



**PROGRESS REPORT ON THABA CHWEU  
PRESENTED TO THE NATIONAL COUNCIL  
OF PROVINCES 9 MAY 2006  
DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING**

1



**1. PURPOSE OF THE REPORT**

**To inform the National Council of  
Provinces about progress on the  
intervention by the Department in  
Thaba Chweu.**

2



## 2. BACKGROUND

- 2.1. The Mpumalanga Provincial Council (MPC) took a decision in November 2004 to place Thaba Chweu under the supervision of an administrator through section 139.1 (b) of the constitution.
- 2.2. The administrator was mandated to look into financial and administration matters which were allegedly to have been violated by both councilors and officials.
- 2.3. The matter was then considered by the NCOP after being submitted by the Mpumalanga Provincial Council in terms of Section 139 (2)(1) of the Constitution (Act 108 of 1996) and invoked on 25 January 2005.

3



## 3. Terms of Reference

- 3.1. The administrative team comprised of:
  - Mr. BT Taabe: administrator (who later relinquished his position)
  - Ms Grace Castle (assumed position of Administrator) and
  - Mr. Charles Mnisi
- 3.2. Their terms of reference were as follows:
  - Appointment of Senior Managers
  - Compile and submit financial statements
  - Institute disciplinary procedures against transgressors of the law.
  - Implementation of the MFMA

4



## 4. PROGRESS ON INTERVENTION: HUMAN RESOURCES

### 4.1. Municipal Manager:

AN ASSESSMENT IN TERMS OF THE SYSTEMS ACT AND THE STRUCTURES ACT'S REQUIREMENTS WAS DONE, BASED ON THE FINDINGS:

- The Municipal Manager's performance was re-evaluated and a decision was taken that he should be suspended and charged for non-performance and contravention of the Municipal Systems Act.
- The Municipal Manager was suspended on the 14th September 2005. He resigned on the 16th September 2005 after being charged.

### 4.2. Acting Municipal Manager

- Mr. N Seanego has since been appointed as an Acting Municipal Manager.

### 4.3. The post for the Municipal Manager post was advertised in January 2006.

### 4.4. The appointment of the Municipal Manager and the urgency of the matter was brought to the new Executive Mayoral Committee and the Office of the MEC for Local Government and Housing. A decision is expected before the end of May 2006

5



## PROGRESS ON INTERVENTION: HUMAN RESOURCES Cont

### 4.5 Appointment of Senior Managers:

- The posts for Corporate Services, Engineering, Community and Protection Services were advertised, interviews conducted on the 15th and 16th of March 2005. The incumbents commenced their duties on May 11, 2005 at a salary package R420 000,00 per annum. Performance Management and Employment contracts have been signed with the incumbents.

### 4.6. The Financial Manager

- The CFO commenced her duties on the 01st September 2005. Unfortunately, she resigned during December 2005. The post was re-advertised and the closing date for the applications was January 2006.
- No suitable candidates applied, currently we are in a head-hunting exercise.

6



## **PROGRESS ON INTERVENTION: HUMAN RESOURCES Cont**

The lack of financial expertise in the municipality resulted in a meeting between the office of the MEC for Local Government and Housing and the Provincial Treasury. The meeting resolved that:

### **4.7. Short Term:**

- An acting CFO be appointed. Mr. B Bieschoff had since been appointed.
- The Provincial Department continue to support through the deployment of staff.
- Internal Audit from the Office of the Premier, currently in Thaba Chweu continue to advise on financial matters.

### **4.8. Long Term**

- The Department assisted by DBSA will as from the 1<sup>st</sup> of June 2006 deploy a financial manager to assist the municipality.
- Thaba Chweu should groom local financial graduates through the support of Provincial Treasury and DBSA. These graduates will be recruited from the National Data base of graduates and they will undergo a learnership program with full in-house training at Thaba Chweu. This will enable Thaba Chweu to acquire skills for the future.

7



## **5. PROGRESS ON FINANCIAL MANAGEMENT**

### **5.1. Financial Statements**

- The Municipality had for a period of four years not been able to prepare and submit financial statements to the Auditor General, despite the fact that KPMG was appointed to assist in that regard.
- Through the intervention of the Department and the support of Gert Sibande District, Mr. Rootman was seconded to assist with the compilation of the Financial Statements.
- The municipality has since been able to update and submit all outstanding financial statements from 2001/2002; 2002/2003; 2003/2004 and 2004/2005 to the Auditor General, enabling the municipality to receive its equitable share.

