

# NCOP PROVINCIAL WEEK / KZN LEGISLATURE WAR ROOMS FUNCTIONALITY MONITORING

## STATUS QUO REPORT MPOFANA LOCAL MUNICIPALITY

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MUNICIPAL MANAGER  
28 OCTOBER 2020



# PRESENTATION OUTLINE

SLIDE LAYOUT ITEMS	SLIDE LAYOUT ITEMS
1. Cover Page	17. Socio-economic issues
2. Introduction and Purpose	18. PMS
3. PEC Progress	19. Public Participation
4. 4-8 Challenges	20. Progress of filling Senior Management Posts
5. AG Report	21. Capacity Building
6. Debtors and Creditors	22. Functionality of Governance Structures
7. Debtors information	
8. Billing Records	
9. UIFW	23. State of political leadership
10. Audit Action Plan	• Hardcore Leadership
11. Municipal Budget	• Political Cohesion <b>OR</b> Infighting
12. Grant Highlights	24. Operational Capacity

# PURPOSE AND INTRODUCTION.

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## **THE PURPOSE OF THIS PRESENTATION TO:**

Report on Progress since the Intervention (Section 139 (1)(b) Dec. 2017,  
A brief synopsis of Municipal challenges,  
To highlight on the functionality of Governance Structures,  
18/19 Audit Report and Brief 19/20 AFS Preparation Progress,  
Audit Action Plan Progress (Towards a better Audit Opinion),  
Progress in terms of moving towards a better Audit Opinion,  
A brief synopsis of Municipal Budget,  
Update on Revenue Collection and Cost Containment,  
Progress of filling Senior Management Vacancies,  
To provide service delivery and infrastructure related report,  
Operational Constraints, Operational Capabilities, and  
Progress of ensuring 'Hard-core Political Leadership.

# PROGRESS REPORT ON PEC ASSESSMENT.

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Since Dec. 2017, MLM has been a Section 139 (1)(b) intervention municipality.

A Recovery Plan developed WITH stringent M&E Plan.

There has been significant improvement - implementing the Recovery Plan.

Sect. 106 Forensic Investigation 2018 / New matters rooted on UIFW Matter.

Poor Records Management, Poor Risk Management, Weak Internal Controls, Negative Corporate Image, Branding and Culture with low staff morale.

**UIFW** was tabled to council for the past four (5) years tabled by MPAC to Council on the 16 October 2020. **Fruitless and Wasteful Expenditure** Complete (+95% Council Condoned 5% Council to recover). **Unauthorized and Irregular** are being investigated (CUII) by MPAC.

There is much improved oversight from political principals with functional ward structures.

There is a remarkable progress in filling senior managers positions.

All governance structures are now revived and efficient and effective.

The Recovery Plan is regularly considered and duly noted by Council highlighting some achievements and some challenges that remains.

# MLM OVERVIEW OF CHALLENGES

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## **SUPPLY CHAIN MANAGEMENT CHALLENGES:**

Poor contract management.

Poor controls / management of service providers.

SAGE EVOLUTION has not been seamlessly integrated.

CSD Module is not integrated with SAGE EVOLUTION.

## **BUDGET AND REPORTING CHALLENGES:**

Adopted unfunded budget.

Incompatible funding model for the municipality (Rural Municipality).

Municipality's Liabilities are more than the assets.

Budget and Treasury Unit is short staffed with poor capacitated majority warm bodies.

Reporting to National Treasury Portal has been a major challenge.

SAGE financial system was not configured according to Circular 80 of MFMA Requirements.

# MLM OVERVIEW OF CHALLENGES

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## **EXPENDITURE MANAGEMENT CHALLENGES:**

Creditors not paid within 30 days of receiving the invoice due to budget constraints.

Fruitless and wasteful expenditure has gone up as result of penalties and interest charged on late payments, (Eskom Historical Debt).

Bank reconciliations were not done for over 2 years and this has been addressed.

Creditors reconciliation were not done for over 2 years and currently has been started due to poorly capacitated Budget and Treasury Unit.

# MLM OVERVIEW OF CHALLENGES

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## **GOOD GOVERNANCE AND PUBLIC PARTICIPATION CHALLENGES:**

No system of monitoring and addressing public complains on service delivery.

Lack of public participation plan & poor controls.

