports;
- Attend to labour matters (outstanding disciplinary cases, labour disputes, functionality of LLF, instill culture of work and discipline);
- Facilitate improvement of governance in council;
- Investigate all recently awarded contracts;



ACHIEVEMENT: PILLAR 1 PUBLIC PARTICIPATION

- The municipality has a functional ward committee system
- All 35 wards have established ward committees
- The municipality has allocated a budget for the stipend of ward committee members which is R10000pm
- The municipality has submitted a schedule of ward committee meetings to the Mec/ department
- The Public Participation unit of the department attends to support and monitor the committees



ACHIEVEMENTS: PILLAR 2 SERVICE DELIVERY

- Provision of water restored in all areas of Khuma
- Refurbishment of Stilfontein WWTP complete
- Commenced with engagements with Midvaal to assist with overall management of water quality through the municipality and our bulk sites
- Orkney WWTP will be refurbished in partnership with the District and the contractor to take site soon
- Increased maintenance & repairs of refuse trucks
- Improved refuse collection & cleaning of illegal dumping sites (refuse compactors leased for 36 months to supplement current fleet)
- Continued maintenance of sidewalks & grass cutting along main routes and intersections
- Improved turn-round time on queries related to service delivery
- Consultants appointed to start with planning for 15/16 projects & contractor bids currently evaluated.



ACHIEVEMENT: PILLAR 3 GOOD GOVERNANCE

- Council and Portfolio committees are supported and they remain functional;
- Monthly meetings are convened with all members of the Mayoral committee together with Senior managers;
- The Municipal Public Accounts Committee continues to function together with the Section 32 committee;
- Reports of the Portfolio committees serve before Council to ensure sharing of information;
- Policy review workshops were convened and internal policies were reviewed and completed;
- Training of prosecutors & presiding officers completed;
- Qualified Audit opinion in 2013/14 and 2014/15



ACHIEVEMENTS: PILLAR 4

SOUND FINANCIAL MANAGEMENT

- Maintained a positive bank account;
- Weekly review of creditor's payment schedule & paying long outstanding creditors;
- Reviewed all SCM committees and trained them;
- Continuously streamlining and monitoring SCM processes;
- Draft recovery plan received back from both National and Provincial Treasury with inputs and is being circulated to management for update;
- Pay disparities that were indentified have been attended to and the Wage agreement has been implemented;
- **Eskom debt= R109.5m ; up to date with current account and servicing area debt of R62.4m. Current =R47.1m**



ACHIEVEMENTS: PILLAR 5 BUILDING CAPACITY

- The department has deployed an OD Specialist to assist the municipality to develop an appropriate Organisational Structure
- The department has conducted work sessions for the entire Council and both middle and senior management on Finance Governance and administration
- The department and PT assisted by NT has developed a Financial Recovery Plan for the municipality
- The intervention team is inclusive of an Administrator, Financial Expert, Legal Expert[adhoc] OD Specialist[project completed], SCM Practitioner [FEED]



CHALLENGES

- Theft and vandalism at bulk infrastructure sites despite these being fully secured remains a challenge;
- The buy in and support of Council and management to implement Consequence management remains a challenge;
- High vacancy rate at senior management level remains a challenge that will be resolved once the new political administration is in place;
- Urgent unblocking of housing projects which has been taken up with the Department to expediate;
- Shortage of experienced disciplinary prosecutors and presiding officers to assist with disciplinary cases;



REMEDIAL ACTION

- The Department in partnership with SALGA and Office of the Premier are in a process of identifying Prosecutors and Presiding Officers such that the municipality is able to deal with pending disciplinary cases;
- Outcome of the Forensic Audit Outcome be made available for implementation of recommendations;
- Extend the intervention until after the upcoming local government elections to create stability and smooth transition from current to new council term;
- The Department will continue to work closely with the intervention team and the municipality to fully realise the objective of the intervention.



