

**DOLPHIN COAST RESIDENTS AND RATEPAYERS ASSOCIATION (DOCRRA)  
QUESTIONS SPECIFICALLY FOR THE MPAC COMMITTEE TO RESPOND TO**

1	<p>Page 31 Section D Risk table</p>	<p>There are various versions of a gifts policy that can be accessed to ensure an appropriate version be prepared for KDM. Why is consequence management marked as "not applicable" against the MM, when it is the MM's responsibility? Who would report evidence of consequence management required to the MM, of his ED's that report to him, i.e., who would initiate the action?</p>	<p>MPAC / Chief Operations Officer / Assistant Manager Risk</p>	<p>Based on the analysis that was performed, KwaDukuza has an Anti-Fraud and Corruption strategy in place and the treatment/registering of gifts is addressed by the strategy. There is an implementation plan to execute the strategy.  During the reporting period, there was no consequence management reported as evidence in respect of the implementation of the consequence management policy.  Any action against MM and ED's can only be sanctioned by Council</p>
2	<p>Page 226, Chapter 5, Section 1. Report by the Audit Committee on the findings of the Internal Audit.</p>	<p>Capacitation of Internal Audit still not addressed after repeatedly being reported over the past 3 years. Please can MPAC explain the reason for not filling internal audit vacancies. Only 5 areas and reports submitted to the Audit committee for the year.  What investigation has taken place, as recommended by the Audit Committee due the findings raised in the Revenue Management and Human Resources and Payroll reports?  What consequence management/disciplinary action has been recommended by MPAC to Council on the Municipal Manager, relevant Executive Director or Director?</p>	<p>MPAC / Chief Operations Officer / Director Internal Audit/ Accounting Officer</p>	<p>The organogram for the Internal Audit Unit has been revised and is awaiting the approval of Council. The Unit requested for 2 additional posts for this financial year(2022/2023). Once the new structure is approved, the additional posts will be filled in the ensuing years.  The Municipal Manager has referred these 2 investigations to an external investigator, and the final reports are being awaited.  The recommendations of the report will determine the course of action that will be taken by the Municipal Manager.</p>

3	<p>Page 228, Chapter 5, Section 4 Report by the Audit Committee on the adequacy, reliability and accuracy of financial reporting and information.</p>	<p>The Audit Committee reports that investigation of and consequence management of Unauthorised, Irregular, Fruitless and Wasteful expenditure lacks evidence by MPAC. This is also reported under Compliance Management on page 330 and should be the responsibility of MPAC, not the MM. What action plan does MPAC propose to ensure proper and full investigation of UIFW expenditure?</p>	<p>MPAC / Internal Audit</p>	<p>Comments Noted. If there is any action required the MM would refer the matter to the relevant investigating bodies, such as Internal Audit, or the South African Police Services (SAPS). MPAC with the Project Executive: Compliance (Director: Risk &amp; Compliance Management) in consultation the Accounting Officer, develop a MPAC Investigation Standard Operating Procedure to be used from the 1<sup>st</sup> of July 2023. This SOP will also give guide in how MPAC items will be written in order to assist MPAC to do or refer matters that need to be investigated to the relevant body or bodies</p>
4	<p>Page 238. AG report para 44</p>	<p>What processes, if any, have MPAC put in place to ensure that monies received for Flood relief repairs is properly spent, without corruption?</p>	<p>MPAC / Accounting Officer / Finance BU / Director Internal Audit</p>	<p>The grants provided to the Municipality have very strict conditions which must be adhered to and reported upon timeously, also various task teams like the Provincial Disaster Management Unit and the National Disaster Management Unit also will ensure that the funds are spent in line with the conditions of the grant. In addition to the above the Auditor General(AG) will and is also undertaking a "real time audit". They have just completed the audit relating to the portion that was spent on the R109 M. The final report is being awaited. There have been no section 36 appointments. All appointments of contractors were made either from existing contractor panels that are in place or via formal tender processes. Appointments were only confirmed AFTER an internal audit was conducted. It should be noted that the majority of the appointments made came in below the engineers estimate due to the highly competitive process that was followed.</p>

