

UGU DISTRICT MUNICIPALITY

MINUTES OF THE 27TH MEETING OF THE UGU DISTRICT MUNICIPAL COUNCIL HELD IN THE COUNCIL CHAMBERS, RAY NKONYENI MUNICIPALITY, 10 CONNOR STREET, PORT SHEPSTONE, ON THURSDAY, 24 JANUARY 2019, AT 11H10.

PRESENT:

Cllr NH Gumede - Speaker

Cllrs NH Gumede (Speaker), MA Chiliza (Mayor), PH Mthiyane (Deputy Mayor), LMR Ngcobo (Exco Member), SP Mthethwa (Exco Member), NT Dlamini (Exco Member), AD Ngubo (Exco Member), L Mzimela (Exco Member), SN Caluza, S Chetty, K Dladla, TW Dube, JJ East, M Gcwabe, GD Henderson, DMM Hlengwa, SE Khawula, MA Manyoni, H Mbatha, NY Mweshe, Y Nair, PT Naude, D Nciki, SR Ngcobo, HJ Ngubelanga, B Ntusi, A Rajaram and MPL Zungu.

BY INVITATION:

Inkosi ZE Ngcobo
Inkosi R Qwabe
Inkosi ZGB Msomi

Mr P Preston	-	Chairperson: Audit Committee
Ms C Elliott	-	Member: Audit Committee
Ms P Mangcu	-	CEO: Ugu South Coast Tourism Entity
Ms A Howard	-	AGSA Senior Manager
Mr D de Kock	-	AGSA Assistant Manager
Ms N Sibisi	-	AGSA Audit Manager
Mr I Perumaul	-	AGSA

IN ATTENDANCE:

Mr DD Naidoo	-	Municipal Manager
Mr MS Dlamini	-	General Manager: Treasury and Budget Office
Ms N Grobler	-	Acting General Manager: Corporate Services
Mr P Watson	-	Acting General Manager: Water Services
Mr F Zama	-	Senior Manager: Mayoralty and Communications
Ms Z Dlamini	-	Manager: Risk and Internal Audit
Ms N Mbambo	-	Manager: Legal Services
Ms N Gumbi	-	Manager: Human Resources
Mr A Mbhele	-	Manager: Administration and Auxiliary Services
Ms N Surajbally	-	Administrative Officer: Secretariat Unit
Ms B Malishe	-	Committee Co-ordinator

OPENING

The Speaker requested Cllr D Nciki to open the meeting in prayer.

Thereafter, she extended a warm welcome to Council, the members of the Audit Committee, the representatives from the Auditor-General, the Ugu South Coast Tourism Entity, the media and all other guests.

C 01/01/19 NOTICE OF MEETING

The notice of the meeting was taken as read.

C 02/01/19 APPLICATIONS FOR LEAVE OF ABSENCE

It was noted that Cllrs HJ Ngubelanga (*council business*), TB Cele (*council business*), NCP Mqwebu (*family responsibility*), ZZ Msani (*party work*), TA Disane (*party work*) and BE Machi (*party work*) had requested leave of absence from the meeting.

It was further noted that Inkosi MBW Xolo (*council business*) and Inkosi RS Shinga (*council business*) had requested leave of absence from the meeting.

The Deputy Mayor requested to be excused from the meeting at 12h30.

From the Management Component, it was noted that the Acting General Manager: Water Services (*municipal business*), the General Manager: Corporate Services (*leave*) and the Senior Manager: Corporate Strategy and Shared Services (*leave*) had requested leave of absence from the meeting.

It was noted that Mr P Watson was the Acting General Manager: Water Services, Ms N Grobler was the Acting General Manager: Corporate Services and that Mr F Zama was also the Acting Senior Manager: Corporate Strategy and Shared Services.

Following which,

It was unanimously

RESOLVED:

- (a) That Cllrs HJ Ngubelanga (*council business*), TB Cele (*council business*), NCP Mqwebu (*family responsibility*), ZZ Msani (*party work*), TA Disane (*party work*) and BE Machi (*party work*) be and are hereby granted leave of absence from the meeting.
- (b) That from the Management Component, the Acting General Manager: Water Services (*municipal business*), the General Manager: Corporate Services (*leave*) and the Senior Manager: Corporate Strategy and Shared Services (*leave*) be and are hereby granted leave of absence from the meeting.
- (c) That, it be noted that Mr P Watson was the Acting General Manager: Water Services, Ms N Grobler was the Acting General Manager: Corporate

Services and Mr F Zama was the Acting Senior Manager: Corporate Strategy and Shared Services.

