

## **FOREWORD BY CHAIRPERSON CLLR SJ MOCHAWE**

The 2019/2020 MPAC Oversight Report is the last one for this political term which is ending officially in October 2021 through the Local Government elections. It is important for Council to note that this report comes immediately after the Office of the Auditor General released its Findings on the Performance of the Municipality which portrayed a glaring picture of governance as well as financial management within the municipality. The Performance Outcomes and the recommendations from the Auditor General's Office clearly emphasise that it can no longer be business as usual, municipal systems and processes must be improved and the newly formed Financial Management Board must be given an opportunity to attend and address financial misconducts within the municipality with no fear or favour.

There is a need for consequence management and disciplining of those who have committed serious financial misconducts as well as transgressions that have led to the serious outcomes from the Auditor General's Office. We owe the public good governance, service delivery as well as the accountability on public funds expenditure.

I wish to thank the members of MPAC for their efforts, commitment and drive to investigate and transparently execute their duties without influence of political positions, the level of collegiality was impressive and I hope the new MPAC committee will continue with such.

I also wish to thank the Speaker of Council and the office staff for their diligence, support and effective implementation of MPAC instructions and records keeping.

Lastly, let me also thank **COGTA, Gauteng Treasury and SALGA** who are our **IGR** partners for their continued capacity-building support through training programmes and workshops.

**MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING SECTION 79  
HELD AT SEDIBENG DISTRICT MUNICIPALITY CNR LESLIE ST AND BEACONSFIELD AVE,  
SPEAKERS BOARDROOM 2<sup>ND</sup> FLOOR, ON WEDNESDAY 24 MARCH 2021 AT 09H00.**

**PRESENT**

1. Cllr S J Mochawe - Chairperson
2. Cllr Mkhwanazi
3. Cllr Lubbe
4. Cllr McLoughlin
5. Cllr Ntuthu
6. Cllr Mahlase
7. Cllr Sinyana
8. Cllr Maraka
9. Cllr Zwedela

**APOLOGIES**

Cllr Machitje

**OFFICIALS**

1. M's T Jantjies – Manager MPAC
2. Mr M Msibi – Researcher
3. M's Koatla- Administrative Assistance
4. Mr G Ncebsha- Director Office of the Speaker

No.	Item	Action	Due
1	<p><b><u>Welcome and Notice of meeting.</u></b></p> <p>The Chairman Cllr Mochawe invited Acting Manager Ms Tulas Jantjies to read the notice of the meeting.</p> <p>He then welcomed the councillors and support staff present.</p>	Noted	

2.2	<p>The Chairperson noted that Director MPontshana had been transferred to another department and invited the new director to introduce himself.</p> <p>Mr George Ncebesha introduced himself as the new director in the office of the Speaker.</p>	Noted	
2.3	<p>With the transfer of manager Mr Mokako to another department, there was a new acting MPAC manager. Ms Tulas Jantjies introduced herself to the committee.</p>	Noted	
2.4	<p>Researcher Mr Lefa Pethu had also been transferred and acting researcher Mr Mpikoleli Msibi introduced himself.</p> <p>The Chairperson welcomed the new appointees and wished them well in their endeavours to work for the benefit of all concerned.</p>	Noted	
3	<p><b><u>Application for Leave of Absence</u></b></p>		
3.1	<p>An application for Leave of Absence had been received from Cllr Machitje.</p>	Noted	
3.2	<p>Cllr Zwedela requested permission to leave at 11h00 to attend the Finance commission.</p>	Noted	
4.	<p><b><u>Confirmation of Agenda</u></b></p>		
4.1	<p>Concerns were raised that not everyone had received the agenda for the meeting and in certain instances could not be opened. The need to be proactive before meetings was emphasised by Cllr Sinyanya to ensure everyone was equipped with the necessary documentation.</p>	Noted	
4.1.1	<p>Cllr Lubbe reported that the Annual Report Guideline template which was to have been circulated before the previous meeting in November 2020 had also not been received.</p>	Noted	

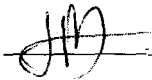
4.1.2	<p>He added that previously all the <u>reports had</u> been combined into a presentation which did not appear to be the case for the current year. Mr Lubbe quoted from a document he had received on joining the committee which clarified the procedure required within two months after January for an oversight report and a resolution of approval of the annual report and any revision thereof. He stated that the report was to include the integrated development plan, performance management and finance.</p> <p>He voiced concern that procedure was not being followed.</p>	Noted	
4.1.3	<p>Mr McLoughlin confirmed that he had also not received documents which had been mentioned in the previous minutes, noting that with changing staff some updating needed to be done.</p>	Noted	
4.2	<p>The Chairperson noted that in the previous meeting it had been stated that anyone requiring documentation should refer to the Adm Assistance Dimpho, failing which to raise the matter on the official WhatsApp.</p> <p>He added that, as Ms Jantjies was now acting manager, administration would improve.</p>	Noted	
4.2.1	<p>The Chairperson confirmed that the Annual Report would be tabled with Council of 31 March 2021 after which the Council would refer the report back to MPAC for oversight report preparation. He continued to elaborate on the role of the researcher and the manager to assist the commissions in their preparation of the Annual Report.</p>	Noted	
5	<p><b><u>Minutes of the previous meeting</u></b></p>		
5.1	<p>The minutes of the previous meeting were deemed an accurate representation of the meeting, subject to the removal of the name of Cllr R F Jones who was not present.</p> <p>It was also noted that although Cllr Mahlase was present at the</p>	Noted	

<b>6</b>	<b><u>Manager's Report</u></b>		
6.1	Due to the fact that she and the researcher were newly appointed in their positions, Ms Jantjies expressed uncertainty about their authority to present of the draft report which would ultimately be presented to Council on 31 March 2021.	Noted	
6.2	Cllr McLoughlin noted that the draft which had been circulated contained many errors and required much attention before presentation to Council. Mr Lubbe reiterated the required contents of the report to which he had referred earlier namely the findings of the Auditor General, performance management, the integrated development plan and its integration into the budget. The final document would need to be reviewed before submission to Council, even if it required the convening of a special meeting to do so.	Noted	
6.2.1	Ms Jantjies clarified that it was the Auditor General's report to which she had referred, and which would be presented to Council on 31 March 2021. Thereafter it would be referred to the MPAC for interrogation and oversight which would require a strategic planning workshop to establish requirements from management. A consolidated MPAC oversight report would then be submitted to Council once the committee was satisfied.	Noted	
6.2.2	It was noted that a three-day strategic session had been planned for the MPAC committee after the receipt of the Auditor General's report to which the Auditor General and the Audit Committee would be invited, as part of the oversight duties.  Cllr McLoughlin observed that confusion had arisen from Item 6.1 on the agenda "Presentation of draft annual report for	Noted	

6.2.4	<p>weaknesses and errors in preparation for the strategic session. However, the report for 31 March 2021 was the final Auditor General's Report which would contain the audited financial statements not included in the draft.</p> <p>The draft had been presented to Council in September 2020 and had served to familiarise councillors and for the delegation of responsibilities.</p> <p>The Chairperson re-iterated that no report would be complete until the MPAC had finalised its oversight report for which there were approximately 60 days after the 31 March 2021.</p> <p>After scrutiny and approval of the oversight report by the Council could it be considered final.</p>	Noted	
6.2.5	<p>The Chairperson concluded that there was no need for presentation at this meeting but rather during the three-day strategic session. It would be important for all questions and concerns to be raised and recorded at this session to be addressed by the relevant parties.</p>	Noted	
6.3	<p>A request was made that attention be given to scheduling of different committee meetings to avoid an overlap where certain members may be required in both, and that social distancing be considered.</p>	Noted	
6.4	<p>In response to a question regarding a strategy for uncooperative MMC's, Ms Jantjies gave the assurance that the MPAC committee and Chairperson had regular engagement with political principals and their heads of departments.</p>	Noted	
6.5	<p>The Chairperson noted that the Auditor General usually contacted the committee with serious concerns before the Council meeting and his attendance at the strategy session could be confirmed afterwards. Other invitees to the strategy session were yet to be finalised by the committee.</p>	Noted	
	<p>The Chairperson opened the floor to discussion on municipality</p>		

6.6.1	<p>inform the Council, through the Speaker, and/ or the MEC, of anyone defiant of orders and requesting action if that person was an official.</p> <p>He also emphasised that non-attendance of meetings without reason constituted serious misconduct.</p> <p>Cllr Ntuthu made an appeal that administration issue timely invitations to meetings and ensure the updating of phone number details. It was noted that it was also incumbent upon individuals to ensure that administration was properly informed of any contact detail changes.</p>	Noted	
6.6.2	<p>A second request from Cllr Ntuthu was that MMC's be allowed to respond to questions put to them directly and to avoid situations where the Municipal Manager attempted to answer on their behalf as had happened previously.</p>	Noted	
6.6.3	<p>With reference to the Municipal Finance Management Act, Cllr McLoughlin highlighted the fact that Section 121 stipulated that the annual report had to be finalised within 9 months of the end of the financial year – which was 30 June for the MPAC.</p> <p>Section 127 stated that the Mayor had to take it to Council within 7 months, which was the end of January 2021. Therefore, the 60 days referred to earlier started on 31 January and ended on 31 March 2021 at which point this committee would only start the work. He enquired whether any extension due to Covid had been requested from Treasury.</p> <p>In response, the Chairperson agreed that it was for the accounting officer to pose the question at the forthcoming Council meeting.</p> <p>The Chairperson also noted that the Mokhari Report had been tabled for discussion at the next Council meeting and would have an impact on the MPAC depending on the findings contained therein.</p>	Noted	
6.6.3.1	<p>In response to a request for the distribution of the draft annual</p>	Noted	

	or section of the report which could be shared electronically between members, if necessary.		
7	<p><b><u>General</u></b></p> <p>There being no further items for discussion, the Chairperson thanked everyone for their contributions and closed the meeting.</p>	Noted	



Cllr SJ Mochawe

13/07/2021

DATE:

MPAC

Chairman



**MINUTES OF THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE HEARINGS  
HELD ONLINE ON TUESDAY 1 JUNE 2021**

**PRESENT**

1. Cllr S J Mochawe - Chairperson
2. Cllr Machitje
3. Cllr Mkhwanazi
4. Cllr Ntuthu
5. Cllr McLoughlin
6. Cllr Sinyana
7. Cllr Mahlase
8. Cllr Zwedela
9. Cllr Maraka
10. Cllr Lubbe

**Officials:**

1. Mr M Mpontshana - Director in the office of the Municipal Manager
2. Ms J Medupi - Executive Director Community Services
3. Mr Ramotshidisi - Acting Executive Director Corporate Services
4. Ms K Wiese - Acting CFO Sedibeng District
5. Mr Makhutle. - Municipal Manager
6. M's T Jantjies- Manager MPAC

**APOLOGIES**

Cllr Lubbe sent apologies initially due to connectivity problems.