5	Page 252	<p>The 2022 loss of R 42m in the Electrical Engineering Services segment, from a profit of R6m in 2021 is of major concern. The obvious planned actions over the past number of years has not improved the situation and Council has taken no corrective action against the various ED's responsible, being Electrical Engineering, Community Safety and Finance, together with the Municipal Manager.</p> <p>What action does MPAC propose?</p>	MPAC / Accounting Officer / Electrical Services BU / Community Safety BU / Finance BU	<p>The Council has resolved that a revenue protection unit be established to address the electricity losses. The Community Safety BU is a supportive unit assisting the task team to deal with electricity losses. The electricity business unit has recently commenced on a meter audit project. The Finance Business unit would update the billing records based on the outcome of the meter audit. This will contribute towards reducing the energy losses.</p>
6	Page 303 Note 28	<p>Performance bonuses were paid to the MM, CFO and ED's in 2022 for the 2021 and 2020 financial years. In each of these year's performance was below par, being at 58% for 2020 and a slightly improved but still very low 68% for 2021.</p> <p>Can MPAC explain the criteria applied, rationale and reason for these performance bonuses when such low performance scores were achieved?</p> <p>Can MPAC please explain why the ED Electrical was awarded a performance bonus of R 99 992 when electricity losses have continued to escalate, costing KDM over R333 million for the 2020 and 2021 financial year?</p> <p>Please can the scorecard on which the ED Electrical's bonus was determined be shared with us?</p>	MPAC / Accounting Officer / Director PME	<p>1. Performance Bonuses are not based on the Organisational Performance of the Municipality. It is based on each Executive Director and the scores that are awarded to him/her in terms of the scores on a balanced scorecard for the department. 2. The Executive Director Electrical cannot penalized for an organisational matter such as Energy Losses, that is receiving attention from Council and Management. The awarding of ED: Electricals performance bonus was based on the scores achieved on the balanced scorecard.</p> <p>Yes. A hard copy of the ED : Electrical Scorecards for 2021/2022 will be made available.</p>
<p><b>QUESTIONS SPECIFICALLY FOR THE MPAC COMMITTEE TO RESPOND TO - FOLLOW UP OF QUESTIONS RAISED AT PREVIOUS MPAC MEETING TO NOTE WHETHER APPROPRIATE ACTION WAS TAKEN</b></p>				
7	Electrical Engineering Services Page 73 of 2021 AR	<p>An investigation was to be undertaken on whether repairs by contractors to streetlights were effective as there were still numerous complaints by residents of wards 6, 22 and 30 on streetlights not working</p>	MPAC / Electrical Services and Fleet Management Services Business Unit	<p>The repairs of faulty streetlights are in progress. There are findings that there are cable faults that were caused by contractors digging for fibre optics installations. These cable faults are the ones that mainly cause repetitive streetlight repairs. MPAC will request a full report from ED: Electrical Engineering Services and this report will determine what action needs to be undertaken as part of investigation.</p>

**QUESTIONS SPECIFICALLY FOR THE CFO/FINANCE DEPARTMENT TO RESPOND TO**

8	Page 240	<p>Please explain the statement that: "I certify that the salaries, allowances and benefits of Councilors as disclosed in note 29 of these Annual Financial Statements are within the upper limits of the framework", particularly the part regarding "upper limit"?</p> <p>The question is why at the upper limit, why not at the 75<sup>th</sup> percentile, or median or average? The upper limit costs residents more.</p>	<p>Accounting Officer / Finance Business Unit</p>	<p>This certification is required in terms of the MFMA to ensure that all payments to councilors are within the legislated framework. To pay at 100% of the Upper Limit means to pay the councilors at the full gazetted rate. The actual final determination is made by the MEC after considering various factors. The MEC can approve the payment at 100% of the new upper limit or a lower amount or can even grant a zero-percentage increase. The wording of the application is as per the requirements and guidance provided by CoGTA.</p> <p>If an increase at 75% of the new upper limits is approved, it means that there will be a decrease in the councillor remuneration payable when compared to the previous financial year. It must be noted that when an application is made for 100% of the upper limits, it is not that the percentage increase for that year is considered, but the total new remuneration is being referred to. As an example, consider the following scenario:</p> <p>Old Remuneration : R100 000.00          New remuneration with Increase of 5% R105 000.00</p> <p>An application for payment at 100% of the new upper limits is essentially requesting a payment of R105 000.00. If an application is made at 75% of the new upper limits, it means that councilors will be paid 75% of R105 000 which comes to R78 750, which is lower than the current remuneration.</p> <p>It is not that if one requests an increase of 75% it means 75% of the 5% which would come to an increase of 3.75%</p> <p>The surplus is shown on the budget statement after accounting for transfers and contributions. This is in line with the specimen AFS.</p>
9	Page 249	<p>There should be a sub-total on the Operating surplus line in all columns</p>	<p>Finance Business Unit</p>	