2. TSWAINING LM

- **Summary of the Mandate/ Unique challenges**
- Improve service delivery in Tswaing, prioritising water and sanitation services
- Stabilise and improve administration within the municipality
- Financial management: improving the financial controls in the municipality, expenditure management, procurement processes, as well as addressing Auditor General's reports
- Attend to labour matters in the municipality [outstanding disciplinary cases, labour disputes, functionality of LLF, instill culture of work and discipline of workers]
- Facilitate the improvement of governance within council



ACHIEVEMENT: PILLAR 2 SERVICE DELIVERY

- 37 Boreholes were repaired, drilled and equipped
- Ottosdaal waste water treatment plan has been repaired
- Sannieshof bulk water infrastructure has been repaired through the assistance of Sedibeng Water Board
- The community was involved for the town cleaning campaign



ACHIEVEMENT: PILLAR 5 BUILDING CAPACITY

Human Resources Achievements

- Resuscitated the functionality the Local Labour Forum (LLF)
- Settled the long outstanding disputes (Salgbc, Labour Court & Disciplinary Inquiries)
- Reviewed the organizational structure and policies (HR and finance related policies)



CHALLENGES: PILLAR 1 and 3

Public Participation and Good Governance

- The team reported partial functionality of Council and its Committees
- The statutory council meetings sit but agenda items are deferred e.g. the January meeting whereby the tabling of the midterm report was deferred
- The Annual Report for 2014/2015 is not ready.
- Public participation is also struggling in that no community and ward community meetings are conducted
- Chronic Audit Disclaimer Opinion



Challenges.....

Technical & Engineering Services	<ul style="list-style-type: none">•Water and Sanitation remain the biggest challenge for Tswaing and the District The entire drainage system in Sannieshof - Agjisanang needs a total revamp•Old electric poles are falling against bad weather with no resources•Eskom electrical cut out affect water supply
Community Services	<ul style="list-style-type: none">•The directorate does not have a Director nor anyone suitable to act in the position•Need skilled personnel to resuscitate and stabilize traffic department /•Refuse removal and rehabilitation of land filled site
Finance	<ul style="list-style-type: none">•No CFO, negative audit outcomes (disclaimer)•Eskom Debt of R28 429 941 as at Jan 2016•MIG expenditure 32% as at Jan 2016
Corporate Services	<p>No Municipal Manager and Director: Corporate Services nor personnel suitable to act , overstaffed by 100% but lack skilled personnel</p>



REMEDIAL ACTION

- Deployment of Director Community Services
- Department and FEED has deployed a Finance Expert
- FEED/dlghs monitor the payment agreement with Eskom
- Dlghs is intensifying support over MIG expenditure
- Facilitate the resolving of the Debt owed to Tswaing by NMMDM for water services (R 19m).



3. VENTERSDORP LM

- **Summary of the Mandate/ Unique challenges**
- Improve Service Delivery in VLM, prioritising Water and Sanitation Services.
- Stabilise and Improve Administration within the Municipality.
- Financial Management: Improving the Financial Controls in the Municipality, Expenditure Management, Procurement Processes and AGSA Reports.
- Analysis and Implementation of Past and Current Investigations, Commissions and Forensic Audits.
- Attend to Labour Matters in the Municipality, e.g. Functionality of the Local Labour Forum.



2. VENTERDORP LM

- Facilitate the Improvement of Governance within Council.
- Conclude the Disciplinary Case of the Previously Suspended and Reinstated Managers.
- Investigate all Recently Awarded Contracts to Establish Validity and Legitimacy thereof.
- Investigate and Take Appropriate Action on any Transgressions and Contraventions to Applicable Legislations and Regulations



ACHIVEMENT: PILLAR 2 SERVICE DELIVERY

- Contractors on MIG projects on site from December 2015 ie internal roads development in Tshing Ext3; Ext4 and Tshing budgeted at R9 089 818m
- Access road to Appledraai budgeted for R7.5m
- High mast lights in Tshing Ext2 budgeted for R1m
- Storm water drainage near JB Marks Clinic Tshing Ext 2 budgeted for R2m