No.	Item	Action	Due

1	<p><b><u>Introductions and Welcome</u></b></p> <p>The Municipal Manager invited the attendees from the Sedibeng District Management team to introduce themselves.</p> <p>It was confirmed that members of the public and stakeholders had been invited to join which it was agreed might happen during the course of the day.</p> <p>Chairman Cllr Mochawe thanked those who had responded to the invitation. He noted that questions had been sent to management to which they had responded. This hearing was to engage on those questions for further clarity if required.</p>	Noted	
2	<p><b><u>Questions and Answers</u></b></p>	Noted	
2.1	<p>The document of questions and answers was shared on screen.</p>	Noted	
2.1.1	<p><b>The first question to management read as follows:</b></p> <p><i>'Please explain the almost non-existent management and / or maintenance of SDM assets. Why has this continued for a number of years?'</i></p> <p>In response, the Municipal Manager thanked MPAC for the opportunity afforded to management to answer questions.</p> <p>The MM added that management had been relatively recently constituted since the untimely</p>	Noted	

2.1.2	<p>passing of the previous MM in 2020. There were also many acting roles and unfilled executive positions currently too. So, some of the questions or response might be new to management.</p>	Noted	
2.1.3	<p>With regard to the question in hand, the MM noted that there was a staff shortage in the finance cluster. People had been nominated in the past to take care of assets, but the culture of complacency had crept in. However, the processes of asset management had received renewed focus at a recent meeting and the relevant employees would be tasked with the responsibility to undertake this properly.</p>	Noted	
2.1.3.1	<p>Cllr McLoughlin requested clarity on the reporting structure in asset management according to the Asset Management policy, and who was responsible for taking queries as well as finding solutions.</p>	Noted	
2.1.3.2	<p>In addition, his understanding of the written response provided by management was that stock-taking was simply exercised on assets which were present and could not account for those which were missing. He requested a vision from the MM on the solution to the problem which had not arisen recently due to staffing issues, but which had existed for many years.</p>	Noted	
2.1.3.2.1	<p>The MM agreed to give his response after that of the Acting CFO.</p> <p>Ms Wiese gave a background to the function of asset management within Finance. This applied to</p>	Noted	

2.1.3.2.2	the financial recording of existing and new assets in the form of a register on which value and depreciation was recorded according to the policy.	Noted	
2.1.3.2.3	<p>The actual physical maintenance of the assets of Council was delegated to different clusters. So, buildings would fall under Facilities management, Fleet would fall under Fleet Management, for example.</p>	Noted	
2.1.3.3	<p>Ms Wiese confirmed that each cluster had nominated asset officers who interacted between the cluster and the financial management for instance in the case of damage or theft when an insurance claim was required. A damaged asset would need to be impaired on the Asset Register and a report would be required from the cluster for Council approval for resolution to impair the asset.</p>	Noted	
2.1.3.3.1	<p>The involvement of Finance in stock-taking extended to the verification of the existence of an asset and the classification of the condition thereof. Physical verification of such condition was also undertaken, most recently between January and March 2021. Another verification would take place for Year end. She cautioned that only assets which were presented could be verified and information on assets not presented for this process would be forwarded to internal audit.</p> <p>The MM added that every Executive Director had the responsibility to ensure the good working condition of the assets within his / her cluster and</p>	Noted	

2.1.3.4	<p>were accounted for during regular stock-takes. The intention was to have specific employees ensure the existence of a correct list of assets in each office or room by the first week of July 2021 which would be used for stock-taking on a monthly or quarterly basis and on which a report would be provided.</p>	Noted	
2.1.3.4.1	<p>The MM highlighted the fact that complacency needed to be eradicated and employees held accountable for tasks allocated to them. He noted</p>	Noted	
2.1.3.4.2	<p>that a workshop would be held on the procedures to be followed. These would form part of the performance indicators of those employees</p>	Noted	
<b>2.2</b>	<p>responsible as well as that of the Executive Director concerned.</p> <p>Cllr McLoughlin thanked Ms Wiese for the clarification.</p> <p>He further questioned whether the 8% for maintenance recommended by Treasury was achievable by the Executive Directors when they were informed there was no budget.</p>	Noted	
2.2.1	<p>Ms Wiese responded by confirming that the Council had recently adopted the 21/22 budget which included maintenance at 8%.</p> <p>Cllr McLoughlin applauded that information and expressed hope that the situation would improve in future.</p>	Noted	

2.2.2	<p>The next question on the material misstatements identified in the annual performance report read as follows:</p> <p><i>'The previous AG's findings have identified this as a serious concern. Why had management not corrected this timeously and improved the quality of preparation of the annual performance report?'</i></p>	Noted	
2.2.2.1	<p>The MM noted that all the indicators and targets which had not been aligned to the norms and standards had been rectified with the 2021/22 Integrated Development Plan (IDP) and the Service Delivery and Budget Implementation Plan (SDBIP). He explained that the Director in the office of the MM had been absent for most of the financial year which had left junior managers and employees who were not up to the task. He gave the assurance that this had been corrected and that the KPI's, targets and indicators were aligned with the Standard Operating Procedure which had been approved by Council. This was also in line with Cooperative Governance and Traditional Affairs (COGTA) and Provincial</p>	Noted	
2.2.2.2	<p>Treasury who were developing centralised general indicators for all municipalities.</p>	Noted	
2.2.2.3	<p>With regard to the misstatements on the performance report, the CFO MS Wiese noted that Finance could not elucidate, but Internal Audit might have a comment.</p>	Noted	
2.3.	<p>At this point, the MM added that during the previous two to three years there had also not been a</p>	Noted	

2.3.1	<p>permanent internal auditor in place which had resulted in a certain laxity of duty.</p> <p>This situation had been corrected with the appointment of a permanent internal audit manager and a risk manager.</p>	Noted	
2.3.2	<p>At the request of the Chairperson, the MM named Ms Rachel Cuna as the newly appointed Manager Internal Audit, which would be an executive position in a larger municipality.</p> <p>Ms Bertha Masibhele or Ms Meme had been placed in the position of Risk Manager.</p>	Noted	
2.3.3	<p>Due to financial constraints, both the appointments had been internal.</p> <p>In the new financial year, recruitment would begin to increase the current staff complement in Performance Management.</p> <p>In response to a query from the Chairperson, the MM gave the assurance that the new Manager Internal Audit was indeed part of the management committee in order to identify any potential risks to be addressed.</p>	Noted	
2.3.3.1	<p>He added that the correct mechanisms were now in place to identify future risks for resolution by management.</p> <p><b>The next question read as follows:</b></p> <p><i>'The non-compliance with section 62(1) of (d) of the MFMA is unacceptable. Why has this continued for multiple years?'</i></p>	Noted	

2.3.3.2	<p>The MM stated that had been noted that there had been a decline in the review and audit of internal controls for some years and the audit plan had not been followed. This would be corrected now with the new Manager Internal Audit and her team of 8 people who had been tasked with individual clusters to review their controls. Management would monitor these processes closely on a monthly or quarterly</p>	Noted	
2.3.3.3	<p>basis with reports tabled at Council for approval.</p>	Noted	
2.4	<p>The CFO Ms Wiese added that section 62 (1) (d) of the MFMA made special reference to fruitless, irregular and wasteful expenditure, and supported the statement by the MM that a plan was in place with Council. The obligation by Finance was to report any irregular expenditure or activity on a monthly basis through their section AG report. The processes of Identification and investigation by an objective party were clearly defined by the policy.</p>	Noted	
	<p>In response to the query by Cllr McLoughlin about any consequence management on the discovery of UIFW expenditure to prevent any recurrence, the MM acknowledged the lack of a consequence management framework, particularly since the disbanding of the Financial Misconduct Board some 5 years previously.</p>		
2.4.1	<p>Work had been started on a Financial Misconduct Disciplinary Board which had been presented to and approved by Council on 31 March 2021 and four members had been appointed.</p>	Noted	



2.4.1.1	Their first task would be to examine events during the past financial year and provide an opinion to Council on any further investigation required and inclusion in the Mokhari Report.	Noted	
2.4.1.1.1	The framework had also been tabled with the Mayor, to be workshopped by councillors since it also referred to officials and political office bearers. A workshop for all councillors for the framework and other policies was currently being planned. Once agreement had been reached, the reports would be presented to Council for adoption.	Noted	
2.4.1.1.2	<p>Thereafter there would be strict adherence to all policies and frameworks, as the municipal legislation was straightforward.</p> <p><b>Question 4 read as follows:</b></p> <p><i>'Please explain in detail the current procurement process from receiving submissions and response to advertised requests, quotes or tenders up to and including the payment in respect of any service / product quoted or tendered for with specific reference to:</i></p>	Noted	
2.4.1.1.3	<ol style="list-style-type: none"> <li>1 <i>What are the criteria used to determine the most favourable quote or tender?</i></li> <li>2 <i>Are there any occasions where payments were affected prior to commencement of the work or delivery of the service or product?</i></li> <li>3 <i>Please give the committee specific reasons for such an early payment.'</i></li> </ol>	Noted	

	<p>Acting CFO, Ms Wiese gave an outline of the procurement processes which are guided by supply chain regulations as well as internal policies.</p>		
2.4.1.1.4	<p>Procurement was divided roughly into four sections – those of petty cash, under R30 000, between R30 000 and R200 000 and lastly more than R200 000.</p>	Noted	
2.4.1.1.5	<p>Petty Cash required no quotations and encompassed small items which required the presentation of a cash slip and for which reimbursement to the cash box was made at the end of the month.</p> <p>Ms Wiese clarified for Cllr Zwedela that there was a monthly limit of R1000 allowed for petty cash withdrawals from a total of R8000 monthly and depended on the return of slips, and the total remaining in Petty Cash for that month.</p>	Noted	
2.4.1.2	<p>80% of the municipal procurement was under the R30 000 total and such transactions were not related to a contract. For example, requests for stationery would be presented to Supply Chain who would obtain a minimum of three quotes from suppliers on the database. Usually, the user department would select the cheapest quote unless some items were unobtainable from the cheapest supplier.</p> <p>After authorisation by the Executive Director, an order would be printed by Supply Chain. Such transactions would be paid at month end on receipt of an invoice plus confirmation of delivery.</p>	Noted	

2.4.1.3	The next level of procurement required a formal written quotation and was similar to a bid process.	Noted	
2.4.1.3.1	The advert with specifications would only be issued for seven days. The Supply Chain would call for a bid specification committee from across the municipality which would interrogate the compliance of the specifications, and the accreditation of the contractors. After return, the relevant Executive Director would forward the specifications to the MM for approval after which it would be advertised. For R30 000 to R200 000 this was for 7 days, and for more than R200 000 it was advertised for 14 days. For more than R10 million or 12 months, the advert would be for 30 days.	Noted	
2.4.1.3.2	Once the bid was received there was a two-step compliance process, the first being by Supply Chain where documents were checked for administrative purposes – such as tax numbers, company registration, CST registration and current municipal account and CIDB grading.	Noted	
2.4.1.3.3	Once short-listed, the user department would perform its own evaluation according to the criteria in the bid document, safety plans, valid references, and a minimum baseline of points	Noted	
2.4.1.4	The Preferential Procurement Policy Framework was used to the evaluation which included points for price, BEE scorecard etc and the best scorer would ultimately be awarded the job. The MM was empowered to issue and order below R200 000. Above that amount the bid goes to an	Noted	

	evaluation committee and on to the adjudication committee for recommendation to the MM to issue an order.		
2.4.1.4.1	An amount above R200 000 would then result in an SLA being drafted.	Noted	
2.5	<p>Cllr Sinyana observed that, despite all the correct procedures and policies which were in place, there remained something inherently wrong which had given rise to the financial predicament of the municipality. The MM responded by noting that greed and the taking of short cuts were the reasons for people not following proper procedure, and the previous lack of implementation of consequence management had prevented the necessary remedial action.</p> <p>He added that it was the duty of the new management to lead by example to do things right</p>	Noted	
2.5.1	in the service of the community regardless of limited financial resources.	Noted	
2.5.2	<p>Ms Wiese continued by looking at what was understood by 'wasteful expenditure' and elaborated on the expenditure which was difficult to control such as unplanned overtime or bank charges due to fluctuating market rates. These were related to the budget more than to flouting procurement processes. There could also be unnecessary procurement expenditure on training where employees had not passed their exams and not achieved their certification.</p>	Noted	
2.5.2.1		Noted	

