

AMAHLATHI LOCAL MUNICIPALITY



OVERSIGHT ON THE ANNUAL REPORT FOR 2024/2025 FINANCIAL YEAR

Signed by:

A handwritten signature in black ink, appearing to be 'Z.A. Qonto', written over a horizontal line.

Cllr Z.A. Qonto
MPAC Chairperson

OVERSIGHT ON THE ANNUAL REPORT OF AMAHLATHI LOCAL MUNICIPALITY FOR 2024/2025 FINANCIAL YEAR

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[Author: MPAC Chairperson/ZAQ]

[Council Meeting: 25 February 2026]

PURPOSE

For the Council to adopt the Oversight on the Annual report of Amahlathi Local Municipality for 2024/2025 financial year.

AUTHORITY

The Constitution of the Republic of South Africa, (1996 as amended). - The Local Government Municipal Structures Act (Act 117 of 1998 as amended). - The Local Government Municipal Systems Act (Act 32 of 2000 as amended) - The Local Government Municipal Finance Management Act (Act 56 of 2003) - Municipal Finance Management Regulations, Circular 11, 32 and 63 - The Standing Rules of Amahlathi Local Municipality - The Municipal Public Accounts Committee Terms of Reference

LEGAL AND/ OR STATUTORY REQUIREMENTS

According to section 151(2) of the Constitution of the Republic of South Africa, 1996 (as amended) the legislative and executive authority of a municipality is vested in its municipal Council.

Section 79(1)(a) of the Municipal Structures Act (Act 117 of 1998 as amended) provides for the Council to establish one or more committees necessary for the effective and efficient performance of any of its functions or exercise of any of its powers. Section 46(1)(a) of the Municipal Systems Act (Act 32 of 2000 as amended) states that a municipality must prepare for each financial year an annual report reflecting the performance of the municipality and each external service provider during that year.

Section 129(1) of the Local Government: Municipal Finance Management Act (Act 56 of 2003) states that: “ The Council of a municipality must consider the annual report of the municipality and of any municipal entity under the municipality’s sole or shared control and by no later than two months from the date on which the annual report was tabled in the Council in terms of 32 section 127, adopt an oversight report containing the Council’s comments on the annual report, which must include a statement whether the Council-

(a) Has approved the annual report with or without reservations;

(b) Has rejected the annual report; or

(c) Has referred the annual report back for revision of those components that can be revised.”

According to the Municipal Finance Management Act, 2003, Municipalities are encouraged to review the Annual report of the Municipality and municipal entity and develop and adopt an oversight report.

The Terms of Reference of the Municipal Public Accounts Committee provide for the Committee to oversee the Annual Report of the Institution and develop an Oversight Report

BACKGROUND

Local government legislation requires municipalities to prepare annual reports on service delivery and financial performance. The requirement for annual reporting is contained in section 46 of the Municipal Systems Act, 2000 (Act 32 of 2000 as amended), and section 121 of the Municipal Finance Management Act, 2003 (Act 56 of 2003). In addition, the National Treasury (NT) issued Circular 11 of the MFMA, which provides guidance to municipalities on compliance with the above legislation and in accordance with the said Circular:

A municipal annual report must include the following major elements:

1. Annual performance report comparing the year’s performance with the performance objectives established in the IDP, Budget and SDBIPs;
2. Annual financial statements (AFS), Auditor-General’s (AG) audit report on the AFS and management’s responses to address the AG’s audit findings;
3. Other disclosures as required by the MFMA in Sections 121, 123, 124 and 125 (e.g. Councilors and top management compensation, grants, bank accounts, investment information, etc.).

Section 129 (1) of the Municipal Finance Management Act, 2003 and National Treasury's (NT) Circular 32 direct and guide the oversight process and the preparation of the oversight report.

The Municipal Public Accounts Committee are successors in title to the Oversight Committee whose mandate entails, inter alia to:

- a) Lead the process of review of the annual report for Council, through a detailed analysis and engagement with stakeholders.
- b) Engage the Executive and the Administration on issues raised by the Auditor General to get assurance that such issues are attended to.
- c) Prepare the oversight report and provide Councilors with a more detailed and comprehensive analysis of the annual report than what they would have reached individually and or during the sitting of Council.

The rationale for the establishment of oversight committee is to assist the Council in providing better oversight over municipal operations and, ultimately, improve the quality of the annual report so that it can function as an effective performance monitoring tool for Council and citizens.

In terms of the National Treasury guidelines for Councilor's part eleven the Oversight of a municipality is not confined to the financial statements but includes monitoring the service delivery and the level of performance of the Municipality. For this reason, Oversight must "assess effectiveness, efficiency, service quality and municipal productivity and reports on SDBIP implementation that assesses whether promised service delivery targets have been delivered". It assesses whether the services that are delivered to the citizens meet the expectations of the citizens and whether they are of such a quality that is commensurate with the resources invested.

Considering that the review of the annual report may not be effective if done by the whole Council, the Amahlathi Local Municipality Council appointed multi-party Municipal Public Accounts Committee, in line with Guidelines issued by the Department of Cooperative Governance and the National Treasury.

Accordingly, the Municipal Public Accounts Committee is mandated to receive the Annual Report and analyze it to establish if the Municipality has fulfilled its mandate to the electorate in terms of service delivery as well as whether in delivering such services the resources of the institution were utilized in an effective and efficient manner.

On receipt of the Annual report of ALM and the consolidated annual financial statements the Municipal Public Accounts Committee met to consider the annual reports as required in terms of the Act, 2003 and developed a program of action to guide the committee in dealing with the Annual report.

The program of action also includes Public Participation on the Annual Report thus affording communities an opportunity to assess the performance of the Municipality as envisaged in section 16(1)(a)(iii) of the Municipal Systems Act (Act 32 of 2000 as amended). Comments and input of the Communities are included in the Oversight Report.

STAFF IMPLICATIONS

None

FINANCIAL IMPLICATIONS

None

RECOMMENDATIONS

It is recommended :

- 1) That an Oversight Report on the Annual Report for 2024/2025 financial year of Amahlathi Local Municipality as appended to the agenda for the 03/2025/2026 Council Meeting to be held on 25 February 2026

BE APPROVED without reservations.

AM AHLATHI LOCAL MUNICIPALITY



OVERSIGHT ON THE ANNUAL REPORT OF AM AHLATHI LOCAL MUNICIPALITY FOR
2024/2025 FINANCIAL REPORT

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INTRODUCTION

Section 151(2) of the Constitution of the Republic of South Africa, 1996 as amended, vests both legislative and executive authority of the Municipality on the Council. This means that Council has the responsibility to oversee the work of the Executive and the Administration of the municipality. The oversight responsibility of the Council is meant to ensure that there are checks and balances in the running of the Municipality and the delivery of services to the community.

Section 152(a) of the Constitution of the Republic of South Africa, 1996 as amended, states that the object of local government is:

“To provide democratic and accountable local government for communities”.

In the light of this provision, it becomes the responsibility of all the political and administrative office bearers to promote a culture of accountability within the entire institution and any municipal entity of which the municipality has sole or shared responsibility or ownership and seek to give effect to the provisions of the Constitution.

The submission of the Annual Report and the Annual Financial Statements to the Council is a step towards the attainment of fully accountable governance and enables the Council to exercise its leadership role in ensuring an accountable local government. The submission of the Oversight report on the annual financial statements and the annual report is an area in which the Council must play a meaningful role in terms of ensuring:

1. That the Executive and the Administration comply with the requirements of the Municipal Finance Management Act, 2003 and other relevant legislation in terms of reporting.
2. That the annual report shows that the Municipality has lived up to its goals and strategies in terms of delivering services to the community as set out in its Integrated Development Plan.
3. That the municipality responds to national and provincial government norms in terms of the development objectives set by those spheres of government.

4. That the interests of the community are served to the extent that the municipality has the capacity and the resources to respond to the needs of the community.
5. That the municipality gives effect to the Integrated Development Plan as required in terms of section 36 of the Municipal Systems Act (Act 32 of 2000 as amended) and the Standing Rules (2014).
6. That the resources of the Institution are applied in an efficient and economic manner to deliver services to the community.

The Council of Amahlathi Local Municipality is considering mechanisms to do effective oversight in terms of the Act resolved to appoint a Municipal Public Accounts Committee to exercise the oversight functions of Council on behalf of Council and report progress in terms of section 79 of the Municipal Structures Act (Act 117 of 1998 as amended). The Terms of Reference of the Municipal Public Accounts Committee include the consideration of the Annual Report and preparation and presentation of an oversight report to the Council for adoption.

SUMMARY OF THE RESOLUTION OF THE COUNCIL ON THE ANNUAL REPORT

The Mayor of Amahlathi Local Municipality, Her Worship Cllr Nomakhosazana Nongqayi, presented the Annual Report and the Audited Annual Financial Statements for the Local Municipality in a Council Meeting held on the 22 January 2025 in terms of section 127 of the Municipal Finance Management Act (Act 56 of 2003) as part of item 4.10 of the Council Agenda.

RESOLVED

That the 2024/2025 Draft Annual Report on Performance and Financial Information appended to the agenda for the 02/2025/2026 Council Meeting held on the 22 January 2025 **BE NOTED**

PROCESS FOLLOWED BY THE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE IN
DOING ITS WORK.

In terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003), section 121 states that: Every Municipality and every Municipal entity must for each financial year prepare an annual report in accordance with this chapter. The Council of the Municipality must within nine months after the end of the financial year deal with the annual report of the Municipality and any of the Municipal entities under the municipality's sole or shared control in accordance with section 129.

The Committee developed a program of action for oversight on the Annual Report. The Program of action which is attached herewith as "**Annexure G**" of this report entailed the following key component:

1. Roll out of the Annual report to Communities for the citizens to be afforded an opportunity to give their views and raise concerns on the performance of the Municipality on service delivery.

MEMBERSHIP

The oversight committee is a committee of council established under section of the municipal structures act 1998. Section 79, allows for co-option of advisory members to a committee, who are not members of the council

Due to the separation of roles and responsibilities between council and executive committee (MAYOR AND EXCO). It is not appropriate that members of the EXCO be members of the oversight committee.

AMAHLATHI OVERSIGHT COMMITTEE COMPOSED OF THE FOLLOWING MPAC MEMBERS:

- Cllr Z.A Qonto- Chairperson
- Cllr X. Neti
- Cllr P.A. Simandla
- Cllr M. Gantsho
- Cllr Z. Mjandana
- Cllr N. Ncevu

PUBLIC PARTICIPATION ON THE ANNUAL REPORT

Public hearings on the Annual report are a unique opportunity for communities to analyze and give comments on how they view the performance of the Municipality. In this regard the Municipality is able to comply with the provisions of section 16(1) (iii) of the Local Government Municipal Systems Act, 2000 as amended. However successful and effective participation of citizens in these processes depends on the extent to which an enabling environment is created for effective engagement. Thus, the support and cooperation of the local municipalities is important so that communities are able to evaluate the performance of local government in their areas.

During the Public Hearings the Committee was accompanied by the Honorable Mayor who presented the report to the communities. The Committee is pleased to report that it was able to visit all the areas of the local municipality.

The Committee noted that some of the issues raised by communities during the Public Hearings were raised in previous years and there is an indication that the Institution has not been able to resolve them, or they are taking longer to resolve. It is the view of the Committee that the Local Municipality is not moving fast enough in resolving the issue.

While the Communities have raised a number of issues, the over-arching impression was that of appreciation of the efforts that are made by ALM in delivering services to communities. Amongst the positive comments of the Communities are the following:

- a. The Amahlathi Local Municipality's consistency in bringing a report to communities on their performance.
- b. Communities appreciate the efforts that are made by ALM in delivering services in view of the backlog inherited from the past.

The details of the comments of the communities are captured in **'Annexure H'** of the report

INTERACTION WITH THE EXECUTIVE AND THE ADMINISTRATION

An important component of the oversight on the Annual report is the interaction between the Municipal Public Accounts Committee, the Executive and Administration. The purpose of the interaction is for the Municipal Public Accounts Committee to get assurance that matters raised by the Auditor General are receiving the attention of the Administration and the Executive and that there are plans in place to systematically deal with the matters and resolve them timeously . Due to the tight schedule of the ALM calendar, it was not possible to meet with the Executive and the Administration before the committee undertook the process of the public hearings.

SUMMARY OF CONCLUSIONS OF COUNCIL WITHOUT RESERVATIONS EXPRESSED ON THE ANNUAL REPORT AND THE ANNUAL FINANCIAL STATEMENTS OF THE ALM

The Municipal Public Accounts Committee has reviewed the Annual report and consulted communities in the process. The Committee is satisfied that the information provided is a fair representation of the state of affairs within the Municipality. The Committee therefore recommends that the Annual report of Amahlathi Local Municipality be adopted.

ANNEXURE “A”

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROGRAM OF ACTION

| Terms of Reference/Objectives | Activity | Frequency | Expected Outcomes |
|--|--|--|--|
| Ensure accountability, efficiency and effectiveness of Executive and Administration | | | |
| | Expenditure on Municipal Infrastructure Grant conducted by the Municipal Public Accounts Committee | Quarterly | <p>The MPAC is required by the Municipal Structures Act (Act 117 of 1998) as amended, to serve as an oversight committee. They are further required by ALM TOR's to visit the ALM projects at any stage of their implementation to:</p> <p>i) Assess the level of community satisfaction on the implementation of the project. ii) Assess the impact of the project on the community and establish whether the resources of the Institution are effectively utilised. iii) Identify any challenges in the implementation of projects and advise council for corrective action.</p> |
| Ensure capacity building for the committee | Municipal Public Accounts Committee Ordinary meeting | Quarterly | To share information and discuss issues at hand |
| | Arrange training for the committee | On- going/As and when is requested by the committee. | To strengthen capacity of committee. To develop probing and investigative skills. |
| | Meetings with the Audit Committee | Quarterly | <ul style="list-style-type: none"> - Discuss opinions on financials. - Share information on IA processes - Get opinion of IA on Financial Statements and Audit Process. |
| Terms of Reference /Objectives | Activity | Frequency | Expected Outcomes |

| | | | |
|--|---|----------------------------------|---|
| Ensure community participate in review of Municipal Performance | Conduct Public Hearings on the Annual Report | Annually | - Community inputs into Municipal Performance. |
| Prepare oversight report on annual report | Meetings with the Mayor, Mayoral Committee and Management | Annually | - Get responses on issues raised by AG on the Annual Report. - Provide assurance to council and communities. |
| Ensure Clean and Accountable governance | Investigation into fruitless and wasteful expenditure | As and when requested by Council | - Promote transparent and accountable governance. |

Signed by:



MPAC CHAIRPERSON
CLLR .Z.A.QONTO

ANNEXURE "B"

AM AHLATHI LOCAL MUNICIPALITY



MPAC TERMS OF REFERENCE

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1. GENERAL DEFINITIONS

1.1 General definitions

1.1.1 In this Audit Committee and Performance Audit Committee Charter, unless the context indicates otherwise, a word or expression to which a meaning has been given, has the same meaning, and –

| | |
|---------------------------|---|
| “Accounting Officer” | means the Municipal Manager, referred to in section 60 of the Act |
| “Act” | means the Municipal Finance Management Act, Act 56 of 2003 |
| “Committee” | means the Municipal Public Accounts Committee established in terms of section 79 of the Municipal Systems Act, means the Audit Committee and Performance Audit Committee established in terms of Section 166 of the Act and the Performance Audit Committee established in terms of the Local Government Municipal Planning and Performance Regulations, 2001. |
| “Chief Financial Officer” | means the employee designated in terms of MFMA who performs such budgeting, and other duties as may in terms of section 80 & 81 of the MFMA be delegated by the accounting officer to the chief financial officer. |
| “Local Municipality” | means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1) of the Constitution as a category B municipality |
| “Employee” | means a person in the employ of the Local Municipality |
| “External Auditors” | means the Auditor-General |
| “Internal Audit Function” | means an internal audit component as constituted by Council. |
| “MPAC” | means a Municipal Public Accounts Committee as constituted by Council. |
| “TOR’s” | means the Terms of reference as adopted by Council. |

2. INTRODUCTION AND PURPOSE

- 2.1 The Municipal Public Accounts Committee (MPAC) is established in terms of Section 79 of the Municipal Structures Act as a Committee of Council for the efficient and effective performance of its functions. The MPAC Terms of Reference (TOR's) is the statement of its functions and responsibility as delegated by the Council. The Terms of Reference state the purpose of the Committee and its specific responsibilities. MPAC is the Committee of the Council and answerable to the Council on performance of its functions. MPAC's recommendations are only binding when adopted as Council resolutions.
- 2.2 The role of MPAC is to serve as an oversight Committee and to review Amahlathi Local Municipality's Annual Report with specific focus on the financial aspects as contained in the Auditor-General's Report and also when instructed by the Council to advise Council in respect of unauthorized, irregular or fruitless and wasteful expenditure in terms of Section 32(2) of the Municipal Financial Management Act (MFMA).
- 2.3 The Committee (MPAC) is a link in the accountability chain and plays accountability role at the local sphere of government. It enhances the accountability process by ensuring that there is objective political oversight in addition to the other governance committees, such as Council Executive, Executive Committee (EXCO), Finance Portfolio and the Audit Committee.
- 2.4 MPAC will assist Council to hold the executive and municipal agencies to account as well as ensure the efficient and effective use of public finance.
- 2.5 The MPAC enables the Council, in respect of financial management, to fulfil its constitutional obligation to scrutinize and oversee executive action with regard to financial administration and non-financial activities.

Oversight in the Municipality enables the Council to:

- gain the trust of the voters on good governance related to public resources;
- to improve service delivery and performance;
- to hold the executive and administration accountable for their stewardship on policy implementation and use of municipality funds;
- to enable councilors to evaluate the performance of the municipality against the set and agreed targets;
- to report on performance of the municipality to their constitutions; and
- to enhance the integrity of the municipality and thereby installing confidence by the local communities.
- Monitor, implementation of recommendations by the AG Audit Committee and Internal Audit.

- 1.6 Request the support of Internal and/or external Auditors for advisory when necessary for any function assigned through council resolution

3. THE COMMITTEE'S MANDATE

3.1 Responsibilities related to management and internal control- The Committee should advise Council in carrying out its responsibilities in terms of the Municipal Structures Act. The following amongst others, would be expected from the Committee: To consider and evaluate the content of the following reports submitted to Council by the Executive Mayor and to make recommendations to Council in respect of such reports;

- i) Quarterly Supply Chain Management Reports;
 - ii) Quarterly Performance Reports;
 - iii) Quarterly reports on the implementation of the Service Delivery and Budget Implementation Plan (SDBIP) to assess the effectiveness, efficiency and quality of services rendered and/or goods purchased; and to ascertain whether specific promised service delivery targets have been met;
 - iv) Section 71 and section 72 reports
- a) The MPAC is also empowered to invite people with relevant experience both internally and externally to attend its meetings as it deems fit
- i) To consider and evaluate the content of the annual report and draft an oversight report in accordance with Section 129(1) of the MFMA, within two months of the annual report being tabled in Council. The oversight report must include a statement recommending that Council:
 - ii) approve the annual report with or without reservations;
 - iii) reject the annual report;
 - iv) refer the report back for revision of those components that can be revised;
 - b) Promote the effectiveness of the Municipality's internal control system regarding financial, operational and Compliance with applicable laws and regulations ;
 - c) Perform any other functions assigned to it through a resolution of council within its area of responsibility;
 - d) Understand the scope of internal and external auditors' review of internal controls over financial reporting and obtain reports on significant findings and recommendations, together with management's responses;
 - e) Interrogate the content, quality, adequacy, reliability and accuracy of the financial information (monthly and quarterly reports) provided to Council and other users of such information;
 - f) Interrogate any accounting and auditing concerns identified as a result of internal and external audits performed;
 - g) Interrogate the Auditor-General's management letter and management's response;
 - h) Recommend/ investigate changes in accounting policies and practices; and
 - i) Recommend adjustments resulting from the audit;
 - j) By way of a resolution of Council, to investigate the recoverability of unauthorized, irregular or fruitless and wasteful expenditure in terms of Section 32(2)(a) and (b) of the MFMA;
 - k) Play an oversight role by conducting Departmental visits through the office of the Mayor;

3.2 Responsibilities related to the Internal Audit function and Audit Committee-The Committee should ensure that the Internal Audit function performs its responsibilities effectively and efficiently through:

- a) Assist Internal Audit in promoting good governance, transparency and accountability on the use of municipal resources
- b) MPAC should interrogate the audit reports of the municipality;
- c) Evaluate the extent to which the Audit Committee's and Internal Audit's recommendations have been implemented;
- d) Recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the Internal Audit;
- e) MPAC should request the support of Internal Auditors for advisory when necessary for any function assigned through Council Resolution;
- f) Request advice from Internal Audit on the technical content of MPAC reports;
- g) Have meetings with the Internal Auditors as deemed necessary;
- h) Request advice from audit committee on the adequacy reliability and accuracy of financial reporting and information, performance management, effective governance compliance with the MFMA and the Division of Revenue Act and other local government applicable legislation.
- i) The Committee shall be entitled to visit the ALM projects at any stage of their implementation so as to:
 - i) Assess the level of community satisfaction on the implementation of the project.
 - ii) Assess the impact of the project on the community and establish whether the resources of the Institution are effectively utilised.
 - iii) Identify any challenges in the implementation of projects and advise council for corrective action.
- j) The following procedure will be followed when MPAC project visits take place:
 - i) MPAC develops a report;
 - ii) MPAC meeting the Executive Mayor and Municipal Manager to appraise them on MPAC findings;
 - iii) The Mayor and Municipal Manager develop action plans or provide comments to add to MPAC findings;
 - iv) MPAC report with recommendations is tabled to Council;
 - v) Within 30 days, the Mayor and Municipal Manager meet with MPAC to appraise MPAC on actions taken;
 - vi) Municipal Manager reports to Council on steps taken to address issues raised by MPAC;
 - vii) In this process the independence of MPAC must be maintained unless it is a matter of urgency, the Committee must liaise with the Municipal Manager in respect of proposed site visits, to ensure that officials and/or service providers are on site to provide project related information to the Committee, as well as to ensure that interruptions to the projects to be visited are minimized.
 - viii) Committee should develop effective follow-up procedures to determine if action has been taken to implement its recommendations;
 - ix) Replies to recommendations of the committee are required from the accounting officer or any structure;
 - x) Replies should indicate the action taken to deal with the problem;

- xi) Replies to questions must be provided to the committee within 30 days after the date of the resolution of the committee;
- xii) When it is not feasible to provide information within the stipulated period the department responsible must furnish reasons with reasonable timeframes.

3.3 Responsibilities related to External Audit performed by the Auditor-General

- a) MPAC should convene meetings and hearings as and when it is required;
- b) Request advice on the technical content of MPAC reports.
- c) Ensure that there are no restrictions or limitations placed on the auditors;
- d) Examine audit results and contents of financial information and the action plans of management;
- e) Meet with the External Auditors at their request as they deem necessary;
- f) Ensure direct access by the External Auditors to the Committee, the Chairperson of the Committee and the Executive.

3.4 Responsibilities related to Performance management and Performance evaluation

- a) Interrogate the reports of the internal auditors covering the performance measurements of the Municipality.
- b) Interrogate the Municipality's performance management system and make recommendations in this regard to Council.
- c) In reviewing the Municipality's performance management system, the Committee should focus on economy, efficiency, effectiveness and impact in so far as the key performance targets set by the Municipality are concerned.

3.5 Responsibilities related to the public

- a) Participate in the public hearings.
- b) Provide comments on matters referred to the public.
- c) Committee hearings are open to the public; however, in-camera Hearings may be held if the Committee is of the view that the matters in question may impact on rights to privacy or any other rights protected by the Constitution.

3.6 Risk Management

- a) The Committee should ensure that a risk register exists.
- b) The Committee should consider the overall risk management processes in the Municipality.
- c) The typical risks inherent to the functions and activities of the Municipality as well as the management and control of such risks.
- d) Ensure that all projects are registered within the risk register.
- e) Details of the action plans of management to control the level of risk.

3.7 Compliance Management

- f) Investigate the effectiveness of the systems for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instance of non-compliance.
- g) Ensure that the Committee's activities comply with all requirements, as determined by any applicable legislation and regulations promulgated there under, as well as any regulatory/ supervisory authority and shall review the Municipality's compliance with any statutory requirements and regulations, in respect of accounting and financial reporting.
- h) Request and consider reports and presentations by management on measures implemented to ensure compliance with statutes, internal policies, procedures and controls, including accounting systems and record keeping controls, information systems and technology controls, internal auditing processes, management information systems and reports applied to the day to day management of the Municipality's business, and review the internal control structure including financial control, accounting systems and reporting; and

Consider the impact of new legislation on the affairs of the Municipality

3.8 Review of the annual financial statements

- a) According to section 166 (2)(b) of the Act, the Committee must interrogate the Annual Financial Statements to provide the Council of the Municipality with an authoritative and credible view of the financial position of the Municipality, its efficiency and effectiveness and its overall level of compliance with the Act, the annual Division of Revenue Act and any other applicable legislation.
- b) Review the reasons for major fluctuations in the financial results (current year compared with prior years).

3.9 Special investigations

- a) Where circumstances necessitate, the Committee may undertake special investigations referred to it by Council without having to wait for an investigation report already undertaken by the Internal Audit.

3.10 Other responsibilities

- a) Perform any other functions assigned to it through a resolution of council within its area of responsibility.
- b) Advise on matters relating to:
 - i) Effective governance; and
 - ii) Any other issues referred to it by the Council

4. Reporting To Council

- a) The Committee has no executive power; however, the findings and recommendations of the Committee carry considerable weight for good governance. The committee submits report to Council on its recommendations as soon as possible after adoption. These recommendations are submitted to Council for consideration and approval.
- b) The MPAC must discuss and adopt its report for Council, as the MPAC is a committee of the council, its reports are submitted directly to the council without being submitted to the EXCO.

- c) The name of individuals are included in its reports. These reports would then be considered at in-committee meetings.
- d) The MPAC should be able to communicate freely with the Speaker on the inclusion of reports of the MPAC in the Council agenda.

5. COMPOSITION OF THE COMMITTEE

5.1 Membership

- a) The MPAC shall comprise of councilors, excluding any councilor serving as an Executive Mayor or Deputy Executive Mayor, Mayor or Deputy Mayor, Speaker, Whip or a member of the Mayoral Committee.
- b) As a committee established in terms of Section 79 of the Structures Act, the Committee is authorized by Council to co-opt advisory members who are not members of Council, but within the limits determined by Council
- c) MPAC members may not serve in other Committees of Council to minimize possible conflict of interest. Members ought to represent a wide range of experience and expertise available in Council and represent various political affiliations.
- d) Councillors serving on MPAC shall be appointed for a term as determined by Council.
- e) The Council may dissolve the MPAC at any time by way of a Council resolution.