- (d) That the request for the Deputy Mayor to be excused from the meeting at 12h30 be and is hereby **APPROVED**.

C 03/01/19 DECLARATION OF INTEREST

It was noted that there were none.

C 04/01/19 CONFIRMATION OF AGENDA

The Speaker took members through the confirmation of the agenda.

The Municipal Manager requested that the AG Report should be discussed immediately after Item 7 of the Agenda.

Also, he advised members that the covering report for Item 11.3 Draft Annual Report: Ugu District Municipality, Ugu South Coast Development Agency and the Ugu South Coast Tourism Entity was circulated to all members prior to the meeting.

Following which,

It was unanimously

RESOLVED:

That the agenda convening the Ugu District Municipal Council meeting be and is hereby **CONFIRMED**, subject to the inclusion of the covering report for Item 11.3 Draft Annual Report: Ugu District Municipality, Ugu South Coast Development Agency and the Ugu South Coast Tourism Entity which was circulated to all members prior to the meeting.

CONFIRMATION OF MINUTES

C 05/01/19 Minutes of the 26th Meeting of the Ugu District Municipal Council held on 29 November 2018

The Speaker took members through the confirmation of the minutes for the meeting held on 29 November 2018.

Cllr Rajaram moved for the adoption of the minutes and was seconded by Cllr Manyoni.

Following which,

It was

RESOLVED:

That the Minutes of the 26th Meeting of the Ugu District Municipal Council held on 29 November 2018 be and are hereby **CONFIRMED**.

RATIFICATION OF MINUTES

C 06/01/19

Minutes of the Meeting of the Recess Committee held on 28 December 2018

The Speaker took members through the minutes of the meeting of the Recess Committee held on 28 December 2018.

Cllr Ngcobo moved for the adoption of the minutes and was seconded by Cllr Ngubo.

Following which,

It was

RESOLVED:

That the Minutes of the Recess Committee Meeting of the Ugu District Municipal Council held on 28 December 2018 be and are hereby **RATIFIED** subject to the inclusion of Cllr SP Mthethwa on Page 1 of the Minutes, under Present.

RESOLUTION REGISTER

C 07/01/19

Resolution Register for the 26th Meeting of the Ugu District Municipal Council held on 29 November 2018

The Speaker took members through the Resolution Register for the 26th Meeting of the Ugu District Municipal Council held on 29 November 2018.

Following which,

It was unanimously

RESOLVED:

That the Resolution Register for the 26th Meeting of the Ugu District Municipal Council held on 29 November 2018, be and is hereby **NOTED**.

C 08/01/19

Resolution Register for the Meeting of the Recess Committee held on 28 December 2018

The Speaker took members through the Resolution Register for the Meeting of the Recess Committee held on 28 December 2018.

Cllr Henderson referred to the Cell Phone Allowances for the Councillors that were representing the Local Municipalities.

In addition, he then referred members to page 29 of the Agenda and sought clarity if it was within the Regulations that when the Municipality replied to the MEC, the resolutions of the Recess Committee were submitted.

In response, the Municipal Manager referred to the Cell Phone Allowances for Councillors and explained to members that the Gazette said that the Councillors must be reimbursed for the costs incurred. He said that presentations were made to SALGA and that SALGA would then make presentations to the Minister.

In terms of the resolutions of the Recess Committee, he explained to members that Council had appointed a Recess Committee and that all powers of Council were delegated to the said Committee; therefore, the resolutions of the Recess Committee could be submitted to the MEC.

Following which,

It was unanimously

RESOLVED:

That the Resolution Register for the Meeting of the Recess Committee held on 28 December 2018 be and is hereby **NOTED**.

C 09/01/19 OUTSTANDING MATTERS

It was noted that there were none.

**C 10/01/19 STANDING ITEMS
SALGA Monthly Report**

It was noted that there was no report.

C 11/01/19 Monthly Birthday Greetings: Councillors and Senior Managers

The Speaker conveyed birthday wishes on behalf of Council to Cllr S Chetty, Cllr MPL Zungu, Cllr ZZ Msani and the Acting General Manager: Corporate Services who celebrated their birthdays during the month of January.

