

MINUTES

of the

**1ST ORDINARY COUNCIL MEETING
FOR THE YEAR 2019**

of

MATJHABENG MUNICIPALITY

held on

THURSDAY, 31 JANUARY 2019

at

17:00

at the

**COUNCIL CHAMBERS, CIVIC CENTRE,
WELKOM**

I

COUNCILLORS ATTENDANCE

1ST ORDINARY COUNCIL MEETING MINUTES: 31 JANUARY 2019

| PROPORTIONAL | | | |
|--------------|---|-----|--------------------------------|
| 1. | Stofile B (Speaker) (Apology) | 19. | Masina XN |
| 2. | Sephiri MJ (Chief Whip) | 20. | Mawela VE |
| 3. | Speelman NW (Executive Mayor) | 21. | Moipatle KSV |
| 4. | Badenhorst MJ | 22. | Mthebere NA (Absent) |
| 5. | Botha PF | 23. | Nqeobo ME |
| 6. | Direko DR | 24. | Ntsebeng MH |
| 7. | Dyantyi A (Absent) | 25. | Phofeli NM |
| 8. | Jacobs EJ | 26. | Presente LN |
| 9. | Jama BL | 27. | Radebe MC |
| 10. | Kabi M (Apology) | 28. | Radebe ML |
| 11. | Khetsi LE | 29. | Rakaki MM |
| 12. | Letlhake TW | 30. | Ramabodu BM (Absent) |
| 13. | Lushaba TB (Apology) | 31. | Sithole AM |
| 14. | Macingwane MT | 32. | Styger A |
| 15. | Mafaisa MG | 33. | Taljaard SDM |
| 16. | Manenye AJ | 34. | Thelingoane NE |
| 17. | Manese SD | 35. | Tshopo ME |
| 18. | Marais JS | 36. | Van Rooyen KV |
| WARD | | | |
| 37. | Badenhorst HS | 55. | Morris VR |
| 38. | Chaka MS | 56. | Moshoeu ZS |
| 39. | Daly A (Apology) | 57. | Mosia TJ |
| 40. | Khalipha TD | 58. | Mphikeleli MA |
| 41. | Khothule MJ (Apology) | 59. | Nkonka BB |
| 42. | Kopela MP (Absent) | 60. | Nthako TD (Apology) |
| 43. | Liphoko SJ (Absent) | 61. | Ntuli BN |
| 44. | Mafa DM | 62. | Pholo SJ |
| 45. | Mahlumba BH | 63. | Poo IP |
| 46. | Malherbe C (Absent) | 64. | Ramalefane SJ |
| 47. | Manzana NR | 65. | Ramatisa PT |
| 48. | Masienyane MD | 66. | Sebotsa MM (Absent) |
| 49. | Meli TS | 67. | Thelingoane TJ |
| 50. | Mokhomo HA | 68. | Tlake KR (Apology) |
| 51. | Molefi M | 69. | Tsatsa SJ |
| 52. | Molelekoa PMI (Apology) | 70. | Tshabangu SE (Absent) |
| 53. | Moloja NJ | 71. | Van Rooyen MS |
| 54. | Monjovo NE | 72. | Van Schalkwyk HCT |



EXECUTIVE MANAGEMENT

| | | |
|----------------|---|--|
| Mr T. Makofane | : | Executive Director: Strategic Support Services |
| Mr FF Wetes | : | Executive Director: Corporate Support Services |
| Mr CT Panyani | : | Chief Financial Officer |
| Me ZK Tindleni | : | Executive Director: Community Services |
| Mr B. Golele | : | Acting Executive Director: LED, Planning & HS |

COUNCIL ADMINISTRATION SECRETARIAT

| | | |
|--------------|---|--|
| Mr MT Atolo | : | Senior Manager: Council Administration |
| Me PP Seleka | : | Admin Officer (Corporate Services) |