5.2 Chairperson

- a) The Chairperson of the Committee is to be appointed by Council resolution.
- b) The Council may consider making the position of Chairperson of the Committee full-time.
- c) If the chairperson of the committee is unable to attend a particular meeting, the members present will elect an acting chairperson for that meeting.

5.3 Secretariat of the Committee

- a) In order for the MPAC to be effective in executing its functions, officials in the Legislative and Executive Support Department will provide support to the Committee to coordinate and undertake research activities and will also provide secretarial and administrative support as required by the committee's work programme.
- b) MPAC Chairperson shall have direct access to the Attorneys of the Municipality for advice and review on any investigation report undertaken by the MPAC Committee.
- c) The Committee's annual budget shall be under the control and management of the Legislative and Executive Support department.

- d) The council must ensure adequate provision of financial and other resources to ensure that the Committee fulfils its mandate.

6. OPERATION

6.1 Frequency of meetings

- a) The meetings of MPAC shall be included in the annual calendar of the Council and will sit quarterly as determined by Council in its schedule of meetings, but special meetings may be called when necessary to consider urgent matters as mandated by Council.
- b) Agendas for the meetings shall be issued at least seven days prior to a meeting.
- c) The standard rules for the Council shall apply to MPAC.
- d) The meetings of the MPAC should, as far as is possible and practical, be open to the public in accordance with section 160(7) of the Constitution.

6.2 Quorum

- a) The quorum for meetings will be 50% plus 1 of the members of the Committee.

6.3 Conflict of interest

- a) Subject to the provisions of any act, regulation or prescript, where a member of the Committee has an interest in a matter being considered, this interest shall be declared at the beginning of the proceedings of the meeting, and the member must recuse him/ herself from the decision-making process.

6.4 Access to information

- a) MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee.
- b) MPAC has unrestricted access to information relating to all personnel, books of accounts, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities, however MPAC has to notify the office of the Municipal Manager, unless the Municipal Manager is implicated in the matter.
- c) Head of departments should provide information within 7 working days failing which, the MPAC Chairperson will direct the request to the Office Municipal Manger and if there is no response from the M.M either, the Committee shall forward the matter to Council.
- d) It shall have the authority to instruct committee members, management and other employees of the council to be present at any given meeting for possible interview and/or give input regarding items on the agenda.
- e) The MPAC committee has the authority to obtain legal, technical and other specialized assistance required to exercise its functions and duties but that should be within the budget approved for the committee and subject to the supply chain management policy where applicable.

- f) The MPAC shall have direct access to internal and external auditors and direct investigations into any matters referred to it by Council.
- g) The committee should have permanent referral as they become available of :
 - i) All financial statements and the Annual Report of the municipality and its municipal entities as part of the Committee's oversight process;
 - ii) Audit opinion, other reports and recommendations from the Audit committee;
 - iii) Reports in respect of transgressions in terms of the MFMA pertaining Sections 32(2) of the MFMA;
 - iv) Information in respect of transgression in terms of the MFMA pertaining to the Council and its Municipal Entities, i.e. failure to prepare and adopt the Annual Report as well as the submission and auditing of the annual financial statements;
 - v) Feedback on corrective action taken in respect of recommendations by the MPAC;
 - vi) Information in respect of any disciplinary action taken in terms of the MFMA where it relates to an item that is currently serving or has served before the committee;
 - vii) Any other audit report from the municipality; and
 - viii) Performance information of the municipality;
- h) The Standing Rules for the Council applies to the Committee and provide various other rights and powers to the Committee to assist it in carrying out its functions effectively, for example:
 - i) The power to work with other committees of Council.
 - ii) The right of other Committee Members to attend in an observation capacity will be accommodated, but participation in the Committee hearing will be at the discussion of the MPAC Committee members.
- i) To ensure that the Council oversight report as envisaged in Section 129 of the MFMA is prepared for adoption by the Council and that corrective action has been taken in respect of the comments and resolutions in respect of the oversight report.

6.5 Confidentiality

- a) The Committee undertakes to state that it will not, at any time, disclose confidential information to any third party for any reason or purpose whatsoever without the express prior written consent of the Municipal Council.

6.6 Notice of meetings

- a) Notice of each meeting shall be given in writing to all members of the Committee, at least fourteen days prior to the date on which such a meeting is to be held.

6.7 Agenda, papers and distribution

- b) The agenda of each meeting shall be prepared and distributed at least seven days prior to the meeting date. Any person attending the meeting may add items to the agenda up to three days before the agenda is finalized. Such items must be provided to the secretary of the Committee.

6.8 Minutes

- a) The secretary shall prepare draft minutes of the meeting for review by the Chairperson within 10 working days of the meeting. The minutes shall be tabled at the next meeting of the Committee for adoption.

7. OTHER MEETINGS OF THE CHAIRPERSON

- a) Should the external auditors, internal auditors, audit committee or legal manager or any other party request an audience from the Committee, the Chairperson shall consult the other members prior to convening such a meeting;
- b) The Chairperson may meet separately with the external auditors, internal auditors, audit committee or management to discuss any matter;

8. EVALUATION OF THE EFFECTIVENESS OF THE COMMITTEE

- a) Although the effectiveness evaluation of the Committee is the responsibility of the Council, the Committee shall conduct a self-assessment evaluation on an annual basis. The results of the evaluation shall be made available to the members and Council as soon as convenient.
- b) At the last meeting of each financial year, the Committee shall conduct an evaluation of the Committee's Terms of Reference and will make recommendations to improve the effectiveness of the Committee, as may be required.
- c) The Council must also evaluate the effectiveness of the MPAC annually.

9. APPROVAL

- a) These Terms of Reference are hereby adopted as the guiding document for existence and operation of the Amahlathi Local Municipality's Municipal Public Accounts Committee.



MPAC CHAIRPERSON
Z.A QONTO

ANNEXURE "C"

AM AHLATHI LOCAL MUNICIPALITY



**AM AHLATHI LOCAL MUNICIPALITY
PROJECTS FOR 2023/2024 FINANCIAL
YEAR**

AMAHLATHI LOCAL MUNICIPALITY PROJECTS FOR 2023/2024 FINANCIAL YEAR

[File No.....]
[Author: MPAC Chairperson/ZA/Q]
[Ordinary Council Meeting:27 March 2025]

Purpose

To report progress on the implementation of Amahlathi LM projects for 2023/2024 financial year.

Background

The Municipal Public Accounts Committee is required by the Municipal Structures Act (Act 117 of 1998) as amended, to serve as an oversight Committee and when instructed by the Council to advise Council in respect of unauthorized, irregular, or fruitless and wasteful expenditure in terms of Section 32(2) of the Municipal Financial Management Act (MFMA). They are further required by the ALM TORs to visit the ALM projects at any stage of their implementation so as to:

- i) Assess the level of community satisfaction on the implementation of the project.
- ii) Assess the impact of the project on the community and establish whether the resources of the Institution are effectively utilised.
- iii) Identify any challenges in the implementation of projects and advise council for corrective action.

Authority

- The Constitution of the Republic of South Africa, 1996 as amended.
- The Local Government: Municipal Structures Act (Act 117 Of 1998)
- The Local Government Municipal Finance Management Act (56 of 2003), Municipal Supply Chain Management Regulations

Legal And or Statutory Requirements

According to section 151(2) of the Constitution of the Republic of South Africa, 1996 as amended, the legislative and executive powers of a municipality are vested in its municipal council. In terms of this provision the Council is expected to develop mechanisms to ensure a balance in the performance of both functions without compromise to the principle of separation of powers.

Section 79 of the Local Government Municipal Structures Act (Act 117 of 1998 as amended) makes provision for the Municipal Council to:

- a. Establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers.

RECOMMENDATION(s)

- 1) That the progress on the implementation of Amahlathi LM projects for 2023/2024 financial year **BE NOTED.**
 - 2) That the municipality **allocates** more budget for stormwater structures and drainage system.
-

STUTTERHEIM MULTI-RECREATIONAL CENTRE

Project Location

The project is situated at Stutterheim between Long Street, Hill Street, and Maclean Road (N6)

Objective and Project Initiation

The objective of the project entails the construction of a multi-recreational centre with offices, boardroom, ablution facilities, multi-purpose hall or an Auditorium, workshops, and outdoor recreational facilities. The project initiation was done by Amahlathi Local Municipality in consultation with the local community

The scope of works is divided into 3 service categories namely Buildings, Civil Engineering, Electrical & Mechanical Engineering Services. The project implementation commenced on the 20th day of April 2023 and is due for completion on the 23rd day of January 2024.

Scope of work

The Scope of work entails the construction of the following: -

- Offices.
- 25-seater boardroom.
- Ablution facilities.
- Multi-purpose hall with squash court and table tennis facilities.
- Workshops.
- Access road.
- Parking bays and
- Fencing.
- 3 workshops.
- IT Centre2.
- Information Centre.
- Tourism Centre.
- Revenue Hall.
- Council Chamber (40 sitter).
- Reception Area.

The scope of works is divided into 3 service categories namely Buildings, Civil Engineering, Electrical & Mechanical Engineering Services.



The project has been completed.

KEISKAMMAHOEK RECREATIONAL CENTRE

Project Location

The project is situated at Keiskammahoek in Ward 01, near the town's central business district (CBD), within the Amahlathi Local Municipality of the Amathole District Municipality in the Eastern Cape. The site is owned by the municipality and has deteriorated library building on it.

Objective and Project Initiation

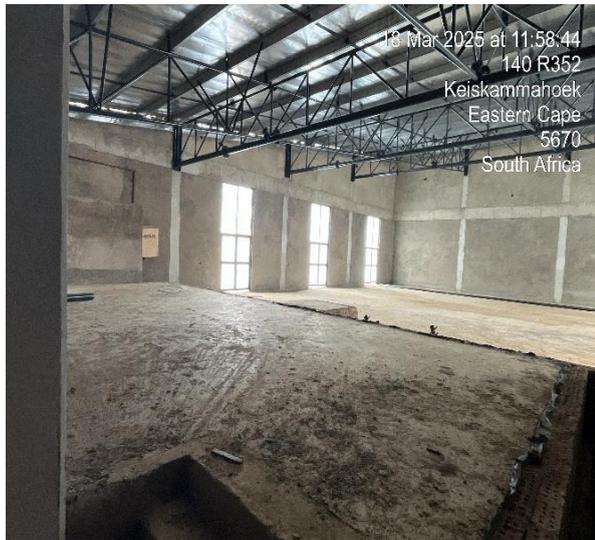
The project is aimed at constructing a multi-recreational facility and a library in Keiskammahoek. It has a duration of 8 months which commenced on the 28th of February 2023 expected to be completed on the 12th of December 2023. Project initiation and assessment were made starting on inception, identifying what needed to be done, topographical surveys and geotechnical investigations were conducted. Preliminary design and Final design report were also submitted and approved. The project was out on tender last year December 2022 and closed in January 2023 and Vitsha Trading was awarded the contract early March 2023.

Scope of work

Construction of a multi-recreational facility, includes the following:

- Hall
- Changerooms
- Kitchen
- Toilets for males and females
- Building foundation
- Stormwater drainage around the building
- Library
- Construction of pathway
- Construction of a parking space (staff and visitors)
- Fencing





Recreational Centre Hall

Cashiers Office

The overall progress of the project is at 78% complete and roofing at 95% complete.

Progress to date:

- Brick work for Veranda
- Beam filling
- Installation of fire hydrant
- Plumbing at 80% complete

Outstanding work:

- Stormwater structures
- Paving/layer works
- Boundary wall
- Panting
- Tiling
- Fencing
- Wiring

MLUNGISI SPORTFIELDS PHASE 2

SITE CLEARANCE

- Clear and grub
- Remove and grub large trees
- Stumps of girth
- Over 1m and up to and including 2m

EARTHWORKS

- Site preparation
- Remove topsoil to nominal depth 150mm and excavate to nominal depth 200mm stockpile and maintain
- Bulk excavation
- Excavate in all materials and use for embankment or backfill or dispose, as ordered
- Combi and netball Courts
- Extra-over for intermediate
- Hard rock excavation
- Rip and recompact insitu earth to 93% Mod AASHTO
- Excavation in earth to reduce levels
- Under solid floor
- Excavation in earth not exceeding 2m deep
- Trenches
- Column bases, holes, etc.

Extra over all excavations for carting away

- Surplus material from excavations and/or stockpiles on site to a dumping site to be located by the contractor
- Risk of collapse of excavations
- Sides of bulk excavations not exceeding 1,5m deep
- Keeping excavations free of all water other than subterranean water
- Filling material obtained from excavations compacted to 93% Mod AASHTO density
- Backfilling to trenches, holes, etc
- Filling material obtained from the commercial sources compacted to 93% Mod AASHTO density (under floor)
- Coarse river sand filling supplied by the contractor (under floor)

Compaction of surfaces

- Compaction of ground surface under floors etc including
- scarifying for a depth of 150mm, breaking down oversize
- material, adding suitable material where necessary and compacting to 93% Mod AASHTO density

Soil Poisoning

Soil insecticide

Under floors etc. including forming and poisoning shallow furrows against foundation walls etc., filling in furrows and ramming

To bottoms and sides of trenches etc.

COMBI COURTS

SURFACING OF THE COURTS

Construction of netball field (30.5M X 15.25M), Basketball (29m x 15m) and Volleyball (18m x 9m). Supply and lay all-weather coloured slurry and marking on the courts.

FLOOD LIGHTS FOR SOCCER FIELD

The Contractor shall design, in accordance with the relevant codes, a floodlighting system to provide an average maintained horizontal illuminance at ground level of not less than 100 lux, with an illumination uniformity of not less than 0,4 and an illumination uniformity gradient of not more than 25% per 5 m.

The floodlighting system shall be capable of switching to a low level of 75 lux for general training purposes.

The Contractor shall provide for the installations of all ducts and footings required for the installation of the floodlights and shall provide as an option the complete installation. All footings shall be finished level with the finished ground level so as not to create a tripping hazard. Including poles installation 18m high minimum.

The supplier shall submit as part of the supplier's proposal a lighting plot showing the anticipated horizontal illuminance over the entire area at each level of illuminance.

BEDDING (PIPES)

Provision of bedding from trench excavation (Class C bedding):

Selected granular material

Selected fill material

Supply only of bedding by importation (Class C bedding):

Sewers

Supply, lay, joint, bed (Class B) and test pipeline, for a structured wall uPVC sewer pipes conforming with SANS Specification as follows:

110 mm diameter – Class 34

160 mm diameter- Class 34

Supply concrete manhole rings and covers conforming with the requirements of SABS 677 all straight channels, channel bends, concrete and sealant including all other required material for manhole depths

Up to 1,0m deep

Exceeding 1,0m and up to 2,0m deep

Exceeding 2,0m and up to 3,0m deep

Extra-over item 6.2 for:

Backdrops

For channel junctions in manhole for"

160mm to 160mm dia junction

MEDIUM PRESSURE PIPELINES

Supply, bed, lay, disinfect, join, and test potable water pipelines. All works inclusive in the rate, except where specific items are provided. All activities in accordance with project specifications.

HDPE Pipe

PIPE FITTINGS

Non return Valve Assembly for 100mm steel pipe (all fittings, specials, and flange drillings)

Irrigation System for soccer pitch

STANDPIPES

Supply and install standpipe complete including HDPE saddle, 40mm HDPE pipe(20m), tap and galvanised riser pipe, concrete work including shuttering, elbows, nipples, etc,

Allow for a connection to the existing main line.

Total summary of schedule

Description

PRELIMINARY AND GENERAL

Site Clearance

Earth works for sports fields.

Grandstand

Combi courts

Floods lights

Bedding pipes

Sewer

Medium pressure pipes

Standpipes.





The newly appointed contractor is on site.

MANDLAKAPHELI, LANGDRAAI VILLAGE ROADS AND CULVERT INCLUDING UPPER TO LOWER EMATYOTYOMBENI IN CATHCART

PROJECT BACKGROUND

This project entails rehabilitation and maintenance of gravel roads in Mandlakapheli road 1, Mandlakapheli road 2 and Langdraai villages of Amahlathi Local Municipality.

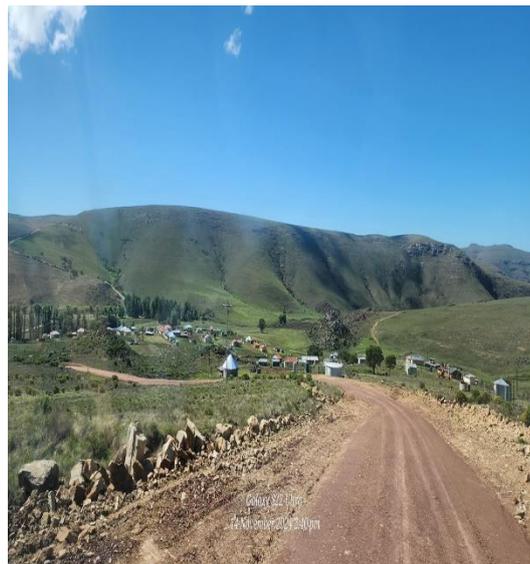
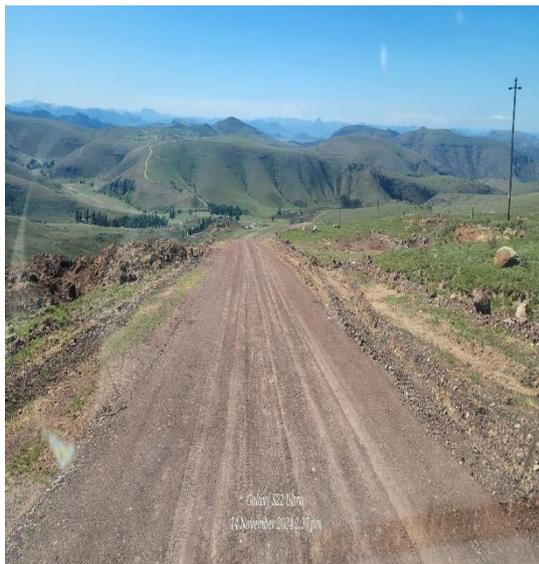
Amahlathi Local Municipality appointed Kukho Consulting Engineers as Engineers and Project Managers for the project in October 2023.

Scope of Works

The envisaged project scope is summarised below as follows:

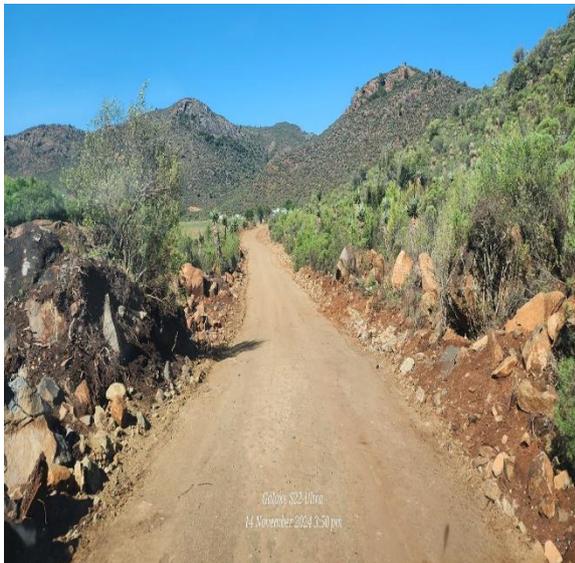
- Rehabilitation and maintenance of Langdraai village road – 2,092km
- Rehabilitation and maintenance of Mandlakapheli road 1 – 2,000km
- Rehabilitation and maintenance of Mandlakapheli road 2 – 1,938km
- Maintenance of associated stormwater drainage in the form of mitre drains and stormwater pipe culverts.
- Road Signs.

Mandlakapheli





Langdraai

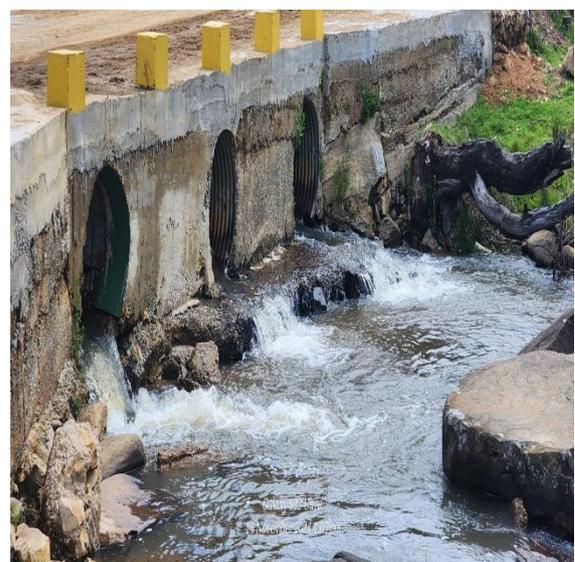


The construction of the road has been completed with a quality rating of 100%, the only issue was with the dish drains that are not properly constructed.

CONSTRUCTION OF THE BRIDGE CROSSING BETWEEN RHAWINI AND BONGWENI VILLAGE

Scope of work

- Re-gravelling of 2000m long and 5m wide gravel roads
- Construct wearing course to 150mm
- Construct subbase to 150mm
- Roadbed preparation to 150mm
- Removal of unsuitable materials
- Miter drains
- Upgrading of a Low – Level Portal Culvert Bridge
- Cleaning

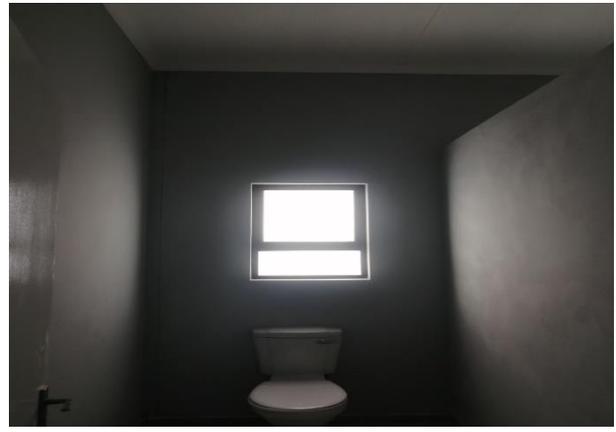
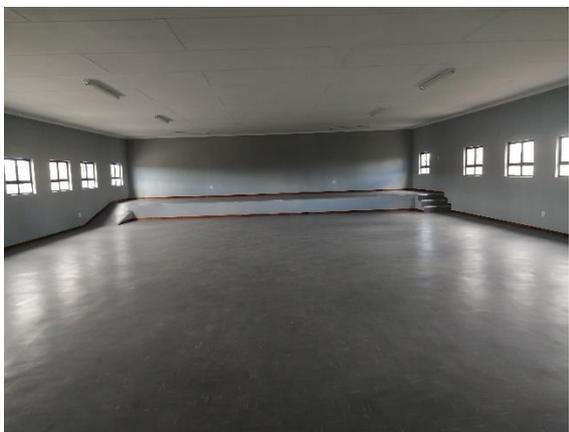


The project has been completed.

MBAXA COMMUNITY HALL

Scope of work

The Scope of work entails the construction of the following: -
Community Hall facility with an area of 320 m²
Ablution facilities,
Parking Bays
Paving around the Hall
Perimeter fencing with pedestrian and vehicle gates.



The project has been completed and will be handed over to the community in March 2025.

STUTTERHEIM – LANDFILL SITE ROAD

PROJECT BACKGROUND

This project entails rehabilitation and maintenance of Stutterheim Landfill Site Road of Amahlathi Local Municipality

Required Infrastructure

- The following infrastructure is proposed under this project:
- Maintain and rehabilitate a total of 6,0 km long existing gravel roads.
- All necessary stormwater drainage structures associated with above roads (pipe culverts and dish drains).
- Additional stormwater pipes and lined channel to prevent scouring of open channel drains.
- Road signs.



The construction of the road has been completed in November 2024. Cleaning of the existing bridge structure and revamp of the walls was to be completed.

UPPER, LOWER NGQUMEYA ROAD AND TSHOXA ROAD IN KEISKAMMAHOEK

Project Background

This project entails rehabilitation and maintenance of gravel roads in Upper Ngqumeya, Lower Ngqumeya and Tshoxa road in Kieskamahoeck.

The envisaged project scope is summarised below as follows:

Rehabilitation and maintenance of Upper Ngqumeya road 1 – 1,2km

Rehabilitation and maintenance of Upper Ngqumeya road 2 – 300m

Rehabilitation and maintenance of Upper Ngqumeya road 3 – 2,030km

Rehabilitation and maintenance of Lower Ngqumeya road 1 – 400m

Rehabilitation and maintenance of Tshoxa road 1 – 900m

Rehabilitation and maintenance of Tshoxa road 2 – 450m

Rehabilitation and maintenance of Tshoxa road 3 – 550m

Rehabilitation and maintenance of Tshoxa road 4 – 100m

Maintenance of associated stormwater drainage in the form of mitre drains and stormwater pipe culverts.

Road Signs.

Upper Ngqumeya



The construction of the road was completed in November 2024.





Cleaning of stormwater pipe culvert is in progress.

Lower Ngqumeya



The construction of the road has been completed in November 2024.

Tshoxa





The construction of the road has been completed in November 2024.

CONSTRUCTION OF ROADS AND STORMWATER STRUCTURES AT MLUNGISI TOWNSHIP (OLD LOCATION, MBULELO NDONDO AND MPELAZWE

Project Location

These areas fall under the town of Stutterheim which is situated in the border region of the Eastern Cape Province. Access to the town is by means of R346 regional road from King Williams Town, or via N6 national road from East London. The project is situated in Ward 9 of the Amahlathi Local Municipality. The project co-ordinates of the proposed development are as follows:

Scope of work

The construction process will include the following operations:

- General Requirements and Provisions
- Contractor's Establishment on Site and General Obligations
- Offices for the engineer's site personnel
- Accommodation of Traffic
- Clearing and Grubbing
- Dayworks
- Drains
- Mass Earthworks
- Pavement Layers of Gravel Material
- Pitching, Stonework and Protection against erosion
- Road Signs
- Testing Materials and Workmanship.



The project has been completed.

CONSTRUCTION OF ROADS AND STORMWATER STRUCTURES AT KUBUSIE AREA 5 AND OHLSON FARM

Scope of Work

The project entails nine roads which in all amounts to a total length of 10 000m.

