

To be a centre of excellence and innovation.

**NATIONAL COUNCIL OF PROVINCES  
MPUMALANGA PROVINCIAL WEEK  
26 – 30 OCTOBER 2020**



**PRESENTATION BY: L.M.MALATJIE  
EXECUTIVE MAYOR**



# TABLE OF CONTENT

1. Socio Economic Overview
2. Population Data and Projection of Emalahleni
3. Unemployment in Emalahleni
4. Municipal Audit Outcomes
5. Financial Management
6. Financial Controls
7. Revenue Collection
8. Municipal Debt
9. Fruitless and Wasteful expenditure
10. Use of Consultants
11. Grants Spending
12. Financial Recovery Plan

# 1. SOCIO ECONOMIC OVERVIEW

- To inform the House about the socio-economic situation of Emalahleni in terms of progress and challenges especially since 2011 for planning, strategy, intervention and budget purposes – evidence based decision making.
- Primary source of information Statistics South Africa (2016 Community Survey - CS data/information as far as possible) and other official & credible sources where necessary.

## 2. POPULATION DATA AND PROJECTIONS OF EMALAHLENI

- According to StatsSA (2016 Community Survey - CS), Emalahleni's population increased from 395 466 in 2011 to 455 228 people in 2016 – 3<sup>rd</sup> largest population in the province and 31.5% of total population of Nkangala in 2016.
- Population grew by 59 762 in the relevant period and recorded a population growth rate of 3.2% per annum between 2011 & 2016 – economic growth rate per annum lower than the population growth rate which is not a recipe for success.
- The population number for 2030 is estimated at more than 700 000 people (2<sup>nd</sup> largest population) given the historic population growth per annum – will put pressure on the infrastructure, service delivery and job/economic opportunities.
- The number of households in Emalahleni increased from 119 874 in 2011 to 150 420 households (more than 30 000 households and 25% increase) in 2016
- Youth population (15-34 years) forms 43.1% of the total population.
- The share of the female population in 2016 according to the CS was 47.1% and males 52.9%.

### 3. UNEMPLOYMENT IN EMALAHLENI

- The unemployment rate of Emalahleni is at 27.3% 2020.
- Unemployment rate for females almost 30% and that of males almost 20%.
- Youth unemployment rate according to the Census figures 36.0%
- The largest employing industries in Emalahleni is mining, Agriculture, government services and Energy.
- Concern about the high unemployed youth & especially females – relatively low level of education and inadequate skills impact negatively on their employability for Emalahleni.

# 4. MUNICIPAL AUDIT OUTCOME

MUNICIPAL AUDIT OUTCOMES							
2015/2016 FY		2016/2017 FY		2017/2018 FY		2018/2019 FY	
Audit Opinion:	Disclaimer	Audit Opinion:	Qualification	Audit Opinion:	Qualification	Audit Opinion:	Qualification
Disclaimer paragraphs		Qualification paragraphs		Qualification paragraphs		Qualification paragraphs	
<ul style="list-style-type: none"> <li>Property, plant and equipment;</li> <li>Investment property;</li> <li>Consumer receivables;</li> <li>Receivables from exchange transactions;</li> <li>Cash and cash equivalents;</li> <li>Payables from exchange transactions;</li> <li>Consumer deposits;</li> <li>Revenue from exchange transactions;</li> <li>Revenue from non-exchange transactions;</li> <li>Bulk purchases;</li> <li>Statement of changes in net assets;</li> <li>Cash flow statement;</li> <li>Commitments;</li> <li>Irregular expenditure.</li> </ul>		<ul style="list-style-type: none"> <li>Payables from exchange transactions;</li> <li>Receivables from exchange transactions;</li> <li>Commitments;</li> <li>Distribution losses;</li> <li>Cash flow statement;</li> <li>Irregular expenditure;</li> </ul>		<ul style="list-style-type: none"> <li>Payables from exchange transactions;</li> <li>Receivables from exchange transactions;</li> <li>Value-Added Tax receivables;</li> <li>Distribution losses;</li> <li>Irregular expenditure;</li> <li>Commitments;</li> </ul>		<ul style="list-style-type: none"> <li>Consumer debtors;</li> <li>Revenue from exchange transactions;</li> <li>Revenue from non-exchange transactions;</li> <li>Value-Added Tax receivables;</li> <li>Payables from exchange transactions;</li> <li>Irregular expenditure;</li> <li>Cash flows from operating, investing and financing activities.</li> </ul>	