2.5.2.2	<p>In her view, Sedibeng had a problem with following the letter of the law, which would be defined as 'irregularity' and it was important to remember that the auditors' interpretation of the law was what mattered in the eyes of the Auditor General.</p> <p>In 2019/20 the Auditor General had identified R13.6 million in irregular expenditure or transactions which did not follow the law.</p> <p>The committee had been made aware of the background to some of this expenditure such as salaries for the MM and others, and an irregularly constituted legal advisory panel to the municipality, as defined by the Auditor General.</p>	Noted	
2.5.2.3	<p>Ms Wiese supported the MM in the belief that management had to go back to the basics of the legislation framework, Municipal Financial Management Act (MFMA) and regulations, followed with consequence management.</p>	Noted	
2.6	<p>In response to a question from Cllr Zwedela on whether there were any occasions where payments had been made prior to the commencement of work or delivery of service, and the reasons for such early payment, Ms Wiese confirmed there had been such.</p> <p>One of these pre-payments was rental. Another was the annual South African Local Government Association (SALGA) membership fees. SLA's</p>	Noted	
2.6.1	<p>would require a percentage of down payment to secure a service, with the remainder being paid on delivery. Most transactions require the service to be</p>	Noted	

	<p>rendered before payment, hence the issue of an order to a service provider, who would then provide a certified invoice for payment.</p> <p><b>Question5 read as follows:</b></p> <p><i>'In the event that such a payment was not in strict compliance with the contract entered into with the service provider, on what and whose authority was such a payment authorised?'</i></p>		
2.6.2		Noted	
	<p>The MM reiterated the fact that the legislation was very clear about deviation from procurement processes which are approved by the MM. Various criteria have to be applied. If payment is required and it is not in line with legislation, it must not be made. Failing that, consequence management comes into effect. Deviation was only permissible under very specific circumstances and according to strict procedure.</p>	Noted	
2.6.3		Noted	
	<p>In response to a question on the difference between UIFW and deviation, the MM noted that deviations were allowed strictly according to the provisions of the legislation.</p>		
2.6.3.1	<p>Ms Wiese confirmed that the MFMA permitted the MM only certain deviation from supply chain processes with clear guidelines. If those guidelines were not strictly followed, and the deviation could not be reasonably justified according to the legislation, the deviation would be defined by the AG as irregular.</p>	Noted	

2.6.3.2	She gave the example of an irregular deviation as being the awarding of a contract without following the tender process. Another example had been the procurement of a training service provider in 2020 for Covid training at some expense which had displeased the AG because it did not fall within the allowance made by Treasury for sanitisation or PPE.	Noted	
2.6.4	Training should have followed a tender process. So, the expenditure was regarded as an irregular deviation, and part of irregular expenditure.	Noted	
2.7	The Chairperson noted that it was the responsibility of the MPAC to further investigate where there was UIFW, whether deviations had been warranted or not and whether to refer the matter to the financial misconduct committee.	Noted	
	<p><b>Question 6 read as follows:</b></p> <p><i>'What process is in place to monitor performance by each service provider as per the contract and what process is in place to ensure that deviations from contractual requirements are rectified?'</i></p> <p>(This question had been erroneously included in the reading of Question 5)</p>		
2.7.1	The MM noted that, with reference to contract management, the legal department had not been adequately capacitated nor in expertise as far as this was concerned. This was being addressed by ensuring that there would be more competent		

2.7.2	<p>custodians of the contracts. In the interim, management had taken charge of contract management and contracts signed with each service provider to each cluster and department.</p> <p>These contracts were being evaluated according to their value afforded to the municipality and terminated if appropriate to save costs. Good progress had been made in this regard. These reviews would be presented to Council in due course.</p>		
2.7.2.1	<p>As mentioned, the intention was to expand the monitoring, assessment, and reporting capabilities within the contract management.</p> <p>(There was some concern expressed at this point about the technical impediments of virtual meetings when face to face interaction played a large role in important discussions such as these.)</p>		
2.7.3	<p>Cllr McLoughlin observed that while it was acknowledged there was a shortage of trained legal staff, management of contracts required the understanding of the technicalities of such contracts. Only the relevant department would know whether there was proper compliance with a particular contract. He questioned the functionality of the relationship between the legal department and clusters.</p>		
2.8	<p>The MM confirmed that the role of the Legal Department was not to monitor the actual contract activities but rather to co-ordinate quarterly</p>	Noted	



2.8.1	<p>meetings with the user departments for feedback on the progress of contracts and their challenges in terms of implementation. The task of the Legal team was to assist the clusters in drafting appropriate contracts with the service providers.</p> <p>The current problem was individuals within the clusters did not attend meetings to brief the Legal team on progress with their contracts and for Legal to be able to escalate any challenges if necessary.</p> <p>Clir Lubbe raised the concern that there was a staff complement of just 5 in the Corporate Services cluster.</p> <p>The MM acknowledged that this matter had been raised at the strategic session in April 2021. He noted that there were 113 staff members divided into Corporate Services, 7 in Admin Services, 17 in Human Resources, 12 in Legal which included the committee section and records. There were 74 in Facilities Management which included cleaners. IT management had 20 employees.</p> <p><b>The following related questions were read:</b></p> <p><i>'Who performs oversight on services rendered or goods received?</i></p> <p><i>Is there a retainer held after completion of work to ensure quality control and, if so, what percentage of the contract price is retained and what is the criteria for the release thereof to the services provider?</i></p>	MM	
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	<p><i>Which official is responsible for the signing of purchase documentation and which official has the authority to effect payment?'</i></p> <p>The MM responded to the first question by noting, as previously mentioned, that the user department was responsible for the daily oversight, and contract implementation on goods or services rendered. The capability in this area was being addressed.</p> <p>The question on the retainer was reserved for Ms Wiese to answer.</p> <p>The signing of purchase documentation was vested in the Municipal Manager not senior managers nor the MPAC. Ms Wiese added here that Finance would receive two types of instruction to pay. One would be a purchase order to a service provider authorised by the ED and the accounting officer. In 2020 no ED had this authority, just the MM. On the delivery of the service or goods, an invoice was delivered to the user department, checked, certified, and submitted to Finance.</p> <p>For contract agreements such as rental there was a separate payment process directly against the contract for which authorisation came from the ED through to the MM for signature and the attachment of a certified invoice in terms of the contract. Finance would make payment on instruction from the MM.</p>		
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On the question of the retainer. Ms Wiese noted that retention fees were only held on construction work with different percentages depending on the class of construction. This would be released once the construction had been signed off by engineers and ultimately by Finance.

The following questions related to the POE, portfolio of evidence to be submitted by supply chain management. All ED's and the CFO were requested to submit documentation to the Acting Manager's office for the MPAC committee.

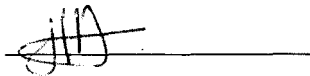
The question read as follows:

*'Please provide a comprehensive list of the products / services valued below R30 000 and the specific prices in respect of each product / service in the financial year under review.*

*'What preventative controls are in place to detect the submission of split invoices having a value in excess of R30 000 by way of multiple payments, each less than R30 000?'*

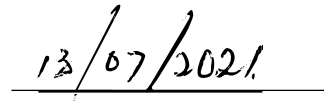
The MM announced that all the POE's for these sessions were available in his office. These could not be delivered to the MPAC due to the amount of work involved. He undertook to deliver these electronically to the MPAC Acting Manager's office. He apologised for the delay in this delivery and gave the assurance that any questions which might arise would be addressed by management either in these sessions or afterwards.

3	<p><b>Closure</b></p> <p>As the Chairperson was having continuous network difficulties, and the MM and others had to prepare for an afternoon Council meeting, Cllr Sinyana proposed an adjournment until 09h00 the following day 2 June 2021.</p>	Noted	



**Chairman**

**Cllr SJ Mochawe**



**Date**

**MINUTES OF THE 63rd ORDINARY MEETING OF THE SECTION 79 COMMITTEE: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OF THE SEDIBENG DISTRICT MUNICIPALITY, HELD ON WEDNESDAY, 8 JULY 2021 VIRTUALLY (ZOOM) AT 10H00.**

SEDIBENG DISTRICT MUNICIPALITY

MINUTES OF THE 63<sup>rd</sup> ORDINARY MEETING OF THE SECTION 79 COMMITTEE: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE OF THE SEDIBENG DISTRICT MUNICIPALITY, HELD ON WEDNESDAY, 8 JULY 2021 VIRTUALLY (ZOOM) AT 10H00. Page 2 of 7

ATTENDANCE:

COUNCILLORS PRESENT:

SJ MOCHAWE (CHAIRPERSON)  
AA LUBBE  
A MC LOUGHLIN  
O MKHWANAZI  
K MAHLASE  
SS SINYANYA  
S ZWEDALA

APOLOGIES:

L M MACHITJE

ABSENT WITHOUT APOLOGY:

JV NTUTHU

GUEST/S:

NONE

OFFICIALS:

TG NCEBESHA -DIRECTOR OFFICE OF THE SPEAKER

PN JANTJIES – ACTING MANAGER MPAC

M MSIBI -ACTING RESEACHER

MPAC – 63 -2021-07-08

**1. NOTICE**

The notice of the meeting was read by the Acting Manager Ms. PN Jantjies.

**2. OPENING**

In his opening, the Chairperson Councillor S.J Mochawe welcomed Councillors and the officials present;

He then requested Cllr A. Lubbe to chair the meeting as he was experiencing network challenges but remained an active participant in the meeting.

The Chairperson then declared the meeting officially opened.

### **3. APPLICATIONS FOR LEAVE OF ABSENCE**

- a) Cllr O Mkhwanazi will is experiencing network connectivity issues.
- b) Cllr S.Zwedala also reported he may be in and out of the meeting due to network reception .

### **4. CONFIRMATION OF THE AGENDA**

All committee members received the agenda.

### **5. MINUTES OF THE PREVIOUS MEETINGS**

The Director in the Office of the Speaker Mr George Ncebesha reported that there are no minutes to serve in the meeting as there were challenges with accessing the recorder and minutes from Ms Limpho Koatla (Admin Assistant) who has informed the office that she will no longer be performing MPAC Coordinator functions without remuneration including minutes taking.

The matter is now a labour issue but has severely affected the operations and minutes of the MPAC meetings.

He further reported that he requested support from Supply Chain Department for the appointment of a professional transcribing service provider at an amount of R23 800.00 as no employee was available internally to assist with the MPAC minutes.

### **DISCUSSIONS**

The Councillors all shared their dissatisfaction and concerns regarding the deliberate delay of MPAC work and they were also concerned that as an oversight committee that safeguards public funds should



not be spending public funds but instead the committee has a responsibility to monitor frivolous expenditure.

The mere fact that MPAC had to procure services of transcribers and minute writers while the municipality has many employees who could have assisted in this instance is a serious concern for the committee

### **RESOLVED**

- That MPAC is concerned that actions of staff members have deeply affected the deadlines of the committee and this is a matter that must be referred to the Accounting Officer as a matter of concern.
- That a Special urgent meeting to be called just for the approval of all sets of minutes.

## **6. MPAC REPORTS**

### **6.1 MPAC COVER REPORT**

The Councillors indicated that they are no prominent changes to be made in the report other than a few typos which the Acting Manager will correct and may also contact Cllr McLoughlin for guidance.

### **6.2 MPAC OVERSIGHT REPORT**

- The Chairperson Cllr A.Lubbe requested Cllr A.Mcloughlin to facilitate the discussions, corrections and inputs on Oversight Report Findings and recommendations;
- All corrections were supported by all councillors present in the meeting.