- Re-gravelling of approximately 10 000m long and 5m wide gravel roads
- Construct wearing course to 150mm
- Construct subbase to 150mm
- Roadbed preparation to 150mm
- Removal of unsuitable materials
- Miter drains
- Stormwater crossings

The final scope consists of the re-graveling of internal roads at Kubusie Area 5 and Ohlson Farm to a total length of 10km and the construction of nine (9) stormwater crossings



The construction of the road has been completed with the rating of 100% quality.

CONSTRUCTION OF STUTTERHEIM VILLAGES (AMABELE, STANHOPE, JERSEYVALE, GASELA)

Gasela



The construction of the road has been completed; however, it has been damaged due to heavy rains.

Stanhope



The road has been prepared and shaped.
Processing will be done.

Jerseyvale



Roadbed prep in virgin road.

Amabele



The contractor only did roadbed and left the site due to machinery issues, and a second contractor was appointed however the budget was not enough. The municipality completed the road.

XHOLORHA INTERNAL ROADS

Upgrade and construction of approximately 2.3km of existing internal gravel roads to Segmented Paving. The work will include a combination of the following:

- 2.3km of 80mm concrete interlocking paving.
- 2.3km of road-bed (150mm Rip and Re-Compact to 90% MOD AASHTO)
- 2.3km sub-base (150mm G7 compacted to 95% MOD AASHTO) .
- 2,3km base layer (G4 compacted to 98% MOD AASHTO).
- 2,3km Sand Bedding (20mm).
- 2.3km Precast kerbing.
- Construction of Residential Motor slopes.
- Stormwater infrastructure (Dish drains).
- Repairs existing roadside furniture.
- Installation new roadside furniture and road signs.



Bladed and subbase layered.

GRANT EXPENDITURE SCHEDULE

| No | Project | At 30 June 2024 | As at 28 February 2025 | Total excluding VAT | Comment |
|----|---|-----------------|------------------------|---------------------|---|
| 1 | Stutterheim Recreation Centre | 14 860 797,46 | 190387,61 | 15 051 185,07 | R190,387.61 incurred during the current year have been incurred post-employment. Will be used to reduce retention liability |
| 2 | Keiskammahoek Recreation Centre | 10 024 344,13 | 2734908,86 | 12 759 252,99 | |
| 3 | Mbaxa Community Hall | 1 331 783,49 | 2616667,05 | 3 948 450,54 | |
| 4 | Paving of Xholorha Street | 665 638,00 | 317,19 | 9 321 955,19 | |
| 5 | Mlungisi Sportfields | 28 009 750,65 | 857,26 | 30 339 607,91 | |
| 6 | Revamping of Municipal Offices | 1 224 758,34 | 163,73 | 6 116 922,07 | |
| 7 | Mandlakapheli Village Roads, Langdraai Village Road, and culvert from Upper to Ematyotyombeni in Cathcart | 1 745 980,30 | 699,40 | 3 928 679,70 | |
| 8 | Stutterheim Landfill Site | 110 422,91 | 746,55 | 1 616 169,46 | |
| 9 | Upper & Lower Ngqumeya Road, Tshoxain Keiskammahoek | 1 874 416,52 | 688,19 | 3 710 104,71 | |
| 10 | Kubusie Road from area 5 to Mahanjane & ohlson farm in Stutterheim | 3 061 963,54 | 481,75 | 5 581 445,29 | |
| 11 | Bridge between Rhawini and Bongweni | 337 765,32 | 373,14 | 986 138,46 | |
| 12 | Amabele Roads, Stanhope Road, Jerseyvale Road & Gasela Road in Stutterheim | 1 005 687,13 | 342,53 | 1 689 029,66 | |
| 13 | Mlungisi Roads (Mbulelo Nondo and Old Location) | 1 611 431,55 | 423,24 | 2 764 854,79 | |
| | | 65 864 739,34 | 31 949 056,50 | 97 813 795,84 | |

ANNEXURE "D"

The Municipal Council

Amahlathi Local Municipality

P/ Bag x 4002

Stutterheim

4930

27 March 2025

RE: REPORT ON THE INVESTIGATION OF IRREGULAR EXPENDITURE

1. PURPOSE

The purpose of this communication is to provide a report to the council on the investigation conducted by MPAC on irregular expenditure incurred by the municipality.

2. BACKGROUND

Municipal Public Accounts Committees (MPAC's) are established in terms of the provisions of section 33 and 79 of the Local Government Municipal Structures Act, Act 117 of 1998. Municipal Public Accounts Committee operates or discharges its responsibilities guided by the Terms of Reference approved by Council.

The main purpose of the MPAC is to exercise oversight over the executive functions of council. Oversight includes watchfulness, supervision, control, monitoring, review and evaluation and performance assessment. Oversight ensures that the executive complies with the intent of the legislature and does not behave in a manner that allows maladministration, inefficiency, wasteful or corrupt practices. Strong oversight promotes accountability so that those whose actions and performance are monitored by a legitimate oversight body, are likely to feel obliged to justify their actions.

3. LEGISLATIVE REQUIRMENTS

According to section 32 of the Municipal Finance Management Act of 2003, a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure –

- a) in the case of unauthorised expenditure, is -
 - I. authorized in an adjustments budget; or

- II. certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and
- b) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

Furthermore, if the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure. This is applicable provided that the accounting officer has informed the council, the mayor or the executive committee, in writing that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of –

- a) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality.
- b) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- c) the steps that have been taken— (i) to recover or rectify such expenditure; and (ii) to prevent a recurrence of such expenditure.

Moreover, the writing off, of unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is not a valid reason in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must report to the South African Police Service all cases of alleged –

- a) irregular expenditure that constitutes a criminal offence; and
- b) theft and fraud that occurred in the municipality.

The council of a municipality must take all reasonable steps to ensure that all cases of unauthorised, irregular or fruitless and wasteful expenditure are reported to the South African Police Service if –

- a) the charge is against the accounting officer; or
- b) the accounting officer fails to comply with that subsection.

4. PROCESS TO BE FOLLOWED WHEN DEALING WITH IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

As stipulated in the Municipal Supply Chain Management Regulations of 2005, the accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor of the municipality.

In line with the requirement above, the accounting officer submitted the report on the implementation of the supply chain management policy to the council of Amahlathi Local Municipality. On receipt of the report, Municipal Council referred the report on irregular, fruitless and wasteful expenditure incurred to council committee (MPAC) for investigation in terms of section 32(2)(b) of MFMA read with regulation 74 of the MBRR.

Section 32(2)(b) of the MFMA states that irregular expenditure may only be written off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. Therefore, all instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified as irrecoverable by the municipal council, after investigation by a council committee and written off by the council in terms of section 32(2)(b) of the MFMA.

Consequently, writing-off is not a primary response, it is subordinate to the recovery processes and may only take place if the irregular expenditure is certified by Council as irrecoverable.

MPAC received the referred report from the council. To investigate the irregular, fruitless and wasteful expenditure incurred by the municipality as mandated by the council, MPAC followed the following methodology to gather information so that the committee can make informed decisions:

- a) Requested documentation.
- b) Reviewed the requested documentation.
- c) Conducted interviews.
- d) Conducted site visits.

a) Request documentation

Upon receiving the referral from council to investigate instances of irregular, fruitless and wasteful expenditure, it was resolved during the meeting of MPAC, on 29 August 2024 that the chairperson of MPAC should write an email to BTO requesting the following documentation pertaining to UIFWE:

- Updated UIFWE Register
- Advertisement of the tender that was awarded to Kukho Consulting
- Advertisement of the tender that was awarded to Ebusha General Trading
- Appointment letter of Ebusha General Trading
- Appointment letter of Kukho Consulting
- SARS payment arrangement letter for Kukho Consulting and Ebusa General Trading
- Tax Compliance statement/status for Kukho Consulting and Ebusha General Trading

The email was sent to BTO on 3rd of September 2024. The Budget and Treasure Office duly replied to the request and provided the documents on 9th of September 2024.

The committee later sat with Treasury on the 18th of September 2024, and it was resolved that the MPAC Chairperson should write a letter to the accounting officer requesting the following documentation pertaining to Irregular, fruitless and wasteful expenditure:

- Minutes of Council/ Resolution relating to implementation of Standardization.
- Figures that have been reported on yearly basis on implementation of Standardization as well as supporting documents.
- List of Beneficiaries.
- Court judgement and its attachments.
- Travel Allowance Policy for Managers.

The letter was prepared and signed by the chairperson of MPAC and dispatched to the office of the accounting officer on the 8th of October 2024. The accounting officer duly replied to the request and provided the documentation on the 10th of October 2024.

Please find attached as **Annexure 1** to this report the letters/email sent to the accounting officer requesting documents.

b) Reviewed the requested documentation.

After the receipt of documents from the accounting officer, the MPAC sat on the 14th of October 2024 to review the documents. During the review of the documents, it became evident that there was a need to conduct interviews with the officials involved in the uifwe register to gather more information. Into this effect, the chairperson wrote to the accounting officer on the 14 of October 2024 requesting interviews with the following officials:

- Corporate Services Director
- Chief Financial Officer
- Municipal Manager

The accounting officer replied to the committee confirming availability of the officials, as requested, however the interviews did not take place due to the municipality's employee unrest. The interviews took place on the 8th of November 2024 for Director-Corporate Services and 9th December 2024 for CFO and Municipal Manager. The correspondence sent to the accounting officer is attached as **Annexure 2**.

c) Conducted interviews.

In preparation for the interviews, MPAC requested assistance from Treasury to assist the municipality to prepare for the interviews and thus with the help from Treasury, MPAC managed to prepare the attached questionnaire (**annexure 3**) for the officials to be interviewed.

The interviews were scheduled as follows:

- 8th November 2024 - Director Corporate Services
- 9th December 2024 - Chief Financial Officer
- 9th December 2024 - Municipal Manager

The officials provided the attached responses to the questions posed to them by the committee. Please refer to **Annexure 4** for more information on the responses provided.

d) Conduct site visit

After conducting the interviews, MPAC sat on the 9th of December 2024 to consider and process the information gathered from the interviews and resolved that it was important to conduct site visits to verify if the services were rendered. On the 12,14 of November 2024 and 18th March 2025 MPAC visited the projects together with the relevant officials from the municipality. Attendance registers are attached as **Annexure 5** to the report.

5.



AMAHLATHI LOCAL MUNICIPALITY
LIST OF IRREGULAR EXPENDITURES AT 30 JUNE 2024

| DATE | Name of Payee | Amount | Reason |
|------------|-----------------------------|-----------------------|---|
| 21/07/2023 | Kukho Consulting | R389 319,45 | Supplier failed to honour SARS arrangements |
| 30/08/2023 | Kukho Consulting | R91 985,34 | Supplier failed to honour SARS arrangements |
| 24/08/2023 | Kukho Consulting | R86 042,74 | Supplier failed to honour SARS arrangements |
| 21/09/2023 | Kukho Consulting | R60 475,46 | Supplier failed to honour SARS arrangements |
| 02/10/2023 | Ebusha General Trading | R28 500,45 | Supplier failed to honour SARS arrangements |
| 07/12/2023 | Ebusha General Trading | R95 001,50 | Supplier failed to honour SARS arrangements |
| 04/10/2023 | Kukho Consulting | R60 475,46 | Supplier failed to honour SARS arrangements |
| 26/10/2023 | Kukho Consulting | R189 748,64 | Supplier failed to honour SARS arrangements |
| 06/11/2023 | Kukho Consulting | R66 742,96 | Supplier failed to honour SARS arrangements |
| 08/12/2023 | Kukho Consulting | R114 048,11 | Supplier failed to honour SARS arrangements |
| 05/03/2024 | Kukho Consulting | R58 529,86 | Supplier failed to honour SARS arrangements |
| 03/03/2024 | Kukho Consulting | R37 891,06 | Supplier failed to honour SARS arrangements |
| 07/03/2024 | Kukho Consulting | R209 522,40 | Supplier failed to honour SARS arrangements |
| 07/03/2024 | Kukho Consulting | R214 041,00 | Supplier failed to honour SARS arrangements |
| 22/04/2024 | Kukho Consulting | R50 937,47 | Supplier failed to honour SARS arrangements |
| 25/04/2024 | Kukho Consulting | R274 744,19 | Supplier failed to honour SARS arrangements |
| 25/04/2024 | Kukho Consulting | R280 769,00 | Supplier failed to honour SARS arrangements |
| 25/04/2024 | Kukho Consulting | R68 456,49 | Supplier failed to honour SARS arrangements |
| 20/05/2024 | Kukho Consulting | R50 336,00 | Supplier failed to honour SARS arrangements |
| 20/05/2024 | Kukho Consulting | R50 042,90 | Supplier failed to honour SARS arrangements |
| 19/06/2024 | Kukho Consulting | R50 213,43 | Supplier failed to honour SARS arrangements |
| 20/06/2024 | Kukho Consulting | R48 782,51 | Supplier failed to honour SARS arrangements |
| 30/06/2024 | Travelling Allowance | R526 656,90 | Travelling allowance paid to employees |
| 30/06/2024 | Standardization of Salaries | R15 261 672,80 | Salaries paid to employees |
| | TOTAL | R18 364 936,12 | |
| | | | |

5.1 KUKHO CONSULTANT

BACKGROUND

Kukho Consulting was appointed by the municipality for provision of professional civil engineering services for a period of 36 months. During the appointment process it was discovered that the service provider was not tax compliant with SARS however there was a payment arrangement letter between SARS and the service provider which he negotiated to pay in instalments and later defaulted in honoring the arrangement.

FINDINGS FROM THE INVESTIGATION

Based on the information gathered by MPAC through the investigations conducted, the following aspects with respect to irregular expenditure incurred during the appointment of Kukho Consulting were noted:

- a) The contract for the appointment of Kukho Consultant was declared irregular by Auditor General of South Africa (AGSA) due to non-compliance with SCM policy.

Chapter 10 of the Municipal Supply Chain Management Policy prohibits awarding a person whose tax matters are not in order. It states that:

- ***The accounting officer must ensure that, irrespective of the procurement process followed, no award is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order.***
 - ***Before making an award to a person, the accounting officer must first check with SARS whether the person's tax matters are in order.'***
- b) MPAC also discovered that even though the service provider defaulted to honour the payment arrangement made with SARS, he /she rendered services and value for money was realised.

CONCLUSION

MPAC concludes that, despite the non-compliance that was detected, there was value for money obtained by the municipality and no losses suffered due to the non-compliance that was detected. The investigation conducted by the MPAC confirms that the services were rendered and were aligned to the specifications and value for money was realized.

MPAC concluded that there is no act of financial misconduct or financial offence incurred during the procurement process thus no one should be liable charged as such.

RECOMMENDATIONS

1. MPAC recommends to the council to satisfy this expenditure as irrecoverable.
2. MPAC recommends to the council to write off this expenditure. This recommendation is premised on the conclusion that, despite the non-compliance that was detected, there was value for money obtained by the municipality and no financial losses were suffered due to the non-compliance detected. Therefore, the municipality should write off irregular expenditure amounting to **R2 453 104.47** as irrecoverable.
3. MPAC recommends to the council to refrain from appointing service providers whose tax matters are not in order with SARS irrespective of the payment arrangement produced.

5.2 IMPLEMENTATION OF STANDARDIZATION

BACKGROUND

The implementation of standardization started off when managers lodged an unfair labour practice dispute to be on same task grade. The dispute was escalated to arbitration level of the SALGBC. It turned up to be a mutual interest dispute rather than an unfair labor practice dispute. Managers brought the matter to the MM's attention in pursuance of the interest dispute. The call for Standardization across the municipality in line with ADM was demanded by both unions (SAMWU and IMATI).

The Council of Amahlathi Local Municipality adopted the Standardization policy on 14 July 2016, and the second adoption was in March 2017 to include 43 additional employees in the policy. The adoption of this policy increased employee's expenditure by about 10 million per annum. Furthermore, the management of Amahlathi LM proposed a rescission of the policy at an LLF meeting held in January 2019, however it was opposed.

In March 2019, the Eastern Cape Provincial Government instituted an intervention in terms of Section 139 of the Constitution and appointed an Administrator, Mr. Sandile Maclean, to manage the intervention and address the huge financial implications affecting the municipality. His attempts to reverse the policy with the trade unions were unsuccessful.

In light of the above, the Municipality realized that the implementation of Standardization Policy was unlawful and wished to approach the court to declare it invalid. On the 10th of May 2024 the judgement was delivered with the following orders:

- 1. The applicant's decision taken on 14 July 2016, to adopt and implement a policy remunerating the applicant's employees according to their job title, including the adoption of an organogram to give effect to the standardization policy is declared invalid in terms of Section 172(1)(a) of the Constitution, with prospective effect.**
- 2. The applicant's decision taken during March 2017, to include the 43 respondents listed in annexure "ISN17", in the standardization policy is declared invalid in terms of Section 172(1)(a) of the Constitution, with prospective effect.**
- 3. The respondent's rights which already accrued in respect of the decisions taken by the applicant on 14 July 2016 and March 2017, to standardize their salaries are preserved until the date of this order. However, this award does not permit the respondents to obtain further rights under the invalid policy.**
- 4. In respect of the reserved costs of 08 June 2023, each party is ordered to pay its own costs.**

5. The respondents (SAMWU and IMATU) respondents as listed in the notice of opposition dated 25 March 2022), are ordered to pay costs of this application jointly and severally, the one paying the other to be absolved.

FINDINGS FROM THE INVESTIGATION

Based on the information gathered by MPAC through the investigation conducted, the following aspects with respect to irregular expenditure incurred during the implementation of Standardization were noted:

1. MPAC noted that ten months from 2023/2024 financial year were in line with the process of standardization, and two months were paid in contravention of the court order.

CONCLUSION

The conclusion and recommendations of this expenditure are based on the scrutiny of documents obtained, interviews of officials deemed relevant for this investigation and the court order issued by Makhanda High Court.

RECOMMENDATIONS

4. MPAC recommends to the council to satisfy this expenditure as irrecoverable.
5. MPAC recommends to the council to write -off the expenditure accrued from July 2023 to April 2024 that amounts to **R 12 221 383.00**.
6. MPAC recommends to the council to seek legal advice for the months of May 2024 and June 2024 on how the amount of **R 3 040 289.79** should be recouped and from whom.

5.3 TRAVEL ALLOWANCE POLICY FOR MANAGERS

BACKGROUND

Under the Van der Merwe Post Level systems, Managers in post level 3-1 received the benefit of a Travel Allowance Scheme. As Heads of Department's (HOD's) had previously been at a Post Level 1, this means that Post Level 2 & 3 were the Managers, excluding section 57 managers who qualified.

The scheme had been in existence since 2000, and was based on a mix of various factors, including size engine, AA rates as well as distance travelled per post level (650 kms for PL3, 750 kms for PL2 and 850 kms for PL1).

With the introduction of the Task Job Evaluation Scheme in July 2010, came additional TASK grades below Section 57 Managers. Whereas previously there were two levels i.e. Post Level 2 and 3 that qualified for Travel Allowance. After July 2010, the number of TASK grades which qualified for a Travel Allowance Scheme were TASK grades 15, 16, 17 & 18 and potentially 19 and 20 i.e. 6 TASK grades. This policy therefore sets out the Travel Allowance Scheme Whereby Managers in these grades (TG 14 -20) will benefit from this new policy.

The Travel Allowance amount is a fixed percentage, based on 30% of the average salary for the relevant TASK grades, according to the tables supplied by the SALGBC, and as detailed in the Categorization and Wage Curve Agreement of 2010.

Considering the above, the municipality attempted to rescind the Travel Allowance Policy for Task Grades 14-20 employees and approve the remuneration of business travel for Managers through the Subsistence and Travel Policy in support of the municipality's cost containment strategy, however the municipal employees interdicted the rescission of the travel allowance policy. The order was issued on the 3rd of December 2021 as follows:

It is ordered that:

- 1. The Applicants' non-compliance with time limits and forms of service is condoned and the matter is heard as a matter of urgency as provided for in Rule 8 of the Labor Court Rules.**
- 2. The Respondent is interdicted and restrained from discontinuing or terminating the Applicants' car allowances.**
- 3. The Respondent is ordered to comply with its contractual obligations to pay the Applicants their car allowances.**
- 4. There is no order as to costs.**

FINDINGS OF THE INVESTIGATION

During the testing of employee cost, it was identified that there were over payments made relating to travel allowance policy for managers. The cause is the incorrect application of travel allowance scheme.

6. RECOMMENDATIONS

7. MPAC recommends to council to satisfy this expenditure as irrecoverable.
 8. MPAC recommends to council to fast track the reviewal of travel allowance policy for managers to be aligned with CoGTA norms and standards.
 9. MPAC recommends that the correct application of travel allowance policy be applied.
 10. MPAC recommends the use of Travel & Subsistence (S&T) to claim for the kilometres travelled in support of the municipality's cost containment strategy.
-

ANNEXURE 1

Pumla Boo

From: Pumla Boo
Sent: Tuesday, 03 September 2024 10:37
To: Charles Samuels; Buntu Mashiyi; buntu.mashiyi@gmail.com; Kambi, Sipehelele
Cc: Zamuxolo Shasha; w02.amahlathi@gmail.com
Subject: Request for information

Good day, colleagues

The MPAC kindly requests you to furnish it with the following :

1. Updated UIFWE Registers.
2. Advertisement of the tender that was awarded to Kukho Consulting as well as Ebusa General Trading
3. Appointment letter of Ebusa General Trading as well as Kukho Consulting
4. SARS payment arrangement letter for Kukho Consulting and Ebusa General Trading
5. Tax compliance status for Kukho Consulting and Ebusa General Trading.

Regards
Pumla Boo
MPAC

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
[Tel: 043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO: THE MUNICIPAL MANAGER

CC: DIRECTOR CORPORATE SERVICES

FROM: MPAC CHAIRPERSON

RE: REQUEST FOR INFORMATION

DATE: 08 OCTOBER 2024

The MPAC as duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

According to the MPAC Terms of reference, (6.4) (a), "MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee" and (b) "MPAC has unrestricted access to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities, however MPAC has to notify the office of the Municipal manager, unless the Municipal Manager is implicated in the matter"

MPAC is now looking into the matter of Unauthorised ,irregular ,fruitless and wasteful expenditure which is a direct consequence of Standardization and Travel Allowances. The committee kindly request you to furnish it with the following:

1. Minutes of council / resolution relating to implementation of Standardization.
2. Figures that have been reported on a yearly basis on implementation of Standardization as well as supporting documents.
3. List of Beneficiaries
4. Court judgement and its attachments
5. Travel Allowance Policy for Managers

Your prompt response herein will be highly appreciated.

MPAC Chairperson
Cllr. Z.A. Qonto

ANNEXURE 2

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
[Tel: 043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO : THE MUNICIPAL MANAGER

FROM: MPAC CHAIRPERSON

RE: OVERVIEW ON STANDARDIZATION

DATE: 14 OCTOBER 2024

The MPAC was duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

The committee is now looking into the matter of Standardization since its implementation hitherto the court order of May 2024 and its financial impact on our expenditure, especially the irregular expenditure element. Thus, we have scheduled a meeting with corporate services and BTO for the 18th of October 2024 at 09h00 and 12h00 respectively

It would assist us greatly to also meet you at 14h00 to finalize our engagement on Standardization with your overarching view. We are therefore inviting you to a meeting at 14h00 in Corporate Services Park Home.

Your availability would be highly appreciated.



MPAC Chairperson
Cllr. Z.A. Qonto

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
Tel: [043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO : THE DIRECTOR CORPORATE SERVICES

FROM: MPAC CHAIRPERSON

RE: INQUIRY SESSION

DATE: 14 OCTOBER 2024

The MPAC as duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

According to the MPAC Terms of reference, (6.4) (a), "MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee" and (b) "MPAC has unrestricted access to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities, however MPAC has to notify the office of the Municipal manager, unless the Municipal Manager is implicated in the matter"

MPAC is now looking into the matter of Unauthorised ,irregular ,fruitless and wasteful expenditure which is a direct consequence of **STANDARDIZATION** and **TRAVEL ALLOWANCE**.

Please be advised that you are invited to an inquiry session, and you are required to avail yourself by all possible means. The session will be held on the 18th of October 2024 in Corporate Services Park home at 9am.

At the session you will be required to give any information known to you relating to the above-mentioned matter and respond to the following questions:

- 1) Give a background on Standardization
- 2) What led to Standardization?
- 3) How did Standardization affect the municipality financially?
- 4) Who benefited from Standardization?
- 5) Did implementation take place after receipt of judgement from Makanda high court?

TRAVEL ALLOWANCE

- 6) Give a background of Travel Allowance
- 7) What transpired the benefit of travel allowance scheme?
- 8) How did it affect the municipality financially?
- 9) Who are the beneficiaries of the above-mentioned scheme?
- 10) What are the corrective measures for the above-mentioned scheme?

Your cooperation in this regard will be highly appreciated.

MPAC Chairperson
Cllr. Z.A. Qonto

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
Tel: [043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO : THE CHIEF FINANCIAL OFFICER

FROM: MPAC CHAIRPERSON

RE: INQUIRY SESSION

DATE: 14 OCTOBER 2024

The MPAC was duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

According to the MPAC Terms of reference, (6.4) (a), "MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee" and (b) "MPAC has unrestricted access to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities, however MPAC has to notify the office of the Municipal manager, unless the Municipal Manager is implicated in the matter"

MPAC is now looking into the matter of Unauthorised ,irregular ,fruitless and wasteful expenditure which is a direct consequence of **STANDARDIZATION** and **TRAVEL ALLOWANCE**.

Please be advised that you are invited to an inquiry session, and you are required to avail yourself by all possible means. The session will be held on the 18th of October 2024 in Corporate Services Park home at 12pm. At the session you will be required to give a detailed report on the impact of Standardization from the beginning until the issue of court order by Makhanda High Court, you will also be required to respond to the issue of service providers who are non-tax compliant to SARS as well as the interests on overdue accounts.

Your cooperation in this regard will be highly appreciated.

MPAC Chairperson
Cllr. Z.A. Qonto

Amahlathi Local Municipality



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[Tel: 043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO : THE MUNICIPAL MANAGER

FROM: MPAC CHAIRPERSON

RE: OVERVIEW ON IMPLEMENTATION OF STANDARDIZATION

DATE: 09 DECEMBER 2024

The MPAC was duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

The committee is now looking into the matter of Standardization since its implementation hitherto the court order of May 2024 and its financial impact on our expenditure, especially the irregular expenditure element. Thus, we have scheduled a meeting with the Chief Financial Officer for the **9th of December 2024 at 16h00 in Microsoft Teams**.

It would assist us greatly to also meet you at **16h00** to finalize our engagement on Standardization with your overarching view. We are therefore inviting you to a meeting for the **9th of December 2024 at 16h00 in Microsoft Teams**.