## 5. FINANCIAL MANAGEMENT - REVENUE

Description	Budget	Month Actual	Year to date Actual	Year to Date Budget	Year to date Cash Receipts and Payments
R Thousand	000	000	000	000	000
Revenue	3,629,999	274,539	917,044	918,656	823,911
Expenditure	4,504,262	495,003	722,940	1,126,891	818,492
<b>Surplus/Deficit</b>	<b>(874,263)</b>	<b>(220,464)</b>	<b>194,105</b>	<b>(208,235)</b>	<b>5,418</b>
Capital Expenditure	342,029	26,096	43,153	85,507	
Debtors			5,325,205		
Creditors			4,819,534		
Payment Rate		54,46%	57,91%	70%	

### Revenue

- A year to date actual revenue (billed) amounts to R917,0 million. And it reflects a negative deviation of 0,2%, when compared with the year to date budget of R918,7 million
- The unfavourable deviation on the year to date can be attributed to the following:
  - Less consumption of municipal services due to the National State of Disaster
  - Most businesses shut down some of their operations during the State of Disaster, hence there's less consumption of municipal services
  - Increase unemployment rate which causes some consumers to resort to stealing municipal services
  - Revenue from licenses and agency fees were less in the first two months of the quarter, as a result of the lockdown.

# 5. FINANCIAL MANAGEMENT - EXPENDITURE

## ➤ Expenditure

- A year to date expenditure amounts to R722,9 million. It reflect a negative deviation of 36% when compared with a year to date budget amount of R1,1 billion.
- The unfavourable deviation on the year to date can be attributed to the following:
  - Depreciation and provision for doubtful debts is calculated and brought into books at year-end.
  - Spending on finance charges includes interest paid to loans and interest on Eskom accounts. Interests on loans are paid half yearly.
  - Low expenditure on contracted services and material is as a result of cash flow challenges.
  - Transfers and subsidies (Mayors Bursaries) spending is low due to tuition fees that are paid in the beginning of academic year
- The year to date net operating surplus is R194,1 million.



# 5. FINANCIAL MANAGEMENT - CAPITAL EXPENDITURE

## ➤ Capital Expenditure

- The year to date capital expenditure as at 30 September 2020 is R43,1 million.
- and reflects an unfavourable deviation of 50% when compared with the capital expenditure year-to-date budget of R85,5 million.
- The unfavourable deviation can be attributed to the following:
  - Supply Chain Management processes on most of the projects are on the procurement stages, hence the less spending. Appointment letters for contractors have been recently issued.
  - Nkangala District projects will be brought into books at the end of the financial year when donations are recognised.
  - Following table reflects the capital expenditure as at 31 September 2020
  - 2 new adjustment budget (Roll-over adjustment budget and adjustment on Covid-19) were approved in August and September 2020

Source of Funding	Original Budget	Adjustment Budget	Year to Date Expenditure
	000	000	000
<b>Own Funding</b>	43,610	130,344	9,436
<b>Municipal Infrastructure Grant</b>	113,189	111,423	22,647
<b>Department Of Energy</b>	41,001	30,000	971
<b>Financial Management Grant</b>	1,000	1,000	-
<b>Water Service Infrastructure Grant</b>	30,000	52,000	10,099
<b>Human Settlement Grant</b>	-	291	-
<b>Nkangala District</b>	16,971	16,971	-
	<b>245,771</b>	<b>342,029</b>	<b>43,153</b>

## 5. FINANCIAL MANAGEMENT – FINANCIAL POSITION

### ➤ Financial Position

- As at 30 September 2020, the total net asset amounts to R5,8billion.
- Total assets amounts to R11,3billion and total liabilities amounts to R5,5billion which resulted to net assets of R5,8billion.
- Going concern principle. The current ratio measure the entity's ability to meet its obligations as they come due without substantial assets sales or debt restructuring.
- The current ratio of the municipality is 0.87 (Current Asset R4,4 billion/ Current liabilities R5,0 billion). In simple terms this ratio means: for every R1 of creditors owed, there is only R0,87 funds to cover the liabilities.
- This problem is mainly caused by less revenue being realised from receivables (Debtors) and huge payable balance(Creditors).

### ➤ Cashflow Statements

- For the period ended 30 September 2020 cash from operating activities amounts to R35,4 million
- Cash used in investing activities (capital expenditure) amounts R42,1 million.
- The cash book balance at the end of the month amounted to a favourable balance of R5,4 million.