### **RESOLVED**

- THAT the MPAC Oversight Report be approved subject to corrections made in the meeting and the report should be referred to Council for adoption at the Special Council meeting to be held on the 16<sup>th</sup> July 2021.
- THAT the Sedibeng District Municipality Annual Report for the Financial Year 2019/2020 be adopted by Council with reservations;

- THAT the Cover report be approved subject to the corrections of the minor typos.

The MPAC Committee hereby recommends the following to Council: -

**THAT the MPAC Oversight Report on the 2019/2020 Annual Report be hereby approved with the following reservations:**

- a) THAT Management must develop an Asset Management Policy that will be able to monitor the reporting of damage, theft, insurance claims and similar occurrences.
- b) THAT the Accounting Officer, through Council, must ensure that there is comprehensive implementation of the Action Plans in order to avoid re-occurrences of non-compliance on the issues raised by the office of the Auditor General in previous reports;
- c) THAT the Audit Committee be hereby delegated to formally present its intervention report to Council on a quarterly basis, and to advise Council on potential risks and procedures to avoid such.
- d) THAT it be noted that the reports on the misconduct with regards to financial misappropriation, such as fraud and corruption, should have consequence management and money lost must be recouped from the responsible party. It is therefore imperative that all matters relating to financial misconduct must be referred by the Accounting Officer, forthwith on becoming aware thereof, to the Financial Misconduct Disciplinary Board and any other relevant authorities (internal and external) for investigation and disciplinary recommendations.
- e) THAT due diligence, vetting and rigorous authentication of purported qualifications and any other employment documentation be conducted prior to commencement of duties when recruiting new employees.
- f) THAT the Accounting Officer takes effective and appropriate steps to prevent unauthorized, irregular, fruitless and wasteful expenditure and losses, and to implement consequence management where appropriate or applicable.
- g) THAT Council must make suitable financial determinations to recoup salaries paid in excess to Senior Managers and a monthly report/statement must be submitted to MPAC through the office of the Speaker and Council by the Accounting Officer.

- h) THAT the COVID 19 non-compliance with Circular 102 related expenditure, which resulted in irregular expenditure of **R1,373,173.75**, be recouped by Council through the Accounting Officer and that appropriate consequence management must take effect as soon as possible.
- i) THAT the Finance Department, and more particularly the Supply Chain Department, must circumvent unnecessary deviations, comply with the Municipal Financial Management Act prescriptions in the context of competitive bids advertising, Government Supplier Database Compliance and quality assurance must be done on all appointed service providers.
- j) That an investigation be launched to establish whether the amount of **R324,200.00** can be legally recouped from the estate of the late municipal manager and, if so, the necessary arrangements be made by the Accounting officer, in accordance with an appropriate Council resolution.


### **ANNOUNCEMENTS**

The Acting Manager Ms Jantjies announced to the committee that an urgent virtual meeting will be called for the adoption of all sets of meetings.

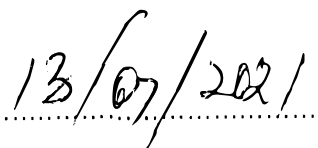
### **8.CLOSURE**

In closing, the Chairperson, Cllr SJ Mochawe thanked all the Councilors and the support staff for their participation.

The meeting adjourned at 13h00.

  
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**CHAIRPERSON**

  
.....

**DATE**



## **GAUTENG PROVINCE**

CO-OPERATIVE GOVERNANCE AND  
TRADITIONAL AFFAIRS  
REPUBLIC OF SOUTH AFRICA

Enquiries: Pheladi Mhlomi  
Telephone: 082 374 6398  
Email address: [Pheladi.mhlomi@gauteng.gov.za](mailto:Pheladi.mhlomi@gauteng.gov.za)  
Reference: MPR/MFME/2021/05/06

**By email:** [TulasJ@sedibeng.gov.za](mailto:TulasJ@sedibeng.gov.za)

**Cllr. Sandile Mochawe**  
The MPAC Chairperson  
Sedibeng District Municipality  
Cnr Beaconsfield and Leslie Streets  
**VEREENIGING**  
1930

Dear Cllr Mochawe,

### **RE: SEDIBENG DISTRICT MUNICIPALITY SALARY WAIVER APPLICATION**

Your letter dated 04 May 2021, enquiring on salary waiver application in relation to the following senior management positions, has reference.

1. Municipal Manager;
2. Executive Director: Community Services;
3. Executive Director: Corporate Services; and
4. Executive Director: Strategic Planning and Economic Development.

Please kindly note that, in a response letter to Sedibeng Executive Mayor dated 23 November 2018, the MEC did not support waiver applications for the incumbents for the above positions for various reasons stated in the same letter (the MEC's response letter dated 23 November 2018 is hereby attached for your ease of reference).


However, your municipality later submitted additional information for waiver applications for the incumbents for the same positions listed above. The additional information was assessed and thereafter my office made a submission to the Minister of Cooperative Governance and Traditional Affairs (CoGTA) for consideration and decision on the waiver applications, except the one for the Municipal Manager who had already passed on. My office is still awaiting the Minister's response on these waiver applications.

Finally, I would like to draw your particular attention to the fact that municipalities are not permitted to offer any remuneration packages to senior managers, which are non-compliant with the applicable national regulatory framework regulating the remuneration packages of municipal senior managers. Municipalities must first apply and obtain a Ministerial waiver approval before offering successful candidates remuneration package(s) for which a waiver approval was applied. Any remuneration package which is non-compliant with the applicable national regulatory framework and without a Ministerial waiver approval is irregular.

I trust the above is in order and will assist your committee in exercising its oversight function.

Should your office wish to make further enquiries regarding this matter, please do not hesitate to contact my office or the following officials: Mr. George Mpaneng on the e-mail address: [george.mpaneng@gauteng.gov.za](mailto:george.mpaneng@gauteng.gov.za) cell: 082 644 5687 and Ms. Botlhale Nkosi on the e-mail address: [botlhale.nkosi@gauteng.gov.za](mailto:botlhale.nkosi@gauteng.gov.za) cell: 076 062 4717.

Yours sincerely,



**MR LEBOGANG MAILE, MPL**  
**MEC: HUMAN SETTLEMENTS, URBAN PLANNING AND COOPERATIVE**  
**GOVERNANCE AND TRADITIONAL AFFAIRS**  
DATE: 26/05/2021.



Sedibeng District Municipality  
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Gauteng, Republic of South Africa  
Tel: +27 16 450 3000  
Fax: +27 16 455 2573  
Email: info@sedibeng.gov.za  
Website: www.sedibeng.gov.za

## Office of the Municipal Manager

Sedibeng District Municipality

TO	CLLR S. MOCHAWÉ CHAIRPERSON: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)
	MS TULAS JANTJIES MANAGER (ACTING): MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC)
FROM	MR. M. MAKHUTLE MUNICIPAL MANAGER (ACTING)
DATE	29 MAY 2021
SUBJECT	MANAGEMENT HEARINGS: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC): OVERSIGHT PROGRESS 2021

Dear Cllr S. Mochawé, MPAC Chairperson,

*Your letter dated the 27 May 2021, anent the above has reference:*

This letter serves to acknowledge receipt of your letter dated the 27 May 2021, anent the above. Management accepts the invitation to the Management Hearings: Municipal Public Accounts Committee (MPAC): Oversight Progress 2021; as set out for the 1<sup>st</sup> & 2<sup>nd</sup> of June 2021, at 10:00 through the Virtual meeting (as will be organised by your office).

We thank you for the opportunity afforded to the Management of Sedibeng District Municipality to come and account on issues relating to the oversight report.

We hope this is in order and looking forward to a fruitful and successful engagement with your Committee

Regards

Mr. M. Makhutle

Municipal Manager (Acting)



Sedibeng District Municipality  
Corner Leslie and Beaconsfield Avenue, Vereeniging  
PO Box 471, Vereeniging, 1930  
Gauteng, Republic of South Africa  
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Website: [www.sedibeng.gov.za](http://www.sedibeng.gov.za)

## Municipal Public Accounts Committee (MPAC)

Sedibeng District Municipality

<i>To:</i>	<b>Mr Motswaledi Makhutle Acting Municipal Manager</b>
<i>From:</i>	<b>Cllr S. Mochawe MPAC Chairperson</b>
<i>Refer to:</i>	<b>Acting MPAC Manager : Ms Tulas Jantjies Email: <a href="mailto:TulasJ@sedibeng.gov.za">TulasJ@sedibeng.gov.za</a></b>
<i>Date:</i>	<b>05 May 2021</b>
<i>Subject:</i>	<b>MPAC QUESTIONS TO MANAGEMENT</b>

**Dear MM**

The Municipal Public Accounts Committee (MPAC) takes pleasure in inviting you and the relevant Management Team to respond to the committee questions as well as prepare for the Management Hearings which will be scheduled in due course. The Oversight briefing session is for the Financial Year 2019/20 and in preparation for the Oversight Report to be submitted for Council's Approval.

### **We would appreciate it if you can:-**

1. Respond to the Management Questions by no later than 10 May 2021.
2. Provide evidence and dates aligned to your submissions ( Portfolio of Evidence )
3. Avail all Senior Managers to the Hearings in order to give clarity to the committee.

Please find attached the Management Questions for your attention.

Yours in Good Governance.

**Cllr S.Mochawe**

**MPAC Chairperson**





**MPAC Summary of Audit Report Finding for Questions to Management**

CLUSTER	DISCRIPTION	AUDIT FINDING	MANAGEMENT RESPONSES	QUESTIONS	MANAGEMENT RESPONSES TO MPAC
1. Finance	Re-assessment of the assets residual value and useful life not in line with the standard of GRAP	The following capital assets in the fixed asset register which are still in use by the municipality, were identified through Computer Assisted Audit Techniques "CAATs" that they are kept at R0, R1 and R100 on the fixed asset register. This is indicative of incorrect reassessment of residual values and useful life at reporting date by management as required by the standard of GRAP	Management will re-assess the physical condition and useful lives of the identified assets.	Please explain the almost non-existent management and or maintenance of SDM assets, why has this continued for a number of years?	<ul style="list-style-type: none"> <li>The Asset Management unit within Finance consists of 2 staff members.</li> <li>Every cluster and Directorate have nominated asset officers as per the Asset Management Policy who are responsible for relaying to Finance of any changes to the physical condition of council assets (e.g. reporting damage, theft, insurance claims, etc).</li> <li>The annual stocktake for physical verification is only conducted on assets that are present for verifying and EDs are responsible to ensure that all assets within their Cluster are maintained and presented for verification. There is a lack of supervision within the responsible Clusters to ensure that these controls are being adhered to.</li> <li>The matter will be attended to in the new financial year</li> </ul>
2. SPED	Material misstatements identified in the annual performance report.	The following discrepancies have been identified in the annual performance report provided for audit. This results in material misstatement in the annual performance report. Refer to table below for details: <ul style="list-style-type: none"> <li>Number of KPI's =3</li> <li>Actual achievement = 0</li> <li>Percentage misstatements = 100%</li> </ul>	Management will prepare accurate and complete performance reports that are supported and evidenced by accurate and valid information.	The previous AG findings have identified. This as a serious concern why has management not corrected this timeously and improved the quality of preparation of the Annual Performance Report?	<ul style="list-style-type: none"> <li>The Performance Indicators for all the clusters require adjustment to ensure that they comply with the FMPP, framework.</li> <li>This will be rectified as part of IDP and SDBIP for 2021/2022, with clear definition and indicators that will be used to measure the achievement of the Performance Indicators, as will be outlined in the Performance Management Standard Operating Procedure.</li> </ul>
3. Finance	Non-compliance with section 62 (1) (d) of the municipal finance management act	Material non-compliance with section 62 (1) (d) of the municipal finance management act has been identified.  The Accounting officer did not take effective steps to prevent unauthorized expenditure as the municipality over spent on the budget	Management will make the recommended adjustments to the Notes to the AFS.	Non-compliance with Sec 62 (1) (d) of the MFMA is unacceptable why has this continued for multiple years?  Please explain in detail the current procurement process from receiving submissions in response to advertised requests for quotes/tenders up to and	<ul style="list-style-type: none"> <li>There has been a decline in the regular review and audit of internal controls for a number of years. The audit plan is not adhered to. Finance officials cannot audit their own work.</li> <li>An annual procurement plan is drafted based on the approved budget. Draft terms of reference will be forwarded to SCM for tabling before the Bid Specification Committee, after their deliberations, the</li> </ul>