Your availability would be highly appreciated.

MPAC Chairperson
Cllr. Z.A. Qonto

Amahlathi Local Municipality



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12 Maclean Street
Private Bag X4002, Stutterheim, 4930
[Tel: 043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO : THE CHIEF FINANCIAL OFFICER

FROM: MPAC CHAIRPERSON

RE: INQUIRY SESSION

DATE: 09 DECEMBER 2024

The MPAC as duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

According to the MPAC Terms of reference, (6.4) (a), "MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee" and (b) "MPAC has unrestricted access to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities, however MPAC has to notify the office of the Municipal manager, unless the Municipal Manager is implicated in the matter"

MPAC is now looking into the matter of Unauthorised ,irregular ,fruitless and wasteful expenditure which is a direct consequence of **STANDARDIZATION** and **TRAVEL ALLOWANCE**.

Please be advised that you are invited to an inquiry session, and you are required to avail yourself by all possible means. The session will be held on the 9th of December 2024 in Microsoft Teams at 4pm.

At the session you will be required to give a detailed report on the impact of Standardization from the beginning until the issue of court order by Makhanda High Court, you will also be required to respond to the issue of service providers who are non-tax compliant to SARS as well as the interests on overdue accounts.

Your cooperation in this regard will be highly appreciated.

MPAC Chairperson
Cllr. Z.A. Qonto

ANNEXURE 3

AM AHLATHI LOCAL MUNICIPALITY



MPAC INQUIRY QUESTIONS IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

- 1) Give a background on Standardization
- 2) What led to Standardization?
- 3) How did Standardization affect the municipality financially?
- 4) Who benefited from Standardization?
- 5) Did implementation take place after receipt of judgement from Makanda high court?

TRAVEL ALLOWANCE

- 6) Give a background of Travel Allowance
- 7) What transpired the benefit of travel allowance scheme?
- 8) How did it affect the municipality financially?
- 9) Who are the beneficiaries of the above-mentioned scheme?
- 10) What are the corrective measures for the above-mentioned scheme?

Signed by:

MPAC Chairperson
Cllr Z.A. Qonto

**INTERVIEWEES RESPONSES
DIRECTOR CORPORATE SERVICES**

STANDARDIZATION

Background

- Standardization started long before June 2016 when ADM sought to standardize their employees, and Amahlathi was also interested. Therefore, Amahlathi took the policy of standardization to council to solicit mutual consent. The council of Amahlathi adopted the policy.

What led to Standardization?

- Due to copying what was done in ADM.

How did Standardization financially affect the municipality?

- It negatively affected the municipality's productivity, 70% of the budget is used to pay employees' salaries and 30% is used to render services.
- It is difficult to get funders due to unavailability of funds in the municipality.
- Difficult to pay third parties and other service providers
- Putting the municipal employees at risk of not being paid by Labor in case of injury on duty.

Who benefited from Standardization?

- 186 employees out of 204

Did implementation take place after receiving judgement from Makhanda high court?

- Yes, on the 15th of October partial implementation started. Employees will be paid correctly in November.
- Salary portion from May to October has been calculated.
- Implementation plan was shared with Local Labor Forum, and they rejected it.
- SALGA salary schedule is used to reverse Standardization.

TRAVEL ALLOWANCE POLICY FOR MANAGERS

Background

According to Bargaining Council, Managers are not supposed to get travel allowance. It is an internal arrangement/ an added benefit, it is not legislated. Travel allowance somehow aligned with standardization. It was implemented in Mr Gogwana's era and there's no council resolution in place.

The municipality attempted to reverse the travel allowance policy, however the employees interdicted, and the municipality lost the case in 2021.

What transpired the benefit of travel allowance scheme?

- To attract candidates.

How did it affect the municipality financially?

- It negatively affected the municipality.

Who are the beneficiaries of the above- mentioned scheme?

- 15 employees benefited, however only 6 employees will continue to benefit until the municipality gets a resolution. Other employees automatically forfeited the scheme due to reversal of Standardization.

What are the corrective measures for the above- mentioned scheme?

- A policy will be developed for future purposes.
- A draft policy is in place however it was withheld due to the option of section 189.
- In the letters issued to the employees, the scheme is modified.

INTERVIEWEES RESPONSES MUNICIPAL MANAGER AND CHIEF FINANCIAL OFFICER

STANDARDIZATION

Background

- Standardization started in ADM and ALM welcomed it. Amathole district LM's saw an opportunity to adopt the policy. ALM adopted the policy in 2 phases:
Phase 1 – Middle Managers
Phase 2 – Appeals/ Demands

What led to Standardization?

- Due to copying what was done in ADM.

How did Standardization financially affect the municipality?

- It negatively affected the municipality and classified as irregular by AG.

Who benefited from Standardization?

- 186 employees

Did implementation take place after receiving judgement from Makhanda high court?

- The reversal of Standardization took place after the judgement; however, it was not implemented immediately, the judgement had to be tabled in council for adoption, and the council was scheduled to sit in August 2024.

TRAVEL ALLOWANCE POLICY FOR MANAGERS

Background

AG raised a query several times on how the travel allowance is calculated, AG stated that it was not calculated on average. According to the policy some of the employees do not qualify to get travel allowance. However, continuous review is in progress until the system aligns.

What transpired the benefit of travel allowance scheme?

- To attract candidates.

How did it affect the municipality financially?

- The salary bill is confirmed by Treasury as a major factor which is above the norm.
- The municipality will continue to have irregular expenditure in this financial year.
- 19 employees were receiving travel allowance incorrectly however they automatically forfeited the scheme due to reversal of standardization. Currently we have 9 employees receiving travel allowance and they are paid as per average. Calculations are ongoing and there will be a reduction in our unfunded budget.

Who are the beneficiaries of the above- mentioned scheme?

- 15 employees benefited, however only 6 employees will continue to benefit until the municipality gets a resolution. Other employees automatically forfeited the scheme due to reversal of Standardization.

What are the corrective measures for the above- mentioned scheme?

- Is to reverse both Standardization and Travel allowance policy.
- Revise the policy to apply the average amount stated on the policy.

NON-TAX-COMPLIANT SERVICE PROVIDERS

Why is Kukho Consulting and Ebusha General Trading still appearing on the list of irregular expenditure? And when are their contracts ending?

- They are multiyear service providers. Kukho Consulting contract has already expired, and Ebusha General Trading's contract will end on the 31st of March 2025.

Annexure 5

AMAHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION
KKH RECREATIONAL CENTRE
DATE: 18 MARCH 2025
TIME:H.....



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|----------------------|----------------|-----------------------------|----------------|-----------|
| Pumla Booi | MPAC | Pbooi@amahlathi.gov.za | 073 6844252 | |
| Sibuyeteza Ntshayana | BMCE | Sntshayane@buce.co.za | 0655 75 0755 | |
| SINOYISO MSALI | BMCE | Sinoyisonisali@gmail.com | 0731303506 | |
| NGENJA GEORGE | VITSHA TRADING | georgence@ymail.com | 0734864865 | |
| NOKHANTO Ndzondzo | VITSHA TRADING | nokhantondzondzo7@gmail.com | 0630683846 | |
| Zulwa Gorto | MPAC | zulwagort@amahlathi.gov.za | | |

AMAHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER
MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION
KKH RECREATIONAL CENTRE
DATE: 18 MARCH 2025
TIME:H.....



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|------------------|---------------|--------------------------------|----------------|-----------|
| Ihle Ncanywa | Amahlathi L.M | ncanywa.ihle5@gmail.com | 0735644595 | |
| MASIKOLE GANTSHO | MPAC | @yahoo.com zreavontsolution | 066.86.556 | |
| Nicholas Nene | MPAC | nene.nicholas@gmail.com | 0730025307 | |
| | | | | |
| | | | | |

AM AHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

UPPER NGQUMEYA

DATE: 18 MARCH 2025

TIME:H.....



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|------------------|---------------|--------------------------|----------------|-----------|
| MASIXOLE GANTSHO | MPAC | | 066186556 | |
| Lulamile Nkomo | LUNIKA | lulamile.wilem@gmail.com | 071 547 3707 | |
| LUNQÉ THĒMBANI | C.L.O. | lunqet@gmail.com | 063 480 5666 | |
| Nicholas Ncube | MPAC | ncubennicholas@gmail.com | 073 0025 307 | |
| Pumla Beer | MPAC | Pbeer@gmail.com | 073 684252 | |
| lible Ncanywa | Amahlathi L.M | ncanywalible5@gmail.com | 073 564 4595 | |

AM AHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

UPPER NGQUMEYA

DATE: 18 MARCH 2025

TIME:H.....



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|----------------|-------------|------------------------------|----------------|-----------|
| Antonius Domb | MPAC | antoniadomb@amahlathi.gov.za | 0731562285 | |

AMAHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

LOWER NGQUMEYA

DATE: 18 MARCH 2025

TIME:H.....



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|------------------|-------------|-------------------------------|----------------|--------------------|
| Lolamiz Willem | Londen Inv | Lolamizwillem@gmail.com | 071 547 3107 | <i>[Signature]</i> |
| Thembaani Lunde | C.L.O. | lungel@gmail.com | 063 480 5666 | T.T. Lungel |
| Zulusa Bonto | MPAC Chair | zulusabonto@amaahlathi.gov.za | 0731562285 | <i>[Signature]</i> |
| Masixole Gantsho | MPAC | — | 0661861556 | <i>[Signature]</i> |
| Pumla Boo | MPAC | mpacsecretary@gmail.com | 0730025307 | <i>[Signature]</i> |
| Nicholas Neuru | MPAC | Neurumich@gnail.com | 0730025307 | <i>[Signature]</i> |

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

TSHOXA

DATE: 18 MARCH 2025

TIME:H.....



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|------------------|----------------|-------------------------------|----------------|--------------------|
| Lolamiz Willem | Londen Inv | Lolamizwillem@gmail.com | 0734447277 | <i>[Signature]</i> |
| Thembaani Lunde | C.L.O. | lungel@gmail.com | 063 480 5666 | T.T. Lungel |
| Zulusa Bonto | MPAC | zulusabonto@amaahlathi.gov.za | 0731562285 | <i>[Signature]</i> |
| Masixole Gantsho | MPAC | — | 0661861556 | <i>[Signature]</i> |
| Nicholas Neuru | MPAC | — | 0730025307 | <i>[Signature]</i> |
| Pumla Boo | MPAC SECRETARY | — | — | <i>[Signature]</i> |

AMAHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

BRIDGE BETWEEN RHAWINI AND BONGWENI

DATE: 14 NOVEMBER 2024

TIME: 13.H.00



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|---------------------|---------------|------------------------------|----------------|-----------|
| Mombizone Mjandana | MPAC Member | zomkempadana75@gmail.com | 0784743127 | |
| NICHOLAS NCEVU | MPAC Member | nccvumnicko@gmail.com | 0730025307 | |
| PHATHUXOLO SIMANDLA | MPAC MEMBER | abelsimandlasi@gmail.com | 0768416888 | |
| Luzuko Cwazela | Manager Roads | lucwazela@amahlathi.gov.za | 0798283277 | |
| Zukisa Doro | MPAC CHAIR | zukuraponto@amahlathi.gov.za | 0731562285 | |

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

OLD LOCATION ROAD

DATE: __ NOVEMBER 2024

TIME: ...10.H.46



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|---------------------|-------------|------------------------------|----------------|-----------|
| Mombizone Mjandana | MPAC MEMBER | zomkempadana75@gmail.com | 0784743127 | |
| PHATHUXOLO SIMANDLA | MPAC MEMBER | abelsimandlasi@gmail.com | 0768416888 | |
| NICHOLAS NCEVU | MPAC MEMBER | nccvumnicko@gmail.com | 0730025307 | |
| Zukisa Doro | MPAC CHAIR | zukuraponto@amahlathi.gov.za | 0731562285 | |

AMAHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

MLUNGISI SPORTFIELDS

DATE: 14 NOVEMBER 2024

TIME: 14.H.00



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|-----------------------|------------------------------|--------------------------------|----------------|-----------|
| ZUKISA QONTO | MPAC CHAIRPERSON | zukisaponto@amaahlathi.gov.za | 0731562285 | |
| Lihle DLEBE | Site Agent | lhled@engineering@gmail.com | 0788846671 | |
| Luzolo Swazela | Manager Roads of Sportfields | luzolo@amaahlathi.gov.za | 0798283277 | |
| Mtombi ZONKE Mjandana | MPAC Member | zonkemjandana75@gmail.com | 0784743127 | |
| Z. BADO | P.S.C | N/A | 0824017681 | |
| PHATHUXOLO SIMANDLA | MPAC MEMBER | abelsimandlasimandla@gmail.com | 0768416888 | |

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

MLUNGISI SPORTFIELDS

DATE: 14 NOVEMBER 2024

TIME: 14.H.00



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|----------------|---------------|--------------------------------|----------------|-----------|
| N. NCEVU | MPAC | ncouvnicka@gmail.com | 0730025307 | |
| PAT. SIMANDLA | MPAC | abelsimandlasimandla@gmail.com | 0768416888 | |
| Luzolo Swazela | Manager Roads | luzolo@amaahlathi.gov.za | 0798283277 | |
| Zukisa Qonto | MPAC CHAIR | zucisaponto@amaahlathi.gov.za | 0731562285 | |

MAHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

KUBUSIE ROAD FROM AREA 5 TO MAHANJANA & OHLSON FARM

DATE: 12 NOVEMBER 2024

TIME: 11:15H:00



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|---------------------|---------------|-------------------------------|--------------------------|-------------|
| Zukiso Bonto | MPAC Chair | zukuronto@mahalathi.gov.za | 073082285 | [Signature] |
| Lwinko Swazela | Manager Roads | lgways@mahalathi.gov.za | 0718153272 | [Signature] |
| Emmie Vellem | LUNIKA | emmievellem@grada.com | 060 924 3941 | [Signature] |
| Thombenke Mjandane | MPAC Member | zonkemjandane1@gmail.com | 0784743127 0768416888 | [Signature] |
| PHATHUKOLO SIMANDLA | MPAC MEMBER | abesimandlasimandla@gmail.com | 0730025307 | [Signature] |
| Nicholas Ncevu | MPAC MEMBER | ncevunicko@gmail.com | 0730025307 | [Signature] |

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PROJECT INSPECTION

MANDLAKAPHELI VILLAGE ROADS, LANGDRAAI VILLAGE ROADS AND CULVERT FROM UPPER

TO EMATYOTYOMBENI IN CATHCART

DATE: 14 NOVEMBER 2024

TIME: 11:15H:00



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|---------------------|---------------|-------------------------------|--------------------------|-------------|
| Nthombenke Mjandane | MPAC member | zonkemjandane1@gmail.com | 0784743127 0768416888 | [Signature] |
| PHATHUKOLO SIMANDLA | MPAC MEMBER | abesimandlasimandla@gmail.com | 0730025307 | [Signature] |
| NICHOLAS NCEVU | MPAC MEMBER | ncevunicko@gmail.com | 0730025307 | [Signature] |
| Lwinko Swazela | Manager Roads | lgways@mahalathi.gov.za | 0718153272 | [Signature] |
| Zukiso Bonto | MPAC Chair | zukuronto@mahalathi.gov.za | 073082285 | [Signature] |

Fruitless and Wasteful Expenditure

The Municipal Council

Amahlathi Local Municipality

P/ Bag x 4002

Stutterheim

4930

27 March 2025

RE: REPORT ON THE INVESTIGATION OF FRUITLESS AND WASTEFUL EXPENDITURE

PURPOSE

The purpose of this communication is to provide a report to the council on the investigation conducted by MPAC on fruitless and wasteful expenditure incurred by the municipality.

BACKGROUND

Municipal Public Accounts Committees (MPAC's) are established in terms of the provisions of section 33 and 79 of the Local Government Municipal Structures Act, Act 117 of 1998. Municipal Public Accounts Committee operates or discharges its responsibilities guided by the Terms of Reference approved by Council.

The main purpose of the MPAC is to exercise oversight over the executive functions of council. Oversight includes watchfulness, supervision, control, monitoring, review and evaluation and performance assessment. Oversight ensures that the executive complies with the intent of the legislature and does not behave in a manner that allows maladministration, inefficiency, wasteful or corrupt practices. Strong oversight promotes accountability so that those whose actions and performance are monitored by a legitimate oversight body, are likely to feel obliged to justify their actions.

LEGISLATIVE REQUIRMENTS

According to section 32 of the Municipal Finance Management Act of 2003, a municipality must recover unauthorized, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure –

- c) in the case of unauthorized expenditure, is -
 - III. authorized in an adjustments budget; or
 - IV. certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and

d) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

Furthermore, if the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful

expenditure. This is applicable provided that the accounting officer has informed the council, the mayor or the executive committee, in writing that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of –

- d) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality.
- e) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- f) the steps that have been taken— (i) to recover or rectify such expenditure; and (ii) to prevent a recurrence of such expenditure.

Moreover, the writing off, of unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is not a valid reason in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must report to the South African Police Service all cases of alleged –

- c) irregular expenditure that constitutes a criminal offence; and
- d) theft and fraud that occurred in the municipality.

The council of a municipality must take all reasonable steps to ensure that all cases of unauthorised, irregular or fruitless and wasteful expenditure are reported to the South African Police Service if –

- c) the charge is against the accounting officer; or
- d) the accounting officer fails to comply with that subsection.

PROCESS TO BE FOLLOWED WHEN DEALING WITH IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

As stipulated in the Municipal Supply Chain Management Regulations of 2005, the accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor of the municipality.

In line with the requirement above, the accounting officer submitted the report on the implementation of the supply chain management policy to the council of Amahlathi Local Municipality. On receipt of the report, Municipal Council referred the report on irregular, fruitless and wasteful expenditure incurred to council committee (MPAC) for investigation in terms of section 32(2)(b) of MFMA read with regulation 74 of the MBRR.

Section 32(2)(b) of the MFMA states that fruitless and wasteful expenditure may only be written off by Council if, after an investigation by a council committee, the fruitless and wasteful expenditure is certified as irrecoverable. Therefore, all instances of fruitless and wasteful expenditure must be recovered from the liable official or political office-bearer,

unless the expenditure is certified as irrecoverable by the municipal council, after investigation by a council committee and written off by the council in terms of section 32(2)(b) of the MFMA.

Consequently, writing-off is not a primary response, it is subordinate to the recovery processes and may only take place if the expenditure is certified by Council as irrecoverable.

MPAC received the referred report from the council to investigate the irregular, fruitless and wasteful expenditure incurred by the municipality as mandated by the council, MPAC followed the following methodology to gather information so that the committee can make informed decisions:

- e) Requested documentation.
- f) Reviewed the requested documentation.
- g) Conducted interviews.

(a) Request documentation

Upon receiving the referral from council to investigate instances of irregular, fruitless and wasteful expenditure, it was resolved during the meeting of MPAC, on 29 August 2024 that the chairperson of MPAC should write an email to BTO requesting the following documentation pertaining to UIFWE:

- Updated UIFWE Register
- Advertisement of the tender that was awarded to Kukho Consulting
- Advertisement of the tender that was awarded to Ebusha General Trading
- Appointment letter of Ebusha General Trading
- Appointment letter of Kukho Consulting

- SARS payment arrangement letter for Kukho Consulting and Ebusa General Trading
- Tax Compliance statement/status for Kukho Consulting and Ebusa General Trading

The email was sent to BTO on 3rd of September 2024. The Budget and Treasury Office duly replied to the request and provided the documents on 9th of September 2024.

The committee later sat with Treasury on the 18th of September 2024, and it was resolved that the MPAC Chairperson should write a letter to the accounting officer requesting the following documentation pertaining to Irregular, fruitless and wasteful expenditure:

- Minutes of Council/ Resolution relating to implementation of Standardization.
- Figures that have been reported on yearly basis on implementation of Standardization as well as supporting documents.
- List of Beneficiaries.
- Court judgement and its attachments.
- Travel Allowance Policy for Managers.

The letter was prepared and signed by the chairperson of MPAC and dispatched to the office of the accounting officer on the 8th of October 2024. The accounting officer duly replied to the request and provided the documentation on the 10th of October 2024.

Please find attached as **Annexure 1** to this report the letters/email sent to the accounting officer requesting documents.

b) Reviewed the requested documentation.

After the receipt of documents from the accounting officer, the MPAC sat on the 14th of October 2024 to review the documents. During the review of the documents, it became evident that there was a need to conduct interviews with the officials involved in the uifwe register to gather more information. Into this effect, the chairperson wrote to the accounting officer on the 14 of October 2024 requesting interviews with the following officials:

- Corporate Services Director
- Chief Financial Officer
- Municipal Manager

The accounting officer replied to the committee confirming availability of the officials, as requested, however the interviews did not take place due to the municipality's employee unrest. The interviews took place on the 8th of November 2024 for Director-Corporate Services and 9th December 2024 for CFO and Municipal Manager. The correspondence sent to the accounting officer is attached as **Annexure 2**.

c) Conducted interviews.

In preparation for the interviews, MPAC requested assistance from Treasury to assist the municipality to prepare for the interviews and thus with the help from Treasury, MPAC managed to prepare the attached questionnaire (**annexure 3**) for the officials to be interviewed.

The interviews were scheduled as follows:

- 8th November 2024 - Director Corporate Services
- 9th December 2024 - Chief Financial Officer
- 9th December 2024 - Municipal Manager

The officials provided the attached responses to the questions posed to them by the committee. Please refer to **Annexure 4** for more information on the responses provided.

Attached below is the list of fruitless and wasteful expenditure
FRUITLESS & WASTEFUL EXP FOR THE YEAR ENDING 30 JUNE 2024

| Date | Name of Payee | Amount | Reason |
|-------------|----------------------|---------------|-----------------------------------|
| 2023/07/11 | Eskom | 158,77 | Interest Expense:Overdue Accounts |
| 2023/07/11 | Eskom | 110,82 | Interest Expense:Overdue Accounts |
| 2023/07/11 | Eskom | 71,62 | Interest Expense:Overdue Accounts |
| 2023/07/11 | Eskom | 550,37 | Interest Expense:Overdue Accounts |
| 2023/07/12 | Eskom | 496,92 | Interest Expense:Overdue Accounts |
| 2023/07/22 | Eskom | 1 016,05 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 219,70 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 82,83 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 0,31 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 50,93 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 41,60 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 18,88 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 19,01 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 33,56 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 5,85 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 37,76 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 63,07 | Interest Expense:Overdue Accounts |
| 2023/07/26 | Eskom | 347,69 | Interest Expense:Overdue Accounts |
| 2023/07/27 | Eskom | 51,63 | Interest Expense:Overdue Accounts |
| 2023/07/28 | Eskom | 0,53 | Interest Expense:Overdue Accounts |
| 2023/07/28 | Eskom | 43,68 | Interest Expense:Overdue Accounts |
| 2023/07/28 | Eskom | 20,22 | Interest Expense:Overdue Accounts |
| 2023/07/28 | Eskom | 25,09 | Interest Expense:Overdue Accounts |
| 2023/07/31 | ADM | 26 855,27 | Interest Expense:Overdue Accounts |
| 2023/08/01 | Eskom | 1 005 904,73 | Interest Expense:Overdue Accounts |
| 2023/08/01 | Auditor-General | 8 962,62 | Interest Expense:Overdue Accounts |
| 2023/08/30 | Eskom | 1 190 551,13 | Interest Expense:Overdue Accounts |
| 2023/08/31 | Auditor-General | 6 940,42 | Interest Expense:Overdue Accounts |
| 2023/08/31 | ADM | 8 090,97 | Interest Expense:Overdue Accounts |
| 2023/09/22 | Eskom | 61 705,78 | Interest Expense:Overdue Accounts |
| 2023/09/22 | Eskom | 974,11 | Interest Expense:Overdue Accounts |
| 2023/09/26 | Eskom | 43,37 | Interest Expense:Overdue Accounts |
| 2023/09/26 | Eskom | 24,38 | Interest Expense:Overdue Accounts |
| 2023/09/26 | Eskom | 24,38 | Interest Expense:Overdue Accounts |
| 2023/09/26 | Eskom | 58,66 | Interest Expense:Overdue Accounts |
| 2023/09/26 | Eskom | 48,78 | Interest Expense:Overdue Accounts |
| 2023/09/28 | Eskom | 32,10 | Interest Expense:Overdue Accounts |
| 2023/09/28 | Eskom | 39,85 | Interest Expense:Overdue Accounts |
| 2023/09/30 | Auditor-General | 6 033,56 | Interest Expense:Overdue Accounts |
| 2023/09/30 | ADM | 81 318,00 | Interest Expense:Overdue Accounts |
| 2023/10/03 | Eskom | 1 604 010,78 | Interest Expense:Overdue Accounts |
| 2023/10/07 | SARS | 220 297,07 | Penalty |

| | | | |
|------------|-----------------|--------------|------------------------------------|
| 2023/10/09 | SARS | 2 127,52 | Interest Expense: Overdue Accounts |
| 2023/10/10 | Eskom | 229,05 | Interest Expense: Overdue Accounts |
| 2023/10/10 | Eskom | 29,03 | Interest Expense: Overdue Accounts |
| 2023/10/10 | Eskom | 109,92 | Interest Expense: Overdue Accounts |
| 2023/10/10 | Eskom | 59,11 | Interest Expense: Overdue Accounts |
| 2023/10/10 | Eskom | 146,78 | Interest Expense:Overdue Accounts |
| 2023/10/11 | Eskom | 159,54 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 38,38 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 33,84 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 38,05 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 151,78 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 14,07 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 39,72 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 1,29 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 60,05 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 48,78 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 69,30 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 25,02 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 14,07 | Interest Expense:Overdue Accounts |
| 2023/10/25 | Eskom | 2 021,84 | Interest Expense:Overdue Accounts |
| 2023/10/28 | Eskom | 0,41 | Interest Expense:Overdue Accounts |
| 2023/10/28 | Eskom | 21,59 | Interest Expense:Overdue Accounts |
| 2023/10/28 | Eskom | 17,38 | Interest Expense:Overdue Accounts |
| 2023/10/28 | Eskom | 34,68 | Interest Expense:Overdue Accounts |
| 2023/10/28 | Eskom | 28,14 | Interest Expense:Overdue Accounts |
| 2023/10/31 | Auditor-General | 9 218,25 | Interest Expense:Overdue Accounts |
| 2023/10/31 | ADM | 103 621,58 | Interest Expense:Overdue Accounts |
| 2023/11/01 | Eskom | 2 023,00 | Interest Expense:Overdue Accounts |
| 2023/11/30 | Auditor-General | 12 265,77 | Interest Expense:Overdue Accounts |
| 2023/11/30 | Eskom | 1 384 490,23 | Interest Expense:Overdue Accounts |
| 2023/11/30 | ADM | 60 830,46 | Interest Expense:Overdue Accounts |
| 2023/12/01 | Toyota SA | 6 189,48 | Interest Expense:Overdue Accounts |
| 2023/12/31 | Auditor-General | - 355 078,99 | Interest Reversal |
| 2024/01/03 | Eskom | 714 238,65 | Interest Expense:Overdue Accounts |
| 2024/01/31 | Auditor-General | 13 695,30 | Interest Expense:Overdue Accounts |
| 2024/01/31 | ADM | 130 169,24 | Interest Expense:Overdue Accounts |
| 2024/02/02 | Eskom | 531 805,57 | Interest Expense:Overdue Accounts |
| 2024/02/22 | Eskom | - 5 623,15 | Interest Reversal |
| 2024/02/26 | Eskom | 267,27 | Interest Expense:Overdue Accounts |
| 2024/02/29 | Auditor-General | 11 505,99 | Interest Expense:Overdue Accounts |
| 2024/02/29 | Auditor-General | - 13 695,30 | Interest Reversal |
| 2024/02/29 | ADM | 96,12 | Interest Expense:Overdue Accounts |
| 2024/03/01 | Eskom | 441 421,81 | Interest Expense:Overdue Accounts |
| 2024/03/28 | Eskom | 1,00 | Interest Expense:Overdue Accounts |
| 2024/03/31 | ADM | 141 169,13 | Interest Expense:Overdue Accounts |
| 2024/03/31 | Auditor-General | 2 289,75 | Interest Expense:Overdue Accounts |

| | | | |
|------------|-----------------|-------------|-----------------------------------|
| 2024/04/02 | Eskom | 487 835,97 | Interest Expense:Overdue Accounts |
| 2024/04/08 | Auditor-General | - 11 505,99 | Interest Reversal |
| 2024/04/25 | Eskom | 33,73 | Interest Expense:Overdue Accounts |
| 2024/04/28 | Eskom | 37,27 | Interest Expense:Overdue Accounts |
| 2024/04/28 | Eskom | 64,88 | Interest Expense:Overdue Accounts |
| 2024/04/30 | ADM | 74 715,86 | Interest Expense:Overdue Accounts |
| 2024/04/30 | Auditor-General | 22,11 | Interest Expense:Overdue Accounts |
| 2024/04/30 | Auditor-General | - 2 289,75 | Interest Reversal |

BACKGROUND

The Municipality incurred fruitless and wasteful expenditure due to interests on overdue accounts.