There is protests and unruly behaviour by community in some areas / INEP Fund.

Ward Committees were fully functional.

WAR Room Structures were not effective.

## **FINANCIAL VIABILITY AND MANAGEMENT CHALLENGES:**

Poor debt collection (Eskom area of supply).

Ageing debt remains high.

Billing in some cases is done manually which posses challenges.

CONLOG electricity prepaid is not integrated with SAGE EVOLUTION.

# MLM OVERVIEW OF CHALLENGES

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## **GOVERNANCE CHALLENGES:**

The audit committee charter was not adopted by the Council.

There has been no internal audit plan.

Risk Management Register was not reviewed and updated regularly.

Internal Controls were very weak.

Lack of office accommodation - HR Offices burnt down.

None availability of crucial plans, (IWMP, Maintenance Plans and Master plans).

## **PAYROLL CHALLENGES:**

No payroll policy.

1 x payroll clerk with no segregation of duties thereby clouded by risks.

No File Plan / Poor records management.

The employer were subsidizing the finance interns towards Medical Aid.

There is no document in place that authorizes the benefits mentioned above.

Payroll VIP is not seamlessly integrated with SAGE EVOLUTION.



# AUDITOR-GENERAL'S REPORT -18/19FY

## MPOFANA LOCAL MUNICIPALITY AUDIT OUTCOME 2018/19 FY:

**DISCLAIMER** with 23 x Qualifying Items – Targeting **UNQUALIFIED**.

Audit Action Plan was developed to improve Audit Outcomes.

Consequence Management underway in identified areas.

Constant monitoring of the progress of the Audit Action Plan at all levels.

## BACK TO BASICS SUMMARY REPORT.

Mpofana participates in the Back to Basics Programme.

**Recent Last Rating – 61%**

(We remain a Challenged Municipality).

### Action Plan Progress.

SUMMARY		
Status of Audit Action Plan	No.	%
Complete	7	14%
Inprogress	40	82%
Not Yet Started	2	4%
<b>Total</b>	<b>49</b>	

# TOP FIVE (5) DEBTORS & CREDITORS

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## TOP 5 DEBTORS:

1. Tai Yuen Textiles	2. Weston Agricultural College	3. Treverton	4. Rural Development	5. Rivervale (NCD)
R10 066 209 & R906 633	R2 300 603	R2 510 425.52	R1 208 982.00	R785 881.05

## TOP 5 CREDITORS:

1.Eskom	2.KSA	3.Auditor General	4.Umngungundlovu	5.Khwela Attorneys
R193 104 319	R6 766 333,27	R1 888 024,48	R2 588 794,97	R609 268,78

### THE SUMMARY OF THE FINDINGS ARE AS FOLLOWS:

23 qualifying matters, 01 Material Uncertainty, 25 Other matters. The 25 other matters were further broken onto: 1. Annual Performance Report, 1. Annual Financial Statement, 7. Expenditure Management, 2. Revenue Management, 1. HR Management, 2. Consequence Management, 9. Procurement Management, 2. Internal Control Deficiencies.

# SUMMARY OF DEBTORS INFORMATION.

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Total ageing debt – **R146 139 599.55**

Customers are now being sent statements on time monthly.

Consistent billing of customers.

Consistent disconnections after the due date of the billing invoices.

Full implementation of credit control policy.

A track report to track on all the government debt & payments has been implemented.

# BILLING RECORDS

(CARRIED FORWARD)

MONTH	BILLING DATE	MONTHLY BILLING	TOTAL BILLING TO DATE
SEPTEMBER 2019	25/09/2019	R 8 044 519,61	R 8 044 519,61
		R 5 794 324,05	R 5 794 324,05
OCTOBER 2019	23/10/2019	R 5 723 672,03	R 5 723 672,03
NOVEMBER 2019	25/11/2019	R 5 349 900,76	R 5 349 900,76
DECEMBER 2019	18/12/2019	R 4 799 402,54	R 4 799 402,54
JANUARY 2020	21/01/2020	R 4 424 277,42	R 4 424 277,42
FEBRUARY2020	25/02/2020	R 4 802 597,54	R 4 802 597,54
MARCH 2020	25/03/2020	R 3 721 172,38	R 3 721 172,38
APRIL 2020	21/04/2020	R 3 067 349,27	R 3 067 349,27
MAY 2020	25/05/2020	R 3 128 852,48	R 3 128 852,48
JUNE 2020	23/06/2020	R 3 165 411,42	R 3 165 411,42
JULY 2020	21/07/2020	R 5 169 753,29	R 5 169 753,29