		<p>allocated in the current year and prior year. Total over spending amounts to R9 719 468.</p>		<p>including the payment in respect of any service/product quoted or tendered for with specific reference to; What is the criteria used to determine the most favourable quote/tender</p>	<p>advert is sent to MM for approval and the advert will be posted out after approval. Tenders are awarded based on PPPFA scoring (80/20 or 90/10 principle).</p>
				<p>Are there any occasions where payments were effected prior to commencement of work or delivery of the service/product and please give the committee specific reasons for such early payments.</p>	<ul style="list-style-type: none"> <li>• Yes, pre-payments are incurred for registration fees, membership fees (e.g. SALGA), insurance premiums (paid once a year), licence fees and rental. These are all paid in accordance with the relevant contract / statutory requirement. Artists and Performers are normally paid 50% prior to performance as a booking fee (SLA must be signed first)</li> </ul>
				<p>In the event that such a payment was not in strict compliance with the contract entered into with the service provider, on what and whose authority was such payment authorised?</p>	<ul style="list-style-type: none"> <li>• Deviations from procurement processes are only upon the approval of the MM as Accounting Officer, no one else has such authority.</li> </ul>
				<p>What process is in place to monitor performance by each service provider as per the contract and what process is in place to ensure that deviations from contractual requirements are rectified?</p>	<ul style="list-style-type: none"> <li>• The Legal Unit has shortage of staff and is compounded by non-committal of Senior Managers to won the contract management of their Clusters.</li> <li>• In addition, the fact that Contract Management reports have not been tabled at Council as required by law has also added onto the burden of non-monitoring of contracts</li> </ul>
				<p>Who performs oversight on services rendered or goods received?</p>	<ul style="list-style-type: none"> <li>• The End-user department is responsible for overseeing delivery</li> </ul>
				<p>Is there a retainer held after completion of work to ensure quality control, and if so, what percentage of the contract price is retained and what is the criteria for the release thereof to service provider?</p>	<ul style="list-style-type: none"> <li>• Retention fees apply only to construction works as per GCC. Operational expenditure / fixed assets do not warrant a retention fee, but are normally paid only 30 days after receipt of invoice (ample time to monitor the quality / performance)</li> </ul>
				<p>Which official is responsible for the signing of purchase documentation and which official has the authority to effect the payment?</p>	<ul style="list-style-type: none"> <li>• No official was authorised/delegated to sign for purchase documents. The delegated powers were effected after November 2020. Ow Senior Managers have delegations up to R30, 000 and the MM signs any procurement above R30, 000. Payments must be approved as per the delegations. Finance officials have separate access for uploading and authorising. No one person can perform both. 2 senior officials must both release a payment.</li> </ul>
				<p>Please provide a comprehensive list of all the product/services valued below</p>	<ul style="list-style-type: none"> <li>• A separate list will be provided</li> </ul>

				R30 000 and the specific prices in respect of each product/service in the financial year under review.	
				What preventative controls are in place to detect the submission of split invoices having a value in excess of R30 000 by way of multiple payments, each less than R30 000?	<ul style="list-style-type: none"> <li>SCM officials are responsible for sourcing quotations and splitting is detected at sourcing the quotation level, not invoice level. There may be instances where a supplier does not deliver all goods in a single delivery and the invoice will only be paid on what is received.</li> </ul>
4. Supply Chain Management	Non-compliance with supply chain management process relating to award of competitive bids (Tenders)	Evaluation of these bid documents are not in line with the qualifying criteria stated in the bid documents and serves as adequate evidence for basis of disqualifying from the bidding process. This will result in material non-compliance with the Municipal Supply Chain Regulations quoted above. Consequently, the municipality must disclose irregular expenditure in the annual financial statements on competitive bids amounting to R1 878 710, 00.	The irregular expenditure will be duly recorded and disclosed on the AFS.	Please provide evidence of submission and evaluation of all competitive bids valued between R30 000 and R200 000 in the year under review.	<ul style="list-style-type: none"> <li>Copies are provided separately</li> </ul>
5. Supply Chain Management	Non-compliance with the municipal supply chain regulation relating to deviations.	Non-compliances to the supply chain regulation relating to deviations have been identified. As a result, non-compliance with regulations of the municipal supply chain regulations constitutes irregular expenditure. Furthermore, differences have been noted between deviations disclosed in the annual financial statements and supporting evidence provided for audit. Consequently, the municipality must disclose irregular expenditure in the annual financial statements on competitive bids amounting to R1 099 148.52.	Management is not in agreement with the findings; therefore, no action will be taken.	Why there are many recurring deviations from the Supply Chain Management Policy directives and why this has not been addressed?	<ul style="list-style-type: none"> <li>For the financial year 2019/2020, there were a number of deviations from SCM processes that were approved by the MM. Some relate to Covid procurement while others related to other operational requirements. The deviation register is attached to note 41 of the AFS with the details</li> </ul>
6. Finance	Scope limitation – Contract management.	During the audit of procurement and contract management, certain contracts were requested and were not provided for audit. Therefore, no further audit work could be performed. This results in section	No response	Please provide adequate and credible reasons for the fact that there are so many internal control deficiencies relating to contract management and why relevant documents /contracts were	<ul style="list-style-type: none"> <li>The Legal Unit has shortage of staff and was compounded by non-committal of Senior Managers to own the contract management of their Clusters.</li> <li>In addition, the fact that Contract Management reports have not been tabled at Council as required by law has</li> </ul>

		15(2)(b) of the Public Audit Act, Act 25 of 2004, section 63(2) of the Municipal Finance Management Act and section 62 (1) of the Municipal Management Act.		not furnished to the AG's Office as part of the Audit process?	also added onto the burden of non-monitoring of contracts
7. Supply Chain Management	Sundry payments made without following municipal supply chain management process.	Payments have been made through sundries without following the procurement process (i.e. written price quotation, deviations or competitive bids). Therefore, this results in noncompliance to MFMA and municipal supply chain management policy. Refer to table below for details	The resultant irregular expenditure will be disclosed on the AFS	Was this ever disclosed? If yes please furnish the committee with the proof.	<ul style="list-style-type: none"> <li>The disclosure is part of the sum of R9,938,588 disclosed on note 39 to the AFS</li> </ul>
8. Supply Chain Management	Non-compliance with the municipal supply chain regulation relating to COVID-19 deviations.	Non-compliances to the supply chain regulation relating to deviations have been identified. As a result, this is in non-compliance with MFMA and municipal supply chain regulations. Consequently, the municipality must disclose irregular expenditure in the annual financial statements on competitive bids amounting to R1 378 173.75.	Management notes the finding. Due to Covid-19 Lockdown restrictions, Management applied MFMA Circular 102 prescriptions and registered Covid-19 procurement under SCM Regulation 36 processes. The procurement was sourced through soliciting quotations from CSD registered suppliers who were furthermore, accredited to operate during Covid Lockdown. Also, due to the preventative measures to avoid contamination, MBD 4 and 8 forms were not requested for the suppliers to declare past practices, but rather reliance was placed on CSD profile as per MFMA Circular 81. Management do not agree that the transactions were irregular as under SCM Regulation 36, and in accordance with MFMA Circular 102, the transactions were duly registered as deviations and the expenditure was disclosed to Council as well as reported to Treasury.	Covid-19 Pandemic was new to everyone in the world in 2020 how did you determine the competency of the service providers in line with the Covid-19 Regulations and need?	<ul style="list-style-type: none"> <li>Service providers were sourced from the National Treasury CSD (Central Supplier Database). SCM vetted these suppliers for compliance on tax prior to awarding. The AG had advised that over and above vetting for tax compliance, the municipality must also request written declarations of interest for suppliers. This control has already been implemented from 2020/21 (MBD 4 and MBD 8 forms)</li> </ul>

<p>9. Cooperate Services</p>	<p>No evidence provided to support trip authorizations for officials in possession of municipal vehicles.</p>	<p>No evidence was provided for audit to evidence trip authorizations for officials who are in possession of the municipal vehicles. Therefore, this result in a scope limitation</p>	<p>Denial of unauthorized allocation of vehicles, no any other vehicle/s will be released and allocated for any trip without a valid trip authority. Adherence to the Policy guidelines will be emphasized. Vehicles being operated without trip authority to be recalled.</p>	<p>Are there still employees using or keeping municipal cars without authorisation? If yes what are the reasons for such?</p>	<ul style="list-style-type: none"> <li>• All employees have been instructed to return all municipality vehicles, instead they should; based on their busy schedule, apply for subsidies</li> <li>• Vehicles without Trip authorization are being retrieved to Fleet Pool, they will be utilized as per trip Authorization</li> </ul>
<p>10. Office of the Municipal Manager.</p>	<p>Various non-compliances on Covid-19 deviations.</p>	<p>Non-compliances with circular 102 relating to Covid-19 expenditure have been identified.</p>	<p>Management is not in agreement with the finding. During the Covid-19 Lockdown, National Treasury issued several communications regarding the procurement of PPE. Initially, MFMA Circular 101 was introduced with bulk procurement through the OCPO at NT. These prices were locked as per the order list Annexure A dated 28 April 2020. Later, MFMA Circular 102 replaced Circular 101, however, there were more than one pricing revision issued as Annexure A dated 20 May 2020 and 03 July 2020. PPE were procured from CSD registered suppliers against these pricing benchmarks. Covid PPE procurement have furthermore been reported to NT and PT on a monthly basis declaring the units procured, price per unit and the supplier information. The procurement has also been reported to Council where SCM Regulation 36 was applied as well as in compliance with MFMA Circular 102 additional reporting requirements, and uploaded to the municipal website.</p>	<p>What is the status report on all Covid-19 related Expenditure for the year under review?</p>	<ul style="list-style-type: none"> <li>• See a list as attached</li> </ul>
				<p>Please list all Covid-19 related procurement services for the committee for the financial year under review.</p>	<ul style="list-style-type: none"> <li>• See a list as attached</li> </ul>