## 5. FINANCIAL MANAGEMENT – MUNICIPAL PAYMENT RATE

### ➤ Municipal Payment Rate

	<b>JULY 2020</b>	<b>AUGUST 2020</b>	<b>SEPTEMBER 2020</b>	<b>AVERAGE</b>
<b>PAYMENT RATE</b>	51,82%	67,17%	54,46%	57,91%

- The payment rate for the month of July was 51,82% and it increased to 67,17% in August month, and then decreased to 54,46% in September month. The year to date payment rate as at September 2020 is 57,91%.
- It must be noted that the budget was approved on a payment rate of 70%.
- If the payment rate does not improve then the budget will be adjusted downwards when the adjustment budget in February is prepared.
- The below table reflects the actual cash received against the actual billing for municipal service.

	<b>July</b>	<b>August</b>	<b>September</b>
<b>R Thousand</b>	000	000	000
<b>Billed</b>	218 723	204 374	226 492
<b>Received</b>	113 336	137 275	123 356

- The difference between billed revenue and actual collection is the payment rate of consumers.

## 5. FINANCIAL MANAGEMENT- DEBTORS AGE ANALYSIS

### ➤ Debtors

- Outstanding debtors amounted to R5,3 billion including interest on arrears. Outstanding debtors over 90 days amounts to R4,9 billion.
- The following table reflects debtors per types and outstanding balances as at end of September 2020:

Description	NT Code	Budget Year 2020/21						Total	Total over 90 days
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys			
<b>R thousands</b>									
<b>Debtors Age Analysis By Customer Group</b>									
Organs of State	2,200	-1,768,247	7,844,465	5,522,331	3,296,243	61,866,243	76,761,035	65,162,486	
Commercial	2,300	26,832,352	53,115,033	21,295,545	16,063,761	352,051,041	469,357,733	368,114,802	
Households	2,400	75,568,510	104,452,422	97,764,388	90,015,417	3,918,803,016	4,286,603,753	4,008,818,433	
Other	2,500	57,127,189	4,625,600	4,424,416	3,365,742	422,939,709	492,482,655	426,305,450	
<b>Total By Customer Group</b>	<b>2,600</b>	<b>157,759,804</b>	<b>170,037,521</b>	<b>129,006,680</b>	<b>112,741,163</b>	<b>4,755,660,008</b>	<b>5,325,205,175</b>	<b>4,868,401,171</b>	

## 6. FINANCIAL CONTROLS

- Financial management is undertaken in line with General Recognised Acceptance Practice (GRAP)
- Payments of services providers and billing of municipal customers are done in accordance with municipal policies, Municipal Financial Management Act as well as budgeting guidelines e.g National Treasury Circulars.
- The Budget Steering Committee plays an oversight on financial activities on the municipality.
- Overtime payment is limited to 40 hours per month per employees.
- Bank Reconciliation done daily, Reconciliation of creditors monthly to ensure that we limit duplicating payments.
- Cost curtailment circular applied when expenditure is incurred

## 7. REVENUE ENHANCEMENT IMPLEMENTATION PLAN

Key area	Problem description	Current Intervention
Strong media campaign	<ul style="list-style-type: none"> <li>• Lack of communication between Council and the community.</li> <li>• Inadequate communication between the municipality and the community</li> </ul>	<ul style="list-style-type: none"> <li>• Mayoral Izimbizo and ward committee meeting to communicate council resolutions</li> <li>• Use all media platforms such as billboards, broadcast, facebook page and newspapers</li> </ul>
Reduction of losses (water and electricity)	<ul style="list-style-type: none"> <li>• Real losses – consist of leaks, burst and overflow</li> <li>• Apparent losses – unauthorised consumption and metering unaudited.</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt a zero tolerance approach towards the theft of water and electricity.</li> <li>• The targeted percentage on electricity is 15% (current 43%)</li> <li>• The targeted percentage on water is 25% (current 45)</li> </ul>

