

Extract from the minutes of the 1ST Ordinary Meeting of Midvaal Local Municipality held on Thursday, 27 January 2011 at 18:00

PRESENT

COUNCILLORS: T. Nast : Executive Mayor
R.K. Smit : Speaker
P. Hutcheson : Member of the Mayoral Committee
M. Hack : Member of the Mayoral Committee
C. Hartman : Member of the Mayoral Committee
R. Jones : Chief Whip of Council

COUNCILLORS L.S. Botsoere M.B. Tabo P. Pretorius
H.C. Smith E. Madubedube A. van Tonder
T.S. Maphalla P. Ramushu H.J. Mokoena
F. Hossack L.J Malia

ALSO IN ATTENDANCE

A.S.A. de Klerk : Municipal Manager
T. Peeters : Executive Director: Corporate Services
S. Coetzee : Executive Director: Engineering Services
W. van Niekerk : Executive Director: Finance Services
H. Human : Executive Director: Development & Planning
B. Motsukunyane : Executive Director: Management Services
J.Venter : Acting Executive Director: Social Services
E. Lensley : Executive Director: Protection Services
A. Welman : Head of Administration
M. P.Thulare : Admin Officer: Committees

Certified Extract of a resolution of the Midvaal Local Municipality

C 652/01/2011
MC A/2445/01/2011

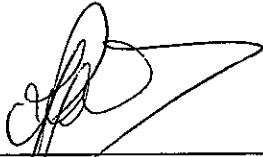
9. A.1 [CS]: OVERSIGHT REPORT ON THE 2009/2010 ANNUAL REPORT BY MPAC

9/1/1

COMPETENCY: COUNCIL

RESOLVED:

That the MPAC oversight report on the 2009/2010 Annual Report be noted.



MR. T.W. PEETERS
ACTING MUNICIPAL MANAGER

Date: 31 January 2011

MIDVAAL LOCAL MUNICIPALITY

**AGENDA OF THE 1ST ORDINARY MEETING OF 2011 OF THE MIDVAAL LOCAL MUNICIPALITY
TO BE HELD ON THURSDAY, 27 JANUARY 2011 AT 18:00**

C 652/01/2011

MC A/2445/01/2011

9. A.1 [CS]: OVERSIGHT REPORT ON THE 2009/2010 ANNUAL REPORT BY MPAC

9/1/1

COMPETENCY: COUNCIL

PURPOSE

To present the MPAC oversight report on the 2009/2010 Annual Report to Council.

RECOMMENDATION:

That the MPAC oversight report on the 2009/2010 Annual Report be noted.

REPORT:

Attached as Annexure "A" is the oversight report on the 2009/2010 Annual Report.

The said Annual Report has been distributed under separate cover as reflected in Item C 671/01/2011 elsewhere in this agenda.

[CS]: OVERSIGHT REPORT IN TERMS OF SECTION 129 OF THE LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003 FOR THE 2009/2010 FINANCIAL YEAR: DRAFT 2009/2010 ANNUAL REPORT: MUNICIPAL PUBLIC ACCOUNTS COMMITTEE (MPAC):

9/1/1

COMPETENCY: COUNCIL

BACKGROUND

The Midvaal Municipal Council inter alia resolved as follows at its meeting held on 7 December 2010:

RESOLVED:

1. That the Draft Annual Report 2009/2010, be approved in principle.
2. That the prescribed process as contemplated in Section 127(5), 129 and 132 of the Municipal Finance Management Act, Act 56 of 2003, be followed.
3. That MPAC be requested to finalise its oversight report in respect of the Draft Annual Report 2009/2010 by or before 17 January 2011 to enable Corporate Services to circulate it in the Council Agenda of 27 January 2011.

REPORT

Subsequent to the abovementioned resolution of the Council, MPAC considered the draft 2009/2010 Annual Report at various meetings held on 11, 12 and 14 January 2011.