# **UNAUTHORISED, IRREGULAR , FRUITLESS AND WASTEFUL EXPENDITURE ASSESSMENT.**

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<b>Irregular Expenditure:</b>	<b>Fruitless and Wasteful Expenditure</b>	<b>Unauthorized Expenditure</b>
15/16 – R2 958 786	R1 055 174	R32 954 392
16/17 – R6 074 653	R1 523 331	R50 985 495
17/18 – R23 650 291	R2 129 706	R37 518 680
18/19 – R35 233 369	R10 280 318	R11 035 077
19/20 – R21 881 522	R15 621 301	R68 843 680

**Unauthorized Expenditure** – Being investigated by MPAC – Assessment Report Complete.

**Irregular Expenditure** – Being investigated by MPAC – Assessment Reports Complete.

**Fruitless and Wasteful Expenditure** – Considered by council as follows:

-95% - Condoned (Interests and penalties accrued from Eskom Historical Debt).

-05% - Being recovered from a staff member and other portion from former CFO / Acting MM.

report for UIFW was tabled to council and the council took a resolution that the MPAC committee

# AUDIT ACTION PLAN PROGRESS (TOWARDS AN IMPROVED AUDIT OUTCOME).

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## **ACTIONS TO IMPROVE THE AUDIT OUTCOME:**

Service Provider was appointed in August 2020,

SP to assist MLM finance section with AFS preparation and review and compilation of working papers for the 19/20 audit,

SP to ensure AFS complies with standards and regulations,

SP to ensure quality information is presented to AG and assist in responding to AG queries on technical issues,

19/20 AFS action plans were developed (Addressing 18/19 Audit matters ) and deadlines were set. These were communicated to MLM stakeholders WITH clear M&E Plan and assessment tools,

Progress meetings are held to provide feedback to stakeholders and to assess the progress against set milestones and deliverables.

Meetings held with finance team to allocate responsibility and deadlines with respect to AFS preparation plans.

# AUDIT ACTION PLAN PROGRESS

## -TOWARDS AN IMPROVED AUDIT OUTCOME. (Cont.)

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### **STATUS AND PROGRESS TO DATE:**

- Reconciling opening balances with General Ledger.
- Reconciling various registers ( FAR / UIFW etc.).
- Effecting crucial adjustments on system and seamlessly integrating schedules.
- Preparing working papers for various sections.
- Finance team workings are reviewed by MLM Audit Risk and SP.
- Resolving queries with suppliers /service providers.
- Addressing the queries and qualifying matters of past audit.
- Setting up risk and compliance structures.
- Improving internal controls.
- Improving internal capacity.
- Final draft AFS being considered by A/C, Independent Q/Assurers and will be tabled to Council on the 30 October 2020, prior to final submission.

# A BRIEF SYNOPSIS OF MUNICIPAL BUDGET.

## Collection Rate:

- 2019/20 – 77%
- 2020/21 – 85%

## Data Cleansing is in progress:

- Total Municipal Accounts is **11 514**.
- Total Verified / Credible Account Numbers is **11 490**.
- Total of 24 accounts with no account numbers.

## Eskom Debt / Risk:

- Total owing to Eskom - **R197, 366 450.90**.
- Arrears are at **R190 748 328.95**,
- Current is at **R 6 618 126.98**

## Cash Coverage:

- This is at -1 Month

## UIFW:

- R 3 044 185.01 (to date)

## Conditional Grants:

Previously Conditional Grants used on operations. (A plan is in place to replenish the accounts eg- MHOA. A payment plan has been submitted to Human Settlement to replenish and cash back the grants. Plan is currently being implemented.