III

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| (a) | <p>Opening</p> <p>The Acting Municipal Manager, Mr T. Makofane welcomed everybody present at the 1st Ordinary Council meeting for the year 2019 and declared the meeting open.</p> <p>He informed Council members that the Speaker would not be in attendance and requested Council to apply Rule 23 (2) of the Standard Rules and Orders to elect an Acting Speaker, to preside.</p> <p>The Chief Whip, Cllr SJ Sephiri nominated Cllr MD Masienyane to act as Speaker and the nomination was seconded by Cllr ML Radebe. Cllr MD Masienyane then chaired the meeting.</p> |
| (b) | <p>Applications for leave of absence</p> <p>See Councillors' attendance list on page I of these minutes.</p> |
| (c) | <p>Official announcements of the Speaker</p> <p>The Acting Speaker, Cllr MD Masienyane announced that the Audit report for the 2017/18 financial year would be tabled and requested Council to allow the representative from the Office of the Auditor-General to present it before Council proceeds with the Agenda items.</p> |
| (d) | <p>Reports of the Speaker in terms of rules 15(1) and 99(4)</p> <p>None</p> |
| (e) | <p>Tabling of documents prescribed by statute or these rules and orders</p> <p>None</p> |
| (f) | <p>Applications and appeals from Councillors in terms of rules 14(1), 67 and 72</p> <p>None</p> |
| (g) | <p>Reports received from the Speaker</p> <p>A1 – A2 of 2019 & A7 of 2019</p> |
| (h) | <p>Motions of sympathy and congratulations by the Speaker</p> <p>None</p> |
| (i) | <p>Motions of sympathy and congratulations by other Councillors</p> <p><u>Congratulations</u></p> <p>1. Cllr MJ Badenhorst congratulated the DA for winning the by-election and taking Ward 47 in Mangaung on the 30th January 2019.</p> |
| (j) | <p>Deputations and interviews</p> <p>The Acting Speaker, Cllr MD Masienyane welcomed the representative from the Office of the Auditor General and allowed him to table the Audit Report to Council.</p> <p><u>Report of the Auditor-General for the year ended 30 June 2018</u></p> <p>Mr Robert Khangayi informed Council that the Auditor General of South Africa has a constitutional mandate and, as the Supreme Audit Institution of South Africa, it exists to strengthen the country's democracy <i>by enabling oversight, accountability and governance</i> in the Public Sector through auditing, thereby building public confidence.</p> |

IV

He indicated that in terms of the Public Audit Act, the Auditor-General must:

- express an audit opinion on the financial statements; and
- also report on predetermined objectives and compliance with key legislation.

He stated that the Municipality has received a qualified Audit opinion with findings, for the 2017/18 financial year. He stated that the basis for the qualified audit opinion/disclaimer in basic service delivery and infrastructure investment, was caused by:

- Water and electricity meters that were not read for a period of more than 3 years, resulting in consumers being charged on estimates- none compliance with GRAP 9;
- Consumer accounts with active water meters that were not read, resulting in these accounts not being charged and revenue not recognized;
- Electricity was charged to consumer accounts which had been disconnected by suppliers appointed by the Municipality but no arrangements were made and no payment was received from the consumers for reconnection fees.
- Infrastructure assets that were no longer in usable condition were not impaired- thus not complying with GRAP 17;
- Assets were identified on the floor but were not traced to the asset register;
- The Municipality continued to charge rentals on previous tenants who were no longer occupying the rented units while new tenants were occupying those units.

GOING CONCERN

- 1) The Municipal total expenditure exceeded the total revenue by R820 945 304 during the year ended 30 June 2018;
- 2) The Municipal current liabilities exceeded its current assets by R3 407 887 646;
- 3) The Municipality has been deducting monies for pension, medical aids and PAYE from employees' salaries but unable to pay R57 883 762 (2017: R21 906 866) of those amounts to third parties;
- 4) The Municipality owed ESKOM R1 895 894 280 (2017: R1 464 169 380) and Sedibeng Water R2 299 167 866 (2017: R1 886 576 057) as at 30 June 2018.

Mr Khangayi mentioned that the above-mentioned events and conditions indicate that a material uncertainty exists, that may cast significant doubt on the municipal ability to continue as cash-flow challenges hinder service delivery.

SERVICE DELIVERY MATTERS - not forming part of the Audit opinion but for value-adding purposes

Mr Khangayi indicated that the audit revealed areas of concern with regard to poor planning, project management and monitoring of infrastructure projects which resulted in delays in completion of the projects, compromise in quality of work and exceeding costs. He mentioned the contract of **R61 899 139** for construction of waterborne sanitation for 1300 stands during 2014 that was not handed over in 2017 and a contract for rehabilitation and restoration of the Witpan Waste Water Treatment Works in 2009 which resulted in **R51 684 187** overspending without the project being completed.

