**Questions raised by Portfolio Committee on Local Government and Traditional Affairs**

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|  | **Issues Highlighted** | **Questions** | **Response** |
| Executive Mayor | Political Instability through out the District. | How do you intend on stabilizing the political environment in the Municipality? | We do acknowledge that our District has been negatively affected by political instability. The uncertainty associated with an unsteadfast political environment has negatively affected service delivery, led to protest and hampered economic growth.  The Municipal Council had a meeting on the 25th February 2021 and that resulted in the removal of the Executive Mayor with the hope that Municipal operations will be brought back to normality.  In stabilizing the political environment, there is a need to:   * Development & implementation of a functional accountability and consequences management framework. * Strive towards improved governance, service delivery and addressing current backlogs. * Improve resource allocation and distributive accountability. * Development of effective governance structures to ensure municipal environment is equitable, fair & transparent. * To protect & ensure financial stability within the District Municipality. Strive towards stable & well-functioning financial systems that contributes significantly towards balanced economic growth throughout the region. * Clarify roles and responsibilities between the district and local municipalities. District is currently undertaking a section 78 process to determine the most feasible mechanism of delivering water and sanitation services throughout the District. * Develop & implement revenue enhancement strategies. * Re-assessment of current systems and processes- The changing environment means that business will not continue as usual for the foreseeable future. * Development and implementation of a comprehensive economic recovery plan. |
| Executive Mayor | Auditor General raised a concern of the ineffectiveness of MPAC. | * How do you plan on improving the capacity of MPAC? * How many officials are employed in MPAC? * What qualifications do officials in MPAC possess? | We do acknowledge the importance of effective oversight. To address the challenges of maintaining strong oversight processes, there is a need to:   * Ensure that we put in place mix of oversight processes and procedures that strike a balance between risk control, efficiency, and cost. Through their reports MPAC can: * Identify causes of breakdowns in oversight. * Highlight weaknesses & inefficiencies in our current process. * Point to best practices. * Assist the District Council to improve their oversight performance and avoid repeating past mistakes. * Equally, we will ensure that we increase the much need internal capacity in the research capabilities in the MPAC office to ensure that the office remains relevant on dealing with issues that falls within its mandate. * Training of councilors to understanding their roles and responsibilities with regarding to detailed analysis of financial records of the municipality. Able to interpret the AG Reports and make proper recommendations to Council. * There are two officials appointed. One Manager: MPAC at Task T16 and one Administrative Clerk at Task T7. * The Manager: MPAC has a B. Science Degree (Statistics & Mathematics). The Administrative Clerk has Grade 12 & Certificate in Bookkeeping. |
| Chief Financial Officer | VBS Investment | * How did the Municipality invest in VBS? * What actions have been taken against those involved? * What consequence management have you taken? * How did it happen that the suspended VBS Municipal Manager is reinstated? Mr. Mononela Jerry * Which Projects were affected as a result of the VBS Investment? * Please indicated name of projects, villages or area affected, the status in terms of % if there was any work done already * What in the recovery plan in place? | The municipality has invested with VBS Mutual Bank in 2017/18 financial year. In July 2017, R60 million for MIG was invested and matured in October 2017 with interest of R1, 247 671.36. In February/March 2018 the municipality invested R150 million made up of the following:   * R100 million for RBIG (Conditional grant) * R29 million –MIG (Conditional grant) * R21 million –Building fund for 60 Market (Own funding).   On the 31st May 2018 Municipal Council took a resolution (Resolution: 196/2017/18) to investigate the VBS investment and delegated this to MPAC and Risk Management Office to conduct the task to comply with Section 171(4) (a) (b) of the MFMA. The investigations commenced on the 29th June 2018. The report of MPAC was tabled in Council on 31 July 2018.  The following were the findings:   * The municipal banking and Investment policy is not consistent with the MFMA. * The municipal banking and investment policy is not consistent with Investment Regulations. * The matter was taken to MPAC by the Municipal Council and MPAC after considering the matter investigated it, a report was tabled to council. * The MPAC report recommended that the matter on consequence management be refer to the disciplinary board for finalization.   