# BUDGET AND TREASURY OFFICE HIGHLIGHTS GRANTS.

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<b>Name of Grant</b>	<b>Amount allocated</b>	<b>Amount Received</b>	<b>Expenditure to date</b>	<b>Unspent amount</b>	<b>Expenditure</b>
<b>MIG</b>	R 11 981 000	R 3 000 000	R 3 000 000	-	100%
<b>EPWP</b>	R 1 121 00	R 303 000	R 227 096.01	(R75 903.99)	75%
<b>FMG</b>	R2 800 000.00	R2 800 000.00	R283 488.55	R 2 516 511.45	13%
<b>INEP</b>	R 5 000 000	R 4 000 000	R3 713 156.82	(R386 843. 18)	93%

# CAPITAL PROJECTS DETAILED BREAKDOWN.

CONSULTING ENGINEER	PROJECT NAME	PROJECT REGISTERED AMOUNT (NOR)	APPOINTMENT VALUE
Sibgem Partners (PTY)LTD	The construction of Ronderbosch Community Hall facility	R 2 800 087.23	R 3 616 988.12
Mahlahla Consulting Engineers/Etilweni (PTY) LTD	Bruntville internal roads-upgrade(multi-year)	R 3 957 430.49	R 3 471 403.25
Mafahleni Engineers and Project Management	The construction of Bhumaneni creche-community facility	R 2 781 892.80	R 2 781 892.80
Siwa Consulting Engineers	Phumlaas Internal Roads-upgrade(Multi-Year Project)	R 4 502 910.53	4 502 910.53
Africa Consulting Engineers	The rehabilitation of Upper town Main Road phase 3(multi-year project)	R 11 646 749.07	R 14 268 108.31
Vangisa Project consulting Engineers and project Management	Highover access Road	R 3 506 745.59	R 3 506 745.59
Africa Consulting Engineers	Mgqula access road	R 3 373 843.55	R 3 846 181.65
M & C Consulting Engineers	PMU Support	R 601 550.00	5%
	<b>Total</b>	<b>R 33 171 209.26</b>	<b>NB.</b> NOR ALLOCATION WERE EXCEEDED IN A NUMBER OF INSTANCES.

# INFRASTRUCTURE AND BASIC SERVICES.

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Unavailability of resources, both human capital and equipment.

Previously the LM was highly reliant on hiring machinery for repairs and maintenance.

Initiative to purchase the Municipal Yellow Plant through hire to purchase being finalized.

The list of Plant being procured: (Excavator, TLB, Grader, Pad-foot Roller, Bucket Truck / Crane, D6 Dozer, Water Tanker, Tipper Truck, Low bed Horse and Trailer.

## **KEY DEPARTMENTAL CHALLENGES:**

Lack of Human Resources

Lack of Equipment

Ageing Infrastructure

Low capacity Electrical Infrastructure (Bruntville)

Sporadic illegal developments

Financial constraints

# SERVICE DELIVERY ISSUES:

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## **WATER ISSUES**

Ward 4 Deep rural areas remains with water challenges. A number of static tanks have been distributed by Umgungundlovu District. Further requests were sent to the district. The main challenges is that of access roads in highly dispersed redistributed farms.

## **REFUSE COLLECTION / LANDFILL SITE**

Waste collection is satisfactory in urban areas. There are however many illegal dumping areas which are costly to council. Our licenced Landfill site is currently receiving attention and there are regular engagements with provincial sector departments to improve its compliance.

## **STREET CLEANING**

Street cleaning is regular. There is a major challenge posed by informal traders which the joint team enforcement team deals with.

## **CEMETERIES**

Our formal cemetery site is filling up very quick. Identification of three (3) alternative sites has commenced. Business plans for funding for relevant studies were sent to relevant sector departments. Town Planning and GIS are moving swiftly with assessments and site analysis.

# SOCIO-ECONOMIC ISSUES

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## COVID 19 SOCIO-ECONOMIC IMPACT:

Mpofana Municipality observes that economic sectors most disadvantaged by the COVID-19 outbreak include textiles, education services, catering and accommodations (including tourism). Small and medium enterprises are most negatively impacted, as a result few businesses total shut down. The Tia Yuen Textile which is main employer has been closed since Level 5 of the lockdown about 800 people left without a stable income. Closure of Tia Yuen also affected the Municipality revenue as they are the main customer when it comes to electricity consumption. Tai Yuen incentives packaged to attract them to invest is in turn affecting the municipality to a greater extent. Agriculture as our main economic driver was not hardly affected , some jobs we safe.