V

COMPLIANCE WITH LEGISLATION

- Uncorrected material statements and supporting records that were not provided;
- Money owed by the Municipality that was not always paid within 30 days;
- Reasonable steps not taken to prevent irregular expenditure of **R358 024 407**;
- Reasonable steps not taken to prevent fruitless and wasteful expenditure of **R167 709 893**;
- Reasonable steps not taken to prevent unauthorised expenditure of **R873 124 569**;
- No effective system of internal control for assets in place;
- An adequate management, accounting and information system not in place;
- Water services infrastructure grant not spent for its intended purpose;
- Appropriate systems and procedures to monitor, measure and evaluate the performance of staff were not developed and adopted;
- Procurement was not always done in terms of SCM regulations.

In conclusion, Mr Khangayi indicated that during the audit, they have discovered some Internal control deficiencies, such as:

- Lack of timeous and adequate corrective measures to address weaknesses in finance and performance reporting directorate, by leadership;
- Lack of organizational structure that is aligned to municipality's needs;
- Non-implementation of effective human resource management to ensure that performance of all employees is monitored;
- Management did not in all instances prepare regular, accurate and complete financial and performance reports supported by reliable information.
- Late appointment of the Audit Committee in 2017/18 financial year;
- Internal Audit division that is not adequately resourced and capacity constraints.

RECOMMENDATIONS

In order to improve Audit outcomes, the Office of the Auditor-General advised as follows:

1. That Council should follow up on the implementation of the Audit Action Plan;
2. That regular interaction between Council and Administrative leadership to assess the progress made on commitments (obtained via SoRR) should take place;
3. That Council should ensure that the Organizational Structure is approved and that the Municipality is appropriately capacitated with employees with appropriate skills and competencies to meet the Municipality's objectives;
4. That Council should ensure that the Internal Audit Unit is sufficiently capacitated to be able to discharge all its responsibilities. They should also ensure that the recommendations made by Internal Audit are appropriately implemented;
5. That Council should ensure that the root cause of unauthorised, irregular and fruitless and wasteful expenditure is addressed so that they do not re-occur;
6. That Council should monitor the effective functioning of key controls at the Municipality;

VI

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| | 7. That Section 131 of the MFMA requires a municipality to address the issues raised in the Audit report and therefore MPAC should invite the AGSA for a detailed briefing on the Audit report. |
| (k) | <p>Disclosure of interest</p> <p>The Speaker reminded Councillors to update their declaration forms at the office of the Municipal Manager every year, however if a Councillor has a personal/financial interest on any matter for consideration by Council, such Councillor has to declare his/her interest in the meeting.</p> |
| (l) | <p>Minutes of the previous meeting: 04 December 2018</p> <p><u>COUNCIL RESOLVED: (31 JANUARY 2019)</u></p> <p>That the minutes of the 5th Ordinary Council meeting held on the 4th December 2018 BE ADOPTED as a true reflection of what transpired in the meeting.</p> |
| (m) | <p>Matters arising from the minutes: 04 December 2018</p> <p>A109 of 2018</p> <p>Cllr A. Styger reminded Council that a decision was taken in the previous meeting, per resolution 1 of Item A109 that Councillors who are affected by the MCPF matter would meet and plan but the meeting had not taken place yet. He then requested Council to address the matter.</p> <p><u>COUNCIL RESOLVED: (31 JANUARY 2019)</u></p> <p>1. That the meeting must BE CONVENED within a period of two weeks.</p> <p>A117 of 2018</p> <p>1. Cllr MT Macingwane reminded Council that during the previous Council meeting, it was agreed that the Municipal Manager before the 31st January 2019 should have issued new accounts to residents of Masimong, Merriespruit complex and the other Unit, as part of revenue enhancement. He wanted to know whether that was done and if not what caused the delay.</p> <p>2. He also indicated that Council agreed that a report on ongoing investigations pertaining to fraud and corruption allegations in those rental Units must be submitted and wanted know whether it was available or not and if not why.</p> <p>3. Cllr TD Khalipha responded by informing Council that a proposal was made by the Provincial Department of Human Settlements to assist the Municipality with rental collection in those Units.</p> <p>4. He further explained that action had already been taken against 3 officials with regard to fraud allegations and investigations are being done on others and even on Councillors who are also involved.</p> <p><u>COUNCIL RESOLVED: (31 JANUARY 2019)</u></p> <p>1. That a written report with regard to the assistance promised by the Provincial Department of Human Settlements on revenue collection in those rental stocks must BE SUBMITTED in the next Council meeting.</p> |