FINDINGS FROM THE INVESTIGATION

During the investigation, the committee discovered that the expenditure incurred due to interest on overdue accounts and penalties. The main cause for the late payments was the prioritization of salaries for employees and councilors over the payment of creditors. The recommendations of this investigation are based on the information obtained through inquiry meetings with officials deemed relevant for the investigation and scrutiny of documents obtained.

RECOMMENDATIONS

7. MPAC recommends to council to satisfy this expenditure as irrecoverable.

8. MPAC recommends to council to write – off this expenditure amounting to **R7 970 717,43**.

The Municipal Council

Amahlathi Local Municipality

P/ Bag x 4002

Stutterheim

4930

26 June 2025

RE: REPORT ON THE INVESTIGATION OF IRREGULAR EXPENDITURE**PURPOSE**

The purpose of this communication is to provide a report to the council on the investigation conducted by MPAC on irregular expenditure incurred by the municipality.

BACKGROUND

Municipal Public Accounts Committees (MPAC's) are established in terms of the provisions of section 33 and 79 of the Local Government Municipal Structures Act, Act 117 of 1998. Municipal Public Accounts Committee operates or discharges its responsibilities guided by the Terms of Reference approved by Council.

The main purpose of the MPAC is to exercise oversight over the executive functions of council. Oversight includes watchfulness, supervision, control, monitoring, review and evaluation and performance assessment. Oversight ensures that the executive complies with the intent of the legislature and does not behave in a manner that allows maladministration, inefficiency, wasteful or corrupt practices. Strong oversight promotes accountability so that those whose actions and performance are monitored by a legitimate oversight body, are likely to feel obliged to justify their actions.

LEGISLATIVE REQUIREMENTS

According to section 32 of the Municipal Finance Management Act of 2003, a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure –

- c) in the case of unauthorised expenditure, is -
 - V. authorized in an adjustments budget; or
 - VI. certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and
- d) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

Furthermore, if the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure. This is applicable provided that the accounting officer has informed the council, the mayor or the executive committee, in writing that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of –

- g) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality.
- h) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- i) the steps that have been taken— (i) to recover or rectify such expenditure; and (ii) to prevent a recurrence of such expenditure.

Moreover, the writing off, of unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is not a valid reason in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must report to the South African Police Service all cases of alleged –

- e) irregular expenditure that constitutes a criminal offence; and
- f) theft and fraud that occurred in the municipality.

The council of a municipality must take all reasonable steps to ensure that all cases of unauthorised, irregular or fruitless and wasteful expenditure are reported to the South African Police Service if –

- e) the charge is against the accounting officer; or
- f) the accounting officer fails to comply with that subsection.

5. PROCESS TO BE FOLLOWED WHEN DEALING WITH IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

As stipulated in the Municipal Supply Chain Management Regulations of 2005, the accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor of the municipality.

In line with the requirement above, the accounting officer submitted the report on the implementation of the supply chain management policy to the council of Amahlathi Local Municipality. On receipt of the report, Municipal Council referred the report on irregular, fruitless and wasteful expenditure incurred to council committee (MPAC) for investigation in terms of section 32(2)(b) of MFMA read with regulation 74 of the MBRR.

Section 32(2)(b) of the MFMA states that irregular expenditure may only be written off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. Therefore, all instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified as irrecoverable by the municipal council, after investigation by a council committee and written off by the council in terms of section 32(2)(b) of the MFMA.

Consequently, writing-off is not a primary response, it is subordinate to the recovery processes and may only take place if the irregular expenditure is certified by Council as irrecoverable.

MPAC received the referred report from the council to investigate the irregular, fruitless and wasteful expenditure incurred by the municipality as mandated by the council, MPAC followed the following methodology to gather information so that the committee can make informed decisions:

- h) Requested documentation.
- i) Reviewed the requested documentation.
- j) Conducted interviews.

b) Request documentation

Upon receiving the referral from council to investigate instances of irregular expenditure, it was resolved during the sitting of MPAC, The Municipal Manager, Chief Financial Officer, Corporate Services Director and Provincial Treasury on April 8, 2025, that the MPAC should be provided with the following documentation pertaining to irregular expenditure:

- List of Beneficiaries.
- Figures that have been reported on a yearly basis on the implementation of Standardization and / Financial Statements.
- Details of what makes the figure.

A formal letter was prepared and signed by the chairperson of MPAC and dispatched to the office of the accounting officer on April 9,2025. The accounting officer duly replied to the request and provided the documentation on June 8,2025 and June 14,2025 due to the need for thorough scrutiny of calculations.

Please find attached as **Annexure 1** to this report the letter(s)/email sent to the accounting officer requesting documents.

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
[Tel: 043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO : THE MUNICIPAL MANAGER

**CC: THE CHIEF FINANCIAL OFFICER
CC: THE DIRECTOR CORPORATE SERVICES**

FROM: MPAC CHAIRPERSON

RE: REQUEST FOR INFORMATION- STANDARDIZATION

DATE: 09 APRIL 2025

This above matter refers to:

The MPAC was duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

According to the MPAC Terms of reference, (6.4) (a), "MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee" and (b) "MPAC has unrestricted access to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities.

MPAC is now looking into the matter of irregular expenditure with a specific focus on the implementation of Standardization. The committee kindly requests you to furnish it with the following:

1. List of Beneficiaries.
2. Figures that have been reported on a yearly basis on the implementation of Standardization and/Financial Statements.
3. Detail of what makes the figures.

All the above requested documents relate from 2016/2017 financial year to date.

The committee kindly requests you to furnish it with the above-mentioned documents on or before April 18, 2025, **by no later than 16h00.**

Your prompt response herein will be highly appreciated.

**MPAC Chairperson
Cllr. Z.A. Qonto**

b) Reviewed the requested documentation.

After the receipt of documents from the accounting officer, the MPAC sat on June 18,2025 to review the documents. During the review of the documents, it became evident that there was a need to conduct interviews with the officials involved in the irregular expenditure register to gather more information. Into this effect, the chairperson wrote to the accounting officer on June 19, 2025, requesting interviews with the following officials:

- The Municipal Manager
- Corporate Services Director
- Chief Financial Officer
- Engineering Services Director

The accounting officer replied to the committee confirming availability of the officials, as requested. The interviews took place on June 24,2025. The correspondence sent to the accounting officer is attached as **Annexure 2.**

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
[Tel: 043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

**TO : THE MUNICIPAL MANAGER
THE CHIEF FINANCIAL OFFICER
THE DIRECTOR CORPORATE SERVICES
THE DIRECTOR ENGINEERING SERVICES**

FROM: MPAC CHAIRPERSON

RE: INQUIRY SESSION (IRREGULAR EXPENDITURE)

DATE: 19 JUNE 2025

The MPAC was duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

According to the MPAC Terms of reference, (6.4) (a), "MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee" and (b) "MPAC has unrestricted access to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities, however MPAC has to notify the office of the Municipal manager, unless the Municipal Manager is implicated in the matter"

MPAC is investigating irregular expenditure related to Standardization, Travel allowance as well as procurement through panel of service providers during 2023/24 and 2024/25 financial years.

You are kindly invited to an inquiry meeting to be held as follows:

Date: June 24,2025

Time: 09:00

Duration: 1 hour

Venue: IEC Boardroom

Please make every effort to attend.

Your cooperation in this regard will be highly appreciated.

**MPAC Chairperson
Cllr. Z.A. Qonto**

c) Conducted interviews.

In preparation for the interviews, MPAC requested assistance from Treasury to assist the municipality to prepare for the interviews and thus with the help from Treasury, MPAC managed to conduct the interviews.

The interviews were scheduled as follows:

Date: June 24, 2025

Time: 09:00

Duration: 1 hour

Venue: IEC Boardroom

Please find attached as **Annexure 3** to this report the attendance register for the inquiry meeting.

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE INQUIRY MEETING:

IRREGULAR EXPENDITURE

DATE: 24 JUNE 2025

TIME: 09H00

VENUE: IEC BOARDROOM



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|-----------------------|--------------|--------------------------------|----------------|-----------|
| ZUKISA GONTO | MPAC CHAIR | gonto@amahlathlana.gov.za | 0731562285 | |
| PHATHUKOLO SIMON | MPAC MEMBER | phathukolo@amahlathlana.gov.za | 0768416888 | |
| NDIMBIZONKE NEJANANDA | MPAC MEMBER | zokempandane75@gmail.com | 0794743127 | |
| ZAMUXOLO SHASHA | UAM'S OFFICE | zshasha@amahlathlana.gov.za | 0722611510 | |
| BUYENA NGWENDU | CFO | ngwendu@amahlathlana.gov.za | 0785739788 | |
| SIPHOLELE KAMBI | SCM MANAGER | skambi@amahlathlana.gov.za | 0839683948 | |

AMAHLATHLANA LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE INQUIRY MEETING:

IRREGULAR EXPENDITURE

DATE: 24 JUNE 2025

TIME: 09H00

VENUE: IEC BOARDROOM



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|------------------|----------------------|----------------------------|----------------|-----------|
| NONKQUBELA DHOVA | DIRECTOR ENGINEERING | ndlova@amahlathlana.gov.za | 0739523977 | |
| KHOSISA NBTI | MPAC MEMBER | syedisenet@gmail.com | 0834919748 | |
| PUMLA BOOI | MPAC SECRETARY | pbooi@gmail.com | 0736844252 | |
| NICHOLAS NCEVU | MPAC MEMBER | nncuvu@gmail.com | 0730025307 | |

ITEM 1

IMPLEMENTATION OF STANDARDIZATION

BACKGROUND

The implementation of standardization started off when managers lodged an unfair labor practice dispute to be on same task grade. The dispute was escalated to arbitration level of the SALGBC. It turned up to be a mutual interest dispute rather than an unfair labor practice dispute. Managers brought the matter to the MM's attention in pursuance of the interest dispute. The call for Standardization across the municipality in line with ADM was demanded by both unions (SAMWU and IMATI).

The Council of Amahlathi Local Municipality adopted the Standardization policy on 14 July 2016, and the second adoption was in March 2017 to include 43 additional employees in the policy. The adoption of this policy increased employee's expenditure by about 10 million per annum. Furthermore, the management of Amahlathi LM proposed a rescission of the policy at an LLF meeting held in January 2019, however it was opposed.

In March 2019, the Eastern Cape Provincial Government instituted an intervention in terms of Section 139 of the Constitution and appointed an Administrator, Mr. Sandile Maclean, to manage the intervention and address the huge financial implications affecting the municipality. His attempts to reverse the policy with the trade unions were unsuccessful.

In light of the above, the Municipality realized that the implementation of Standardization Policy was unlawful and wished to approach the court to declare it invalid. On the 10th of May 2024 the judgement was delivered with the following orders:

The applicant's decision taken on 14 July 2016, to adopt and implement a policy remunerating the applicant's employees according to their job title, including the adoption of an organogram to give effect to the standardization policy is declared invalid in terms of Section 172(1)(a) of the Constitution, with prospective effect.

The applicant's decision taken during March 2017, to include the 43 respondents listed in annexure "ISN17", in the standardization policy is declared invalid in terms of Section 172(1)(a) of the Constitution, with prospective effect.

The respondent's rights which already accrued in respect of the decisions taken by the applicant on 14 July 2016 and March 2017, to standardize their salaries are preserved until the date of this order. However, this award does not permit the respondents to obtain further rights under the invalid policy.

In respect of the reserved costs of 08 June 2023, each party is ordered to pay its own costs.

The respondents (SAMWU and IMATU) respondents as listed in the notice of opposition dated 25 March 2022), are ordered to pay costs of this application jointly and severally, the one paying the other to be absolved.

FINDINGS FROM THE INVESTIGATION

Based on the information gathered by MPAC through the investigation conducted, the following aspects with respect to irregular expenditure incurred during the implementation of Standardization were noted:

MPAC noted that ten months from 2023/2024 financial year were in line with the process of standardization, and two months (May & June 2024) were paid in contravention of the court order.

CONCLUSION

The conclusion and recommendations of this expenditure are based on the scrutiny of documents obtained, interviews of officials deemed relevant for this investigation and the court order issued by Makhanda High Court.

RECOMMENDATIONS

1. MPAC recommends to the council to satisfy this expenditure as **irrecoverable**.
2. MPAC recommends to the council to **write-off R7 151 795,00** incurred due to the implementation of Standardization for 2016/2017 financial year.
3. MPAC recommends to the council to **write-off R11 683 630,00** incurred due to the implementation of Standardization for 2017/2018 financial year.
4. MPAC recommends to the council to **write-off R12 849 930,00** incurred due to the implementation of Standardization for 2018/2019 financial year.
5. MPAC recommends to the council to **write-off R13 880 553,00** incurred due to the implementation of Standardization for 2019/2020 financial year.
6. MPAC recommends to the council to **write-off R14 570 057,00** incurred due to the implementation of Standardization for 2020/2021 financial year.
7. MPAC recommends to the council to **write-off R15 408 182,00** incurred due to the implementation of Standardization for 2021/2022 financial year.

8. MPAC recommends to the council to **write off R15 104 977,00** incurred due to the implementation of Standardization for 2022/2023 financial year.
 9. MPAC recommends to the council to **write off R 12 221 838,00** incurred due to the implementation of standardization for 2023/2024 financial year.
 10. MPAC recommends to the Council to **recover** an amount of **R 3 039 834,80** incurred for May and June 2024 due to Standardization implementation.
-

Please find attached as **Annexure 4** to this report the disclosure of irregular expenditure incurred due to standardization amount as per audited AFS for the relevant years.



ANNEXURE 4

AMAHLATHI LOCAL MUNICIPALITY

DISCLOSURE OF STANDARDISATION AMOUNT AS PER AUDITED AFS

PERIOD : 2017 -2024

| DATE | Description | Amount | Reason | REF |
|-----------|----------------------------------|----------------|--|----------------|
| 30-Jun-17 | Irregular expenditure on payroll | R7 151 795,00 | Effect on overpayment of salaries | Note 43 of AFS |
| 30-Jun-18 | Irregular expenditure on payroll | R11 683 630,00 | Due processes were not followed on implementation of standardisation | Note 45 of AFS |
| 30-Jun-19 | Irregular expenditure on payroll | R12 849 930,00 | Due processes were not followed on implementation of standardisation | Note 44 of AFS |
| 30-Jun-20 | Irregular expenditure on payroll | R13 880 553,00 | Due processes were not followed on implementation of standardisation | |
| 30-Jun-21 | Irregular expenditure on payroll | R14 570 057,00 | Due processes were not followed on implementation of standardisation | Note 46 of AFS |

| | | | | |
|-----------|----------------------------------|----------------|--|----------------|
| 30-Jun-22 | Irregular expenditure on payroll | R15 408 182,00 | Due processes were not followed on implementation of standardisation | Note 48 of AFS |
| 30-Jun-23 | Irregular expenditure on payroll | R15 104 977,00 | Due processes were not followed on implementation of standardisation | Note 47 of AFS |
| 30-Jun-24 | Irregular expenditure on payroll | R15 261 673,00 | Due processes were not followed on implementation of standardisation | Note 52 of AFS |
| 30-Jun-24 | Irregular expenditure on payroll | R526 657,00 | Travel allowance policy implemented incorrectly | Note 52 of AFS |

TOTAL

R106 437 454,00



**Amahlathi Local Municipality
(Registration number EC124)
Annual Financial Statements
for the year ended 30 June 2017**

Amahlathi Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

40. Events after the reporting date

There were no significant events after year end.

41. Unauthorised expenditure

| | | |
|--------------------------|-------------------|-------------------|
| Opening balance | 54,972,525 | 31,511,681 |
| Unauthorised expenditure | 20,641,692 | 23,460,844 |
| | <u>75,614,217</u> | <u>54,972,525</u> |

42. Fruitless and wasteful expenditure

| | | |
|--|------------------|------------------|
| Opening balance | 5,639,866 | 5,557,926 |
| Add: Fruitless and wasteful expenditure - current year | 681,125 | 81,940 |
| | <u>6,320,991</u> | <u>5,639,866</u> |

Analysis of fruitless and wasteful expenditure

| | | |
|---------------|----------------|---------------|
| Interest paid | 77,142 | 46,940 |
| Penalties | 603,983 | 35,000 |
| | <u>681,125</u> | <u>81,940</u> |

No disciplinary action has been taken yet with regards to the expenditure disclosed above.

43. Irregular expenditure

| | | |
|---|-------------------|-------------------|
| Opening balance | 18,344,971 | 58,085,793 |
| Add: Irregular Expenditure - current year | 15,403,938 | 36,484,815 |
| Add: Effect of overpayment of salaries | 7,151,795 | - |
| Less: Amounts written off by Council | - | (76,225,637) |
| | <u>40,900,704</u> | <u>18,344,971</u> |

Analysis of expenditure awaiting to be certified as irrecoverable per age classification

| | | |
|--------------|-------------------|-------------------|
| Current year | 22,555,733 | 18,344,971 |
| Prior years | 18,344,971 | - |
| | <u>40,900,704</u> | <u>18,344,971</u> |

Details of irregular expenditure – current year

| | | |
|------------------------------------|----------------------------|-------------------|
| Irregular expenditure on contracts | SCM processes not followed | <u>22,555,743</u> |
|------------------------------------|----------------------------|-------------------|

Details of irregular expenditure - prior year

| | | |
|------------------------------------|----------------------------|-------------------|
| Irregular expenditure on contracts | SCM processes not followed | <u>36,484,815</u> |
|------------------------------------|----------------------------|-------------------|

No disciplinary action has been taken yet with regards to the expenditure disclosed above:

44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government (SALGA)

| | | |
|----------------------------|-------------|-----------|
| Current year | 1,168,680 | 969,046 |
| Amount paid - current year | (1,168,680) | (969,046) |
| | <u>-</u> | <u>-</u> |



**Amahlathi Local Municipality
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for the year ended 30 June 2018**

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements

| | 2018 | 2017 |
|--|---|-------------------|
| 45. Irregular expenditure | | |
| Opening balance | 40 900 704 | 18 344 971 |
| Add: Irregular Expenditure - current year | 19 073 043 | 22 555 733 |
| | <u>59 973 747</u> | <u>40 900 704</u> |
| Analysis of expenditure awaiting to be certified as irrecoverable per age classification | | |
| Current year | 19 073 043 | 22 555 733 |
| Prior years | 40 900 704 | 18 344 971 |
| | <u>59 973 747</u> | <u>40 900 704</u> |
| Details of irregular expenditure – current year | | |
| Irregular expenditure on payroll | Due processes were not before standirsation of salaries were paid | 11 683 630 |
| Irregular expenditure on contracts | SCM Processes not followed | 7 389 413 |
| Total Irregular Expenditure 2012 | | <u>19 073 043</u> |
| Details of irregular expenditure - prior year | | |
| Irregular expenditure on contracts | SCM Processes not followed | 40 900 704 |
| 46. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government (SALGA) | | |
| Current year subscription / fee | 1 146 463 | 1 168 680 |
| Amount paid - current year | (1 146 463) | (1 168 680) |
| | <u>-</u> | <u>-</u> |
| Material electrical distribution losses | | |
| Electricity distribution loss | 5 095 285 | 3 456 961 |
| The municipality lost 5,314,808 kwhr (2017: 5,300,506 kwhr) representing 18.6% (2017: 18.9%) of total bulk purchases of electricity from Eskom during year. The losses are attributable to normal losses and illegal connections. | | |
| Audit fees | | |
| Current year subscription / fee | 3 261 160 | 3 055 611 |
| Amount paid - current year | (3 261 160) | (3 055 611) |
| | <u>-</u> | <u>-</u> |
| PAYE and UIF | | |
| Current year subscription / fee | 18 321 297 | 16 755 489 |
| Amount paid - current year | (18 321 297) | (16 755 489) |
| | <u>-</u> | <u>-</u> |



**Amahlathi Local Municipality
(Registration number EC124)
Annual Financial Statements
for the year ended 30 June 2019**

Amahlathi Local Municipality

(Registration number EC124)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|--|-------------------|-------------------|
| 43. Fruitless and wasteful expenditure (continued) | | |
| Analysis of fruitless and wasteful expenditure | | |
| Interest paid | 793 025 | 37 202 |
| Penalties | - | 225 350 |
| | <u>793 025</u> | <u>262 552</u> |
| No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above. | | |
| 44. Irregular expenditure | | |
| Opening balance | 59 973 747 | 40 900 704 |
| Add: Irregular Expenditure - current year | 13 134 855 | 19 073 043 |
| | <u>73 108 602</u> | <u>59 973 747</u> |
| Details of irregular expenditure | | |
| Irregular expenditure on payroll | 12 849 930 | 11 683 630 |
| Irregular expenditure on contracts | 284 925 | 7 389 413 |
| | <u>13 134 855</u> | <u>19 073 043</u> |
| Cases under investigation | | |
| No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above. | | |
| 45. Additional disclosure in terms of Municipal Finance Management Act | | |
| Contributions to organised local government (SALGA) | | |
| Current year subscription / fee | 1 198 479 | 1 146 463 |
| Amount paid - current year | (1 198 479) | (1 146 463) |
| | <u>-</u> | <u>-</u> |
| Material electrical distribution losses | | |
| Current year subscription / fee | 8 190 372 | 5 095 285 |
| The municipality lost 8,104,608 kwhr (2018: 5,314,808 kwhr) representing 28.4% (2018: 18.6%) of total bulk purchases of electricity from Eskom during year. The losses are attributable to normal losses and illegal connections. | | |
| Audit fees | | |
| Current year subscription / fee | 3 728 701 | 3 261 160 |
| Amount paid - current year | (3 728 701) | (3 261 160) |
| | <u>-</u> | <u>-</u> |



**Amahlathi Local Municipality
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Annual Financial Statements
for the year ended 30 June 2021**

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

| Figures in Rand | 2021 | 2020 |
|--|--------------------|-------------------|
| 46. Irregular expenditure | | |
| Opening balance as previously reported | 94 465 788 | 82 476 589 |
| Correction of prior period error | - | (4 695 455) |
| Opening balance as restated | 94 465 788 | 77 781 134 |
| Add: Irregular Expenditure - current | 17 733 598 | 16 684 654 |
| Closing balance | 112 199 386 | 94 465 788 |

Details of irregular expenditure

| | | | |
|---|---|-------------------|-------------------|
| Irregular expenditure on payroll | Due processes were not followed before standardisation of salaries were paid | 14 570 057 | 13 880 853 |
| Irregular expenditure on contracts | SCM processes were not followed | 1 229 678 | 2 303 801 |
| Irregular expenditure on Free Basic Electricity | The municipality paid for indigents that do not appear on the indigent register | 1 933 863 | 500 000 |
| | | 17 733 598 | 16 684 654 |

Scope limitation

The limitation of scope relates to the burning down of municipal buildings during the second quarter of the 2018/19 financial year. There are 14 contracts that were awarded during the first and second quarter of 2018/19 financial year which were affected by the fire. Efforts made by the municipality to recreate the lost documentation proved to be impracticable. The contracts affected amount to R34,429,654.92 where the expenditure on these contracts amounts to R1,874,704.96 (2020:R5,962,796.81).

A majority of the contracts affected relates to capital projects which are funded through the municipal infrastructure grant.

Due to the event of the fire as mentioned and the subsequent effort to recreate the lost documents that proved to be impracticable, we cannot determine whether the expenditure incurred on these contracts is irregular or not.

Cases under investigation

No investigations or disciplinary action has been taken yet with regards to the expenditure disclosed above.

47. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 1 301 962 | 1 342 890 |
| Amount paid - current year | (1 301 962) | (1 342 890) |
| | - | - |

Material electrical distribution losses

| | | |
|--------------|------------|-----------|
| Current year | 11 689 860 | 9 777 464 |
|--------------|------------|-----------|

The municipality lost 8,767,780. kwhr (2020: 8,190,970 kwh) representing 34.24% (2020: 29.51%) of total bulk purchases of electricity from Eskom during the year. The losses are attributed to normal losses and illegal connections.