DISCUSSION:

Once the draft annual report was reviewed by the committee at its meeting held on 11 January 2011 the following matters were emphasised for clarity and explanation by the Municipal Manager and respective HOD's:

1. **WATER AND ELECTRICITY LOSSES: P304: MM/ES**
 - ❖ What measures are currently taken to prevent and reduce losses?
 - ❖ What measures will be taken in future to address losses?
 - ❖ Has the Council undertaken a benchmarking exercise to determine whether the losses are within norms of similar sized municipalities? If not, should such a process not be undertaken?

- ❖ What is done to ringfence problem areas or to identify such areas?
- ❖ Are the KPI's of the Executive Director: Engineering Services relevant and measurable with reference to reduction of losses?

2. APPLICATION OF SCARCITY SKILLS ALLOWANCES: P266: MM/ES:

- ❖ Are there any progress visible in this regard to retain staff with scarce skills? If not, what is future planning to address this?

3. CHAPTER 4: P304: MM/ED:FIN

- ❖ Given the recent global economic crisis, is the Council's financial position regarded as sound, especially in terms of the various financial ratios?
- ❖ Is the R29 259 137 provision for bad debt regarded as sufficient given the total outstanding debt of R91 740 300? Please explain?
- ❖ Are all households metered for accurate billing of water and electricity? If not please explain.
- ❖ P304: Sale of land: If a settlement is reached or the Council loses in this lawsuit, has payment in this regard has provided and how i.e. source?
- ❖ Council's electricity distribution license has been amended to include certain former ESKOM areas. What measures have been taken or will be taken to ensure that those areas are in fact correctly metered and billed?
- ❖ Is the bad debt to the amount of R91 million recoverable. Please explain (P312).

FINDINGS

The following responses and resolutions were recorded pursuant to the related questions:

a) WATER AND ELECTRICITY LOSSES: P304: MM/ES

What measures are currently taken to prevent and reduce losses?

That the response as submitted by the MM that a revenue protection unit has been

established and a budget allocated for meter replacement, as well as the introduction of the following, be accepted:

- ❖ Introduction of Telemetry System:
- ❖ Weekly meetings between Department of Finance and Revenue Protection Unit (ES).
- ❖ Weekly monitoring of complaints system.
- ❖ Dedicated auditing measures to ensure that financial systems captured all meters and readings.
- ❖ Appointment of the Director: Electricity lead to additional revenue collected and correction of a number of problems.
- ❖ An improvement in reduction of electricity reduction losses to a monthly average of 5-8% had already been effected.

i. What measures will be taken in future to address losses?

That the response of the MM that in addition to the answer in (i) above, the following measures were or will be implemented, be accepted:

- Meter replacement program implemented and on track
- Tender to investigate water losses in Lakeside was advertised and closed, the report of which will be submitted shortly.
- Further consumer education to be done.

ii. Has the Council undertaken a benchmarking exercise to determine whether the losses are within norms of similar sized municipalities? If no, should such a process not be undertaken?

That the following response by the Executive Director: Engineering Services be accepted:

- The ED: ES briefed the committee on the publication of national benchmarking information with reference to distribution losses at the recent IMESA Conference and submitted statistics and information to the Committee, indicating that the distribution losses at Midvaal are within national norms.
- Replacement/upgrading of the aged water network, especially in De Deur is very costly and 81% of the total network consists of old asbestos cement pipes. To replace such will cost ± R340 million which is not cost effective when compared to the distribution losses in total. Maintenance and replacement is however executed by the Department of Engineering Services within the budget allocation on an annual basis.

iii. What is done to ringfence problem areas or to identify such areas?

That the response of the Executive Director: Engineering Services that the Revenue Protection Unit is busy with investigations in this regard, be accepted.

iv. Are the KPI's of the Executive Director: Engineering Services relevant and measureable with reference to reduction of losses?

That the response by the MM that amendments in this regard were made to the scorecard of the Executive Director: Engineering Services, be accepted.

b) APPLICATION OF SCARCITY SKILLS ALLOWANCES: P266: MM/ES:

i. Is there any progress visible in this regard to retain staff with scarce skills? If not, what is future planning to address this?