Following which,

It was unanimously

RESOLVED:

That the Monthly Birthday Greetings for Councillors, Amakhosi and Senior Managers be and is hereby **NOTED**.

C 12/01/19 SECTION 79 REPORTS

It was noted that there were none.

MATTERS FOR DISCUSSION

C 13/01/19

Ugu District Municipality – Audit Report 2017/2018

Mr Perumaul took members through the Audit Report for the 2017/2018 Financial Year.

He reported to Council that Ugu District Municipality had received an Adverse Audit Opinion. He said that he had audited the financial statements of the Ugu District Municipality, which comprised the statement of financial position as at 30 June 2018, the statement of financial performance, the statement of changes in net assets, the cash flow statement and the statement of comparison of budget information with actual information for the year ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

He pointed out that because of the significance of the matters described in the basis for adverse opinion section of the auditor's report, the financial statements did not present fairly, in all material respects, the financial position of the Ugu District Municipality as at 30 June 2018, and its financial performance and its cash flows for the year ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2017 (Act No. 3 of 2017) (DORA).

He then highlighted the Basis for the Adverse Opinion namely:

- Property, Plant and Equipment;
- Revenue and Receivables from Exchange Transactions;
- Receivables from Non-Exchange Transactions;
- Payables from Exchange Transactions;
- Value Added Tax Payable (VAT);
- Commitments;
- Irregular Expenditure; and
- Water Losses;

Thereafter, he took members through the following:

- Context for the Opinion;
- Going Concern;
- Other Matters:
 - Unaudited Supplementary Schedules; and
 - Unaudited Disclosure Notes
- Responsibilities of the Accounting Officer for the Financial Statements; and
- Auditor-General's Responsibilities for the Audit of the Financial Statements

In addition, he reported on the Audit of the Annual Performance Report as well as the Introduction and Scope.

He reported on the material finding in respect of the usefulness and reliability of the selected development priority as follows:

- Percentage Compliance to Water Tankering Programme; whereby the Municipality did not maintain adequate records to support the achievement of the indicator to enable reliable reporting on achievement of targets. As a result, sufficient, appropriate audit evidence for the reported achievement of 84% and was unable to confirm the reported achievement by alternative means. He reported that consequently, he was unable to determine whether any further adjustments were required to the reported achievement.

He then drew Council's attention to the Other Matters on the Achievement of Planned Targets and Adjustment of Material Misstatements.

He took members through the report on the Audit of Compliance with Legislation and highlighted the following:

- Financial Statements;
- Expenditure Management;
- Assets Management;
- Consequence Management;
- Procurement and Contract Management;
- Other Information; and
- Internal Control Deficiencies

He emphasized that the entire basic services were a problem.

He pointed out that the internal controls needed to be checked by the Audit Unit and the Audit Committee.

He said that there should be credible and reliable financial reporting and that proper oversight should be played from the Portfolio Committee right up to Council.

He stressed that the Action Plan did not address all the issues in the AG Report and that same should be reviewed.

He pointed out that it was not only the responsibility of the Municipal Manager and the General Manager: Budget and Treasury Office to ensure a Clean Audit; but it was all the Managers.

He said that for the next five months, the said issues should be priority items for Management and that Management should work effectively as a team.

Commenting, the Speaker expressed her disappointment on the Audit Outcome.

Cllr Henderson pointed out that it was devastating to receive such a report. He also expressed his concern regarding consequence management.

Cllr East pointed out that even if the Municipality progressed within the next five (5) months, the Municipality would then receive a Disclaimer, which was still very disappointing.

Cllr Mthethwa stressed that Council was expecting the said audit outcome given that serious concerns were raised many times at the Executive Committee, but nothing was done to change the situation. He pointed out that a forensic investigation needed to be done and when same was requested, the response was that CoGTA was doing an investigation. He emphasized that there was too much happening within the Municipality and that whoever had contributed to the audit outcome should be disciplined.

He stated that the Municipality needed to adhere to the AG's recommendations and to ensure that same was implemented accordingly. He stated that Officials did not want to do their work.

Cllr Mzimela pointed out that he was also extremely disappointed with the AG report, however, Council was expecting the said report.

He stressed that the Municipality could not do things the same way and expect a different outcome. He said that Council needed to take more straight forward resolutions.

