



THABAZIMBI LOCAL MUNICIPALITY  
LIM361  
NCOP Presentation  
27 October 2020

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# Use of Consultants

| Service required/rendered            | Name of Service provider                      | Contract Period |                 |
|--------------------------------------|---|-----------------|-----------------|
|                                      |   | Start date      | End Date        |
| Design and monitoring                | Leano BK Consulting                           | 18-Feb-19       | 18-Feb-22       |
| Design and monitoring                | Phatwe Consulting Eng. cc                     | 18-Feb-19       | 18-Feb-22       |
| Design and monitoring                | Makone Consulting Engineers                   | 18-Feb-19       | 18-Feb-22       |
| Design and monitoring                | T2-tech Consulting Engineers                  | 18-Feb-19       | 18-Feb-22       |
| Design , monitoring and construction | LSO Consulting Engineers<br>(Turnkey Project) | 17-May-19       | 30-Mar-21       |
| Design and monitoring                | Lyon and Partners Consulting Eng              | 18-Feb-19       | 18-Feb-22       |
| Design and monitoring                | Mami Industries Consultant                    | 18-Feb-19       | 18-Feb-22       |
| Annual Financial Statements          | Munsoft                                       | 1-Aug-20        | End of AG Audit |
| Assets                               | Munsoft                                       | 1-Sep-20        | End of AG Audit |
| VAT Receivables/Payables             | MaxProf                                       | On-going        |                 |
| Debt Collectors                      | Hahn and Hahn                                 | On-going        |                 |

# Conditional Grant Spending

Thabazimbi Local Municipality has received 3 conditional grants for the 20/21 Financial year, namely:

- Municipal Infrastructure Grant – R44 million
- Integrated National Electrification Programme – R5.1 million
- Water Services Infrastructure Grant (6B) – R45 million
- Below are the projects per conditional grant and progress report

**MIG**

|  |          |                      |
|--|----------|----------------------|
| Northam rehabilitation of sport facility                       | R        | 1,161,686.71         |
| Construction of new Cemetery at Regorogile                     | R        | 924,864.20           |
| Rooiberg High Mast Light                                       | R        | 900,000.03           |
| Skierlik High Mast Light                                       | R        | 1,800,000.00         |
| Northam Upgrading of Cemetery                                  | R        | 1,385,750.00         |
| Upgrading of Rooiberg Cemetery                                 | R        | 1,000,500.00         |
| Regorogile Extension 5 Paving of internal streets phase 3      | R        | 8,000,000.00         |
| Northam Extension 5 Updrading of internal streets Phase 2      | R        | 7,649,999.00         |
| Upgrading of sport and recreation facility at Raphuti (Ward 4) | R        | 11,000,000.00        |
| Regorogile Upgrading of Stormwater Management (Phase 1)        | R        | 8,000,000.00         |
| PMU Management Fees  | R        | 2,201,200.00         |
| <b>TOTAL</b>   | <b>R</b> | <b>44,023,999.94</b> |

**WSIG 6B**

|  |          |                      |
|--|----------|----------------------|
| Upgrade of the Thabazimbi and Regorogile bulk water supply and associated infrastructure   | R        | 17,189,940.13        |
| Upgrade of the Northam bulk water supply and associated infrastructure   | R        | 8,433,978.58         |
| Upgrade of the Rooiberg bulk water supply and associated infrastructure.   | R        | 9,172,498.39         |
| The development of a comprehensive WCWDM 5 years strategy as well as, the implementation of WCWDM interventions within all water supply areas. | R        | 7,390,944.89         |
| Regorogile upgrading of water network (Ward 9,10)  | R        | 937,546.03           |
| Construction of VIP toilets in Rooiberg, Skierlik and Meriting Phas  | R        | 937,546.03           |
| Northam Upgrading of Water Reticulation (Ward 7, 8)  | R        | 937,546.03           |
| <b>TOTAL</b>   | <b>R</b> | <b>45,000,000.09</b> |