ACHIEVEMENT: Pillar 1 and 3

Public Participation/Good Governance

Governance and Public Participation

- ✓ Functionality of Council and its committees is reported as fair
- ✓ Council does sit to consider governance and administrative issues
- ✓ There has been one community service delivery meeting held with the community to address community service delivery concerns since the inception of the intervention
- ✓ The ward committees are reported as dysfunctional and no meaningful cooperation exist between the ward councillors and ward committee members



Challenges

- Vacant critical senior management positions
- Slow expenditure on PIG[%] MIG[30%]
- The municipality is owing Eskom R49.8m
- AG is owed R10m
- DWS is owed R6.5m
- Community Service Protest



Remedial Action

- Deployment of a technical expert[electrical and civil] for intervention team
- Secondment/ deployment of officials to assist until merger
- FEED to assist to recover the R8.5m MIG for 2014/15 allocation from NT
- FEED and dlghs to intensify support for PIG/MIG expenditure



4. NGAKA MODIRIMOLEMA DM

- **Summary of the Mandate/ Unique Challenges**
- Prioritising water & sanitation services;
- Stabilise & improve administration within the municipality;
- Improving financial management;
- Analysis & implementation of past & current investigations, commissions of enquiry & forensic audits;
- Attend to labour matters in the municipality;
- Facilitate improvement of governance within council;
- Conclude disciplinary case of previously suspended and re-instated managers;



MANDATE CONT.

- Investigate all recently awarded contracts to establish validity and legitimacy thereof;
- Investigate & take appropriate action on any transgressions and contravention to applicable legislation & regulations;



ACHIEVEMENTS: PILLAR 2 SERVICE DELIVERY

Finding/Issue	Action taken/results of Intervention
Lack of maintenance of infrastructure	<ul style="list-style-type: none">• 430 boreholes repaired across 179 villages• 404 communal taps repaired• 415 Burst pipelines repaired across 225 villages
21 Projects stopped due to lack of funding	<ul style="list-style-type: none">• Four (4) projects resuscitated & completed• Seven (7) projects are expected to be completed by 30 June 2016• Repairs effected at three (3) waste water treatment plants• Repairs effected at six (6)• Desludging effected in five areas/towns through hired trucks



ACHIEVEMENT: PILLAR 2 SERVICE DELIVERY

Excessive water tankering services	
Lack of medical surveillance and vaccination	<ul style="list-style-type: none">• A task team has been established, to assess tankering with a view to reducing costs incurred• Medical screening of employees is in progress, 28 in Ramotshere WWTP; 37 outstanding in 3 municipalities due to postponement
ROADS	
Issue	Action taken/results of intervention
Roads	<ul style="list-style-type: none">• Ongoing maintenance of district roads
Rural Road Asset Management System (RRAMS)	<ul style="list-style-type: none">• Business Plan finalised and submitted



ACHIEVEMENTS: PILLAR 3 GOOD GOVERNANCE

Approval of plans (IDP)	<ul style="list-style-type: none">• Draft IDP and Draft Budget have been approved• Final IDP, Budget and related policies will be approved before 30/06/2016
Holding of the administration accountable	<ul style="list-style-type: none">• During the Section 139(1)(b) intervention, holding the administration to account i.r.o. of implementation of policies, by-laws, Budget, and IDP, is the responsibility of the Administrator (executive authority)
They themselves account to their principals	<ul style="list-style-type: none">• Party caucus meetings are held continuously for party accountability• Municipality accounts to Organs of State as and when required• Constituency work and public participation are done regularly



ACHIEVEMENTS: PILLAR 3 GOOD GOVERNANCE

Issue	Progress/Work In Progress
Governance Structures	<ul style="list-style-type: none">• Portfolio & Mayoral Committees sits regularly before council sittings• The Audit Committee has been established and is functional• The Municipal Public Accounts Committee has been established and the 2013/14 and 2014/15 Annual Report was submitted.• IDP Representative Forum established, challenges are being dealt with• Council has been sitting regularly since March 2015• Senior Management meetings are held monthly