# 7. REVENUE ENHANCEMENT IMPLEMENTATION PLAN


Key area	Problem description	Current Intervention
<p>Disconnections, reconnections and metering</p>	<ul style="list-style-type: none"> <li>• Illegal connections and reconnections; and faulty meters</li> <li>• Inaccurate consumption information on the financial system.</li> </ul>	<ul style="list-style-type: none"> <li>• Issue a Disconnection notice: A disconnection is sent out to customers whose accounts are 30 days or more behind with payments.</li> <li>• Electricity disconnection Level One: Apply a Level One disconnection approach where a customer is cut off by switching of electricity supply at the lockable distribution box situated remotely from where the consumption takes place.</li> <li>• Final Demand Notice:</li> <li>• Remove installation permanently: Should an illegal connection continue after electricity Levels One and Two, the consumer's account is referred to a special committee for "<i>Remove Installation Permanently</i>" (RIP) action, with the recommendation that the supply be permanently removed.</li> <li>• Once a customer has paid the full amount owing or an acceptable arrangement has been made, the electricity services will be reconnected. The reconnection will be done within 48 hours through an instruction from the Financial Services relevant personnel.</li> </ul> <p><u>Metering</u></p> <ul style="list-style-type: none"> <li>• Prepaid – Zero sales</li> <li>• Conventional metering – Residential</li> </ul>

# 7. REVENUE ENHANCEMENT IMPLEMENTATION PLAN

Key area	Problem description	Current Intervention
Data cleansing	Backlog on data cleansing	<ul style="list-style-type: none"> <li>• Data cleansing done in three stages namely; desktop cleansing, returned mail cleansing and physical field audit surveys.</li> <li>• Data capturers have been appointed to perform data cleansing on the financial system.</li> <li>• The technical services directorate has assigned a team to perform physical field audit surveys.</li> </ul>
Billing	<ul style="list-style-type: none"> <li>• Errors on billed accounts</li> <li>• Business accounts</li> </ul>	<ul style="list-style-type: none"> <li>• Billing cycle for key and main businesses = 30 days, customers to pay within 7 days after month end.</li> <li>• Eskom month end to be moved to the 15<sup>th</sup> of each month.</li> <li>• Zero sales and conventional metering is prioritised on high concentrated residential areas such as estates and township.</li> <li>• Minimise billing errors by putting in place detective controls. Before a final billing is processed, detective controls allow the overall results to be analysed before significant time.</li> </ul>



## 7. REVENUE ENHANCEMENT IMPLEMENTATION PLAN

Key area	Problem description	Current Intervention
Property rates	 <ul style="list-style-type: none"> <li>Tariff analysis</li> </ul>	<ul style="list-style-type: none"> <li>Compare the debtor type to the tariffs charged. This is to highlight whether errors such as business consumers charged residential tariffs; free basic services applied in areas where there should be no free services; tenants charged owner specific services; are captured correctly.</li> <li>Every debtor is verified on how their property is zoned; current usage of the property; size of the property; land improvement value of the property; name of the registered owner. These ensures that the correct tariffs linked to each consumer are verified and ensures that the correct bill is sent to the correct customer at the correct address.</li> </ul>
Credit control	<ul style="list-style-type: none"> <li>Accurate information captured correctly</li> </ul>	<ul style="list-style-type: none"> <li>Ensure that the outstanding amount is correct;</li> <li>Ensure that the usage is correct;</li> <li>Ensure that all outstanding credits are approved on the system;</li> <li>Verify whether the customer is indigent.</li> </ul>

## 8. MUNICIPAL DEBT- CREDITORS

### ➤ Creditors

- As of September 2020 creditors amounted to R4,8billion and the bulk of the creditors relates to Eskom account with an amount of R4,5 billion and Bulk water R245,5 million.
- The municipality has a repayment plan with Eskom, but due to low payment rate the municipality can not honour the plan
- The below reflects the creditors age analysis as at 30 September 2020.

Description	NT Code	Budget Year 2020/21								Total
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	
<b>Creditors Age Analysis By Customer Type</b>										
Bulk Electricity	0100	25,704,914	178,978,483	201,936,801	174,369,522	107,214,409	89,793,176	674,330,136	3,020,005,395	4,472,332,837
Bulk Water	0200	10,115,835	7,936,267	6,121,108	2,927,295	8,788,166	9,000,032	13,485,883	187,164,193	245,538,780
PAYE deductions	0300	15,871,109								15,871,109
VAT (output less input)	0400									-
Pensions / Retirement deductions	0500	12,315,127								12,315,127
Trade Creditors	0700	11,687,067	9,579,131	3,332,290	29,555,405	3,101,742	658,385	5,413,016	10,148,756	73,475,794
Auditor General	0800									-
Other	0900									-
<b>Total By Customer Type</b>	<b>1000</b>	<b>75,694,053</b>	<b>196,493,882</b>	<b>211,390,199</b>	<b>206,852,222</b>	<b>119,104,317</b>	<b>99,451,594</b>	<b>693,229,035</b>	<b>3,217,318,343</b>	<b>4,819,533,647</b>

## 8. MUNICIPAL DEBT - ESKOM

### ➤ Eskom

➤ The following tables reflects the payments and billing on Eskom account.