Cllr Ngcobo referred members to page 7 of the AG report and pointed out that same reflected the following:

- Slow response by the Political Leadership; and
- Slow response by oversight

He sought clarity as to what AG had meant by same and what was AG's advice.

Cllr Naude referred to the water availability charge and mentioned that the corrective measure was to gazette same.

He sought clarity as to what would happen to the people who had paid for the said charge for more than 20 years.

Cllr East asked about the Municipality going under Administration.

Echoing the same sentiments, Cllr Nair appealed to Council to adopt the Corrective Measures Action Plan.

Cllr Dlamini emphasized that as Council, all members should take ownership of the Audit Outcome. He stressed that all needed to turn around the situation and especially deal with consequence management.

Cllr SR Ngcobo pointed out that the responsibility of Council was to ensure that recommendations by AG were implemented accordingly and that same should be a collective responsibility.

The Deputy Mayor stressed that Council needed to take ownership and that it was important to start cleaning the house. She also commended the Audit Committee.

Mr Preston shared with Council that Ugu District Municipality had a good Council as well as a good Municipal Manager; however, the challenges were with the operational staff that were not present.

He pointed out that in early January 2019, a workshop on the Turn Around Strategy was held; whereby he got a sense of disinterest from the operational staff.

He stressed that the Audit Committee had pointed out the same issues as the AG.

He said that as the Audit Committee, they were in a state of panic and that the Municipality was running out of money, and that the General Manager: Treasury shared the same concern.

In addition, Ms Elliott pointed out that in the last few months, the cash flow situation was critical. She said that the Payroll was R34 million and the Revenue received was only R30 million.

The Mayor indicated that the AG had mentioned that the Municipality could still improve but there needed to be commitment.

He pointed out that staff did not want to work and that at times he had to intervene and call meetings with the junior staff.

Mr Perumaul pointed out that there was a lack of responsibility and accountability.

With regard to the water availability charge, he mentioned that same was not only a financial issue, but a legal issue as well. He said that the Municipality needed a water tight By-Law which should be approved by Council.

Relating to the clarity sought by Cllr Ngcobo on the Slow response by the Political Leadership; and the Slow response by oversight, he said that the Audit Committee, MPAC and Council needed to do a self-introspection given that most comments by the Councillors were that they had expected the audit outcome.

Also, when asked about the Municipality going under Administration, he pointed out that the said question meant that there was no confidence in Council.

Following much discussion and deliberations,

It was unanimously

RESOLVED:

That the Ugu District Municipality–Audit Report for the financial year 2017/2018 be and is hereby **NOTED**.

C 14/01/19 Draft AG Management Corrective Action Plans 2018

The Speaker took members through the item.

Following which,

It was

RESOLVED:

- (a) That the Draft AG Management Corrective Action Plans 2018 be and is hereby **NOTED**.
- (b) That the Draft AG Management Corrective Action Plans 2018 be and is hereby **APPROVED**.
- (c) That the Draft AG Management Corrective Action Plans be amended accordingly to the Auditor-General Report.
- (d) That the Draft AG Corrective Action Plan be submitted to the Municipal Public Accounts Committee (MPAC) for follow up on implementation.

C 15/01/19 Implementation: Back to Basics and 2017/2018 Draft Annual Report: Ugu District Municipality, Ugu South Coast Development Agency and Ugu South Coast Tourism Entity

The Municipal Manager took members through the item.

With regard to the Implementation for the Back to Basics, he mentioned that the Municipality was assessed as challenged due to the labour unrest.

Cllr Henderson sought clarity on what the Municipality was measured against.

In response, the Municipal Manager advised members that the template was a National template and that CoGTA would visit the Municipality to assess if the information sent was indeed correct.

He advised members that he could submit the KPAs that the Municipality was assessed on to the Councillors that required same.

In response, the Speaker requested the Municipal Manager to provide the said information to all the Councillors.

Thereafter, the Municipal Manager took members through the Draft Annual Report for Ugu District Municipality, the Ugu South Coast Tourism Entity and the Ugu South Coast Development Agency.

He pointed out that the objective was to present to Council the Draft Annual Report for Ugu District Municipality, the Ugu South Coast Development Agency and the Ugu South Coast Tourism Entity to be approved for public consultation.