VII

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| | <p>2. That a written report with regard to the investigations of fraud and corruption on those rental stocks must BE SUBMITTED in the next Council meeting.</p> <p>A129 of 2018</p> <p>1. Cllr MT Macingwane indicated that the appointed panel that was supposed to do the shortlisting and interviews for the advertised positions of two Executive Directors met but due to legalities and technicalities encountered deferred the matter. He wanted to know from the office of the Municipal Manager whether the adverts were already done, when was the closing date and when would the shortlisting start.</p> <p>2. The Executive Mayor responded that the Municipality had received a letter from the MEC advising it to re-advertise the vacancies. He indicated that the adverts were placed in the Sowetan and City Press newspapers but he was uncertain of the closing date.</p> |
| (n) | <p>Questions of which notice had been given</p> <p>None</p> |
| (o) | <p>Reports of the Executive Committee/ Executive Mayor/ Committee Reports</p> <p>A3 of 2019 – A6 of 2019</p> |
| (p) | <p>Reports of decisions taken under delegated powers</p> <p>None</p> |
| (q) | <p>Motions</p> <p>None</p> |
| (r) | <p>Closing Remarks</p> <p>The Executive Mayor, Cllr NW Speelman informed members that he was called by the Minister of Minerals who requested a resolution from Council before the end of February 2019.</p> <p>He therefore announced that he would request a Special Council meeting, in which the items that were referred back in December 2018 would be dealt with, in order to give the Minister the requested resolution before he tables his Budget.</p> |
| (s) | <p>Closure</p> <p>The Acting Speaker, Cllr MD Masienyane thanked everyone who attended and closed the meeting at 20h00.</p> |

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CLLR MD MASIENYANE
ACTING SPEAKER

.....
DATE

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A1 of 2019

DETERMINATION OF UPPER LIMITS OF SALARIES, ALLOWANCES AND BENEFITS OF DIFFERENT MEMBERS OF MUNICIPAL COUNCIL (SPEAKER) (6/6/2)

PURPOSE

To submit to Council the upper limits of salaries, allowances and benefits of different members of Municipal Council as per **Government Gazette No 42134** dated **21 December 2018**.

DISCUSSION

The acting Speaker, Cllr MD Masienyane presented the item to Council.

COUNCIL RESOLVED: (31 JANUARY 2019)

1. That Council **APPROVES** the increase of 4% for full-time Councillors and 4% for part-time Councillors, backdated from 1 July 2018.
2. That the concurrence of the MEC for local government **BE OBTAINED** prior to the implementation of the provisions of this notice.
3. That a correction should **BE MADE** under financial implications to reflect that the back-pay for 7 months would be R664 075.42.

A2 of 2019

THOKOZA CONCERNED COMMUNITY (WARD 29) (SPEAKER) (20/2/1/3/1)

PURPOSE

To bring to Council the awareness of the Memorandum of the Ward 29, Thokoza Unit.

DISCUSSION

The acting Speaker, Cllr MD Masienyane presented the item to Council.

COUNCIL RESOLVED: (31 JANUARY 2019)

1. That the item **BE WITHDRAWN**.

A3 of 2019

MID-YEAR BUDGET AND PERFORMANCE REPORT - 1 JULY 2018 - 31 DECEMBER 2018 (EXECUTIVE MAYOR) (12/1/1)

PURPOSE

To present to Council a report on the Mid-year Budget and Performance report of the Municipality for the period 1 July to 31 December 2018 as required by Section 72 of the Municipal Finance Management Act No. 56 of 2003 .

DISCUSSION

The Executive Mayor allowed Cllr SD Manese to present the item to Council.

During the discussion of this item, Councillors raised their concerns with regard to the following matters:

- Readings that are not taken for long periods;
- Readings that are brought in by consumers but not portrayed into their accounts;
- Accounts that are billed according to estimations;
- Non-issuing of accounts resulting into huge bills when accounts are eventually issued;
- Municipality's failure to open tenants' account and thereby billing the owner for the tenant's consumption;
- Queries that are not adequately addressed;
- Incorrect billing system that is failing consumers;
- Incorrect information reflected on page 6 of the Annexures under Table 5B, pertaining to overspending in the Office of the Chief Whip.