11. SPED	Performance indicator is not measurable as required by FMPPI – TIE Services Cluster	Performance indicator under the Transport, Infrastructure and Environment Cluster listed below are not measurable, as a result the performance indicator is not verifiable. The FMPPI requires that performance indicators should be measurable by having clear definitions of what is regarded as numerator and what is regarded as a denominator so that data can be collected consistently and is easy to understand and use. Consequently, performance indicator is not verifiable.	Management agrees with the recommendation that sufficient planning and review of the performance indicators is required. There should be SOPs in place to provide guidance on developing clear definitions and measure criteria Remedial action: Management will review and adjust the SDBIP and Performance Report Management will also ensure that the SOP is approved and communicated accordingly. Management will review and adjust the SDBIP and Performance Report Management will also ensure that the SOP is approved and communicated accordingly.	Has this been addressed and improved?	<ul style="list-style-type: none"> <li>The Performance Indicators for all the clusters require adjustment to ensure that they comply with the FMPPI, framework.</li> <li>This will be rectified as part of IDP and SDBIP for 2021/2022, with clear definition and indicators that will be used to measure the achievement of the Performance Indicators, as will be outlined in the Performance Management Standard Operating Procedure.</li> </ul>
12. SPED	Inconsistencies and discrepancies identified in the annual performance report – TIE cluster	Inconsistencies and discrepancies have been identified during the audit of the annual performance report provided for audit. Performance achievements have been planned to be reported in a number format however management inconsistently reported actual achievement in a different format which is not consistent with the plan. Management made use of old and not reliable data to set baseline for the current year performance targets.	Management will prepare accurate and complete performance reports that are supported and evidenced by accurate and valid information. Management will also update the adjusted SDBIB.	Please indicate whether; A suitable performance management report was prepared?	<ul style="list-style-type: none"> <li>The Performance Indicators for all the clusters require adjustment to ensure that they comply with the FMPPI, framework.</li> <li>This will be rectified as part of IDP and SDBIP for 2021/2022, with clear definition and indicators that will be used to measure the achievement of the Performance Indicators, as will be outlined in the Performance Management Standard Operating Procedure.</li> </ul>
				The performance report in respect of the previous year was it audited?	<ul style="list-style-type: none"> <li>Yes it was audited</li> </ul>
				Was the overall performance of the municipality measured?	<ul style="list-style-type: none"> <li>Yes the overall performance of the municipality was measured and compared to the previous financial year (POE) Please see the developed SOP for objectives, indicators and targets</li> </ul>
				Was the Performance measured against the targets set in the IDP?	<ul style="list-style-type: none"> <li>Yes, although not spot on, the performance was measured against the IDP targets, although there were some discrepancies in relation to the setting of objectives, indicators and targets</li> </ul>

				<i>The budgetary performance of each department in SDM has been measured against the achieved targets and what measures are in place to improve substandard performance?</i>	<ul style="list-style-type: none"> <li>• <i>The sub-standard performance was brought by the culture inculcated, that of complacency and entitlement not to work, especially from certain individuals due to proximity to the hierarchy.</i></li> </ul>
13. Finance	<i>Differences noted on the annual financial statements.</i>	<i>Differences were noted while casting annual financial statements provided for audit. As a result, financial statement provided for audit do not fairly present the financial performance and position of the municipality. Errors in the annual financial statements results in non-compliance with section 122(1) of the MFMA and GRAP 1 paragraph 17 respectively</i>	<i>Corrections has been made to the financial statements.</i>	<i>Has this gap now been resolved to avoid misstatements?</i>	<ul style="list-style-type: none"> <li>• <i>There has been a decline in the regular review and audit of internal controls for a number of years. The audit plan is not adhered to.</i></li> <li>• <i>This problem has been rectified by the recent appointment of the Manager Internal Audit.</i></li> <li>• <i>The corrections raised by the AG were implemented...</i></li> </ul>
14. Finance	<i>Incorrect classification of the inconvenience allowance on the annual financial statements</i>	<i>Inconvenience allowance paid to VIP protection officers has been incorrectly classified as overtime payments in the annual financial statements. Consequently, overtime expense line item is overstated in the annual financial statement provided for audit.</i>	<i>We agree with the finding as no spilt was made on the mapping within case ware. The necessary correction will be made on the note of employee related cost.</i>	<i>How has the inconvenience allowance been corrected and what measures have been put in place to avoid over expenditure?</i>	<ul style="list-style-type: none"> <li>• <i>The inconvenience allowance was introduced as a replacement to overtime. The re-classification has been corrected on the AFS.</i></li> <li>• <i>Over-expenditure is controlled automatically on the financial system where any amounts exceeding the budget must be manually overridden by a senior finance official.</i></li> <li>• <i>Finance report monthly on budget vs. actual expenditure to the Executive Mayor as per section 71 and 52 of MFMA.</i></li> </ul>
15. Finance	<i>Incorrect disclosure for events after reporting date.</i>	<i>Events has been disclosed in the annual financial statements as an event after the reporting period for two consecutive financial periods. This is non-compliance with paragraph 3 of GRAP 14. As a result, this event does not constitute an event after reporting period as defined in the standard of GRAP. The municipality incorrectly disclosed the event as an event after the reporting period in the annual financial statement provided for audit. This event does not create a condition at the reporting date as only the tender advertisement has been issued at the reporting date and no</i>	<i>The note will be amended accordingly.</i>	<i>Has this been done?</i>	<ul style="list-style-type: none"> <li>• <i>Yes, the note was removed in the audited AFS submitted to the AG.</i></li> </ul>

		<i>condition at the reporting date have been created for this event to qualify as an event after the reporting date. As a result, this is non-compliance with section 122 (1) of MFMA and paragraph 3 of GRAP 14.</i>			
16. Finance	<i>Incorrect disclosure for contingent liabilities.</i>	<i>Discrepancies have been identified during the audit of contingent liabilities disclosed in the annual financial statement provided for audit. Contingent liabilities have not been disclosed in the annual financial statements. Based on the progress reports obtained from legal it was noted that management did not disclose the reliable estimate of these contingent liabilities. Contingent assets have not been disclosed in the annual financial statements provided for audit. Based on the progress reports obtained from legal it was noted that management did not disclose the reliable estimate of these contingent asset</i>	<i>No response</i>	<i>Why have the disclosures not been disclosed?</i>	<ul style="list-style-type: none"> <li><i>The disclosures have been made on note 33 to the audited AFS.</i></li> <li><i>At the time of compiling the draft AFS, Legal had not provided Finance with these figures, which were only later reported to the AG during the course of the audit. Finance subsequently made the necessary disclosures. This omission would have been detected had there been an internal review of the AFS prior to submission to the AG.</i></li> </ul>
17. Finance	<i>Incomplete disclosure of principle and agent relationship</i>	<i>Bank accounts have been omitted in the principle and agent disclosure note in the annual financial statements provided for audit. These accounts are registered in the name of the municipality and receives deposits on behalf of the fresh produce market. As a result, omission of these bank account in the principle and agent disclosure note results in non-compliance to paragraph 63 of GRAP 109.</i>	<i>No response</i>	<i>Why is there no disclosure on Principle and Agent Relationship?</i>	<ul style="list-style-type: none"> <li><i>The disclosure was made to the audited AFS on note 40.5.2; this omission would have been detected had there been an internal review of the AFS prior to submission to the AG.</i></li> </ul>
18. Finance	<i>Misstatement identified in the operating lease liability line item in the statement of financial position</i>	<i>Misstatement has been noted between the operating lease amount disclosed in the annual financial statement and the related supporting schedule provided for audit. As a result, operating lease liability amount</i>	<i>Correction will be made on statement</i>	<i>Have the corrections been made?</i>	<ul style="list-style-type: none"> <li><i>The corrections were amended to the audited AFS under "Statement of Comparison of Budget and Actual Amounts". It was a typing error, and not a calculation error. The error would have been detected had there been an internal review of the AFS prior to submission to the AG.</i></li> </ul>



		<i>presented in the statement of financial position is not accurate.</i>			
19. Corporate Services	<i>No impairment loss assessment performed on items of property plant and equipment</i>	<i>At each reporting date management is required to make an impairment loss assessment on all classes of property plant and equipment and where indicators of impairment exist, management is required to apply requirement of GRAP 21 and impair those assets. Physical indicators of impairment loss were identified during the verification process of the vehicles and impairment loss has not been recognized on the annual financial statement provided for audit. Therefore, property plant and equipment line item in the annual financial statement is overstated.</i>	<i>Management agrees with the finding and recommendation</i>	<i>What is the status report on this matter?</i>	<ul style="list-style-type: none"> <li><i>PPE impairment goes hand-in-hand with Asset Management comments above,</i></li> <li><i>“The Asset Management unit within Finance consists of 2 staff members. Every cluster and Directorate have nominated asset officers as per the Asset Management Policy who are responsible for relaying to Finance of any changes to the physical condition of council assets (e.g. reporting damage, theft, insurance claims, etc). The annual stocktake for physical verification is only conducted on assets that are present for verifying and EDs are responsible to ensure that all assets within their Cluster are maintained and presented for verification. There is a lack of supervision within the responsible Clusters to ensure that these controls are being adhered to.”</i></li> </ul>
20. Corporate Services	<i>Internal control deficiencies identified on the fixed asset register</i>	<i>Registration numbers of the items of property plant and equipment do not coincide with those recorded on the fixed asset register provided for audit. Therefore, details of the vehicles recorded in fixed asset register provided for audit are not accurate.</i>	<i>Management agrees with the finding and a recommendation</i>	<i>What has management done to improve this?</i>	<ul style="list-style-type: none"> <li><i>Capturing of correct asset description goes hand-in-hand with Asset Management comments above,</i></li> <li><i>“The Asset Management unit within Finance consists of 2 staff members. Every cluster and Directorate have nominated asset officers as per the Asset Management Policy who are responsible for relaying to Finance of any changes to the physical condition of council assets (e.g. reporting damage, theft, insurance claims, etc). The annual stocktake for physical verification is only conducted on assets that are present for verifying and EDs are responsible to ensure that all assets within their Cluster are maintained and presented for verification. There is a lack of supervision within the responsible Clusters to ensure that these controls are being adhered to.”</i></li> <li><i>The corrections have been made on the asset register for those descriptions detected, however, the user department has not indicated any other additional corrections on any other assets. When an asset stocktake is conducted, the schedule of assets is given to the user department for verification and sign off. If Assets Management receive a signed schedule without changes, then those are the details captured on the asset register</i></li> </ul>