8



## PROGRESS ON FINANCIAL MANAGEMENT Cont

### 5.2. Financial Systems

- The municipality had, since the amalgamation of Sabie, Graskop and Lydenburg, been operating with three financial system that were not linked to each other. This exposed the municipality to theft.
- Sebata an IT Consultancy was appointed in September 2005 to implement the Finstel Financial System at Thaba Chweu.
- The implementation of the Finstel Financial System was completed early March 2006 linking all the three offices of the Municipality.

9



## PROGRESS ON FINANCIAL MANAGEMENT Cont

### 5.3. BANK ACCOUNTS

- The Municipality had 13 (thirteen) Bank accounts with each of the three offices having an average of four accounts.
- The municipality has since consolidated all its 13 (thirteen) Bank Accounts into 1(one) as per the requirement of the MFMA.
- The Primary account is with ABSA Lydenburg.
- ABSA is owing an estimated R300 000.00 to the municipality after an official who had since resigned gained access to the investment account, estimated at R 500 000.00 and embezzled R 200 000.00. The case was reported to the SAPS in Lydenburg. Discussion are still going on with ABSA to resolve the matter, since a transaction was allowed by the Bank without a Council Resolution.

10



## PROGRESS ON FINANCIAL MANAGEMENT Cont

5.4. It is alleged that an estimate of R151 195, 92 was lost at the Mashishing office between January 2005 to June 2005.

- The Finance Department is almost depleted of staff and the habit within staff to continue to do wrong, leaves much to be desired for Sound Governance,
- e.g. After the cashiers at Mashishing were suspended, the office was re-opened with a staff member from the town office taking over. Within his first day, he issued receipts from a receipt book to consumers as proof of payment. These receipts were not entered into the system and the book cannot be traced. The matter is currently under investigation. This is a clear indication of the serious nature of mismanagement in the Finance Department and the continued habits.

11



## PROGRESS ON FINANCIAL MANAGEMENT Cont

5.4. Risk Assessment Results.

- During a risk assessment, it was discovered that Thaba Chweu had old loans amounting to R18 million. There is an investigation to ascertain what they were used for. These loans were taken 5yrs ago and were meant for Infrastructural development.
- These loans place a heavy financial burden on the municipality, resulting in the municipality being unable to sustain itself. They are serviced at a cost of R 350 000.00 per month

12



## 6. REVENUE COLLECTION

- The administrator and her team discovered that the municipality was a haven for theft which resulted in an estimated loss of about a million rand a month, especially in the Finance Accounts Division.
- 6.1. Prepaid electricity income received was stolen by deleting the sale of prepaid meter tokens and stealing meter tokens.
  - The total tokens deleted for March 2005 amounted to R8 574.50.
  - A staff member from the income section had allocated free prepaid tokens to himself amounting to R20 243.30.
- 6.2. The daily prepaid cash collected did not correspond with the audit rolls.
  - Shortages on daily prepaid takings amounted to R11 579.00 (per day) for the month of March 2005.
  - The total prepaid cash collected for the day per cashier was cancelled on the Finstel System and replaced with lesser amounts, resulting in some of the money collected being unaccounted for.

13



## REVENUE COLLECTION Cont

- 6.3. Taking into account all the irregularities, it is our view that the municipality had lost more than what we see on record.
- It was previously reported that Thaba Chweu losses an estimate of R1 million of revenue per month, due to the fact that the municipality was collecting an estimated R 2.5 million.
- 6.4. As part of the intervention, Shining Star, a service provider was appointed in September 2005 to assist Thaba Chweu to implement a Revenue Collection Management and Collection System.
  - During the implementation of electricity cut-offs, Thaba Chweu collected up to 7 million rand per month. 4 million rand is paid towards salaries and 1.7 million must be paid monthly to Eskom for electricity.
  - Thaba Chweu's current payment rate is 87.77%. At the end of November 2005 it was 92%, the slight drop could be due to the festive holidays.
  - Thaba Chweu recovers approximately 5 MILLION A MONTH for services.

14



## 7. ACTION TAKEN

- 7.1. Thus far, eight (8) officials in the finance division have been suspended.
- 7.2. Four (4) additional electricians were suspended in mid April 2006 for further fraudulent activities in the Technical Department.
- Resulting in the Lydenburg area, having only one (1) electrician left.
- 7.3. In March 2006, two (2) senior officials in the Technical Department were suspended, after they were found to have stolen transformers from Council and installed them to farmers over weekends.
- It is also alleged that they have metered big businesses and no cost was recovered for the monthly usage. Contributing to further lack of revenue loss in the municipality.