10	Page 273, Investment Properties	We have previously requested that the details of Investment Properties held should be specifically disclosed in the Annual Report. Please may we be provided with such information. Please explain why nil rands was spent on repairs and maintenance of such a valuable asset during the year?	Corporate Service BU	The register is voluminous, hence not included in the AFS. A separate register is available for inspection.
11	Page 275. PPE reconciliation table.	Some values presented in whole rands, others with decimal points. Suggest that these all be standardised to whole rands. Are assets destroyed during the April and May 2022 floods been reflected as an impairment rather than a write off?	Finance Business Unit	One value reflects decimal cents, this will be adjusted to whole numbers. The assets are impaired. Although there was damage suffered, there were still aspects/portions of the asset that held value. Only in instances of full damage would a write off be considered.
12	Page 276. Table on slow moving assets under construction.	Only 2 assets totalling R5,8m have been individually disclosed in this table, from the total of R224m of AUC. There should be other large items such as Museum; City Hall, and various other assets under Electrical Infrastructure that should also be disclosed. Please can a table of those assets where costs to date exceed R2m be provided, and also indicate when construction thereon commenced. Please explain the criteria used to only disclose those 2 assets and exclude others in AUC?	Finance Business Unit / EDP Business Unit / Community Services Business Unit	KwaDukuza Museum was not slow-moving project, as 64 % of the budget was spent. There were justified reasons for this delay which was the national steel industry strike in the month of October 2021. City Hall Development is treated as AUC (Asset Under Construction) in terms of the Accounting Standards. However, the project is still at preparations stage meaning there is no physical asset. Two projects AG was not happy with was SCADA projects, they mentioned here that based on POE provided by EBU it was indicated that there was 9 months delay for awarding this tender. The second project was Nonoti Beach Node Development with significant delays noted caused by environmental authorisation.  The municipality's view was that these projects were not long outstanding, and any delays experienced were part of the normal implementation cycle of a project of this nature, e.g., environmental approval for the Nonoti Beach Development. The AG held the view that these projects has contractors appointed hence this length of time constitutes a delay and must be reported. The AG will need to confirm the basis and/or provide any further criteria.

13	Page 286	Refuse greater than 120 days debtors have grown substantially from 2021. What specific actions are being taken to recover these outstanding amounts?	Finance Business Unit	<ul style="list-style-type: none"> <li>• Monthly SMS messages for all debtors over 30 days</li> <li>• Credit Control utilises the debtors ageing report that is extracted from the financial billing system to identify monthly defaulters for follow up.</li> <li>• Accounts that are in arrears, where an electricity meter is linked, will have their electricity supply disconnected.</li> <li>• Accounts where a prepaid meter has been linked, that are outstanding for more than 30 days, are flagged automatically and instituted with a 40% partial block from purchasing prepaid electricity. Should the credit control department find that a total block is necessary, a special request is made to the Billing department for action.</li> <li>• Indigent customers are flagged for a partial block where 40% of prepaid purchases are withheld for arrear debt.</li> <li>• Where the customer cannot afford to settle the arrears, a payment arrangement in terms of the Credit Control Policy or Special arrangement is concluded with T&amp;C's.</li> <li>• Encouraging debtors to enrol on the ACB payment platform.</li> </ul>
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14	Pages 243 and 289	How/where do I find the amount of R121 583 740 on page 243 in note 10 on page 289?	Finance Business Unit	<p>Rates - Statutory Receivables  Other debtors  Department of housing - RDP projects  Operating leases  Less : Allowance for impairment</p> <p><u>71, 510, 910.90</u>  <u>171,952,796.83</u>  251,934.44  1,283,948.13  (223,415,850.53)</p> <p><u>121,583,739.78</u></p> <p>Other Debtors  Traffic Fines Debtor - Statutory Receivables  Accrued Income  Illembé water deposits  Sundry Debtors - R &amp; G  Prepaid expenditure  Housing bridge financing and medical aid  Over payment of contractors  Department of Transport (DOT) - Motor vehicle</p> <p>121,426,432.30  3,044,816.90  56,491.00  35,479,031.50  10,332,903.47  146,104.32  1,101,612.94  365,404.40</p> <p><u>171,952,796.83</u></p>
15	Page 295 - note 17	Please explain what the Ballito Junction Road grant of R9.8m is intended to be used for, and why not used yet?	EDP Business Unit	<p>The R9.8 is the money ring-fenced as Ballito Junction developer's contribution to be used for the implementation of Ballito-Salt Rock Road Alignment project. This contribution forms part of developer's contribution emanating from Town Planning Approvals.</p>
16	Page 295 - note 20	Please confirm that payments due to ESKOM and Dolphin Coast Waste, as significant suppliers to KDM, are up to date with no risk of discontinuation of services by those suppliers? We repeat our previous request that the liability to ESKOM be disclosed separately.	Finance Business Unit	<p>We confirm that all payments due to Eskom and Dolphin Coast Waste Management are up to date. It was only the invoices as at 30 June 2022 which were paid in July 2022 as these invoices were only received in July 2022.</p> <p>We are not aware of any legal requirement to separately disclose the liability to Eskom or to any other creditor for that matter. The AFS is presented in globular figures and is not required to be presented to such level of detail</p>
17	Page 302	Reference at end of page as follows "Balance unspent at end of year (Note 16)", should be corrected to note 17.	Finance Business Unit	<p>Agreed and will be adjusted</p>
18	Page 303	Please provide the number on the employees on payroll at 30 June, for 2022 and 2021.	Finance Business Unit	<p>JUNE 2022 - ACTIVE EMPLOYEES ON VIP - 1201  JUNE 2021 - ACTIVE EMPLOYEES ON VIP - 1168</p>