Audit fees

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 2 995 665 | 1 763 373 |
| Amount paid - current year | (2 995 665) | (1 763 373) |
| | - | - |



AMAHLATHI LOCAL MUNICIPALITY
(Registration number EC 124)
Annual Financial Statements
for the year ended 30 June 2022

AM AHLATHI LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

| Figures in Rand | | 2022 | 2021 |
|--|---|-------------------|-------------------|
| 48. Irregular expenditure (continued) | | | |
| Incidents/cases identified/reported in the current year include those listed below: | | | |
| | Disciplinary steps taken/criminal proceedings | | |
| Irregular expenditure on payroll | Due processes were not followed before standardisation of salaries were paid | 15 408 182 | 14 570 057 |
| Irregular expenditure on contracts | SCM processes were not followed | 1 635 830 | 1 229 678 |
| Irregular expenditure on Free Basic Electricity | The municipality paid for indigents that do not appear on the indigent register | - | 1 933 863 |
| | | <u>17 044 012</u> | <u>17 733 598</u> |

Scope limitation

The limitation of scope relates to the burning down of municipal buildings during the second quarter of the 2018/19 financial year. There are 14 contracts that were awarded during the first and second quarter of 2018/19 financial year which were affected by the fire. Efforts made by the municipality to recreate the lost documentation proved to be impracticable. The contracts affected amount to R34,429,654.92 where the expenditure on these contracts amounts to R- (2021:R1,874,704.96).

A majority of the contracts affected relates to capital projects which are funded through the municipal infrastructure grant.

Due to the event of the fire as mentioned and the subsequent effort to recreate the lost documents that proved to be impracticable, we cannot determine whether the expenditure incurred on these contracts is irregular or not.

Cases under investigation

There are no cases currently under investigation.

Amount written-off

After the council committee (MPAC) investigations, council adopted the council committee recommendation to write-off an amount of R 14 317 455 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

| | | |
|----------------------------|-------------------|----------|
| SCM processes not followed | <u>14 317 455</u> | <u>-</u> |
|----------------------------|-------------------|----------|

49. Additional disclosure in terms of section 125 of the Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|--------------------|--------------------|
| Current year subscription / fee | 1 483 137 | 1 301 962 |
| Amount paid - current year | <u>(1 483 137)</u> | <u>(1 301 962)</u> |
| | <u>-</u> | <u>-</u> |

Material electrical distribution losses

| | | |
|---|-------------------|-------------------|
| Add: Losses identified - current period | <u>15 300 786</u> | <u>11 689 860</u> |
|---|-------------------|-------------------|

The municipality lost 9 931 800 kwhr (2021: 8,767,780 kwh) representing 34.52% (2021: 34.24%) of total bulk purchases of electricity from Eskom during the year. The losses are attributed to normal losses and illegal connections.



**Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements
for the year ended 30 June 2023**

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

| Figures in Rand | 2023 | 2022 |
|--|--------------------|--------------------|
| 47. Irregular expenditure | | |
| Opening balance as previously reported | 114 925 943 | 112 199 386 |
| Add: Irregular Expenditure - current | 16 673 396 | 17 044 012 |
| Less: Amount written off - current | (15 863 885) | (14 317 455) |
| Closing balance | 115 735 454 | 114 925 943 |

Irregular expenditure is presented inclusive of VAT

Incidents/cases identified/reported in the current year include those listed below:

| | Disciplinary steps taken/criminal proceedings | | |
|--|--|-------------------|-------------------|
| Irregular expenditure on payroll | Due processes were not followed before standardisation of salaries were paid | 15 104 977 | 15 408 182 |
| Irregular expenditure on contracts | SCM processes were not followed | 55 770 | 1 635 830 |
| Supplier failed to honour the SARS arrangement | | 1 512 649 | - |
| | | 16 673 396 | 17 044 012 |

Cases under investigation

There are no cases currently under investigation.

Scope limitation

The limitation of scope relates to the burning down of municipal buildings during the second quarter of the 2018/19 financial year. There are 14 contracts that were awarded during the first and second quarter of 2018/19 financial year which were affected by the fire. Efforts made by the municipality to recreate the lost documentation proved to be impracticable. The contracts affected amount to R34,429,654. No expenditure has been incurred on these contracts for the current and prior year.

A majority of the contracts affected relates to capital projects which are funded through the municipal infrastructure grant.

Due to the event of the fire as mentioned and the subsequent effort to recreate the lost documents that proved to be impracticable, we cannot determine whether the expenditure incurred on these contracts is irregular or not.

Amount written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 15 863 885 (2022: R14 317 455) from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. These amounts relate to the 2018, 2019, 2020 and 2023 financial years.

| | | |
|----------------------------|------------|------------|
| SCM processes not followed | 15 863 885 | 14 317 455 |
|----------------------------|------------|------------|



**Amahlathi Local Municipality
(Registration number EC 124)
Annual Financial Statements
for the year ended 30 June 2024**

Amahlathi Local Municipality

(Registration number EC 124)

Annual Financial Statements for the year ended 30 June 2024

Notes to the Annual Financial Statements

Figures in Rand

2024

2023

52. Irregular expenditure (continued)

Incidents/cases identified/reported in the current year include those listed below:

| | Disciplinary steps taken/criminal proceedings | | |
|---|--|-------------------|-------------------|
| Irregular expenditure on payroll | Due processes were not followed before standardisation of salaries were paid | 15 261 673 | 15 104 977 |
| Irregular expenditure on contracts | SCM processes were not followed | 5 488 290 | 55 770 |
| Supplier failed to honour the SARS arrangement | | 2 576 606 | 1 512 649 |
| Travel allowance policy not implemented correctly | | 526 657 | - |
| Supplier not tax compliant | | 94 544 | - |
| | | 23 947 770 | 16 673 396 |

Cases under investigation

There are no cases currently under investigation.

Scope limitation

The limitation of scope relates to the burning down of municipal buildings during the second quarter of the 2018/19 financial year. There are 14 contracts that were awarded during the first and second quarter of 2018/19 financial year which were affected by the fire. Efforts made by the municipality to recreate the lost documentation proved to be impracticable. The contracts affected amount to R34,429 654. No expenditure has been incurred on these contracts for the current and prior year

A majority of the contracts affected relates to capital projects which are funded through the municipal infrastructure grant

Due to the event of the fire as mentioned and the subsequent effort to recreate the lost documents that proved to be impracticable we cannot determine whether the expenditure incurred on these contracts is irregular or not.

Amount written-off

During the prior financial year council adopted the council committee recommendation to write-off an amount of R 1 182 340 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable. These amounts relate to the 2018, 2019, 2020 and 2023 financial years.

| | | |
|----------------------------|------------------|-------------------|
| SCM processes not followed | <u>1 182 340</u> | <u>15 863 885</u> |
|----------------------------|------------------|-------------------|

ITEM 2

TRAVEL ALLOWANCE POLICY FOR MANAGERS

BACKGROUND

Under the Van der Merwe Post Level systems, Managers in post level 3-1 received the benefit of a Travel Allowance Scheme. As Heads of Department's (HOD's) had previously been at a Post Level 1, this means that Post Level 2 & 3 were the Managers, excluding section 57 managers who qualified.

The scheme had been in existence since 2000, and was based on a mix of various factors, including size engine, AA rates as well as distance travelled per post level (650 kms for PL3, 750 kms for PL2 and 850 kms for PL1).

With the introduction of the Task Job Evaluation Scheme in July 2010, came additional TASK grades below Section 57 Managers. Whereas previously there were two levels i.e. Post Level 2 and 3 that qualified for Travel Allowance. After July 2010, the number of TASK grades which qualified for a Travel Allowance Scheme were TASK grades 15, 16, 17 & 18 and potentially 19 and 20 i.e. 6 TASK grades. This policy therefore sets out the Travel Allowance Scheme Whereby Managers in these grades (TG 14 -20) will benefit from this new policy.

The Travel Allowance amount is a fixed percentage, based on 30% of the average salary for the relevant TASK grades, according to the tables supplied by the SALGBC, and as detailed in the Categorization and Wage Curve Agreement of 2010.

Considering the above, the municipality attempted to rescind the Travel Allowance Policy for Task Grades 14-20 employees and approve the remuneration of business travel for Managers through the Subsistence and Travel Policy in support of the municipality's cost containment strategy, however the municipal employees interdicted the rescission of the travel allowance policy. The order was issued on the 3rd of December 2021 as follows:

It is ordered that:

- 5. The Applicants' non-compliance with time limits and forms of service is condoned and the matter is heard as a matter of urgency as provided for in Rule 8 of the Labor Court Rules.**
- 6. The Respondent is interdicted and restrained from discontinuing or terminating the Applicants' car allowances.**
- 7. The Respondent is ordered to comply with its contractual obligations to pay the Applicants their car allowances.**
- 8. There is no order as to costs.**

FINDINGS OF THE INVESTIGATION

During the testing of employee cost, it was identified that there were over payments made relating to travel allowance policy for managers. The cause is the incorrect application of travel allowance scheme.

RECOMMENDATIONS

1. MPAC recommends to the council to satisfy this expenditure as **irrecoverable**.
 2. MPAC recommends to the council to **write -off R 526 657,00** resulting from non-compliance with the travel allowance policy for managerial staff.
 3. MPAC recommends **adherence** to the Council's **adopted travel allowance policy**, effective the coming financial year.
-

ITEM 3

EBUSHA GENERAL TRADING

BACKGROUND

Ebusha General Trading was appointed by Amahlathi Local Municipality to supply and deliver Asphalt for a period of 24 months. During the evaluation process the above-mentioned service provider was not tax compliant with SARS, which he/she then arranged with SARS to pay the debt in instalments. The service provider honored the payment arrangement until appointment stage and later defaulted which led to his/her appointment to be classified as irregular expenditure by AGSA.

Considering the above, MPAC was mandated by the council to investigate the above-mentioned expenditure as part of its duties to enable the council in respect of financial management. MPAC undertaken the investigation and interviewed officials deemed relevant for this investigation.

FINDINGS

Based on the information gathered by MPAC through the investigations conducted, the following aspects with respect to irregular expenditure incurred during the of appointment of Ebusha General Trading were noted:

- e) The contract for the appointment of Ebusha General Trading was declared irregular by Auditor General of South Africa (AGSA) due to non-compliance with SCM policy. Chapter 10 of the Municipal Supply Chain Management Policy prohibits awarding a person whose tax matters are not in order. It states that:
 - o ***The accounting officer must ensure that, irrespective of the procurement process followed, no award is given to a person whose tax matters have not been declared by the South African Revenue Services to be in order.***
 - o ***Before making an award to a person, the accounting officer must first check with SARS whether the person's tax matters are in order.'***
- f) MPAC also discovered that even though the service provider defaulted to honor the payment arrangement made with SARS, he /she rendered services and value for money was realized.

CONCLUSION

MPAC concludes that, despite the non-compliance that was detected, there was value for money obtained by the municipality and no losses suffered due to the non-compliance that was detected. The investigation conducted by the MPAC confirms that the services were rendered and were aligned to the specifications and value for money was realized.

MPAC concluded that there is no act of financial misconduct or financial offence incurred during the procurement process thus no one should be liable charged as such.

RECOMMENDATIONS

1. MPAC recommends to the council to satisfy this expenditure as **irrecoverable**.
2. MPAC recommends to the council to **write- off** this expenditure. This recommendation is premised on the conclusion that, despite the non-compliance that was detected, there was value for money obtained by the municipality and no financial losses were suffered due to the non-compliance detected. Therefore, the municipality should **write off** irregular expenditure amounting to **R 799 645**.
3. MPAC recommends to the council to **refrain** from appointing service providers whose tax matters are not in order with SARS.

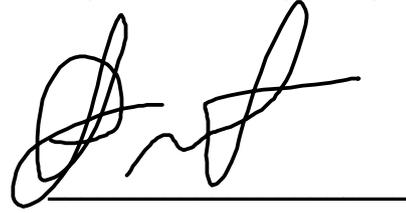
Please find attached as **Annexure 6** to this report the irregular expenditure incurred due to the appointment of Ebusha General Trading.

| | Code | Reference | Reference 2 | Description | Debit | Credit | On Hold | Note |
|------------|-------------|-----------|-------------|---------------------------------|----------|----------|---------|------|
| 2022/03/29 | IN-SINV | 014 | GRV06161 | SUPPLY & DELIVERY ASPHALT | 0 | 356250 | False | |
| 2022/04/26 | AP-PAYM-REV | Ebusha 0 | APBR167 | Incorrect date | 0 | 100000 | False | |
| 2022/06/30 | IN-SINV | 038 | GRV06323 | Goods Received Voucher | 0 | 29890 | False | |
| 2023/09/01 | IN-SINV | 43 | GRV07675 | SUPPLY&DELIVERY OF COLD PRE MIX | 0 | 28500,45 | False | |
| 2023/11/27 | IN-SINV | 76 | GRV08052 | EBUSHA | 0 | 95001,5 | False | |
| 2024/01/26 | IN-SINV | 91 | GRV08264 | COLD PREMIX ASPHALT BAGS | 0 | 190003 | False | |
| 2023/10/02 | AP-PAYM | ALM000740 | APRBR1870 | | 28500,45 | 0 | False | |
| 2022/07/20 | AP-PAYM | | APRBR1297 | | 29890 | 0 | False | |
| 2023/12/07 | AP-PAYM | ALM000895 | APRBR1961 | | 95001,5 | 0 | False | |
| 2022/04/26 | AP-PAYM | | APRBR1210 | | 100000 | 0 | False | |
| 2022/05/04 | AP-PAYM | | APRBR1219 | | 100000 | 0 | False | |
| 2024/02/09 | AP-PAYM | ALM001030 | APRBR2034 | | 190003 | 0 | False | |
| 2022/07/11 | AP-PAYM | | APRBR1279 | | 256250 | 0 | False | |

TOTAL

R799 645

[Author: MPAC Chairperson/ZA/Q]
[Ordinary Council Meeting:28 August 2025]



Cllr Z.A. Qonto

The Municipal Council

Amahlathi Local Municipality

P/ Bag x 4002

Stutterheim

4930

28 August 2025

RE: REPORT ON THE INVESTIGATION OF IRREGULAR EXPENDITURE

PURPOSE

The purpose of this communication is to provide a report to the council on the investigation conducted by MPAC on irregular expenditure incurred by the municipality.

BACKGROUND

Municipal Public Accounts Committees (MPAC's) are established in terms of the provisions of section 33 and 79 of the Local Government Municipal Structures Act, Act 117 of 1998. Municipal Public Accounts Committee operates or discharges its responsibilities guided by the Terms of Reference approved by Council.

The main purpose of the MPAC is to exercise oversight over the executive functions of council. Oversight includes watchfulness, supervision, control, monitoring, review and evaluation and performance assessment. Oversight ensures that the executive complies with the intent of the legislature and does not behave in a manner that allows maladministration, inefficiency, wasteful or corrupt practices. Strong oversight promotes accountability so that those whose actions and performance is monitored by a legitimate oversight body, are likely to feel obliged to justify their actions.

LEGISLATIVE REQUIRMENTS

According to section 32 of the Municipal Finance Management Act of 2003, a municipality must recover unauthorised, irregular or fruitless and wasteful expenditure from the person liable for that expenditure unless the expenditure –

- e) in the case of unauthorised expenditure, is -
 - VII. authorised in an adjustments budget; or
 - VIII. certified by the municipal council, after investigation by a council committee, as irrecoverable and written off by the council; and
- f) in the case of irregular or fruitless and wasteful expenditure, is, after investigation by a council committee, certified by the council as irrecoverable and written off by the council.

Furthermore, if the accounting officer becomes aware that the council, the mayor or the executive committee of the municipality has taken a decision which, if implemented, is likely to result in unauthorised, irregular or fruitless and wasteful expenditure, the accounting officer is not liable for any ensuing unauthorised, irregular or fruitless and wasteful expenditure. This is applicable provided that the accounting officer has informed the council, the mayor or the executive committee, in writing, that the expenditure is likely to be unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must promptly inform the mayor, the MEC for local government in the province and the Auditor-General, in writing, of –

- j) any unauthorised, irregular or fruitless and wasteful expenditure incurred by the municipality.
- k) whether any person is responsible or under investigation for such unauthorised, irregular or fruitless and wasteful expenditure; and
- l) the steps that have been taken— (i) to recover or rectify such expenditure; and (ii) to prevent a recurrence of such expenditure.

Moreover, the writing off, of unauthorised, irregular or fruitless and wasteful expenditure as irrecoverable, is not a valid reason in criminal or disciplinary proceedings against a person charged with the commission of an offence or a breach of this Act relating to such unauthorised, irregular or fruitless and wasteful expenditure.

The accounting officer must report to the South African Police Service all cases of alleged –

- g) irregular expenditure that constitutes a criminal offence; and
- h) theft and fraud that occurred in the municipality.

The council of a municipality must take all reasonable steps to ensure that all cases of unauthorised, irregular or fruitless and wasteful expenditure are reported to the South African Police Service if –

- g) the charge is against the accounting officer; or

h) the accounting officer fails to comply with that subsection.

PROCESS TO BE FOLLOWED WHEN DEALING WITH IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

As stipulated in the Municipal Supply Chain Management Regulations of 2005, the accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor of the municipality.

In line with the requirement above, the accounting officer submitted the report on the implementation of the supply chain management policy to the council of Amahlathi Local Municipality. On receipt of the report, Municipal Council referred the report on irregular, fruitless and wasteful expenditure incurred to council committee (MPAC) for investigation in terms of section 32(2)(b) of MFMA read with regulation 74 of the MBRR.

Section 32(2)(b) of the MFMA states that irregular expenditure may only be written-off by Council if, after an investigation by a council committee, the irregular expenditure is certified as irrecoverable. Therefore, all instances of irregular expenditure must be recovered from the liable official or political office-bearer, unless the expenditure is certified as irrecoverable by the municipal council, after investigation by a council committee and written off by the council in terms of section 32(2)(b) of the MFMA.

Consequently, writing-off is not a primary response, it is subordinate to the recovery processes and may only take place if the irregular expenditure is certified by Council as irrecoverable.

MPAC received the BTO report on irregular expenditure for procurement through panel of service providers during 2023/2024 and 2024/2025 financial year and initiated an investigation independently without a Council referral. MPAC followed the following methodology to gather information so that the committee can make informed decisions:

- k) Reviewed the received documentation.
- l) Conducted interviews.

a) Reviewed the received documentation.

After the receipt of documents from BTO, the MPAC sat on June 18, 2025 to review the documents. During the review of the documents, it became evident that there was a need to conduct interviews with the officials involved in the irregular expenditure register to gather more information. In this effect, the chairperson wrote to the accounting officer on June 19, 2025, requesting interviews with the following officials:

- The Municipal Manager
- Corporate Services Director
- Chief Financial Officer
- Engineering Services Director

The accounting officer replied to the committee confirming availability of the officials, as requested. The interviews took place on June 24,2025. The correspondence sent to the accounting officer is attached as **Annexure 1**.

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
[Tel: 043 683 5024](tel:0436835024) Fax: 043 683 1127
[Website: www.amahlathi.gov.za](http://www.amahlathi.gov.za)

**TO : THE MUNICIPAL MANAGER
THE CHIEF FINANCIAL OFFICER
THE DIRECTOR CORPORATE SERVICES
THE DIRECTOR ENGINEERING SERVICES**

FROM: MPAC CHAIRPERSON

RE: INQUIRY SESSION (IRREGULAR EXPENDITURE)

DATE: 19 JUNE 2025

The MPAC was duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

According to the MPAC Terms of reference, (6.4) (a), "MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee" and (b) "MPAC has unrestricted access to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities, however MPAC has to notify the office of the Municipal manager, unless the Municipal Manager is implicated in the matter"

MPAC is investigating irregular expenditure related to Standardization, Travel allowance as well as procurement through panel of service providers during 2023/24 and 2024/25 financial years.

You are kindly invited to an inquiry meeting to be held as follows:

Date: June 24,2025

Time: 09:00

Duration: 1 hour

Venue: IEC Boardroom

Please make every effort to attend.

Your cooperation in this regard will be highly appreciated.

**MPAC Chairperson
Cllr. Z.A. Qonto**

b) Conducted interviews.

In preparation for the interviews, MPAC utilized MFMA circular 68 guidelines provided by Treasury to guide the municipality when dealing with unauthorized, irregular, fruitless and wasteful expenditure and thus with the help from Treasury, MPAC managed to conduct the interviews.

The interviews were scheduled as follows:

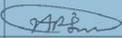
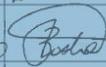
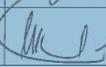
Date: June 24, 2025

Time: 09:00

Duration: 1 hour

Venue: IEC Boardroom

Please find attached as **Annexure 2** to this report the attendance register for the inquiry meeting.

| AMANTHILWAL MUNICIPALITY | | | | |
|--|-------------|---------------------------------|----------------|---|
| ATTENDANCE REGISTER | | | | |
| MUNICIPAL PUBLIC ACCOUNTS COMMITTEE INQUIRY MEETING: | | | | |
| IRREGULAR EXPENDITURE | | | | |
| DATE: 24 JUNE 2025 | | | | |
| TIME: 09H00 | | | | |
| VENU: IEC BOARDROOM | | | | |
| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
| ZUKISA QONTO | MPAC CHAIR | qonto@amantlwali.gov.za | 0731562285 |  |
| PHATHUKOPE SIMANDLA | MPAC MEMBER | abselismandla@amantlwali.gov.za | 076 8416888 |  |
| NTOMBIZONKE MZANJANWA | MPAC MEMBER | zonkemmandane75@gmail.com | 0784743127 |  |
| ZAMUXOLO SHASHA | MM'S OFFICE | zshasha@amantlwali.gov.za | 0722611510 |  |
| BUYENI NGWENDU | CFO | ngwendu@amantlwali.gov.za | 0785789788 |  |
| SIPHOLELE KAMBI | SRM MANAGER | skambi@amantlwali.gov.za | 0539682968 |  |

AMAHLATHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

**MUNICIPAL PUBLIC ACCOUNTS COMMITTEE INQUIRY MEETING:
IRREGULAR EXPENDITURE**

DATE: 24 JUNE 2025

TIME: 09H00

VENU: IEC BOARDROOM



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|------------------|----------------------|-------------------------|----------------|-----------|
| NONKUBENLA DLOVA | DIRECTOR ENGINEERING | ndlova@amahlathi.gov.za | 073 952 3917 | |
| Xoliswa Ntshini | MPAC member | siydisenela@gmail.com | 0834919748 | |
| Pumla Boo1 | MPAC SECRETARY | Pboo15@gmail.com | 073 6844 252 | |
| NICHOLAS NCEVU | MPAC MEMBER | nncemnicko@gmail.com | 073 0025 307 | |
| | | | | |
| | | | | |

ITEM 1

PROCUREMENT THROUGH PANEL OF SERVICE PROVIDERS DURING 2023/2024 AND 2024/2025 FINANCIAL YEAR

BACKGROUND

During the audit of the 2023/2024 financial year, irregular expenditure amounting to R 4 445 174 was identified relating to the appointment of a panel of contractors. The audit revealed that the procurement process followed in establishing the panel did not fully comply with the requirements of the Municipal Supply Chain Management regulations and the municipality's SCM policy. The municipality did not follow the proper process in establishing the panels and allocating work to the bidders as they did not separate their process to establish the panel and to subsequently allocating work.

FINDINGS

The municipality doesn't have a policy concerning the composition of a panel for contractors and that the Auditor General did not provide a policy framework to guide the process. The municipality followed the process/guidelines used through appointing the panel of consultants.

CONCLUSION

It should be noted that, despite the non-compliance detected for procurement through panel of service providers during 2023/2024 and 2024/2025 financial year, services were rendered and value for money was realised.

RECOMMENDATION(s)

1. MPAC recommends to the council to satisfy this expenditure as **irrecoverable**
2. MPAC recommends to the council to **write off R 7 681 492,33** incurred due to the procurement through panel of service providers during 2023/2024 financial year.
3. MPAC recommends to the council to **write off R 21 317 623,32** incurred due to the procurement through panel of service providers during 2024/2025 financial year.
4. MPAC recommends to the council to **adopt** a standardized practice of requiring signed attendance registers for new projects, covering briefing sessions to tender documents submission for transparency.

Please find attached as **Annexure 3** to this report the photos of projects and a detailed report of the panels for the relevant years.

MANDLAKAPHELI, LANGDRAAI VILLAGE ROADS AND CULVERT INCLUDING UPPER TO LOWER EMATYOTYOMBENI IN CATHCART

PROJECT BACKGROUND

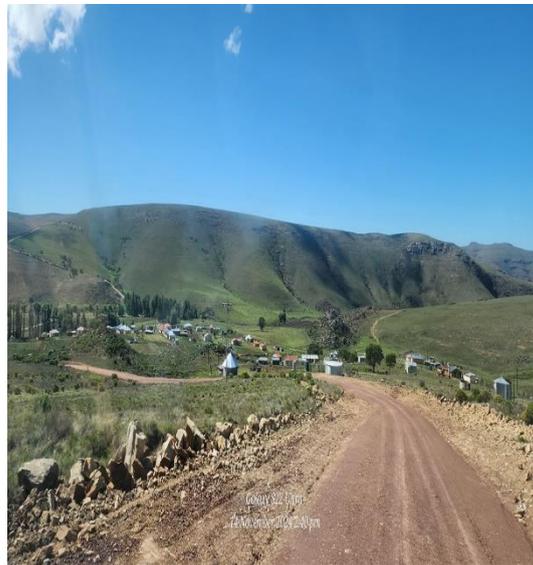
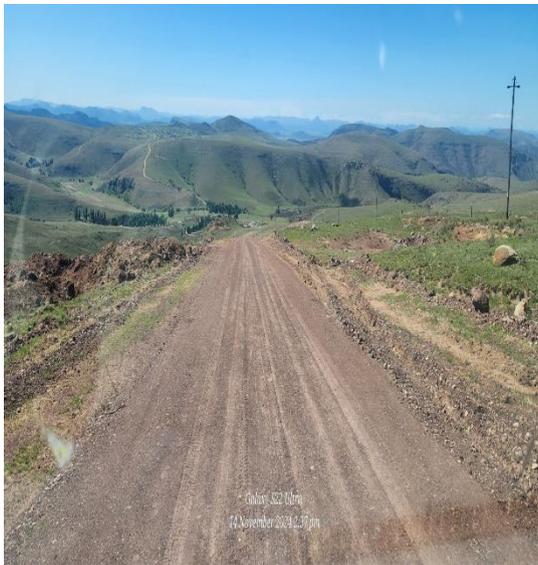
This project entails rehabilitation and maintenance of gravel roads in Mandlakapheli road 1, Mandlakapheli road 2 and Langdraai villages of Amahlathi Local Municipality. Amahlathi Local Municipality appointed Kukho Consulting Engineers as Engineers and Project Managers for the project in October 2023.