Council resolved as follows:   * To review the adopted Municipal Banking and Investment Policy to be consistent with the MFMA and Municipal Investment Regulations. * Council considered the Preliminary Investigation Report from Risk Management Unit. * That council implement the Minister’s directive to the fullest. * An investigation was also conducted by the Disciplinary Board following appointment by the Council. The Disciplinary Board has finalized its investigation and tabled the report before Council on the 1st March 2019 for further action. * Council recommended that disciplinary proceedings be instituted against the Municipal Manager for his role in VBS Mutual Bank Investments.   Consequence Management:   * On the 28th March 2019 and the Council resolved to suspend the Municipal Manager with immediate effect, which is one of the reasons that created problems later with the disciplinary processes. * On the 29th March 2019, the Executive Mayor served the Municipal Manager with the notice of suspension with immediate effect. * On 23 May 2019 the Municipal Manager was served with charges and notice for disciplinary hearing by Sefumba Attorneys appointed as the employer representative. The Disciplinary hearing was set down for the 10th June 2019, however was postponed to 12th July 2019 and both parties were informed. * Parallel to the municipal investigations, the Department of Finance and Department of Local Government commissioned investigation and report by Sekela Xabiso CA Inc was released on the 10th October 2018 on the VBS investments, which Council adopted and also led to the disciplinary steps being taken against the Municipal Manager. * On the 28th March 2019, the Council also took a resolution (Resolution 44/2018/19) to appoint an independent investigator (Shuping Attorneys) to investigate the ‘missing R49 million of which after investigation it was indicated that there is no record of the missing R49 million, and the Curator also confirmed that the amount that is in the records of VBS is R150 million. * On the 7th November 2019, has successfully lodged its claim of R150 million to the VBS Mutual Bank liquidation registered as Estate T2610/18 in compliance with Sec 44(3) of the Insolvency Act 24 of 1936.   Collapse of the Disciplinary Hearings against the Municipal Manager:   * The disciplinary hearing for the Municipal Manager was set for 10th June 2019. * On the 12th July 2019, the Disciplinary hearing was again postponed as result of a challenge on the lawfulness of the tribunal by the attorneys representing the Municipal Manager. The Disciplinary Hearing has been postponed on more than four occasions. * On the 4th September 2019, the Executive Mayor received copies of the Notice of Motion and Founding Affidavit from Mr. Jerry Mononela’s Attorneys filed with the High Court (North West Division) on the Tuesday, 3rd September 2019. * The Municipal Manager challenged the suspension in court siding unlaw suspension and lost the matter. * On the 29th April 2019 the Executive Mayor indicated that the latter officials failed to carry out their responsibilities to ensure that resolution of the disciplinary processes against the Municipal Managers are carried out in terms of procedural and substantive fairness according to the Regulations of the Disciplinary Regulations for Senior Managers of 2010 and the Local Government: Municipal Finance Management Act, and Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings 2014. * Citing the above, the Council has since reinstated the Municipal Manager on the 10 July 2019.   Other reasons cited were that   * That the continued suspension of the Municipal Manager was not in compliance with Regulations of the Disciplinary Regulations for Senior Managers of 2010 and the Local Government: Municipal Finance Management Act: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings 2014. * That the Disciplinary hearing and suspension were not substantively and procedurally fair, and council stand to lose the case as it has been challenged by the Municipal Manager to court. * That Council has spent a huge sum of limited funds on the legal firms conducting the Disciplinary hearing against the Municipal Manager, but there were no results to date, and no value for money.   After the reinstatement of the Municipal Manager the matter was putted halted and the reinstated municipal manager suspended the officials who were witnesses in the VBS case including the legal manager.  Projects affected due to VBS investment:  **Naledi/Greater Taung:**  1.Taung/Naledi Bulk Water Supply: Phase 2A  2.Taung/Naledi Bulk Water Supply: Phase 2B  3.Taung/Naledi Bulk Water Supply: Phase 2C  4.Taung/Naledi Bulk Water Supply: Phase 2D  5.Taung/Naledi Bulk Water Supply: Phase 2E-1  6.Taung/Naledi Bulk Water Supply: Phase 2E-2  **Mamusa/Lekwa Teemane:**  1.Greater Mamusa Bulk water Supply: Raw water abstraction  2.Greater Mamusa Bulk water Supply: New WTW  3.Greater Mamusa Bulk Water Supply: Bulk pipeline to Mamusa  **Kagisano-Molopo:**  1.Kagisano Molopo: Bulk water Supply: Cluster1: Bulk water from Tseoge to Bona Bona  2.Kagisano Molopo: Bulk water Supply: Cluster2: Bulk water from Tlapeng to Eksdale. |