**INEP**

|   |          |                     |
|---|----------|---------------------|
| Construction 3km 11kv overhead line Phase 2             | R        | 1,186,000.00        |
| Pre-Engineering of Smashblock 20MVA substation          | R        | 1,444,000.00        |
| Electrification of Meriting Informal Settlement Phase 2 | R        | 2,550,000.00        |
| <b>TOTAL</b>  | <b>R</b> | <b>5,180,000.00</b> |

# Progress report of capital projects

THABAZIMBI LOCAL MUNICIPALITY-MIG PROJECTS

| Municipality Name | MIG Reference Nr       | Project Description  | EPWP Y/N | Budget R        | Expenditure  | Project Status  |
|-------------------|------------------------|--|----------|-----------------|--------------|---|
| Thabazimbi LM     | L/LP/16588/20/20       | Rooiberg High Mast Light                                       | Y        | R 900,000.03    | R 70,626.02  | Project appointed-site hand over conducted on the 20/10/2020 overall progress is 10%            |
|                   | L/LP/16595/20/20       | Skierlik High Mast Light                                       | Y        | R 1,800,000.00  | R 100,681.41 | Project appointed-site hand over conducted on the 20/10/2020 overall progress is 10%            |
|                   | CS/LP/16592/20/22      | Northam Upgrading of Cemetery                                  | Y        | R 1,385,750.00  | R 182,163.85 | Project currently at BEC stage, overall progress is 10%   |
|                   | CS/LP/16594/20/22      | Upgrading of Rooiberg Cemetery                                 | Y        | R 1,000,500.00  | R 132,296.54 | Project currently at BEC stage, overall progress is 10%   |
|                   |                        | Construction of new Cemetery at Regorogile                     | Y        | R 924,864.20    | R -          | Project currently on Design stage, planned to be advertised by 6/11/2020-overall progress is 5% |
|                   | ST/LP/16593/19/22      | Regorogile Upgrading of Stormwater Management (Phase 1)        | Y        | R 8,000,000.00  | R 972,208.01 | Project appointed-site hand over conducted on the 20/10/2020 overall progress is 10%            |
|                   | MIG/LP/2242/SF/18/20   | Upgrading of Northam Sports Facility                           | Y        | R 1,161,686.71  | R -          | Multiyear project completed, currently on defeat liability stage                                |
|                   | MIG/LP/2322/R,ST/20/22 | Regorogile Extension 5 Paving of internal streets phase 3      | Y        | R 8,000,000.00  | R 900,390.68 | Project appointed-site hand over will be conducted on the 28/10/2020 overall progress is 10%    |
|                   |                        | Upgrading of sport and recreation facility at Raphuti (Ward 4) | Y        | R 11,000,000.00 | R -          | Project currently on Design stage, planned to be advertised by 6/11/2020-overall progress is 5% |
|                   | MIG/LP/2323/R,ST/20/22 | Northam Extension 5 Upgrading of internal streets Phase 2      | Y        | R 7,649,999.00  | R 445,788.89 | Project currently at BEC stage, overall progress is 10%   |



# Progress report of capital projects

## THABAZIMBI LOCAL MUNICIPALITY-WSIG PROJECTS

| Municipality Name | DWS Reference Nr | Project Description   | EPWP Y/N | Budget R        | Expenditure  | Project Status                           |
|-------------------|------------------|---|----------|-----------------|--------------|--|
|                   | LPTHA20          | Upgrade of the Thabazimbi and Regorogile bulk water supply and associated infrastructure  | Y        | R 17,189,940.13 | R 218,906.62 | Overall Progress of work completed : 25% |
|                   | LPTHA21          | Upgrade of the Northam bulk water supply and associated infrastructure  | Y        | R 8,433,978.58  | R 103,573.86 | Overall Progress of work completed : 15% |
|                   | LPTHA22          | Upgrade of the Rooiberg bulk water supply and associated infrastructure   | Y        | R 9,172,498.39  | R 323,176.69 | Overall Progress of work completed : 10% |
| THABAZIMBI LM     | LPTHA19          | The development of a comprehensive WCWDM 5 years strategy as well as, the implementation of WCWDM interventions within all water supply areas | Y        | R 7,390,944.89  | R 255,660.28 | Overall progress of work completed:7%    |
|                   | -                | Regorogile upgrading of water network (Ward 9,10)   | N        | R 937,546.03    | R -          | Overall progress of work completed:5%    |
|                   | -                | Construction of VIP toilets in Rooiberg, Skierlik and Meriting Phase 1  | N        | R 937,546.03    | R -          | Overall progress of work completed:5%    |
|                   | -                | Northam Upgrading of Water Reticulation (Ward 7, 8)   | N        | R 937,546.03    | R -          | Overall progress:5%                      |