COUNCIL RESOLVED: (31 JANUARY 2019)

1. That the financial and non-financial reports for period of six months (July - December 2018) in terms of Section 72 of the Municipal Finance Management Act, number 56 of 2003, **BE NOTED AND FURTHER BE SUBMITTED** to Provincial and National Treasury.
2. That the Adjustment Budget for 2018/19 **BE TABLED** in Council on or before the 28th February 2019.
3. That a detailed report on what contributed to over-expenditure in votes of Council General, of the Office of the Executive Mayor and of the Office of the Speaker **BE SUBMITTED** in the next Council meeting.
4. That an Audit Action Plan to address the matter of water and electricity meters that were not read for 3 consecutive years, must **BE DEVELOPED**.

5. That the Finance department **MUST CORRECT** the error reflected on page 6 of the Annexures under Table 5B, pertaining to overspending at the Office of the Chief Whip.

A4 of 2019

DRAFT AUDITED ANNUAL REPORT 2017/2018: MATJHABENG MUNICIPALITY (EXECUTIVE MAYOR) (5/2/1)

PURPOSE

The purpose of the item is to table the draft Annual Report of the financial year 2017/2018 to Council for consideration.

DISCUSSION

The Executive Mayor allowed Cllr SD Manese to present the item to Council.

COUNCIL RESOLVED: (31 JANUARY 2019)

1. That Council **TAKES NOTE** of the Draft Audited Annual report for the Financial Year 2017/18.
2. That the Draft Annual report for the 2017/18 financial year **BE SUBJECTED** to the public participation process before final adoption.
3. That the Draft Annual report for 2017/18 must **BE REFERRED** to MPAC.

A5 of 2019

SPECIAL ADJUSTMENT BUDGET FOR 2017/2018 FINANCIAL YEAR (EXECUTIVE MAYOR) (6/1/1)

PURPOSE

The purpose of the item is to request Council to approve the special adjustment budget for 2017/2018 financial year.

DISCUSSION

The Executive Mayor allowed Cllr SD Manese to present the item to Council.

During the discussion of the item, Councillors agreed that they cannot authorize the 2017/18 unauthorized expenditure at that stage as there was no information on what resulted in such expenditure. They also wanted detailed information on what caused the overspending per department.

COUNCIL RESOLVED: (31 JANUARY 2019)

1. That Council **TAKES NOTE** of the Special Adjustment Budget for 2017/18 financial year.
2. That an investigation should be done on overspending and an accurate detailed report per department must **BE SUBMITTED** at the next Council meeting.
3. That the item **BE REFERRED** to MPAC to investigate and submit a report to Council with recommendations.

A6 of 2019**RE-ADVERTISEMENT FOR THE POSITION OF THE EXECUTIVE DIRECTOR: LED, PLANNING & HUMAN SETTLEMENTS AND EXECUTIVE DIRECTOR: INFRASTRUCTURE (EXECUTIVE MAYOR) (5/3/2/1)****PURPOSE**

The purpose of this item is to report to Council pertaining to the appointment and filling of the vacant positions of Executive Director: LED, Planning & Human Settlements and Executive Director: Infrastructure, in line with the Local Government: Regulations on the appointments and conditions of employment of Senior Managers of 17 January 2014.

DISCUSSION

The Executive Mayor allowed Cllr SD Manese to present the item to Council.

COUNCIL RESOLVED: (31 JANUARY 2019)

1. That the vacant posts of Executive Director Infrastructure and LED must **BE RE-ADVERTISED**.

A7 of 2019**REPORT ON PUBLIC AUDIT AMENDMENT ACT WORKSHOP CONDUCTED FOR COUNCILLORS (SPEAKER) (3/1/4/3)****PURPOSE**

To submit a report to Council about the workshop that was conducted for Councillors on the Public Audit Amendment Act, for noting.

DISCUSSION

The acting Speaker, Cllr MD Masienyane presented the item to Council.

COUNCIL RESOLVED: (31 JANUARY 2019)

1. That Council **TAKES NOTE** of the item.