Following which,

It was

RESOLVED

- (a) That the reports regarding the Implementation: Back to Basics and 2017/2018 Draft Annual Report: Ugu District Municipality, Ugu South Coast Development Agency and Ugu South Coast Tourism Entity be and is hereby **NOTED**.
- (b) That the Implementation: Back to Basics be and is hereby **NOTED**.
- (c) That the Draft Annual Report: Ugu District Municipality, Ugu South Coast Development Agency and Ugu South Coast Tourism Entity be and is hereby **APPROVED** for public consultation.

C 16/01/19 2018/2019 PMS Quarter 2 Performance Report

The Municipal Manager took members through the item.

He indicated that the rationale of the report was for Council to note the 2018/2019 Quarter 2 Performance Report.

Following which,

It was

RESOLVED:

That the 2018/2019 PMS Quarter 2 Performance Report be and is hereby **NOTED**.

C 17/01/19 2018/2019 Mid-Year Budget & Performance Assessment Review 2018/2019

The General Manager: Budget and Treasury Office took members through the item.

He indicated that the objective was to comply with S72 of the MFMA and reporting requirements as per the Municipal Budgeting & Reporting Regulations.

He referred members to page 5 of the document and pointed out that although revenue had slightly improved, same was still not good enough.

He pointed out that every month, the Municipality had to have an amount of R14 million for the water that was bought from Umgeni Water; an amount of

R6 million for Eskom, which were commitments and a financial strain to the Municipality.

Moreover, he reported that the Municipality also needed to have monies for Security and Infrastructure every month, which were also contributing and worrying factors.

Considering the above, he emphasized that the Budget Adjustment for the 2018/2019 financial year would be cut.

In addition, he mentioned that the Municipality had incurred unauthorized expenditure of R243.8 million which needed to be taken into consideration during the Adjustment Budget Process.

Cllr East pointed out that the salaries and wage bill was far too high and sought clarity on how same would be cut.

The Mayor pointed out that 6kl of water was given for free to all consumers; and that same needed to be looked at.

Also, with regard to the Acting Positions, he mentioned that when a Manager was away on leave, the General Manager responsible must do the work of the Manager instead of having employees acting in the Manager post.

Moreover, he mentioned that overtime, which had been reduced was still a worrying factor.

He also stressed that the issue of illegal connections was a serious issue.

Cllr Mthethwa pointed out that he had agreed with the concerns raised by the Mayor, but he emphasized that one must not shy away from the adverse audit report whereby Officials were not doing their work and as a result, no official was held responsible and accountable for same.

Following which,

It was

RESOLVED:

- (a) That the Mid-Year Budget and Performance Assessment Report for the period ended 31 December 2018 as referred to in S72 of the MFMA be and is hereby **NOTED**.
- (b) That the Monthly Budget Statement for the month of December 2018 and the supporting documents as referred to in S71 of the MFMA be and is hereby **NOTED**.

- (c) That the Quarterly Budget Implementation Report and supporting documents as referred to in S52(d) of the Act be and is hereby **NOTED**.
- (d) That the Consolidated report of withdrawals from municipal bank accounts be and is hereby **NOTED**.
- (e) That the Mid-Year Budget & Performance Assessment 2018/2019 be submitted to both Provincial and National Treasury in both electronic and hard copies.

C 18/01/19 EXTRACTS FROM COMMITTEES

It was noted that there were none.

C 19/01/19 MINUTES FROM COMMITTEES

It was noted that there were none.

C 20/01/19 URGENT MATTERS

It was noted that there were none.

IN-COMMITTEE MATTERS

C 21/01/19 In-Committee Minutes of the 26th Meeting of the Ugu District Municipal Council held on 29 November 2018

[At that stage of the proceedings, Cllr Mthethwa moved for the meeting to move in-committee and was seconded by Cllr SR Ngcobo.]

The Speaker took members through the In-Committee Minutes of the 26th Meeting of the Ugu District Municipal Council held on 29 November 2018.

Following which,

It was unanimously

RESOLVED:

That the In-Committee Minutes of the 26th Meeting of the Ugu District Municipal Council held on 29 November 2018 be and are hereby **CONFIRMED**.

[At that stage of the proceedings, Cllr Manyoni moved for the meeting to move out of committee and was seconded by Cllr Nair.]

C 22/01/19 DATE OF NEXT MEETING

It was noted that the date of the next meeting was scheduled for 21 February 2019.

C 23/01/19

CLOSURE

There being no further items for discussion, the Speaker declared the meeting closed at 13h40.

CHAIRPERSON: -----

DATE: -----