| Executive Mayor | AG Reported that the Municipality has written off money invested with VBS. | * Has the municipality written off money invested with VBS? * What process was followed in writing off VBS Investment by the Municipality? | * We acknowledge that there are claims, that the municipality has impair amount and disclosed it as impairments in the AFS which literally translate to a write off. * But we unequivocally, state that The Council only made arrangements with national treasury to deduct/pay all the money lost in the VBS investment form the equitable allocations, it would be irresponsible for the Municipal Councill to write-off the money lost on the VBS. * The MPAC report is clear that the 150 million should not be written off but rather recovered. We will utilize all the provisions within the prescripts of the law to ensure that all the money lost through the illegal VBS investment is recovered in totality as soon as the disciplinary process is finalized. * The claim lodged by the municipality to the VBS Liquidation and Distribution Account is still in progress. |
| Accounting officer | SALGA raised an issue about you empowering Internal Audit Committee | * How do you plan on improving capacity within the internal audit unit? * How has the lack of capacity impacted on the function of internal audit? * How effective is the internal audit services to local municipalities? | We do acknowledge that we need to strengthen our internal audits impact and influence, to ensure that it meets our needs to deliver not only assurance, but also advice and anticipate risk.  Effective management of internal audit is essential for ensuring conformity with applicable standards and providing value to the institution.  The unit will be effectively be responsible for the following:   * Audit end-to-end risk management functions. * Review the strategic planning process * Leverage analytic capabilities across the institution to benefit of virtually every area of the organization. * Contemporize internal audit reporting. The right reporting enhancements will get that work noticed and give stakeholders vivid evidence of change in internal audit. * Enhance skills and capabilities. We acknowledge that skills deficit or shortage as a root cause of internal audit’s limited impact and influence. Given the Municipal’s evolving needs, internal audit’s skills must evolve for the function to remain relevant. * The council has recently appointed the a vibrant young Chief Audit Executive with effect from the December 2020. The appointment will stabilize the unit and improve capacity to execute their responsibilities in terms of Section 165 of the MFMA. * Advert for the expired term of the Audit Committee was issued in December 2020, currently the shortlisting process is in progress, hopeful that appointment will be done by end March 2021. * The absence of the Chief Audit Executive after the operations of the Internal Audit as there was no coordination of the shared function, whereby there was no effective supervision of the lower-level staff hence reports could not be finalized and tabled at the various councils at local municipalities. * The shared function is not adequately effective as local municipality are failing to table the reports and if they table the reports, they are failing to implement the recommendations of the support brought by Internal Audit unit. |
| Chief Financial Officer | Paying of invoices | How many days on average does it take to pay received invoices? | The municipality does strive to pay invoices within the 30 days turnaround time. This depends of the availability of funds as from time to time National & Provincial Treasuries are withholding Equitable Shares tranches citing non-compliance. |
| Chief Financial Officer | Regular, accurate and complete financial and performance reports | District has failed to provide regular, accurate and complete financial and performance reports. | We do acknowledge that the financial statements and annual performance report contained numerous misstatements. This was mainly due to staff not fully understanding the requirements of the financial reporting framework and inadequate reviews. The municipality did not have a proper filing system to maintain information that supports the financial statements.  The council has since appointed a qualified chief financial officer to head the budget and treasury office. |
| Chief Financial Officer | Use of consultants without deriving any value in preparing AFS | * AFS poorly prepared irrespective of having to source consultants in preparing them, * How much has been spent in preparing AFS by outside consultants for the past three (3) years? * Do we have internal capacity in dealing with the preparations of the AFS in future | The Municipality has been sourcing the services of an external service provider to assist in the preparations of our financial statement and that still has not changed and we have since appointed a Chief Financial officer who is capable and his appointment with ease our reliance on external service provider on dealing with our Municipal Annual Financial Statements. |