We have seen the rise on cases of violence, which includes Gender Based Violence (GBV). Whilst we have had no service delivery protest and N3 closure in the past for more than a year now. Our area remains volatile due to a combination of social strains such as high unemployment rates, shortages of housing / shelter, lack of land for development etc. As agriculture hub, Mpofana LM have some reported cases of farmer attacks which doesn't augur well with our vision.

# PERFORMANCE MANAGEMENT SYSTEMS (PMS)

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## PERFORMANCE TARGETS (19/20FY)

As part of the Implementation Plan (SDBIP approval) 68 Indicators were approved on 26 June 2019. Herewith is a summary of Performance Indicators.

Approved	68
Achieved	37
Not Achieved	31

A provision has been made for those targets not achieved, by providing corrective actions.

High vacancy in Senior Management Posts at Mid-Term was another reason for non-achievement of some targets. This is being addressed since Council has employed a full time Municipal Manager and Acting Senior Managers. Other Senior Managers recruitment processes are 98% complete, hopefully they will assume duties on the 01 November 2020. (CFO and Director Technical Services). Merged Corporate and Community Services is currently advertised.

# PUBLIC PARTICIPATION.

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## **PUBLIC PARTICIPATION:**

The COVID 19 pandemic has forced the municipality to look in new ways on how to communicate and engage with local residents.

Mpofana Municipality has been active in all social media platforms and that also gave a chance to local residents to make comments to municipal planning.

Municipality also encourage local residents to communicate via SMS and emails.

There was also a coordination of CDWs and Ward Committee activities within Municipal Local Covid-19 Command Centre and LTT

Since level 2 as gatherings were permitted about 95% of ward committee meetings have set (1,2,4nd 5), while the war room is being given attention.

## **TO PREVENT N3 CLOSURES:**

The main factor of the N3 Closure is poverty facing the Bruntville community , as a mitigation strategy in order to respond to the problems of high unemployment and poverty in township, township economies have been identified as a critical vehicle to drive the Mpofana economy to upward trajectory. Municipality together with COGTA has identified Bruntville was the beneficiary of the program intended for Township Economic Development Programme

# **PROGRESS OF FILLING SENIOR MANAGEMENT VACANCIES.**

(4 x Senior Manager Positions)

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## **MUNICIPAL MANAGER:**

Filled – 01 April 2020.

## **DIRECTOR TECHNICAL SERVICES:**

To commence on the 01 November 2020.

## **DIRECTOR COMMUNITY & CORPORATES SERVICES:**

Currently Advertised. Council decided to merge the positions into one position due to financial strain.

## **CHIEF FINANCIAL OFFICER:**

To commence on the 01 November 2020.



# CAPACITY BUILDING

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## CAPACITY LEVELS AND CRITICAL POSTS:

Mpofana Municipality undertook to conduct Skills Audit.

Assisted by a team from KZN COGTA from around July 2019 using GAPSKILL system.

A total of 122 out of 148 (82%) employees were assessed.

A total of 108 (89%) out of 122 employees assessed / audited were permanent municipal employees, and consists of 73 (59%) males and 43 females (41%).

The Municipality also used this Skills Audit Report to compile its Workplace Skills Plan in line with all applicable legislative framework and relevant Municipal policies.

We are now engaging in a process of updating in order to ensure that we are 100% complete in terms of this exercise.

There is noted incapacities in crucial areas more especially in the Budget and Treasury Unit.

# FUNCTIONALITY OF GOVERNANCE STRUCTURES

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Council is stable and attendance at Council meetings is satisfactory by Council Members.

No councillors that have missed more than one (1) meeting in a row.

MPAC is fully effective and was accordingly trained by COGTA.

MANCO convenes every Tuesdays (Executive & Extended).

Portfolio Committees meets regularly so as to deliberate on reports and formulate recommendations to Council.

TROIKA convenes every Tuesday. New set of TOR's are to be approved soon.

Risk and Compliance Committee is going to be appointed by Council on the 30 Oct. 2020.

Mpofana is undoubtedly on its way to recovery, there is a shared vision and desire between Council and Administration to turn things around collectively.

Organizational redevelopment and revival does from time to time come across challenges but with clarified roles and responsibilities there is huge and notable improvements.

There is improvements in terms of "Hard-core Political Leadership and oversight Role by principals. It can get much better if improved from here.