21. Corporate Services	Discrepancies identified on fleet management of the municipality	Vehicles do not have valid annual certificates (i.e. license discs). Management did not ensure that license renewals are done timeously as required by the approved fleet management policy. Continuous minor offences of this policy will also result in disciplinary action being taken.	Management agrees with the finding and a recommendation	What actions have been taken to rectify this?	<ul style="list-style-type: none"> <li>The inconsistency has been corrected, all vehicles now have valid Licence discs.</li> </ul>
				Are all municipal cars now compliant with the law?	<ul style="list-style-type: none"> <li>The inconsistency has been corrected, all vehicles now have valid Licence discs.</li> </ul>
				How many municipal cars are operational and how many are stationary and what are the reasons for such?	<ul style="list-style-type: none"> <li>21 cars running,</li> <li>4 cars being repaired</li> <li>6 cars awaiting disposal</li> </ul>
				Has the Feet Management Policy been reviewed?	<ul style="list-style-type: none"> <li>Reviewed Fleet Policy will serve in the Section 80 meeting of April 2021.</li> </ul>
22. Human Resources	Employee requested for verification could not be verified.	Employees were requested for physical verification and did not present themselves for verification. This results in the risk of ghost employee in the payroll system and salaries paid to these employees could constitute fruitless and wasteful expenditure as defined in section 1 of the Municipal Finance Management Act	Attendance Registers to monitor their presence by their Supervisors and following up on the authenticity of the submitted medical certificates of employee 00026, and the referral of employee 00771 for psychiatrist evaluations will be perused. With the help of the EAP, Employee 00771 will be referred for psychiatric evaluations with immediate effect. Employee 00026 certificates will be verified. In both cases the HR Policies where necessary will be invoked e.g. Disciplinary Code, Absenteeism, Incapacity, Debt Recovery etc	Why are there untraceable /unverified employees?	<ul style="list-style-type: none"> <li>These were on sick leave and or some leave of absence.</li> </ul>
				What has management done to confirm employment status of these employees?	<ul style="list-style-type: none"> <li>These are still employed by us and just slipped through due to poor supervision.</li> </ul>
				What has management done in relation to employees who abscond from work?	<ul style="list-style-type: none"> <li>Management follow all the processes as outlined in the Main Collective Agreement. They are/will be taken through disciplinary process</li> </ul>
				Was the employee mentioned given psychosocial support and what is the status report?	<ul style="list-style-type: none"> <li>Employee 00771 is refusing Psychiatric evaluation provided by EAP office and was referred to MKVA internal officials who are responsible for MKVA employees. Referral letter was provided to them to send the employee for evaluation. It also transpired during the session with the officials that the employee is not co-operative and is not willing to attend Psychiatrists.</li> </ul>
				Were there any employees taken for disciplinary action in context of this issue?	<ul style="list-style-type: none"> <li>No, it is not necessary at this stage.</li> </ul>
				Were the certificates of the mentioned employee verified?	<ul style="list-style-type: none"> <li>No, these were accepted as genuine on their face value.</li> </ul>
				Have the HR Policies been amended?	<ul style="list-style-type: none"> <li>Not at this stage policies are reviewed when necessary.</li> </ul>
23. Finance	Remuneration of the Municipal Manager is not in line with level 4 of Sedibeng District Municipality	During the audit of remuneration of executive director (i.e. Municipal Manager), the following was noted: The Municipal Manager was appointed 1 June 2017. The Municipal Manager received annual remuneration of R 1 863 000, for the 2019/20 financial year, which falls under level 6 of the Municipal Categorisation in terms of paragraph	The matter will be reported to the Financial Disciplinary Board for their consideration and deliberation.	As part of the committee investigations we were made aware that a letter was written by the then MEC of COGTA and was sent to the Executive Mayor Cllr Busisiwe Modisakeng on the Salary Waiver Application.	<ul style="list-style-type: none"> <li>To our knowledge, there was no response from the MEC, if there was one, which must have been the MM and the EM who had the insight and knowledge of the response; and it was not shared to Council and/or Mayoral Committee.</li> </ul>
				Please confirm if you are in receipt of this letter dated 23 November 2018? If yes may we be furnished with a copy of it?	<ul style="list-style-type: none"> <li>No, Finance are not in possession of said letter.</li> </ul>

		<p>5 of Government Gazette 43122. However, Sedibeng District Municipality is a level 4 under the Municipal Categorisation in terms of paragraph 5 of Government Gazette 43122 as indicated below:  Income = R371 473 495 (46 points)  Equitable share = RSC (0 points)  Population = between 916 484 and 957 500 (23 points) Total = 69 points Placing the municipality on category 4 as the points fall within the range 61-70  Furthermore, in terms of paragraph 13(4) Government Gazette 43122 "A Municipal Council may, in exceptional circumstances and good cause shown, and after consulting with the MEC for local government, apply in writing to the Minister to waive any of the prescribed requirements as set out in the notice. The Minister will consider each application on merit, based on the circumstances and motivation provided by municipalities." A submission has been made to Gauteng Provincial Department of Co-operative Governance and Traditional Affairs, however the waiver from the Minister has not been received to date.  The above salary over-payment (R1 863 000 – R1 538 800 = R324 200) resulted with an irregular expenditure being disclosed by management for the 2019/20 financial year.</p>		<p>Was the response by the MEC ever shared with Council or MPAC as we were on many occasions informed there was no response from COGTA?</p> <p>It is said that the MEC response was a decline on the Salary Waiver request and there was non-compliance with the legislative requirements, if true why was the advice from the MEC ignored and why was Council misled?</p> <p>Why were the salaries continued to be paid without the approval from COGTA?</p> <p>What is the Status quo of the Salaries of the MM and the mentioned Executive Directors?</p>	<ul style="list-style-type: none"> <li>Finance are unaware of the communication between Council and the MEC</li> <li>The matter was brought to the attention of Council by the AG as from the 2018 audits.</li> <li>Finance make payment according to the signed contract / appointment letter / council resolution.</li> <li>The MM has not received a salary since his passing. The EDs continue to receive salaries as per Council resolution A2022. Finance have not received any otherwise instruction to repeal these contracts/ appointment letters.</li> <li>A similar situation arose in 2015/16 when a council official was placed on sabbatical leave without pay, and Finance Payroll received no correspondence to this effect resulting in the employee receiving a salary for a lengthy period of time before it was detected by the AG.</li> <li>The recoveries were subsequently effected and are still being implemented to date.</li> </ul>
24. Finance	Executive Directors Salary not in line with the competency framework	Salary payments paid to the executive directors are not in line with the Government Gazette - Vol.657 competency framework. Furthermore, no waiver from the Minister was provided relating to the remuneration	Management agree with the finding and the irregular expenditure has been disclosed on Note 39 to the AFS. The adjustments to the note will be effected. The matter will be	<p>Have the salaries been amended in line with the competency outcomes and legislation?</p>	<ul style="list-style-type: none"> <li>The salaries are meant to be adjusted in the next Council meeting</li> <li>Finance Payroll will capture the employee information as provided on the duly signed employment contract / appointment letter.</li> </ul>

		<i>of executive directors above the threshold. Consequently, non-compliance to Government Gazette - Vol. 657 results in irregular expenditure</i>	<i>reported to the Financial Disciplinary Board for their consideration and deliberation</i>	<i>Was this matter referred to the Financial Disciplinary Board?</i>	<ul style="list-style-type: none"> <li><i>The disciplinary board was not yet been commissioned</i></li> <li><i>The matter was brought to the attention of Council by the AG as from the 2018 audits and nothing was done about it then.</i></li> </ul>
25. TIE	31. <i>Non-compliance with the acting allowance policy on acting more than 2 levels higher.</i>	<i>Employees acted on positions that are more than two levels higher than their current level as required by the municipal acting allowance policy. Consequently, this result in noncompliance with paragraph 4.2 of the acting allowance policy</i>	<i>Management does not agree with the recommendations. This is because 1) there is no consequence management needed in these matters as the department is regulated to always have warm bodies, 2) all licensing staff is trained to handle licensing matters; hence Acting positions at different layers of the organogram to enable expertise, and 3) all these Acting positions are in line with Acting allowances. Number 6 in the findings is addressed through recruitment and selection (interviews will be concluded by end March 2021) Number 7 in the Finding is being addressed through recruitment and selection of the Manager Audit and Risk Manager (interviews and appointments will be concluded by end of March 2021). Number 8 in the findings will be stopped with immediate effect Number 9 in the findings will be sopped with immediate effect</i>	<i>Please explain the lack of sufficient performance information.</i>	<ul style="list-style-type: none"> <li><i>This is due to the fact that certain departments and/or individuals were superior to the others; therefore nothing could be done to rectify the problems emanating from this anomaly</i></li> </ul>
				<i>Also please explain why performance finalisation is open ended and over runs with no apparent penalty?</i>	<ul style="list-style-type: none"> <li><i>This is due to the fact that certain departments and/or individuals were superior to the others; therefore nothing could be done to rectify the problems emanating from this anomaly</i></li> </ul>
				<i>Explain why missteps, errors and omissions are not detected by internal controls?</i>	<ul style="list-style-type: none"> <li><i>This is due to the fact that certain departments and/or individuals were superior to the others; therefore nothing could be done to rectify the problems emanating from this anomaly</i></li> </ul>
				<i>Please give the committee a status report on the listed items as per last replies from management.</i>	<ul style="list-style-type: none"> <li><i>All Acting positions are withheld, unless in critical positions; where the MM and the Executive Mayor must concur.</i></li> </ul>
26. <i>Acting Municipal Manager</i>	<i>Non-compliance with regulation 4 (1) relating to establishment of Disciplinary Board</i>	<i>During the audit of consequence management, it was noted that a council resolution was taken on the 08/06/2016 to establish disciplinary board as required by MFMA regulation 4 (1). As per the resolution taken by the council the disciplinary board elected is allowed to serve for a period not exceeding 3 years as required by MFMA regulation 4 (1).</i>	<i>Management agrees with the findings. The disciplinary board has since expired with no establishment of the new board. Management has documented a report that will be tabled at the next council sitting.</i>	<i>What are the reasons for the total inadequate reporting of performance information?</i>	<ul style="list-style-type: none"> <li><i>This was due to unilateral decisions taken</i></li> </ul>
				<i>Please explain why no steps in terms of the consequence management requirements have been taken against any official in cases of UIFW?</i>	<ul style="list-style-type: none"> <li><i>This is still a mystery to all senior managers</i></li> </ul>
				<i>Why the Risk Management function has not been adequately resourced resulting in lapses in the key internal controls?</i>	<ul style="list-style-type: none"> <li><i>Manager Risk Management has just been appointed on the 1<sup>st</sup> May 2021</i></li> </ul>

		<i>Current disciplinary board term ended on the 08/06/2019. Consequently, for the financial period under review the municipality did not establish a new disciplinary board. This is non-compliance to MFMA regulation 4 (1).</i>		<i>Has the Financial Disciplinary Board been set up? If yes what is the composition of the Board and has it already started functioning and attending to cases?</i>	<ul style="list-style-type: none"> <li>• <i>Yes the Financial Misconduct Disciplinary Board was established and approved on the 31<sup>st</sup> March 2021</i></li> </ul>
				<i>Do you have a Consequence Management Strategy?</i>	<ul style="list-style-type: none"> <li>• <i>Consequence Management Policy has just been developed in March 2021, awaiting Council approval</i></li> </ul>
27. Finance	<i>Incorrect amount disclosed in the unauthorized expenditure note.</i>	<i>During the audit of unauthorised expenditure it was identified that the municipality has overstated unauthorized expenditure by R8 473 084, 00. The municipality incorrectly included non-cash items in as unauthorized expenditure and non-cash items are not actual expenditure that the municipality has incurred. As a result, this is non-compliance with section 122 (1) of MFMA and paragraph 17 of GRAP 1.</i>	<i>Agree, amount of unauthorized expenses will be amended accordingly.</i>	<i>Explain why no reasonable steps were taken to prevent the occurrence of UIFW?</i>	<ul style="list-style-type: none"> <li>• <i>This was an overstatement detected by the AG in that Finance included non-cash items in the disclosure of unauthorised expenditure. The corrections have subsequently been made to note 37 of the audited AFS.</i></li> </ul>
				<i>Explain why there is no internal UIFW register as required by law? (Provincial Treasury Regulations)</i>	<ul style="list-style-type: none"> <li>• <i>Recovery of UIFW is a competence of the Municipal Manager and not that of Finance and under paragraph 9 of Council's policy on UIFW.</i></li> <li>• <i>"If, after having followed a proper investigation, the Council concludes that the political office-bearer or official responsible for making, permitting or authorising irregular expenditure did not act in good faith, then the municipality must consider instituting disciplinary action and/or criminal charges against liable person/s."</i></li> <li>• <i>Paragraph 13 of the same policy spells out the procedure for recovery:</i></li> <li>• <i>"Any employee who becomes aware or suspects the occurrence of irregular, fruitless and wasteful, and unauthorised expenditure must immediately report such expenditure in writing to the Accounting Officer or his/her delegate.</i></li> <li>• <i>The Loss Control Committee as appointed by Council under section 32(2) (a) (ii) of the Act should investigate the matter without delay to determine the validity thereof, i.e. whether it meets the definition of irregular, fruitless and wasteful expenditure or unauthorised expenditure as per section 1 of the Act.</i> <ul style="list-style-type: none"> <li>○ <i>Managers should assist and co-operate with the Loss Control Committee in every aspect of investigation.</i></li> </ul> </li> <li>• <i>13.6. The Loss Control Committee must immediately notify the Accounting Officer with the outcome of an investigation. Notification must be in the form of a written report, accompanied by supporting documentation, if relevant.</i></li> </ul>