That the responses by both the MM and the Executive Director: Engineering Services that in-house skills development programmes have been developed and that the appointment of staff to deal with energy efficiency as well as electricians (on scarce skills levels) will address challenges, be accepted.

c) CHAPTER 4: P304:

i. Given the recent global economic crisis, is the Council's financial position regarded as sound, especially in terms of the various financial ratios?

That the response by the MM that even though cash flow remains a concern, the Council's financial position is regarded as sound, especially in terms of the various financial ratios which improved over the last year as well as an improved payment rate of nearly 100 % p.m., currently, be accepted.

ii. Is the R29 259 137 provision for bad debt regarded as sufficient given the total outstanding debt of R91 740 300? Please explain?

That the following response by the MM, be accepted:

- Only R60 million is deemed to be at risk, of which 50 % is covered by the provision. In addition it must be noted that property rates only

prescribe after 30 years, which affords the Council sufficient time to recover the rates. If consumer services, which prescribe after 3 years, are in arrears, services are disconnected.

- The provision is deemed sufficient, especially in the light of the improved payment rate by state departments.

iii. Are all households metered for accurate billing of water and electricity? If not please explain.

That the response from the MM that all households are metered for accurate billing of water and electricity except in Lakeside Estate extension 1, where a system is installed limiting provision of these services and the current payment rate of nearly 100% for Midvaal as a whole, be accepted.

iv. P304: Sale of land: If a settlement is reached or the Council loses in this lawsuit, has payment in this regard has provided and how i.e. source?

That the response from the MM that a settlement will probably be reached as Council's position is very strong taking into account all the information and evidence gathered on the matter, be accepted. The source of funding will be the Land Trust Fund.

v. Council's electricity distribution license has been amended to include certain former ESKOM areas. What measures have been taken or will be taken to ensure that those areas are in fact correctly metered and billed?

That the response from the MM that the amended distribution licence only applies to new developments where there is no licence, be accepted.

vi. Is the bad debt to the amount of R91 million recoverable. Please explain (P312).

That the response by the MM stating that of the R91 million, roughly R30 million is attributed to current accounts. Of the remaining R60 million, nearly R30 million is covered by the provision whilst the remaining R30 million is in the process of being recovered.

After consideration and review of the responses submitted by the Municipal Manager and HOD's on the matters raised by the committee on 12 January 2011, it was resolved as follows:

CONCLUSION

1. In light of the abovementioned findings and the amendments to be undertaken by the administration to the effected sections in the draft annual report, the draft 2009/2010 Annual Report is found to be a fair representation

of the state and performance of the Midvaal Local Municipality in the 2009/2010 financial year.

2. The committee wishes to congratulate the administration on the clean audit report received from the Office of the Auditor-General for the 2009/10 financial year.
3. Water losses are a major concern which, as reported in 2009, should be addressed by the Department of Engineering Services by means of a structured approach taking into account the costs involved, financial constraints of the Council and smart interventions to be reported on by the Department of Engineering Services to the Council by no later than 31/05/2011.

RECOMMENDATION

1. That the draft 2009/2010 Annual Report, as amended upon the request of the MPAC, be approved.
2. That the administration be congratulated with the clean audit report received from the Office of the Auditor-General.
3. That the administration be thanked for the hard work invested to produce the annual report and for the co-operation and support to the committee in the execution of its duties.
4. That the response submitted by management on the clarities sought by MPAC, be accepted, subject to the submission of progress reports to the Council with reference to addressing distribution losses (water and electricity), legalising of landfill sites and compliance to labour legislation in the case of overtime, as highlighted in the report of the Auditor-General.

I trust that the Council will find the abovementioned report of the Midvaal MPAC on the draft 2009/2010 Annual Report in order.



CLLR HC SMITH
ACTING CHAIRPERSON

14 January 2011
DATE