15



## Action taken cont

- 7.4. The Head Cashier, Mr. Khumalo and Mr. Mashego were suspended on the 25th of October 2005. Due to the excessive cash shortages recorded from the prepaid sales. They both resigned
- 7.5. Mr. Weideman was also suspended on the 25th of October for allegedly stealing prepaid electricity and found guilty and dismissed.
- 7.6. Criminal charges against them are currently underway with the assistance of the Special Branch Unit in the Province.

16





## 8. Councilor Conduct

- 8.1. Arrangements were made with councilors who were not re-elected to deduct the outstanding money from their pensions. To date R194 282,00 has been recovered out of R 397 268.00
- 8.2. Prior the commencement of the Councilors Special Committee, the Speaker of Thaba Chweu, Mr. M. Mabelane resigned from Thaba Chweu Municipality as a Councilor and Speaker.
- 8.3. Councilors were implicated in numerous violation of the code of conduct which among others included the abuse of council property and staff, abuse of vehicles and the interference in the administration.

17



## Councilor Conduct Cont

- 8.4. Details of such violations were as follows:
  - Council vehicle was stolen in the possession of a councilor
  - Councilor was involved in sex chat line
  - Leaking of information by councilors to members of the community with a view of influencing council decision
  - Allegations in housing contracts
  - Abuse of cell phones allowances and advances
  - Threatening municipal employees during electricity cut offs

18



## **Councilor Conduct Cont**

**8.5. On the 26th October 2005 at a Special Council Briefing, Councillors were served with notices, informing them of allegations against them.**

**8.6. A Special Independent Committee was appointed to conduct investigations and advised the Department on its findings.**

**A report was tabled to the Department.**

19



## **Councilor Conduct Cont**

**8.7. It is important to note that out of all the councilors that were implicated only one was re-elected Mr. E.N Mashego.**

- It should also be noted that he also refused to appear before the special committee that was appointed to probe these allegations.**

20



## 9. Service delivery

### 9.1. Bulk Water

- Two major hindrances to Local Economic Development have been identified which are the Bulk water provision and electricity generation on large scale. The Ehlanzeni District municipality has already made available *R5.9 million* for water improvement and supply. *R 2 million* has been allocated to Matibidi for bulk water supply.

### 9.2. Electricity

- An amount of *R4 million* has been made available for short-term assistance for the supply of electricity. *R18 million* is needed to address the electricity challenges. An amount of *R71 million* is needed to address the water challenges of the municipality and *R31 million* is required for short-term interventions.

### 9.3 Land Audit

- *R250 000, 00* was made available by the Ehlanzeni District Municipality to assist Thaba Chweu with a Land Audit, which has already been completed.

21



## Service Delivery Cont

9.4. *R10 million* Loan from DBSA has been approved for land development. The land will be developed by the municipality to cater for the housing needs of the mines and communities. It is envisaged that the Municipality will raise *R25 million* through the sale of the stands and the loan will be used for infrastructure development.

9.5. The municipality is also faced with a problem of land invasion. A land invasion committee was established as a result land invaders have been successfully moved to Ext 21. The municipalities in the Province is presently assisted by the Provincial Government to develop a policy on Land Invasion. The Ext 21. case was successfully handled due to a visit to the Steve Tshwete municipality and a case study on their success story.

9.6. Thaba Chweu is the only municipality in the Province identified by DBSA, that will benefit from the *R400 Million* development fund as a *pilot project for building sustainable communities*. Discussions between DBSA, the department and Thaba Chweu are in progress.

22



## 10. WAYFORWARD

- 10.1. The department has resolved to further extend the contract of the Ms Grace Castle for a further three, from 1<sup>st</sup> April to 30 June 2006.
- 10.2. To extend Mr. Mnisi's contract for a further month of April 2006 to deal with the new cases that came from Technical.
- 10.3. To pay Mr. Mnisi per case consulted based on the recommendation of the administrator.
- 10.4. Finalize the appointment of the MM
- 10.5. Deployment of a technical team supported by DBSA to further strengthen the municipality

23



## 11. Recommendations

- 11.1. The Executive Council to support the process of the establishment of a joint operation team to speed up the processes of prosecution.
- 11.2. The Thaba Chweu case be documented to serve as a benchmark exercise for all other municipalities.
- 11.3. Audits be extended to all municipalities that sell prepaid electricity since it has come to the department's attention that Thaba Chweu is not an isolated matter.

24



## 12. RESPONSES ON NCOP RECOMMENDATIONS Cont

- A Local Labour Forum has been established and is in operation. Development initiatives whereby quarterly operations committees interact with the Business Chamber and stakeholders a resolution in April 2006.



**Thank  
you.**

27