| Chief Financial Officer | Regress of the Audit Opinion | What has caused the regress in Audit opinion and what measures have you put in place in ensuring that there is a positive change with future audits? | The regression in the municipal audit outcomes is mainly from accounting for water and sanitation transactions. This affected how assets were accounted for as the district had to start accounting for all assets in their books. In an endeavor to properly account for all water and sanitation assets within the district, the AGSA found lot of errors relating to valuation and completeness of assets.  The other issue is the fact that the service level agreement for water service provision is not properly implemented. The district is still not accounting for all transactions including revenue and expenditure for water provision as the local municipalities have been appointed as service providers. This resulted in understatement of revenues, expenditure, assets and liabilities. The other issue is that makes the accounting difficult is the fact that local municipalities did not sign off the SLA and therefore the AGSA could not ascertain the basis for accounting water transactions.  The issue relating to SCM compliance also contributed negatively to the audit opinion as all our awards were found to be inconsistent to regulations resulting in incurrence or irregular expenditure. This was mainly due to capacity and skills limitation within finance department.  Plans to turn around  1. The municipality has for the 2019/20 financial year revisited all municipal assets and revalued them to ensure that they comply to GRAP17. A proper asset register was submitted to AGSA for audit.  2. The municipality has started a Section 78 process in order to ensure that the water provision mechanism is reviewed as currently there are issues relating to the function and accounting thereof  3. The municipality has already started collection financial information from all appointed water service providers to ensure that in the 2021/22 budget all water and sanitation revenue and costs are accounted for in the district budget. The information collected will also be utilised for inclusion on the 2020/21 annual financial statements  4. The municipality has since appointed a substantive CFO to ensure that there is proper financial management processes in place  5. The municipality has already prepared an audit action plan to deal with all material issues already identified during the current year audit. |
| Executive Mayor | Pre-payment of suppliers and services not rendered. | * What informed payment of two (2) upfront payment for work not done by the municipality? * What consequence management have you taken? | Council has taken a resolution to suspend the municipal manager on the matter.  The allegations of Financial Misconduct against the Municipal manager were levelled by the EFF in council and council on their meeting on the 19th February 2021 took a resolution to issue a notice of intention to suspend the Municipal Manager and he been put on immediate suspension.  The matter is still sub judicate as it may be challenged in court by the Municipal Manager and wouldn’t want to go into more details about it.  There was an upfront payment in December 2019 and another upfront payment in December 2020 and we are applied consistency in the matter where all those involved has been suspended and still awaiting to under various processes of discipline. |
| Technical Services | Decentralizing powers and functions of the District Municipality to local municipalities. | * Possibility of allowing local municipalities as the water service authority. * Outstanding payment with Taung LM on the issues of water services authorities. * Issues with Lekwa Teemane with regard water service authorities. | Currently the municipality is conducting a Section 78 Assessment in terms of the Municipal Systems Act to determine if the municipality may provide water and sanitation service through either internal or external mechanism. The process is almost at the last Phase of completion. The process to allocation the division of powers and functions rest with the national parliament to amend the legislation.   * This municipality does not owe Taung LM. * Lekwa-Teemane has not paid their electricity bill with Sedibeng Water Board. The District has bailed the municipality to pay that bill, but it is unsustainable because Lekwa-Teemane does not ring-fence the amounts collected from users which could be used to pay for the electric services. |
| CFO/Technical Services | As of end December 2020 only 42 % of allocated grant was spend. | * How far are you, in terms of your expenditure on grants? * Will the Municipality be able to spend its allocated budget before end of the financial year? | As at end February the following is a expenditure breakdown on conditional grants:  Capital Grants   * MIG Grant: 46% * RBIG Grant: 46% * WSIG: 43% * Operational Grants   + Financial Management Grant (FMG): 49%   + Expanded Public Works Programme (EPWP)= 103%   + Rural Roads Asset Management System Grant (RRAMS)= 72%   The municipality will be able to spend allocated amounts because already they are committed. |
| Corporate Services | HR Unfilled Vacancies | * What is the Municipal Vacancy rate? * Do all senior managers meet minimum competency requirements? * What is the salaries percentage against the Municipal budget? | * The vacancy rate is: 32% * Total permanent staff:147 * Vacant positions: 69 * All Senior Managers meet the minimum competency requirements. Those that were appointed without meeting these have been enrolled for CPMD. * Currently the salaries percentage against budget stands at: 36% |