ACHIEVEMENTS: PILLAR 3 GOOD GOVERNANCE

<p>Inter Governmental Relations (IGR) Forum</p>	<ul style="list-style-type: none"> • The IGR Forum has been resuscitated • Two Mayoral Forums and 2 Political IGR's were held • We are in the process of convening a District Municipal Managers Forum
<p>Local Labour Forum (LLF)</p>	<ul style="list-style-type: none"> • Monthly meetings have been held regularly since January 2016 • 1 Special LLF meeting held, volatile labour situation is being contained • Functionality Assessment Tool is being developed
<p>Policies</p>	<ul style="list-style-type: none"> • 54 out of 87 Policies are in place (Progress = 62%) • New policies are being developed and others are being reviewed
<p>Banking</p>	<ul style="list-style-type: none"> • Bank account frozen, then restored, delegations done,



STABILISE AND IMPROVE GOVERNANCE AND ADMINISTRATION (cont.)

Finding/Issue	Action taken/results of intervention
Back to Basics	Monthly Back to Basics Report up to date and submitted to DLG&HS and COGTA District Crack Team to be established before 30 May 2016
Long outstanding disciplinary cases.	Only two cases involved: One finalised (Ass. Mngr. Water & Sanitation) One is still work in process
Job evaluation process outcomes still pending	98% of posts have been evaluated & auditing of the results is in progress (by SALGA provincial Job Evaluation Audit Committee)
Litigations	<ul style="list-style-type: none">• 69 Cases in the register are currently being reviewed• In 6 cases court orders were issued against



ACHIEVEMENTS: PILLAR 3 GOOD GOVERNANCE

Forensic Investigations

- Fundudza Forensic Investigation report presented to council.
- We are awaiting PWC Investigation Report from FEED
- The current Administrator does not have the PWC Report
- The Hawks are registering a criminal case, case number to be obtained soon from Colonel Mothabedi

Irregularly awarded contracts

Application made to High Court to set aside irregularly procured contracts. Negotiations for settlements in this matters are ongoing.



ACHIEVEMENT: PILLAR 4 SOUND FINANCIAL MANAGEMENT

• Budget, Expenditure, Cashflow, FMS, Audit, Reporting

1. Financial situation report is being refined
2. Application is being made to Treasury for funding assistance
3. Audit steering committee has being resuscitated;
4. Audit Action Plan is being reviewed
5. Cash flow projection to March 2017 developed (70% draft)
6. Financial Recovery Plan is being analysed
7. Expenditure is being reconciled



CHALLENGE: PILLAR 4 SOUND FINANCIAL MANAGEMENT

Total Income as at 25 April : R 690 816 187

Total Expenditure as at 25 April: R 644 840 076

Bank Balance: R 45 976 110

Total Projected Income up to 30 June: R 33 569 198

Total Income R 79 545 308

Total projected expenditure up to 30 June: (R 356 760 732)

SHORTFALL: R 277 215 424

(R 45 976 110 - Current bank balance is made up of only MIG funds)



CHALLENGE: PILLAR 5: BUILDING CAPACITY

There are seven (6) critical vacancies:

- **Municipal Manager (acting)**
- **CFO (acting appointment)**
- **Senior Manager: Infrastructure & Maintenance**
- **Senior Manager: Planning Development & IDP**
- **Senior Manager: Corporate Services**
- **Senior Manager: GED**

Staff appointed in excess of the approved organogram

A moratorium has been placed on the filling of vacant posts funded by equitable share due to the financial constraints experienced by the municipality.

New section 56/57 posts will only be appointed by the new post-election council subject to financial affordability (Est. cost R5.4m)

The matter is in abeyance



REMEDIAL ACTION

- Focused implementation and of the financial recovery plan
- Focused implementation NT and PT resolutions to be adhered to.
- The Provincial Government to assist with HR expertise where necessary
- Analysis and review of all contracts to check validity, value and loopholes
- Analysis if litigation cases to check for trends, and to identify open-ended contracts
- Analysis of forensic any other investigation reports



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THANK YOU

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