# Progress report of capital projects

## THABAZIMBI LOCAL MUNICIPALITY-INEP PROJECTS

| Municipality Name | Project Description                                     | EPWP Y/N | Budget R       | Expenditure  | Project Status   |
|-------------------|---|----------|----------------|--------------|--|
|                   | Construction 3km 11kv overhead line Phase 2             | Y        | R 1,186,000.00 | R 844,562.80 | Project at 100% progress   |
| THABAZIMBI LM     | Pre-Engineering of Smashblock 20MVA substation          | Y        | R 1,444,000.00 | R -          | Consultant currently busy with designs-Overall Progress : 5%               |
|                   | Electrification of Meriting Informal Settlement Phase 2 | Y        | R 2,550,000.00 | R -          | Project going out for advert before the 30/10/2020 - Overall Progress : 5% |

# Financial Recovery Plan

- Thabazimbi Local Municipality does a monthly update on the financial recovery plan
- The report is sent to provincial treasury and other relevant institutions on the 10<sup>th</sup> of every month
- The current financial recovery plan is under review with provincial treasury and CoGHSTA to validate the completeness of the document
- A meeting will be held in due course between all relevant parties to update the financial recovery plan to better suit the current needs and challenges faced by the municipality

# Collection Rate for the Past 8 Months

|            | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Percentage | 61%    | 82%    | 68%    | 41%    | 55%    | 73%    | 50%    | 56%    |

| Category                              | Budgeted Figure | Cash Flow Collection Figure | Collection Percentage | Budgeted Figure | Cash Flow Collection Figure | Collection Percentage | Budgeted Figure | Cash Flow Collection Figure | Collection Percentage |
|---------------------------------------|-----------------|-----------------------------|-----------------------|-----------------|-----------------------------|-----------------------|-----------------|-----------------------------|-----------------------|
|                                       | 2020/21         |                             |                       | 2021/22         |                             |                       | 2022/23         |                             |                       |
| Property rates                        | 94,002,900.93   | 75,202,320.74               | 80%                   | 99,643,074.99   | 84,696,613.74               | 85%                   | 105,621,659.48  | 89,778,410.56               | 85%                   |
| Service charges - electricity revenue | 83,500,847.65   | 75,150,780.00               | 90%                   | 88,510,898.51   | 79,659,808.66               | 90%                   | 93,821,552.42   | 84,439,397.18               | 90%                   |
| Service charges - water revenue       | 49,398,440.91   | 37,048,830.69               | 75%                   | 48,733,507.96   | 38,986,806.36               | 80%                   | 51,657,518.43   | 42,460,627.48               | 85%                   |
| Service charges - sanitation revenue  | 25,072,495.31   | 18,804,371.48               | 75%                   | 25,689,748.97   | 20,551,799.18               | 80%                   | 27,231,133.91   | 21,551,163.63               | 85%                   |
| Service charges - refuse              | 16,147,319.78   | 12,110,489.83               | 75%                   | 17,116,158.96   | 13,692,927.17               | 80%                   | 18,143,128.50   | 13,879,493.30               | 85%                   |

# REVENUE MANAGEMENT

- The municipality has a higher collection rate for property rates and electricity due to the fact that bulk of the property rates are collected from businesses (who pays on a monthly basis) and prepaid electricity forms more than half of the revenue collected from electricity.
- Property rates revenue estimates around R5 million a month from businesses such as Spar, Mines, Thaba Mall and other various businesses.
- Prepaid electricity revenue amounts to R4.2 million a month resulting in immediate cash in the bank.
- Other service charge such as water revenue; sanitation revenue and refuse revenue has been budgeted at 75% collection rate for the 2020/21 financial year. As per treasury budget funding plan framework, the collection rate has been steadily increased over the two outer years.
- All other remaining revenue streams have gradually increased over the years through CPI with the exception of operational grants. Operating grants has been drastically increased in 2020/21 financial as per the latest Division of Revenue Act released on 24 June 2020.