# LEADERSHIP OVERVIEW

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## **STATE OF POLITICAL LEADERSHIP:**

There is remarkable improvement in the state of political leadership. There is a better understanding of roles and responsibilities by all political principals. Assessments of the performance is done regularly by the office of the Speaker.

## **HARDCORE LEADERSHIP:**

The AGSA last report identified many areas of improvement necessity on the side of political leadership which extend to their oversight role. This has been added as part of Audit Recovery plan and receiving firm commitments from political wing.

## **POLITICAL COHESION OR INFIGHTING:**

There is cohesion amongst the political principals and they collectively strive to ensure service delivery is improved. The Section 139(1)(b) focused intervention and reporting protocols, together with support to the intervention municipalities by regional, provincial, and national structures is reaping intended rewards and expected outcomes of interventions.

## **OPERATIONAL CAPACITY: (ORGANIZATIONAL OUTLOOK (IMAGE & CULTURE)**

There are being addressed via a number of strategies to improve. The history of this municipality is a serious hindrance in the speed of recovery, however management and council are working on improving the image and organizational culture.

# SUPPORT AND INTERVENTION REQUESTED & BUSINESS PLANS SUBMITTED.

BUSINESS PLAN	BUSINESS PLAN	BUSINESS PLAN
1.The Constructions of Bruntville welcome sign.	10.Rehabilitation of Waterborne Sewer System in Bruntville.	14.Rehabilitation of waterborne sewer system in Bruntville( Ward 3 and 5)
2.The Construction of Technical and Vocational Education and Training (tvet) College.	11.Supply of Chemicals, Spraying and Materials.	15.Construction of water system and water reticulation(ward 4,2,1)
3.The Construction of Primary School.	12.Re Prioritisation of 2019/2020 Municipal Infrastructure Grant for the Purpose of Dealing with Water and Sanitization issue in curbing the Spread of Covid 19.	16.Construction of Sanitation pit latrine (ward 4,2,1)
4.The Construction of Mpozana Swimming Pool the construction of Mpozana Municipality Council Chamber and Addition of Office Space.	13.Application for Additional Funding for INEP.	17.Construction of water system and water reticulation(ward 4,2,1)
5.The Construction of Government Precinct.	13.Rehabilitation of water valve and water system in Bruntville Ward (3 and 5).	18.Rehabilitation and maintenance of electrical infrastructure within the municipal electrical area of supply.
6.Upgrading of Municipal Administration Building with Additional Office Space and Fencing of Municipal Buildings	<b>MDB issue of New Ward 6 is another request the people of Mpozana and Voters have submitted</b>	19. Mpozana integrated waste management plan.

# SUPPORT AND INTERVENTION REQUESTED & BUSINESS PLANS SUBMITTED.

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In light of the challenges, we would like to request the following support:

<b>SUPPORT REQUEST.</b>	<b>SCTOR DEPARTMENT.</b>	<b>NATIONAL / PROVINCIAL</b>
1. Indigent Register Completion.	KZN COGTA	PROVINCIAL
2. Funding for feasibility study for the new cemetery and landfill site.	KZN COGTA	PROVINCE / NATIONAL TREASURY
3. Favourable consideration of our submitted business plans.	KZN COGTA	OTP / PROVINCE.
4. Review and increase MIG allocation for Mpofana in line with expenditure pattern.	KZN COGTA	PROVINCE / NATIONAL TREASURY.
5. Acquisition of Human Settlements land for low costs development projects	DOHS / HDA	PROVINCE.

# TWELVE (12) POINT PLAN (A SMART TURN AROUND & QUICK WINS ACTION PLAN)

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1. Ensure the Senior management positions are filled,
2. Finalization of Data Cleansing,
3. Finalization of Indigent Register,
4. Finalization of by-laws,
5. Conclusion and signing of payment plan with Eskom,
6. Conclusion of bilateral with Eskom pertaining to farmers,
7. Improve billing, prevent manual billing as well as fully implement Council's Cost Containment Policy,
8. 'Hard-core political leadership and oversight by our principals,
9. Implement the Audit Improvement Plan,
10. Implement the Finance Recovery Plan adopted 'Unfunded budget',
11. Implement consequences management, organizational image revival and improve corporate culture,
12. Deal with MLM Economic Collapse via Economic turn-around strategy.

# THANK YOU !

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