Scope of Works

The envisaged project scope is summarised below as follows:

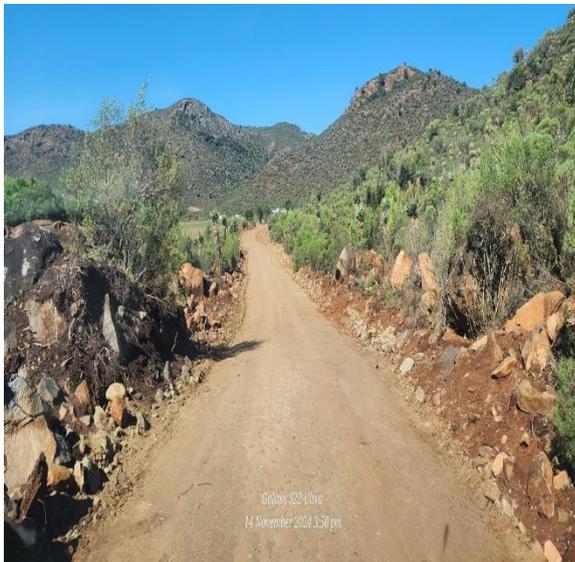
- Rehabilitation and maintenance of Langdraai village road – 2,092km
- Rehabilitation and maintenance of Mandlakapheli road 1 – 2,000km
- Rehabilitation and maintenance of Mandlakapheli road 2 – 1,938km
- Maintenance of associated stormwater drainage in the form of mitre drains and stormwater pipe culverts.
- Road Signs.

Mandlakapheli





Langdraai



The construction of the road has been completed with a quality rating of 100%, the only issue was with the dish drains that are not properly constructed.

CONSTRUCTION OF THE BRIDGE CROSSING BETWEEN RHAWINI AND BONGWENI VILLAGE

Scope of work

- Re-gravelling of 2000m long and 5m wide gravel roads
- Construct wearing course to 150mm
- Construct subbase to 150mm
- Roadbed preparation to 150mm
- Removal of unsuitable materials
- Miter drains
- Upgrading of a Low – Level Portal Culvert Bridge
- Cleaning



The project has been completed.

UPPER, LOWER NGQUMEYA ROAD AND TSHOXA ROAD IN KEISKAMMAHOEK

Project Background

This project entails rehabilitation and maintenance of gravel roads in Upper Ngqumeya, Lower Ngqumeya and Tshoxa road in Kieskamahoek.

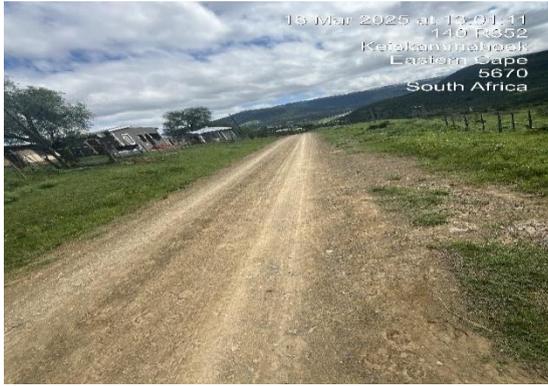
The envisaged project scope is summarised below as follows:

- Rehabilitation and maintenance of Upper Ngqumeya road 1 – 1,2km
- Rehabilitation and maintenance of Upper Ngqumeya road 2 – 300m
- Rehabilitation and maintenance of Upper Ngqumeya road 3 – 2,030km
- Rehabilitation and maintenance of Lower Ngqumeya road 1 – 400m
- Rehabilitation and maintenance of Tshoxa road 1 – 900m
- Rehabilitation and maintenance of Tshoxa road 2 – 450m
- Rehabilitation and maintenance of Tshoxa road 3 – 550m
- Rehabilitation and maintenance of Tshoxa road 4 – 100m
- Maintenance of associated stormwater drainage in the form of mitre drains and stormwater pipe culverts.
- Road Signs.

Upper Ngqumeya



The construction of the road has been completed in November 2024.



Cleaning of stormwater pipe culvert is in progress.

Lower Ngqumeya



The construction of the road has been completed in November 2024.

Tshoxa



The construction of the road has been completed in November 2024.

CONSTRUCTION OF ROADS AND STORMWATER STRUCTURES AT MLUNGISI TOWNSHIP (OLD LOCATION, MBULELO NDONDO AND MPELAZWE

Project Location

These areas fall under the town of Stutterheim which is situated in the border region of the Eastern Cape Province. Access to the town is by means of R346 regional road from King Williams Town, or via N6 national road from East London. The project is situated in Ward 9 of the Amahlathi Local Municipality. The project co-ordinates of the proposed development are as follows:

Scope of work

The construction process will include the following operations:

- General Requirements and Provisions
- Contractor's Establishment on Site and General Obligations
- Offices for the engineer's site personnel
- Accommodation of Traffic
- Clearing and Grubbing
- Dayworks
- Drains
- Mass Earthworks
- Pavement Layers of Gravel Material
- Pitching, Stonework and Protection against erosion
- Road Signs
- Testing Materials and Workmanship.



The project has been completed.

CONSTRUCTION OF ROADS AND STORMWATER STRUCTURES AT KUBUSIE AREA 5 AND OHLSON FARM

Scope of Work

The project entails nine roads which in all amounts to a total length of 10 000m.

- Re-gravelling of approximately 10 000m long and 5m wide gravel roads
- Construct wearing course to 150mm
- Construct subbase to 150mm
- Roadbed preparation to 150mm
- Removal of unsuitable materials
- Miter drains
- Stormwater crossings

The final scope consists of the re-graveling of internal roads at Kubusie Area 5 and Ohlson Farm to a total length of 10km and the construction of nine (9) stormwater crossings



The construction of the road has been completed with a rating of 100% quality.

CONSTRUCTION OF STUTTERHEIM VILLAGES (AMABELE, STANHOPE, JERSEYVALE, GASELA)

Gasela



The construction of the road has been completed; however, it has been damaged due to heavy rains.

Stanhope



The road has been prepared and shaped.
Processing will be done.

Jerseyvale



Roadbed prep in virgin road.

Amabele



The contractor only did roadbed and left the site due to machinery issues, and a second contractor was appointed however the budget was not enough. The municipality completed the road.

AM AHLATHI LOCAL MUNICIPALITY

REPORT ON IRREGULAR EXPENDITURE : PROCUREMENT THROUGH PANEL OF SERVICE PROVIDERS DURING 2023/24 AND 2024/25 FINANCIAL YEAR



REPORT ON IRREGULAR EXPENDITURE FOR PROCUREMENT THROUGH PANEL OF SERVICE PROVIDERS DURING 2023/24 AND 2024/25 FINANCIAL YEAR

1. PURPOSE

The purpose of this report is to provide the Municipal Public Accounts Committee (MPAC) with detailed information on irregular expenditure incurred by the municipality during 2023/24 and 2024/25 in compliance with section 32 of the MFMA and to seek guidance or resolutions on further action.

2. LEGISLATIVE FRAMEWORK

This report is submitted in compliance with:

- Section 32 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003.
- MFMA Circular No. 68 and 71 issued by National Treasury.
- Municipal Budget and Reporting Regulations.

2. BACKGROUND

Irregular expenditure, for the purpose of this report, refers to repeated or systemic irregular expenditure that reflects serious weaknesses in internal controls or non-compliance with Supply Chain Management (SCM) regulations.

During the audit of the 2023/2024 financial year, irregular expenditure amounting to R4 445 174 was identified relating to the appointment of a panel of contractors. The audit revealed that the procurement process followed in establishing the panel did not fully comply with the requirements of the Municipal Supply Chain Management Regulations and the municipality's SCM policy.

The municipality did not follow the proper process in establishing the panels and allocating work to the bidders as they did not separate their process to establish the panel and to subsequently allocating work.

*This further takes away the element of a **system which is fair, equitable, transparent, competitive, and cost effective*** in line with section 217 of the Constitution.

As a result, all subsequent appointments made from this panel are also deemed irregular, even though services were rendered, and value was received.

3. STATUS

Management reviewed the entire population on procurement of panels for constructors relating to the disaster project from **23/24 and 24/25 FY**.

The bids were advertised as a panel however the process for the selection or rotation of service providers was not followed, which led to non-compliance with SCM principles in relation to the establishment of panels for procurement purposes:

3.1. ALM/SCM/01/2023-24 - Panel of 6 Contractors for the Construction of Unpaved Roads & Associated Storm Water Structures for a period of One year.

During the selection of a Panel of 6 Contractors for the Construction of Unpaved Roads & Associated Storm Water Structures for a period of One year (**Bid no: ALM/SCM/01/2023-24**) it was noted that only **Mikuwo Construction & Projects** was selected to form part of the Panel, due to the service provider being the only one to pass functionality. It was further concluded that the Bid no: ALM/SCM/01/2023-24 be re-advertised for the 5 remaining panelists.

| CONTRACT NUMBER | CONTRACT DESCRIPTION | APPOINTMENT DATE | SERVICE PROVIDER | TYPE/COMMODITY | DEPARTMENT | TENDER AWARD VALUE (incl VAT) | |
|--------------------|---|------------------|---------------------|----------------|-------------|-------------------------------|-----------------------|
| ALM/SCM/01/2023-24 | Panel of six contractors for the construction of unpaved roads & associated storm-water structures for a period of one years (also forestway & Toise) | 22/08/2023 | Mikuwo Construction | Roads | ENGINEERING | R 3 863 290,47 | |
| ALM/SCM/01/2023-24 | Panel of six Contractors: Construction of Mlungisi township roads (Old location, Mbulelo Ndondo & Mpelazwe) in Stutterheim | 18/03/2024 | Mikuwo Construction | Roads | ENGINEERING | R3 769 000,00 | R 7 632 290,47 |

The appointment on the work for the above roads was allocated prior to establishing the additional 5 panelists (ALM/SCM/25/2023-24) making up the original 6 panelists.

The municipal allocation approach on projects was going to be based on performance and based on the CIDB grading which speaks to the experience of the contractors however this was not done as only one service provider was appointed and allocated work, therefore the municipality did not follow the documented process in allocating work for a panel of contractors.

The municipality appointed the services provider in responding to an emergency to fix the unpaved roads and associated storm water as a response to the Disaster Management Funding.

EXPENDITURE ON DISASTER PROJECT FOR YEAR 2023/24

| CONTRACT NUMBER | CONTRACT DESCRIPTION | APPOINTMENT DATE | SERVICE PROVIDER | DEPARTMENT | TENDER AWARD VALUE (incl VAT) | PAYMENTS 2024/25 AS PER GL |
|--------------------|---|------------------|------------------------------|-------------|-------------------------------|----------------------------|
| ALM/SCM/01/2023-24 | Panel of six contractors for the construction of unpaved roads & associated storm-water structures for a period of one years (also forestway & Toise) | 22/08/2023 | Mikuwo Construction | ENGINEERING | R 3 863 290,47 | 3 901 754,54 |
| ALM/SCM/01/2023-24 | Panel of six Contractors: Construction of Mlungisi township roads (Old location, Mbulelo Ndondo & Mpelazwe) in Stutterheim | 18/03/2024 | Mikuwo Construction | ENGINEERING | R3 769 000,00 | 954 400,76 |
| | | | | | | 4 856 155,30 |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of Kubusie Road from area 5 to Mahanjan & Ohlson farm road in Stutterheim | 18/03/2024 | CLP TRADE T/A Envirotech | ENGINEERING | R2 956 067,38 | |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of upper & Lower Ngqumeya road and Tshoxa road in Keiskammahoek | 18/03/2024 | Lunika Investments (Pty) Ltd | ENGINEERING | R3 770 522,25 | 821 148,87 |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of Kubusie Road from area 5 to Mahanjan & Ohlson farm road in Stutterheim | 18/03/2024 | Civ-Con Projects | ENGINEERING | R2 956 067,38 | 572 976,49 |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of Mandlakapheli Village roads, Langdraai Village and Culvert from upper to Ematotyombeni in Cathcart | 18/03/2024 | MVI Construction | ENGINEERING | R3 954 820,10 | 808 246,02 |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of Bridge between Rhawini and Bongweni | 18/03/2024 | Naniswa Trading (Pty) Ltd | ENGINEERING | R949 974,06 | |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of Amabhele road, Jersey vale roads & Gasela road in Stutterheim | 18/03/2024 | Naniswa Trading (Pty) Ltd | ENGINEERING | R2 519 000,00 | 622 965,65 |
| | | | | | R 32 155 707,79 | R 2 825 337,03 |
| | | | | | | 7 681 492,33 |

EXPENDITURE ON DISASTER PROJECT FOR YEAR 2024/25

| CONTRACT NUMBER | CONTRACT DESCRIPTION | APPOINTMENT DATE | SERVICE PROVIDER | DEPARTMENT | TENDER AWARD VALUE (incl VAT) | PAYMENTS 2024/25 AS PER GL |
|--------------------|---|------------------|------------------------------|-------------|-------------------------------|----------------------------|
| ALM/SCM/01/2023-24 | Panel of six contractors for the construction of unpaved roads & associated storm-water structures for a period of one years (also forestway & Toise) | 22/08/2023 | Mikuwo Construction | ENGINEERING | R 3 863 290,47 | - |
| ALM/SCM/01/2023-24 | Panel of six Contractors: Construction of Mlungisi township roads (Old location, Mbulelo Ndongdo & Mpelazwe) in Stutterheim | 18/03/2024 | Mikuwo Construction | ENGINEERING | R3 769 000,00 | 2 161 131,77 |
| | | | | | | 2 161 131,77 |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of Kubusie Road from area 5 to Mahanjan & Ohlson farm road in Stutterheim | 18/03/2024 | CLP TRADE T/A Envirotech | ENGINEERING | R2 956 067,38 | 1 536 843,50 |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of upper & Lower Ngqumeya road and Tshoxa road in Keiskammahoek | 18/03/2024 | Lunika Investments (Pty) Ltd | ENGINEERING | R3 770 522,25 | 2 043 379,63 |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of Kubusie Road from area 5 to Mahanjan & Ohlson farm road in Stutterheim | 18/03/2024 | Civ-Con Projects | ENGINEERING | R2 956 067,38 | 1 033 442,31 |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of Mandlakapheli Village roads, Langdraai Village and Culvert from upper to Ematotombeni in Cathcart | 18/03/2024 | MVI Construction | ENGINEERING | R3 954 820,10 | 2 342 428,51 |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of Bridge between Rhawini and Bongweni | 18/03/2024 | Naniswa Trading (Pty) Ltd | ENGINEERING | R949 974,06 | 692 242,92 |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of Amabele road, Jersey vale roads & Gasela road in Stutterheim | 18/03/2024 | Naniswa Trading (Pty) Ltd | ENGINEERING | R2 519 000,00 | Terminated |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of roads between peer to nxawe & Matsa to Nxawe in Tembeni (also Cenyulands villages) | 07/10/2024 | CLP TRADE T/A Envirotech | ENGINEERING | R2 750 745,00 | 2 108 063,43 |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of road from town to Sophumelela & Ngxondorheni village in Keiskammahoek | 07/10/2024 | CLP TRADE T/A Envirotech | ENGINEERING | R2 848 306,31 | 2 191 687,02 |
| ALM/SCM/25/2023-24 | Panel of five Contractors: Construction of Emagcumeni Road in Keiskammahoek | 07/10/2024 | Lunika Investments (Pty) Ltd | ENGINEERING | R1 224 570,52 | 1 163 317,99 |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of Amabele, Stanhope, Jerseyvale and gasela villages | 17/09/2024 | Civ-Con Projects | ENGINEERING | R1 836 500,00 | 1 790 587,50 |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of roads at Cenyulands village | 07/10/2024 | Civ-Con Projects | ENGINEERING | R3 082 615,74 | 1 769 325,74 |
| ALM/SCM/25/2023-24 | Panel of five contractors: Construction of roads For Phumlani village, Bumbane and Kom Internal Road in Keiskammahoek | 07/10/2024 | MVI Construction | ENGINEERING | R3 306 519,05 | 2 485 173,00 |
| | | | | | R 32 155 707,79 | R 19 156 491,55 |
| | | | | | | 21 317 623,32 |

5. ANALYSIS AND FINDINGS BY AUDITOR GENERAL

The municipality did not follow the proper process in establishing the panels and allocating work to the bidders as they did not separate their process to establish the panel and to subsequently allocating work. Furthermore, the intention for the advert was to establish a panel and not to make the actual award.

This further takes away the element of a **system which is fair, equitable, transparent, competitive, and cost effective**” in line with section 217 of the Constitution.

A panel of service providers means a data base of specific service providers procured through competitive bidding process, members of the panel are invited to compete for work as and when the need arises.

Members are not guaranteed any work. Once a panel has been established, there cannot be any new members added to the panel as the panel would have already been established through a competitive bidding process and as such the procurement process to establish the panel has already been concluded.

The decision to allocate work to the service provider is due to the timeframes that are indicated in the terms of the grant and therefore the municipality proceeded to allocate work while they also continued advertising for more service providers.

The way the allocation of work has been performed was not in a fair and transparent manner as there is no prior communication (either during briefing meetings, bid documents, adverts or appointments). letters) as to how the work will be allocated to the bidders under the panel.

Furthermore, it appears that management's approach deviates from the standard principles of establishing a panel and instead resembles a selective bidding process that would lead to awarding contracts to multiple providers under specific terms. Here's an analysis based on the key points raised:

- **Limitation to Six Contractors/Service Providers:** The selection of the panels was restricted to only six contractors, which is unusual for a panel structure that typically allows broader access to qualified suppliers. By capping the panel to a limited number, management effectively narrowed the competition, which is not characteristic of a conventional panel intended to create a dynamic and competitive pool.
- **Appointment of a Single Supplier after Compliance:** Only one supplier met the requirements, yet management proceeded with an appointment rather than establishing a database or roster of pre-qualified contractors. This decision indicates a departure from the panel concept, which would usually involve qualifying multiple contractors to foster competition for future work.
- **Intended Work Allocation to All Six Service Providers:** Management's plan to allocate work to all six contractors, rather than opening each work request to competitive bidding among the panel members, suggests that work was nearly guaranteed for each contractor. In a true panel structure, contractors are typically pre-qualified but must still compete for individual projects, ensuring price competitiveness and allowing the municipality flexibility in awarding work based on specific project needs.
- **Evaluation for Price and Specific Goals Prior to Scope Definition:** The bid evaluation included price and goal assessments at the initial phase, even though specific work scopes were not issued to all bidders. This approach is not consistent with panel best practices, where price competition is usually a factor at the time of each project allocation rather than during initial selection. The panel arrangement's purpose is to secure competitive pricing and service quality for each specific project, based on its unique scope and requirements.

Additionally, the requirement for bidders to provide proof of experience with constructing unpaved/gravel roads and stormwater projects exceeding R2 million (specifically for a municipality or organ of state) raises concerns regarding fairness. Given that the specification already included a CIDB grading requirement, this additional criterion could be seen as overly restrictive and potentially biased, limiting the pool of eligible contractors, and reducing competition unnecessarily.

Therefore, the team concludes that the work was allocated in contravention of the SCM policy, section 112 (1) of the MFMA (not fair, equitable, transparent, competitive, and cost-effective) and section 217 of the constitution (not fair, equitable, transparent, competitive, and cost-effective). Therefore, resulting in irregular expenditure of R4 445 174

6. PREVENTIVE MEASURES

- The municipality would adhere to the recommendations made by the auditors to prevent the re-occurrence of irregular expenditure.

- The bid committee members were trained by Provincial Treasury during February 2025 on SCM Regulations and their responsibilities in their respective committees in assisting them in understanding their duties.
- The municipality strengthens internal controls and procurement processes.
- The internal audit unit is currently undertaking audits to all SCM processes.

7. RECOMMENDATIONS

It is recommended that MPAC:

1. Reviews and notes the irregular expenditure cases listed in this report.
2. Assesses whether value for money was achieved in each case.
3. Makes recommendations to Council regarding:
 - Possible condonation of expenditure (where applicable).
 - Recovery from responsible officials if negligence is confirmed.
 - Disciplinary actions to be upheld or reinforced.
4. Provides oversight on the implementation of remedial measures and prevention strategies.

8. CONCLUSION

- The municipality acknowledges the seriousness of irregular expenditure and is committed to improving compliance with financial management laws.
- The municipality remains committed to sound financial management, and all instances of UIFW expenditure are treated seriously with appropriate corrective action taken.
- The expenditure did not necessarily result in any loss or fraud, and in many cases, value for money was still achieved despite procedural non-compliance.
- The management submits this report to the Municipal Public Accounts Committee (**MPAC**) for further investigation and for recommendations regarding potential disciplinary or criminal proceedings, if applicable.
- Your oversight as MPAC is essential in ensuring accountability, transparency, and improved governance.

Prepared by:

Ms B. Ngwendu
Chief Financial Officer

Approved by:

Dr Z. Shasha
Municipal Manager

ANNEXURE "E"

[Author: MPAC Chairperson/ZA/Q]
[Ordinary Council Meeting:11 December 2025]



Cllr Z.A. Qonto

The Municipal Council

Amahlathi Local Municipality

P/ Bag x 4002

Stutterheim

4930

**RE: REVIEW OF AUDITOR-GENERAL REPORT, MANAGEMENT REPORT AND AUDIT COMMITTEE
COMMENTS**

PURPOSE

The purpose of this communication is to provide a report to the council on the review of AG report, Management report and Audit committee comments with management committee.

BACKGROUND

Municipal Public Accounts Committees (MPAC's) are established in terms of the provisions of section 33 and 79 of the Local Government Municipal Structures Act, Act 117 of 1998. Municipal Public Accounts Committee operates or discharges its responsibilities guided by the Terms of Reference approved by Council.

The main purpose of the MPAC is to exercise oversight over the executive functions of council. Oversight includes watchfulness, supervision, control, monitoring, review and evaluation and performance assessment. Oversight ensures that the executive complies with the intent of the legislature and does not behave in a manner that allows maladministration, inefficiency, wasteful or corrupt practices. Strong oversight promotes accountability so that those whose actions and performance are monitored by a legitimate oversight body, are likely to feel obliged to justify their actions.

LEGISLATIVE REQUIRMENTS

The municipal council must determine the functions of the municipal public accounts committee, which must include the following:

- (a) Review the Auditor-General's reports and comments of the management committee and the audit committee and make recommendations to the municipal council.
- (b) Review internal audit reports together with comments from the management committee and the audit committee and make recommendations to the municipal council.
- (c) Initiate and develop the oversight report on annual reports contemplated in section 129 of the Local Government: Municipal Finance Management Act
- (d) Attend to and make recommendations to the municipal council on any matter referred to it by the municipal council, executive committee, a committee of the council, a member of this committee, a councilor and the municipal manager; and
- (e) On its own initiative, subject to the direction of the municipal council, investigate and report to the municipal council on any matter affecting the municipality.

PROCESS FOLLOWED WHEN REVIEWING AUDITOR-GENERAL'S REPORT, MANAGEMENT REPORT AND INTERNAL AUDIT REPORT/AUDIT COMMITTEE COMMENTS.

MPAC requested Auditor -General's Report, Comments of the Management Committee and Comments of the Audit Committee from the Accounting Officer on the correspondence dated September 10,2025. The correspondence sent to the accounting officer requesting the above is attached as **Annexure 1**.

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
Tel: [043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO : THE MUNICIPAL MANAGER

CC: THE CHIEF FINANCIAL OFFICER
CC: THE INTERNAL AUDIT MANAGER

FROM: MPAC CHAIRPERSON

RE: REQUEST FOR INFORMATION

DATE: 10 SEPTEMBER 2025

This above matter refers to:

The MPAC was duly established in terms of section 79(a) of the municipal structures act No 117 of 1998, with a view to assist the council in achieving its effective and efficient performance of any of its functions or the exercise of any of its powers.

According to the MPAC Terms of reference, (6.4) (a), "MPAC is authorized to seek any information from and have access to any Councilor and/employee, and to direct all Councilors or employees to cooperate with any request by the Committee" and (b) "MPAC has unrestricted access to information relating to all personnel, books of account, records, assets and liabilities of the Council and to any other sources of relevant information that may be required from the Council for the purpose of its duties and responsibilities.

MPAC is currently focusing on reviewing the Auditor -General's report and comments of the management committee and the audit committee, as mandated by the Local Government: Municipal Structures Amendment Act. The committee kindly requests you to furnish it with the following:

1. Auditor General's report.
 2. Comments of the management committee.
 3. Comments of the audit committee
- All the above requested information relates to 2024/2025 financial year.

The committee kindly requests you to furnish it with the above-mentioned information on or before September 17, 2025, by no later than 16h00.

Your prompt response herein will be highly appreciated.

MPAC Chairperson

MPAC followed the following methodology to gather information so that the committee can make informed decisions:

- m) Reviewed the documentation received.

n) Conducted a review session with management committee.

a) Reviewed the documentation received.

After the receipt of documents from the Accounting Officer, the MPAC sat on October 3, 2025 to review the documents. During the review of the documents, it became evident that there was a need to conduct a review session with the management committee to gather more information. In this effect, the chairperson wrote to the accounting officer on October 3, 2025, requesting a meeting with management committee. MPAC initiated a review session with management committee independently without a Council referral.

The Accounting Officer replied to the committee confirming availability of the officials, as requested. The meeting took place on October 7, 2025. The correspondence sent to the Accounting Officer requesting a review meeting is attached as **Annexure 2**.

Amahlathi Local Municipality



OFFICE OF THE MUNICIPAL MANAGER
12 Maclean Street
Private Bag X4002, Stutterheim, 4930
[Tel: 043 683 5024](tel:0436835024) Fax: 043 683 1127
Website: www.amahlathi.gov.za

TO : THE MUNICIPAL MANAGER

CC: THE MANAGEMENT COMMITTEE

FROM: MPAC CHAIRPERSON

RE: REQUEST FOR A MEETING

DATE: 03 OCTOBER 2025

This above matter refers to:

The Municipal Public Accounts Committee is currently reviewing the Auditor-General's Report ,Management Committee comments, and Audit Committee comments as mandated by the Local Government: Municipal Structures Amendment Act.

The committee kindly invite you to a meeting to discuss the Auditor- General's Report ,focusing on the following key areas:

1. Timely payment of invoices (within 30 days)
2. Material electricity losses
3. Non- compliance with the MFMA
4. Non-compliance with the SCM Regulations
5. Irregular expenditure related to salary standardization
6. Uninvestigated unauthorized expenditure
7. Monitoring of contractors or service providers
8. Environmental non- compliance at Cathcart Waste Landfill site
9. Eskom debt relief
10. Results of the revenue enhancement strategy

The meeting details are as follows:

Date: 7 October 2025

Time: 10:00

Venue: ADM Boardroom

Your input and expertise are valuable in addressing these matters. We look forward to your participation.