# EXPENDITURE MANAGEMENT

- As per treasury's budget plan framework, the municipality was required to decrease expenditure by 30% in year 1 and 20% in year 2.
- The municipality has decreased expenditure items such finance charges; other material; contracted services and operational expenditure.
- As a result of the decrease, expenditure for year 1 is now R365 million, which is a R21 million decrease from the special adjustment budget 2020/21.
- Finance charges were decreased significantly due to the fact that Eskom and Magalies interest will be written off at the end of the payment arrangement. Eskom and Magalies interest amounts to R11 million per annum.
- Contracted services were decreased on categories such as consultants and repairs and maintenance.
- Employee related costs and councillor remuneration has been increased over the financial years using the regulated communication/guidelines and SALGA. The municipality has only budgeted for critical vacant positions throughout the past few financial years.

Employee related costs and bulk purchases form majority of the primary expenditure that takes up the revenue of the municipality. Bulk purchases for the 2020/21 year has been calculated based on the demands from previous years as well as the increase in rates from Eskom and Magalies.

## **PAYMENT ARRANGEMENTS**

With regard to the payment arrangement, the municipality is to pay Eskom and Magalies as and when the municipality receives the trenches of equitable share. Equitable share is released in the months of July, December and March. For the 2020/21 financial year, the municipality will pay R15 million to Eskom and R7.5 million to Magalies as and when the municipality receives equitable share.

TLM also has a payment arrangement with AG and other creditors and will enter into an additional one with SARS.

The municipality has had a problem with expense categories such as overtime, accommodation and travel allowance. However, a Cost Containment Policy was adopted in June 2019 and was implemented in July 2019. The municipality has been abiding by the policy as reflected in the low spending of contracted services and other expenditure as opposed to the budgeted figure.



# MUNICIPAL DEBT

# **FRUITLESS & WASTEFUL EXPENDITURE**

|             |            |
|-------------|------------|
| For 2017/18 | 10 412 593 |
| For 2018/19 | 17 559 379 |
| For 2019/20 | 15 617 963 |

# AUDIT OUTCOMES

- Municipality received a qualified audit outcome for 2018/19 Financial year. Municipality improved from receiving disclaimer audit opinions from the previous 3 financial years.
- In terms of MFMA section 131(1) a municipality must address any issues raised by the Auditor-General in an audit report.
- The municipality developed the action plan as a mechanism to improve the audit outcome.
- The action plan was tabled to the audit committee and municipal council. Progress on action plan is reported to audit steering meetings and quarterly to the audit committee.

# PROGRESS AUDIT ON ACTION PLAN 2018/19

| Name of the Municipality      | Total findings raised | Number of findings resolved by Management | % of resolved findings | Number of outstanding findings | Number of resolved findings confirmed by Internal Audit |
|-------------------------------|-----------------------|---|------------------------|--------------------------------|---|
| Thabazimbi Local Municipality | 62                    | 52  | 83%                    | 10                             | 52  |

Outstanding items relates to UIFW expenditure due to the fact that MPAC has not yet investigated them

# ROOT CAUSE ON FINDINGS RAISED

- No effective leadership based on a culture of honesty, ethical business practices and good governance, and protecting and enhancing the best interests of the entity
- No exercise oversight responsibility regarding financial and performance reporting and compliance as well as related internal controls.
- Non implementation effective human resource management to ensure that adequate and sufficiently skilled resources are in place and that performance is monitored.
- Non establishment and communication of policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities.
- No monitoring of the implementation of action plans to address internal control deficiencies.
- No proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting

## ROOT CAUSE ON FINDINGS RAISED

- Non preparation of regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
- No controls over daily and monthly processing and reconciling transactions.
- No review and monitor compliance with applicable legislation.

Thank you