19	Page 305 - note 35	Travelling and subsistence costs of R2.6m is 52% more than the 2019 amount of R1.7m. Similarly, miscellaneous expenses have increased from R14.6m to R20.9m, or 42%.	Finance Business Unit	Various increases were noted as physical meetings commenced post COVID, however the largest contributory factor was due to S&T attributable to training for Traffic Officers. This is in terms of accredited service providers and conducted out of the jurisdiction of Kwadukuza, hence incurring S&T
20	Page 311- note 41.3	Please provide more information regarding the de-recognition of land in amount R24m. Description of land needed. What is the cause for this land being de-recognised?	Finance Business Unit	<p>De-recognised land to the amount of R24m is made up of five following properties:</p> <ol style="list-style-type: none"> <li>1. Lot 61 - Salt Rock ERF 1521 portion 326 - R4 660 000</li> <li>2. Lot 61 - Salt Rock ERF 1521 portion 80 - R7 500 000</li> <li>3. Lot 61 - Salt Rock ERF 1521 portion 455 - R6 850 000</li> <li>4. Salt Rock ERF 906 - R1 700 000</li> <li>5. Spioen Kop Farm ERF 1125 portion 1 - R3 840 000.</li> </ol> <p>This stems from an AG query. GRAP 17 requires land is recognised based on control or legal title. The municipality contended that control vests with the municipality of the land however the AG did not comment on the aspect of control but ruled that these be de-recognised based on legal title not residing with KDM.</p>