Best regards,

MPAC Chairperson
Cllr. Z.A. Qonto

b) Conducted a review with management committee

The review meeting was scheduled as follows:

Date: October 7,2025

Time: 10:00

Venue: ADM Boardroom

Please find attached as **Annexure 3** to this report the attendance registers for the review meeting.

AMAHLATI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING WITH MANAGEMENT COMMITTEE:
REVIEW OF AUDITOR-GENERAL REPORT,MANAGEMENT COMMITTEE COMMENTS AND
AUDIT COMMITTEE COMMENTS



DATE: 07 OCTOBER 2025

TIME: 12H00

VENU: ADM BOARDROOM

| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|-----------------|------------------------|---------------------------|----------------|-----------|
| MAWUMBE MAGIBA | Internal Audit Manager | mmagiba@amahlathi.gov.za | 07227973697 | |
| Zanuko SHASHA | MM's office | zshasha@amahlathi.gov.za | 0722611510 | |
| Bunty Mashij | SM: Finance | bmashij@amahlathi.gov.za | 0824031115 | |
| Siphokle Kambi | SCM Manager | skambi@amahlathi.gov.za | 093 685072 | |
| Charles Samuels | BRAM MANAGER | csamuels@amahlathi.gov.za | 081 456 9557 | |

AMAHLATI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING WITH MANAGEMENT COMMITTEE:
REVIEW OF AUDITOR-GENERAL REPORT,MANAGEMENT COMMITTEE COMMENTS AND
AUDIT COMMITTEE COMMENTS



DATE: 07 OCTOBER 2025

TIME: 12H00

VENU: ADM BOARDROOM

| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|--------------------|--------------------------------|-----------------------------|----------------|-----------|
| SIMPHEWE MNUWEBA | DIRECTOR DEV & PLANNING | smnuweba@amahlathi.gov.za | 082 824 9905 | |
| Andilewe Noholiza | Director Community Services | anoholiza@amahlathi.gov.za | 0721384187 | |
| APHELECE MFOKAWANA | Office Admin BTO | amfokawana@amahlathi.gov.za | 0633050069 | |
| NICHOLAS NCEVU | MPAC MEMBER | ncevuncho@gmail.com | 0730025307 | |
| ZURISA QONTO | MPAC CHAIR | qonto@amahlathi.gov.za | 071562285 | |
| Pumla Bongi | MPAC SECRETARY | pbongi@amahlathi.gov.za | 073 684082 | |

AMAHLETHI LOCAL MUNICIPALITY

ATTENDANCE REGISTER

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEETING WITH MANAGEMENT COMMITTEE:
REVIEW OF AUDITOR-GENERAL REPORT, MANAGEMENT COMMITTEE COMMENTS AND
AUDIT COMMITTEE COMMENTS

DATE: 07 OCTOBER 2025

TIME: 12H00

VENUE: ADM BOARDROOM



| NAME & SURNAME | DESIGNATION | EMAIL ADDRESS | CONTACT NUMBER | SIGNATURE |
|----------------------|-----------------------------|--------------------------------|----------------|-----------|
| XOLISWA MESTI | MPAC MEMBER | syphisenetic@gmail.co.za | 083 491 9748 | |
| ABLE P. SIMANDLA | MPAC MEMBER | abelsimandlasimandla@gmail.com | 076 841 6888 | |
| NTOMBIZONKE NJANDANA | MPAC MEMBER | zontombizondana7@gmail.com | 078 474 3127 | |
| NOZISO NOGULO | CORPORATE DIRECTOR SERVICES | mgulo@amahlethi.gov.za | 060 663 9551 | |
| NONKONKUBA DLONA | DIRECTOR ENGINEERING | ndlona@amahlethi.gov.za | 073 952 3977 | |

FINDINGS

The municipality had a total of 46 findings. These findings include six findings that had an impact to the 2023/2024 audit opinion, and 40 findings did not have an impact to the audit opinion.

Below is the list of six findings that had an impact on the 2023/2024 audit opinion:

1. Panel Establishment.
2. Electricity- Classification issue.
3. Commitments- Inaccurate amount recorded.
4. Cash Flow Statement Differences.
5. Prior Period Error- Note 46.
6. Employee benefits- Accounting policy not included on the AFS.

CONCLUSION

The purpose of reviewing the Auditor-General's (AG) reports and Audit Committee Recommendations by MPAC is to ensure good governance, transparency, and accountability in the use of public funds by the municipality. In as far as good governance is concerned the municipality received an unqualified audit opinion on the Annual Financial Statement (AFS). The audit of performance on predetermined objectives also went well and is classified as unqualified also. In as far as transparency is concerned AG had about 46 findings on the AFS and 0 findings on performance information.

About 6 of the findings highlighted above had a bearing on the opinion received by the municipality. The management took full responsibility of the findings disclosed by AG and committed to address them. Also to ensure that accountability goes hand in hand with commitment. The management developed an Audit Action Plan where these findings were expressed with required actions and specific timeframes to complete them. It is against this background that MPAC is able to table to the council this report and confirm that measures to address the issues raised by AG are in place.

RECOMMENDATION(s)

It is recommended that:

1. The MPAC's report on the mandatory review of Auditor General's report, management report and audit committee comments **BE NOTED**.
 2. The council should ensure that the municipality **CONTINUES TO ADHERE** to the conditions outlined in MFMA circular 124, as per the approved debt- relief application with Eskom debt, to ensure that the municipality's budget is funded within the MTEF beginning with 2025/26 budget.
 3. The council should also ensure that the performance of the contractors or service providers is **MONITORED** monthly, as required by section 116(2)(b) of the MFMA.
-

AM AHLATHI LOCAL MUNICIPALITY



AM AHLATHI LOCAL MUNICIPALITY PROJECTS

Signed by:

Clr Z A Qonto
MPAC Chairperson

A handwritten signature in black ink, appearing to be "Z A Qonto", is written over a horizontal line.

AMAHLATHI LOCAL MUNICIPALITY PROJECTS

[File No.....]
[Author: MPAC Chairperson/ZA/Q]
[Ordinary Council Meeting:11 December 2025]

Purpose

To report progress on the implementation of Amahlathi LM projects .

Background

The Municipal Public Accounts Committee is required by the Municipal Structures Act (Act 117 of 1998) as amended, to serve as an oversight Committee and when instructed by the Council to advise Council in respect of unauthorized, irregular, or fruitless and wasteful expenditure in terms of Section 32(2) of the Municipal Financial Management Act (MFMA). They are further required by the ALM TORs to visit the ALM projects at any stage of their implementation so as to:

- i) Assess the level of community satisfaction on the implementation of the project.
- ii) Assess the impact of the project on the community and establish whether the resources of the Institution are effectively utilised.
- iii) Identify any challenges in the implementation of projects and advise council for corrective action.

Authority

- The Constitution of the Republic of South Africa, 1996 as amended.
- The Local Government: Municipal Structures Act (Act 117 Of 1998)
- The Local Government Municipal Finance Management Act (56 of 2003), Municipal Supply Chain Management Regulations

Legal And or Statutory Requirements

According to section 151(2) of the Constitution of the Republic of South Africa, 1996 as amended, the legislative and executive powers of a municipality are vested in its municipal council. In terms of this provision the Council is expected to develop mechanisms to ensure a balance in the performance of both functions without compromise to the principle of separation of powers.

Section 79 of the Local Government Municipal Structures Act (Act 117 of 1998 as amended) makes provision for the Municipal Council to:

- a. Establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers.

RECOMMENDATION(s)

It is recommended that:

- 3) The progress on the implementation of Amahlathi LM projects **be noted.**
-

MLUNGISI SPORTFIELDS – MIG PROJECT

Project Description: Finishing off the Mlungisi Sport Field

Scope includes erection of a grandstand , construction of access road and paving.

| PROJECT NAME | BUDGET | EXPENDITURE |
|---------------------|-------------|----------------|
| Mlungisi sportified | R 5 600 000 | R 3 230 858,89 |



Layering of crush dust and installation of pavement in the parking lot is in progress.



Concrete paver edging installed and the base course is ready for pavement installation on the walkway.



V- drain channel concrete casting in progress.



Indoor netball pitch



A second grandstand will be installed. Currently the second grandstand is being fabricated. Delivery and installation to be concluded on the 19th of December 2025.

The project is at 70% progress to completion which is anticipated to be completed by December 2025.

PAVING OF XHOLORHA INTERNAL ROADS- MIG PROJECT

Upgrade and construction of approximately 2.4km of existing internal gravel roads to Segmented Paving.

| PROJECT NAME | BUDGET | EXPENDITURE |
|-----------------------------------|-------------|----------------|
| Paving of Xholorha Internal Roads | R 2 374 362 | R 2 374 362,76 |



Project completed on the 19th of November.

XHOLORHA PAVING PHASE 2 - MUNICIPAL DISASTER RECOVERY PROJECT

Paving of 2 kilometres of roads and related stormwater

| PROJECT NAME | BUDGET | EXPENDITURE |
|-----------------------------------|------------|-------------|
| Paving of Xholorha Internal Roads | 15 000 000 | 2 748 395 |



Excavation in progress



The project progress is at 10% construction.

There is a challenge of underground water, and the consultant is developing a proposed solution.

AMABELE PAVING- MIG PROJECT

Construction of 2km paving with related stormwater

| PROJECT NAME | BUDGET | EXPENDITURE |
|----------------|-------------|----------------|
| Amabele Paving | R 7 000 000 | R 1 085 485,00 |



Excavation in progress.

IZIDENGE INTERNAL ROADS – MIG

Construction of 3,2 kms of gravel road and a box culvert crossing

| PROJECT NAME | BUDGET | EXPENDITURE |
|-------------------------|-------------|----------------|
| Izidenge Internal Roads | R 3 326 149 | R 1 384 016,57 |



Excavation in progress in preparation for box- crossing culvert installation.

Gravel road to be constructed on both sides of the box -crossing culvert (3,2kms).



Portal culverts on site.

PHUMLANI COMMUNITY HALL – MIG

Construction of a community hall

| PROJECT NAME | BUDGET | EXPENDITURE |
|-------------------------|-------------|----------------|
| Phumlani Community Hall | R 4 651 162 | R 1 239 845,45 |





The progress of the project is at 15% with platforms completed.

Platforms tested and approved.

Fencing completed to secure the site and the contractor is in the process of purchasing building material.

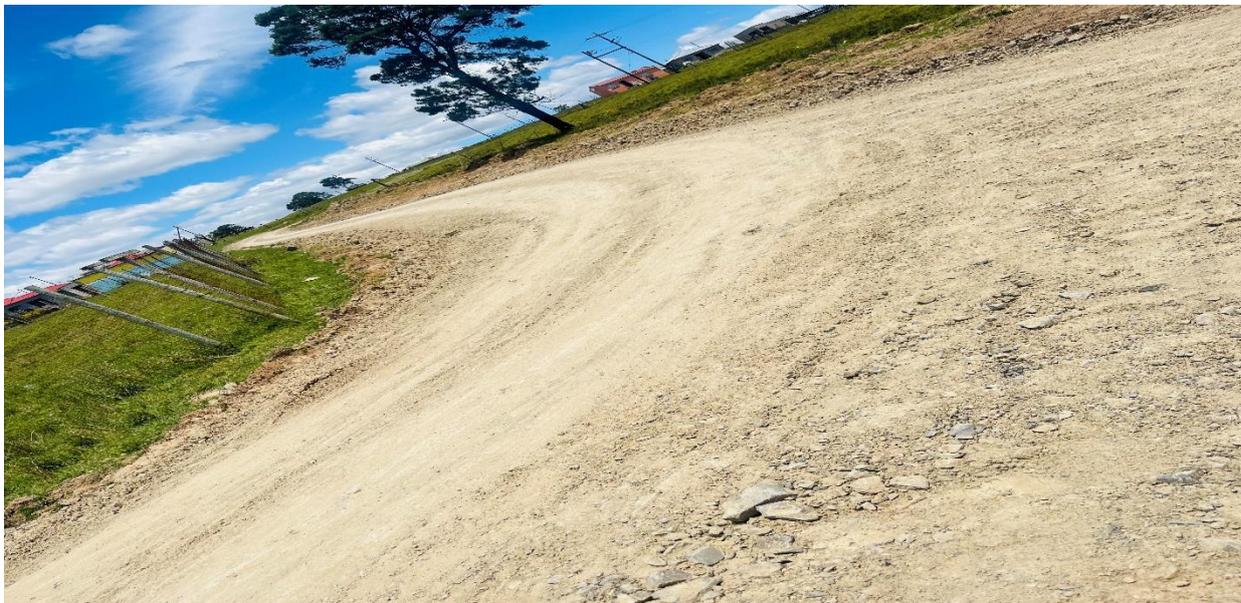
NGQEQE INTERNAL ROADS - INHOUSE

Construction of 2,5kms gravel road

| PROJECT NAME | BUDGET | EXPENDITURE |
|----------------------------------|-------------|----------------|
| Nqenqe Internal Roads (In-house) | R 3 462 969 | R 3 123 860,05 |



Layers crushed.



The project is at 70% progress to completion.

NGCAMNGENI ROADS AND STORMWATER -MUNICIPAL DISASTER RECOVERY GRANT PROJECT

Rehabilitation of 6kms of gravel roads and construction of drains

| PROJECT NAME | BUDGET | EXPENDITURE |
|-------------------------------|-----------|-------------|
| Ngcamngeni Roads & Stormwater | 4 145 000 | 2 196 669 |



The construction of road is completed; however, it is not perfectly compacted.



Dish drain constructed.



Concrete pipe culvert installed to channel water.

The project is at 75% to completion.

ANNEXURE "G"

2024/2025 ANNUAL REPORT PROGRAM OF ACTION

| Venue | Program | Date | Time | Purpose |
|-----------------------------|---|---|-------|---|
| ALM | Annual Report Public Hearings | 21 October 2025 | 10H00 | Schedule of the Annual Report Public Hearings dates. |
| ALM Clusters | Presenattion of Annual Report to the community | 11 Nov, 12 Nov , 13 Nov and 1 st December 2025 | | To afford communities an opportunity to interact with the report and give an input. |
| ALM | Presentation of oversight report to council. | 25 February 2026 | 11H00 | For adoption. |
| ALM | Presentation of Draft Oversight Report to the committee | 20 February 2026 | 11h00 | For the committee to view the draft report prior to presentation to council |
| ALM website and Legislature | Publication and submission of the oversight report to legislature | Within 7 days of its adoption | | To comply with section 129 (3) and section 132 (1) of the MFMA |
| | | | | |

CLUSTERS

| CLUSTER | VENUE | DATE | TIME | PURPOSE |
|----------------------------------|-------------------------------------|------------------|-------|--|
| KKH Ward:1,2,3,10 &11 | Springbok Community Hall | 11 November 2025 | 11h00 | For Mayor and the Executive to report back to communities on performance and for the Municipal Public Accounts Committee to afford communities an opportunity to interact with the report and give an input. |
| KING KEI Ward: 7,8,12 | Boarder Post Community Hall | 12 November 2025 | 11h00 | For Mayor and the Executive to report back to Community on performance and for the MPAC to afford communities an opportunity to interact with the report and give an input. |
| STUTTERHEIM Ward:6,9,13,14&15 | Mzwandile Fanti Recreational Centre | 13 November 2025 | 11h00 | For Mayor and the Executive to report back to Community on performance and for the Municipal Public Accounts Committee to afford communities an opportunity to interact with the report and give an input. |
| CATHCART Ward: 4&5 | Ndumangeni Community Hall | 01 December 2025 | 11h00 | For Mayor and the Executive to report back to communities on performance and for the Municipal Public Accounts Committee to afford communities an opportunity to interact with the report and give an input |

ANNEXURE” H ”

Community comments on 2024/2025 Annual Report: 11 November 2025

| 2024/2025 ANNUAL REPORT PUBLIC HEARINGS:KKH CLUSTER (SPRINGBOK COMMUNITY HALL) | | | | |
|---|---------------------|--|---|---|
| NAME | WARD/VILLAGE | PROBLEM | QUESTION/COMMENT | RESPONSE |
| Ms.Thobeka Nkwali | Ward 1-Sophumelele | Stormwater structures | The stormwater structure was not accommodated, as a result of that , the rain washed away the road. | The stormwater issue is noted and will be referred to the relevant department. |
| Ms.Faniswa Msoki | Ward 11-Emangcumeni | Poor attendance of the community members. | The attendance of the community members on the Mayoral Imbizo outreach drops day by day due to vastness of wards. | The accounting officer will be engaged on this matter. |
| | | Unattendance of the Mayoral Imbizo by the Administration | Administration not attending the Public Hearings | The accounting officer will be engaged on this matter |
| | | Incomplete Road | The design of Emagcumeni road is incomplete; it must have culverts.Technical Services must account for the incomplete road. | Technical Services will be engaged. |
| Mr.Wandile Kobese | Ward 1 | Allocation of budget for construction plant. | Seeking clarity on what happened to the previous yellow plant?. | The municipality lost the previous plant due to the higher purchase agreement made. |
| | | Un monitored consultants | The consultants must be monitored regularly. The Disaster project is left incomplete. | The matter will be discussed with Engineering Services. |
| Mr.Mkiva Zola | Ward 1 | Maintenance of high mast lights | The high mast lights are not functioning. | There are contractors appointed for maintenance of the street and high mast lights. |

2024/2025 ANNUAL REPORT PUBLIC HEARINGS:KKH CLUSTER (SPRINGBOK COMMUNITY HALL)

| NAME | WARD/VILLAGE | PROBLEM | QUESTION/COMMENT | RESPONSE |
|--------------------|---------------------|------------------------------|---|---|
| Mr. Phila Dyantyi | Ward 11- Tshoxa | Cluster presentations | Request of Annual Report presentations to be drafted and presented according to each cluster . Mr. Kobese also appreciated the report and the municipalities' strides to deliver services even though operating with unfunded budget. | The Annual Report presentation is a combined report for all Amahlathi areas. |
| | | KKH Recreational Project | The Keiskammahoek Recreation Centre is incomplete , however Stutterheim has been operating | KKH and Stutterheim Recreational Centre project resumed simultaneously, but KKH faced issues leading to contract termination and new contractor appointment hence the delay in KKH. |
| | | Bylwes | Non implementation of bylaws | The Municipality should educate communities about bylaws and policies. |
| | | Ngqumeya/Tshoxa project | The project has been reduced to 1 way while before graveling it was 2 ways. | |
| | | Budget for Sports Recreation | No budget allocation for sports & recreation | Sports and Recreation belong to the province. |
| | | Budget for Sports Council | No budget allocated for sports council | The municipality assists by doing Mayor's cup. |
| Thamsanqa Singatha | Ward1 | Disaster houses | Time frame on disaster houses. | Timeframes cannot be determined as lists of beneficiaries are sent to Human Settlements. The matter will also be escalated to IGR. |

| | | | | |
|------------|---------|----------------|---------------------------|--|
| Ms Lubambo | Ward 11 | Internal Roads | Request of internal roads | Community needs are catered for in IDP sessions. |
|------------|---------|----------------|---------------------------|--|

Community comments on 2024/2025 Annual Report: 12 November 2025

| 2024/2025 ANNUAL REPORT PUBLIC HEARINGS: KING KEI CLUSTER (BOARDERPOST COMMUNITY HALL) | | | | |
|--|--------------|--|---|---|
| NAME | WARD/VILLAGE | PROBLEM | QUESTION /COMMENT | RESONSE |
| Siweni Maqaqa | Ward 8 | Ward 8 & 12 is not included in the presentation | No project allocation for ward 8 & 12 on the presentation | In 2021/2022 financial year: <ul style="list-style-type: none"> Ezeleni hall was constructed Gubevu internal roads Frankfort: 7km internal roads instead of 5k Boarder Post : 6,3 km roads constructed. Gubevu Roads are a priority for the next financial year. |
| | | Internal Roads Hanuva and Pilton route Roads in Gubevu are in poor condition | Nothing talks to the internal roads | |
| | | Roads affected by disaster | Rains from 2020 to date damaged the roads and houses. | Department of Transport is in the process of fixing the roads |
| | | Houses affected by disaster | | The matter will be escalated to Department of Human Settlements through IGR structures. |
| | | Presentation of Annual Report by village | A request of annual public hearing report to be conducted village by village. | The Annual Report presentation is a combined report for all Amahlathi areas. |

| | | | |
|--|-------------------------------------|---|---|
| | | | |
| | Damaged Internal Roads and Culberts | The community's facing taxi fare hikes due to damaged roads. | Department of Transport is in the process of fixing the roads |
| | Unfinished roads in Boarder Post | Boarder Post roads are constructed; however, there is a road left unfinished. | The roads in Boarder Post are completed, and certificate of completion was issued. |
| | RDP Houses | RDP Houses | The matter will be escalated to Department of Human Settlements through IGR structures. |

2024/2025 ANNUAL REPORT PUBLIC HEARINGS:KING KEI CLUSTER (BOARDERPOST COMMUNITY HALL)

| NAME | WARD/VILLAGE | PROBLEM | QUESTION /COMMENT | RESONSE |
|---------------|---------------------|---|---|--|
| Yonela | Ward 12-Frankfort | Construction of Municipal Offices | How is the spending of the project being at 96% with no visible progress on the ground? | The initial budget of the project was R24 million. 96% talk to the amount spent on demolishing and other Geotech work done on the project. |
| | | Smart Meter resistance by communities | Electricity losses occur in locations not in villages, Is there any need of implementing smart meter program in villages. | The Smart Meter program is a national initiative led by governments and utility companies like Eskom. |
| | | Publication of Annual Report Presentation | A request of the annual report to be published in facebook and other communication websites. | Amahlathi LM's Facebook and other social media accounts are active , with programs published. The Municipality's website is also active |
| Yandise Manya | Ward 12 | Transport | A request for ward committee's to be transported during municipal programs . | Ward 7,8 & 12 to convene and create a rotation plan if no central venue available. |
| | | | Identification of a central venue for hosting municipal programs | |

Community comments on 2024/2025 Annual Report: 13 November 2025

| 2024/2025 ANNUAL REPORT PUBLIC HEARINGS: STUTTERHEIM CLUSTER (MZWANDILE FANTI RECREATIONAL CENTRE) | | | | |
|--|----------------------|---|---|---|
| NAME | WARD/VILLAGE | PROBLEM | QUESTION/COMMENT | RESPONSE |
| Benjamin | Ward 6 /Amatolaville | No service delivery in Amatolaville since 2023-2025 | Complaint about not being part of the presentation or no allocation of projects for Amatollavile while they pay for electricity and other services. | Amahlathi Municipality allocated budget for 15 wards ,including Amatolavile, which previously received services (paved streets). All of Amatolavile streets are paved. |
| | | The streetlights that are not working | There are streetlight issues in Amatolavile and only few fixed. | Engineering Services Department will follow up on the matter. |
| | | | Seeking clarity on the R35 million smart meter project | Smart meters are a new project that will service the whole of Amahlathi areas. |
| Ngwebani | Ward 15 | Firstly, thank the Hon Mayor for explaining and breaking down expenditure of the municipal offices project. | | |
| | | Non- Functional High Mast Lights | High Mast Lights in Mlungisi aren't working , contributing to high crime rate. | The High Mast Lights were working before however they were vandalized by the community members. The Municipality will look into the matter. |
| | | Electricity Supply | 2 households in Mlungisi without electricity for the past 8 months. | Ward councilor to assist and do a follow up with Eskom on the issue of connections. |

Community comments on 2024/2025 Annual Report: 01 December 2025

| 2024/2025 ANNUAL REPORT PUBLIC HEARINGS: CATHCART CLUSTER (NDUMANGENI COMMUNITY HALL) | | | | |
|---|--------------------|---|--|---|
| NAME | WARD/VILLAGE | PROBLEM | QUESTION/COMMENT | RESPONSE |
| Mrs Ngcakwe | Ward 5/ Ndumangeni | Firstly, thank the Municipal Manager for taking time to talk to the community. | | |
| | | Through MIG report on the presentation, Toise village is not considered for service delivery whilst Xholorha appears twice in paving construction | | Xholorha is prioritized over Toise due to urban status and beautification focus. |
| | | | Seeking clarity on the criteria used by the municipality to construct paving | The process of paving roads in villages is underway. |
| | | Access roads to the grave site | No access road to the grave | The matter will be discussed with the relevant department. |
| | | Open construction trenches | Construction trenches in Toise pose risk to livestock. One of the residents cow was left injured due to open construction trenches and a correspondence reporting the matter has been submitted to the municipality. | A follow-up on the correspondence submitted to the municipality with regard to the injured cow will be done by the office of the Municipal Manager. |
| Walter Kwaza | | Lack of dipping tanks | No dipping taking place for the community's cattles | The matter will be escalated to DRDAR through IGR forum. |

| | | | | |
|--|--|------------|--|--|
| | | Water taps | Lack of water taps in the village, specifically Toise. | The matter will be escalated to ADM through IGR forum. |
|--|--|------------|--|--|

Community comments on 2024/2025 Annual Report: 01 December 2025

| 2024/2025 ANNUAL REPORT PUBLIC HEARINGS:CATHCART CLUSTER (NDUMANGENI COMMUNITY HALL) | | | | |
|--|--------------------|---|---|--|
| NAME | WARD/VILLAGE | PROBLEM | QUESTION /COMMENT | RESONSE |
| Mr. Thembelani Tete | Ward 5 | High Mast Lights | Non-functional high mast lights in ward 5 | The matter will be escalated to the relevant department. |
| Mr. Mlindeli | Rhawini Village | Houses damaged by disaster | | The matter will be escalated to Human Settlements through IGR forum. |
| Mr. Welile | Ndumangeni village | It is stated that the report is tabled to the wrong community, since there are no projects allocated for them in the presentation | | The presentation is not misplaced; it is regulated that ALM conducts annual report public hearing to Amahlathi communities . |
| | | Poor construction of roads. The budget allocation for the road was R 1 million ,however it is not in good condition, and it was left incomplete: No culverts installed No water channels/ stormwater structures | | The matter will be discussed with Engineering Services Department. |
| | | Disaster houses- seeking clarity on the delayed disaster response | | Department of Human Settlements will be engaged. |
| | | Cable and water tap theft. The community recommended that the municipality hire 2 people to safeguard the infrastructure | | |
| Mr.Dmisani | Ndlovini Village | It was recommended that ADM and Department of Human Settlements form part of ALM public hearing to be able to clarify matters that relate to their sector departments. | | |