					<ul style="list-style-type: none"> <li>• 13.7. Details of the reported cases should be recorded in the register of irregular, fruitless and wasteful, and unauthorised expenditure.</li> <li>• 13.8. For each reported case, the Loss Control Committee must open a case file containing all the evidence and reports received.</li> <li>• 13.9. The municipality's irregular, fruitless and wasteful, and unauthorised expenditure register"</li> <li>• Finance cluster always attempts to report any UIFW either monthly through the reports to the Executive Mayor, or by way of formal communication to the MM (such as in the case of the defaulting former CFO a memo was sent to the office of the MM November 2019 to institute recoveries).</li> <li>• For the year 19/20 and prior periods, these matters were reported to Council by the AG as well.</li> </ul>
<p>28. Corporate Services</p>	<p>User account management not adequately implemented</p>	<p>User access management processes were not adequately designed and implemented. The following weaknesses were noted:  The user account management policy did not outline the following processes:  User transfer request of Monitoring of user activities on operating systems level  Management did not review the user access right on   Nedbank online to ensure that user privileges are continuously in line with the users' daily responsibilities  The following user accounts did not follow the approved naming convention: BWJ a unique ID/User name for Breganza Waller Johnson o  b. GRD a unique ID/User name for Gerrie Deyzel  Inadequately developed user account management policies will result in unauthorised users being granted access to systems and controls over</p>	<p>Management considers the control deficiency as appropriate given the finding. Furthermore, management did review the usernames and found that the implication of changing the username on Microfocus (where the login comes from) will affect the two users negatively as electronic mail and files associated with the user will be impacted. The risk of having two legacy usernames in contravention of the (later) approved naming conventions is accepted and managed accordingly</p>	<p>Please provide reasons for the non-implementation of the user account.</p>	<ul style="list-style-type: none"> <li>• (a) The user account management policy is currently being reviewed to include user transfer requests and the monitoring of user activities on the operating system level. User activity on the operating system level is monitored daily through Sentinel (software) and reported on monthly to management.</li> <li>• (b) The Nedbank online system does not provide functionality in terms of reviewing user access rights. The Finance Department is the system owner and custodian of the system and will be best suited to answer how they control user privileges.</li> <li>• (c) Management did review the usernames and found that the implication of changing the username on Micro Focus (where the login comes from) will affect the two users negatively as electronic mail and files associated with the user will be impacted. The risk of having two legacy usernames in contravention of the (later) approved naming conventions is accepted and managed accordingly</li> </ul>

		<i>user access management not being enforceable.</i>			
29. Corporate Services	Lack of processes for monitoring of ICT Investments	The municipality had developed and approved the ICT strategy in August 2020. However, the municipality had not developed, documented and adopted a process to monitor return on ICT investments. Lack of process for monitoring return on investment will may result in management not being able to measure the impact of these investments on the municipality's business operations and not being able to account for ICT expenditure.	Management considers the control deficiency as appropriate given the finding. A procedure for the evaluation of ICT operations and projects will be developed to determine if ICT investments deliver value to SDM.	Please explain why IT processes are not monitored?	<ul style="list-style-type: none"> <li>ICT processes are monitored on a daily basis, both manually and through specialised software, and reported on to management monthly.</li> </ul>
				Why is there inadequate measures available to deal with Disaster Recovery?	<ul style="list-style-type: none"> <li>The main reason for inadequate measures is the lack of funding allocated to procure disaster recovery hardware (estimated cost R 2mil).</li> </ul>
				Why is it despite the bulk of SDM Operational Expenditure budget being committed to IT related expenses, including the salaries of IT personnel the system remains woefully below expectation and substandard?	<ul style="list-style-type: none"> <li>The system is not substandard, unless if compared against a given criteria; which we currently don't have</li> <li>The bulk of the budget doesn't mean it is for ICT; but rather it supports all the clusters based on their requests</li> </ul>
				What measures, if any, have been implemented to rectify the problem?	<ul style="list-style-type: none"> <li>Tangible measures can only be realised if the ICT is funded to implement ICT projects and programmes and not for other clusters</li> </ul>
				Why is the Municipal Website not continuously updated as required?	<ul style="list-style-type: none"> <li>The Website falls within the Communication Department and does not reside with ICT. The Communications Department will be better suited to answer this question.</li> </ul>
30. Corporate Services	Novell User Accounts not timely disabled for terminated employee	The review of the terminated employment contract against the active Micro Focus user list established that user accounts were not terminated on time for employees who were no longer in the employment of the municipality. Inadequately developed user account management policies will result in unauthorised users being granted access to systems and controls over user access management not being enforceable.	The Director ICT will engage the Pay Office on the date of payroll (25th of each month) to confirm any resignations for the period. This will support the HR function and improve control over terminating users timely. However, the HR Department remain the custodian of employee records and remain the first contact point to be aware of resignations.	Has this matter now been resolved and an alignment created between the mentioned departments?	<ul style="list-style-type: none"> <li>Unfortunately, this has not been resolved, as ICT do not always receive termination notices on time. The ICT Department requests the Salary office to forward the resignation list at month end in an attempt to improve control over resignations. This will however not cover suspension of which HR must inform ICT.</li> </ul>
31. Corporate Services	Information for Installation of Zenworks to all machines not provided.	The report indicating that Zenworks was installed on all machines on the municipality's network was not provided for audit purposes and therefore the auditor was not able to conclude appropriately on whether the environment was prepared to allow for all machines to be properly	Zenworks application version 2017, which was being utilised during the term of audit, lacks the ability to deploy agents remotely onto user workstations. ICT had to rely on Technicians physical attending to these devices manually, which required the	Was the Application rolled out?	<ul style="list-style-type: none"> <li>The software was rolled out and is providing some of the information the AG requires. The roll-out of Zen works is hampered by staff members not logging into the network by only using Wi-Fi as well as work-from-home instances.</li> </ul>
				Why is management reluctant to submit relevant information as per the AG requests?	<ul style="list-style-type: none"> <li>The ICT Department has never been reluctant to provide any information requested by the AG and has in</li> </ul>

		<i>patched. Machines that are not installed with the Zenworks agent will not be appropriately patched and protected against malicious attacks. This leaves the IT environment susceptible to attacks from external attackers.</i>	<i>user to make his pc or laptop available for about 30-40mins. This resulted in a delay in the rollout of the application to all devices. 2. About the password lockout, it is assumed that the finding is referring to the grace logins, which is six and should be six according to the policy. Grace logins are not a lockout threshold.</i>		<i>fact supplied all requested information on time and in line with the agreed timeframes.</i>
32. Corporate Services	<i>Firewall administrator activities not reviewed for the year</i>	<i>The municipality has outsourced it firewall management to the external service provider with all firewall related responsibilities performed by the service provider. However, there was no evidence that activities performed by the firewall administrator were periodically reviewed to ensure that only approved activities were performed on the firewall. Unauthorised activities may be executed on the firewall resulting in the firewall not providing the required minimum protection to the municipality.</i>	<i>Management considers the control deficiency as appropriate given the finding. Training to be provided to the Assistant Manager and Administrator to manage firewall operations depending on the availability of budget.</i>	<i>Were the staff developed and trained in relation to management of the Firewall operations?</i>	<ul style="list-style-type: none"> <li><i>Training is limited to budget availability. Some in-house training has been done to equip staff members to perform management reviews on the firewall.</i></li> <li><i>It should be noted that no breach has taken place and security was never compromised due to a lack of a formal review as performance is reported on a monthly basis.</i></li> </ul>
33. Corporate Services	<i>Firewall rules not adequately developed</i>	<i>Management has outsourced IT firewall management process to an external service provider and the relationship is managed through a service level agreement. The service provider has documented the firewall rules on behalf of the municipality. However, the rules were not adequately developed due to the following aspects not being covered by the rules: The purpose of each firewall rule. The service(s) it affects/ The users and devices it affects The date the rule was added.</i>	<i>Management considers the control deficiency as appropriate given the finding. A firewall review procedure will be developed and implemented to facilitate effective review of firewall rules</i>	<i>Was the Firewall control deficiency reviewed? If yes please furnish the committee with evidence of such.</i>	<ul style="list-style-type: none"> <li><i>ICT staff members are in the process of reviewing the rule set and improving the process of managing the firewall rule set.</i></li> <li><i>It should be noted that no breach has taken place and security was never compromised due to a lack of not defining the purpose of a rule, its affects or the users implicated.</i></li> </ul>



		<p><i>When the rule should expire (if it is temporary)</i></p> <p><i>The name of the person who added the rule</i></p> <p><i>The lack of firewall rules may result in the municipality not being adequately secured from malicious attacks.</i></p>			
34. Executive Mayor				<p><i>Please provide the reasons why Rural roads within the district are not being managed as per IDP?</i></p>	<ul style="list-style-type: none"> <li><i>This is due to fact that this programme has been relegated to interns; with little experience</i></li> <li><i>The municipality is now giving this project the urgency it deserves. This is attested by the appointment of fixed term contract workers</i></li> </ul>
				<p><i>The promised Sedibeng Licence Centre has not materialised why is this?</i></p>	<ul style="list-style-type: none"> <li><i>This is due to budgetary constraints</i></li> </ul>
				<p><i>The Vereeniging Taxi rank is still not completed please give a status report on this item.</i></p>	<ul style="list-style-type: none"> <li><i>The matter is handled politically and the municipality is awaiting the outcomes of those deliberations</i></li> </ul>
				<p><i>Why is SDM not involved in any level in the alleviation of the Vaal River pollution problem on the Sedibeng Regional Sewer System?</i></p>	<ul style="list-style-type: none"> <li><i>The matter is now receiving attention, with SDM participating actively</i></li> </ul>
				<p><i>Why is there no report on job creation successes or challenges through LED activities?</i></p>	<ul style="list-style-type: none"> <li><i>This matter will be addressed in this financial year</i></li> </ul>
				<p><i>Please give reason why the “build safer communities” project in conjunction with SAPS has not been reactivated despite the obvious glaring need?</i></p>	<ul style="list-style-type: none"> <li><i>There are interventions that the municipality is engaging in with SAPS, which are spearheaded by the Community Safety Directorate within the Municipality. In fact Sedibeng is ranked number one in Community Policing Forum</i></li> </ul>
				<p><i>Is there an SDM intervention in either water or air pollution matters?</i></p>	<ul style="list-style-type: none"> <li><i>There are a number of intervention geared toward the reduction of air pollution; and they have subsequently generated revenue for the municipality through fines of companies and industries that do not comply to air pollution restrictions</i></li> </ul>
				<p><i>Was the IDP reviewed in the relevant year as required by legislation?</i></p>	<ul style="list-style-type: none"> <li><i>Yes the IDP was reviewed as per legislation</i></li> </ul>
				<p><i>Was the relevant IDP approved by council?</i></p>	<ul style="list-style-type: none"> <li><i>Yes the IDP was approved by Council</i></li> </ul>
<p><i>Are all IDP projects adequately funded and if not, which are not funded and the reason thereof?</i></p>	<ul style="list-style-type: none"> <li><i>Not all IDP project are funded. Please see a list of unfunded projects; mainly due to financial constraints</i></li> </ul>				

				<i>The MM and Sec 57 (b) appointees have all signed SLAs with the SDM has their respective performance been evaluated?</i>	<ul style="list-style-type: none"><li>• <i>The performance of Sec 57 was done for the 1<sup>st</sup> time in 2020/2021 and they are yet to get the status of the outcomes</i></li></ul>
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