21	Page 313 - note 44	<p>Please explain reason for 41% increase in refuse costs from prior year. The current year expenditure of R65m is a R27m (171%) increase from the 2020 cost of R38m. The 2021 amount was increased by an amount of R10 in order to make the amounts comparable. The expense has still increased from R46m in 2021 to R65m in 2022. The adjusted comparable figure for 2020 would be R38m after the adjustment. So increased cost in 2022 is 41% and for 2021 is 20%. These are sizeable increases. Is this solely to do with the new contract which became effective from November 2021 or are there other factors also?</p>	Finance Business Unit	<p>R15 644 598 in respect of refuse indigent support was reallocated from General Expenses to Contracted services. This was a re-classification in terms of the nature of the expense as they relate to the Statement of Financial Performance.</p> <p>The increase is attributable to a new Private-Public Partnership (PPP) agreement for provision of Waste Services entered into and effective 1 November 2020. The structure and rates of the agreement differs from the old SLA. Furthermore, waste services were further extended to new areas where services were not previously collected.</p> <p>What constitutes the increase on costs of waste removal services?</p> <ul style="list-style-type: none"> <li>• The annual contract escalation of the PPP agreement between KDM and Dolphin Coast Waste Management.</li> <li>• The organic growth in the number of customers that are receiving the services (This is directly linked to rapid growth experienced by KwaDukuza and the demand for provision of basic service).</li> <li>• The provision for the kerb pick-up refuse removal service to highly populated areas falling within the previously disadvantaged settlements.</li> </ul> <p>KwaDukuza Municipality has produced a multi-pronged strategy to address service delivery backlog thereby expanding basic refuse removal services to the highly populated areas that previous were serviced through the ineffective method of community bulk refuse containers. Waste removal is a trading service that should be able to generate income that is enough to fund the operations and generate surplus worst-case scenario break even. This simple means that the municipality should be able to recover costs associated with providing a service from the customers who are enjoying the service (User pay principle). Unfortunately, KDM is faced with inadequacies and weaknesses relating to the billing and collection, the revenue leakages give rise to a lop-sided standpoint, that the waste removal income is outstripped by increase cited above.</p>
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22	Page 317 - note 51		Finance Business Unit	<p>It can therefore be recorded that the challenge we are faced with is that KDM does not recover costs associated with the provision of basic refuse removal to the high number of customers who are receiving a service.</p> <p>Even though the municipality apply costs recovery method when considering annual tariff increase, Council has been very thoughtful not to overburden the citizens to that extent the refuse tariff increase has been reasonable reaching 4% 2020/21, 4% 2021/22 and 6% 2022/23 financial years.</p> <p>That challenge recorded above is the responsibility of the revenue section and to that end they are currently trying their level best to resolve the revenue leakages, so that we can have a connection between the increase in the revenue derived from the provision a refuse service and the increasing cost of providing basic refuse removal services cited above.</p> <p>This is agreed, however whilst everyone agrees on the need, constructive feedback as to where these funds can be sourced will be welcomed.</p> <p>Also due to the nature of some of the repairs undertaken a portion of the rehabilitation work is undertaken on the capital budget, most predominantly under Civil</p>
23	Page 318 - note 53	<p>The 34% increase in maintenance expenditure to R67m is welcomed. However more could be spent as this amounts to around 3% on assets whereas the expectation is that 6-8%, approximately R130m to R150m per annum should be spent.</p> <p>Even though correctly impaired, the full debt owing by the councillor should still be reflected, including that from prior years. We are concerned that this matter has been reported similarly in previous financial statements and not yet resolved.</p> <p>Please confirm that the councillor is paying for services.</p>	Finance Business Unit	<p>The amount as per the AFS is the full value and represents the cumulative value.</p> <p>Yes the councillor is paying for services. He has a pre-paid meter installed.</p>
24	Page 326 - Appendix A	Remove digits behind values in column 5, present rands only.	Finance Business Unit	Agreed, will be adjusted.
25	Page 330 Material losses - electricity	We believe that further actions should be removal of illegal connections and arrest of users manipulating their meters or meter readings. The ED for Community Safety and the Municipal Manager should be added to the column of responsible official and business unit.	/Electrical Service Business Unit / Community Safety/Accounting Officer.	<p>The plan is to have the Revenue Protection Unit fall under office of MM. This unit will be responsible for all revenue losses activities.</p> <p>The current practice for illegal connections is that Finance, Electricity, Office of MM and Community Safety BU's form teams that do raids where illegal connections and bypassed/ faulty meters are being checked.</p>

25(a)	I hadn't noted any income/receipts from insurance proceeds and I would have expected some arising from the April/May 2022 floods.	Finance Business Unit	Due to the large volume of claims in the insurance industry both from the Social unrest in the prior year and the April Floods, as at the financial year end the claim was still under review by our insurance.
<b>QUESTIONS SPECIFICALLY FOR THE MM AND RELEVANT ED'S TO RESPOND TO</b>			
26	Page 332 The number of meetings attended by the Speaker has not been reflected. It is disappointing to note that not a single councillor achieved a 100% attendance, with some as low as 1 or 2 only.	Corporate Services Business Unit.	The schedule will be amended to incorporate the number of meetings attended by the Speaker for the year under review.  All non-attendance by Councillors for the period under review has been addressed in terms of the Speaker granting the affected councillors an official leave of absence in accordance with Council Standing Rules of Orders.  Any non-attendance which has not been processed through the granting of official leave of absence is ordinarily dealt with by the Office of the Speaker in terms of the sanctions imposed by the Standing Rules. There were no non-attendance incidents that necessitated such sanctioning by the Office of the Speaker for the year under review.  The office of the Speaker will address the concern of the inability to achieve the 100% attendance by Councillors at the next Council meeting.
27	Page 348 - service providers The last row on this page relating to BNE general trading reflects no financial information whereas for other grass cutting financial values have been provided? Similarly, for Nhlongoti above. Bongs appears on page 348 and 351- same information. This makes it sceptical that the information in the table is accurate.	Community Services Business Unit	The figures will be updated and submitted to PME for inclusion onto the final copy of the Appendix I for BNE General Trading and Nhlongoti.  BNE General Trading (R1 298 724.91) Nhlongoti (R394 005.15) Bongs on page 351 to be removed.
28	Page 352 If target for Veritas Engineering was R21m and they only delivered on R8.6m, how can performance be rated satisfactory?	Electrical Services and Fleet Management Services Business Unit	There was a typo error on the expenditure figure. The adjusted budget was R30m, and expenditure was R29 335 315.