Period/ Description	Opening balance (2020/21)	Current Billing	Interest and Penalties Charged	Payments made	Closing Balance
Jul-20	4,160,757,861	195,899,332	6,339,211	-105,246,492	4,257,749,913
Aug-20	4,257,749,912	169,663,915	9,063,917	-32,298,849	4,404,178,896
Sep-20	4,404,178,896	110,271,200	11,199,534	-53,316,794	4,472,332,836
<b>TOTALS</b>		<b>475,834,448</b>	<b>26,602,662</b>	<b>-190,862,135</b>	

➤ The following table shows the Eskom debt history since 2012/2013 to 2019/2020 financial year.

FINANCIAL YEARS	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	TOTAL
<b>BILLING</b>	479,751,714	675,363,393	716,769,550	799,914,548	876,971,887	831,090,602	969,264,552	1,123,203,140	<b>6,472,329,385</b>
<b>INTEREST</b>	20,538,029	45,304,302	89,888,091	72,036,905	78,147,031	144,193,381	387,628,820	336,869,106	<b>1,174,605,665</b>
<b>VAT</b>	74,830,891	94,551,019	95,408,298	111,988,820	122,694,989	118,232,303	145,513,382	168,480,471	<b>931,700,173</b>
<b>TOTAL</b>	<b>575,120,633</b>	<b>815,218,714</b>	<b>902,065,939</b>	<b>983,940,272</b>	<b>1,077,813,907</b>	<b>1,093,516,286</b>	<b>1,502,406,755</b>	<b>1,628,552,717</b>	<b>8,578,635,222</b>
<b>Less: Payment for period</b>	516,398,546	598,665,939	614,691,693	759,630,182	621,303,709	464,735,786	427,327,682	430,368,703	<b>4,433,122,240</b>
<b>Total Debt</b>	<b>58,722,088</b>	<b>216,552,775</b>	<b>287,374,246</b>	<b>224,310,090</b>	<b>456,510,198</b>	<b>628,780,500</b>	<b>1,075,079,073</b>	<b>1,198,184,014</b>	<b>4,145,512,983</b>

## 9. FRUITLESS AND WASTEFUL EXPENDITURE

- **Fruitless and wasteful expenditure**
- Bulk of the fruitless and wasteful expenditure is from Eskom interest. This is due to the Eskom Debt.
- The fruitless and wasteful expenditure for 2017/2018 amounting to R406,746,289 was written off and approved by Council.
- For 2018/2019 and 2019/2020 has not been written off due to reinstatement of figures in the Annual Financial Statements
- Fruitless and wasteful expenditure for 2018/2019 and 2019/2020 financial year to be submitted to Council in October for approval.

<b>FRUITLESS AND WASTEFUL EXPENDITURE</b>	<b>2019/2020</b>	<b>2018/2019</b>
Opening Balance	402,894,097	406,746,289
Claims	54,699	520,469
Written off during the year	-	- 406,746,289
Interest on Eskom Debt	336,869,106	391,073,041
Interest Accrued on Late Payment of Suppliers	8,869,117	696,197
Department of Water	9,973,418	10,604,390
Refund of Councillor	1,350	-
<b>Closing Balance</b>	<b>758,661,787</b>	<b>402,894,097</b>

## 9. FRUITLESS AND WASTEFUL EXPENDITURE

- **Progress to date on resolving fruitless and wasteful expenditure.**
- Council approved the establishment of the Disciplinary Board on Financial Misconduct, Procedures, Criminal Proceedings and its functions in terms of the Council Resolution A.076 /17.
- The terms of reference for the Disciplinary Board are as follows:
  - a) Conduct a preliminary investigation;
  - b) Investigate allegations of misconduct; and
  - c) Submit reports to Council.
- Municipal Public Accounts Committee (MPAC) is established in terms of the provisions of the Local Government Structures Act, Act 117 of 1998, specifically Section 79 and the MFMA. Emalahleni Local Municipality established its Municipal Public Accounts Committees in terms of Council Resolution A.201/13
- Amongst others, the Terms of Reference for MPAC include investigating the following:
  - Investigation of the Unauthorized, Irregular, Fruitless and Wasteful Expenditure (UIFW).
- MPAC has investigated the following UIFW for 2017/2018 and tabled a report to Council in August 2020 with recommendations.
  - a) Fruitless and Wasteful Expenditure Reported during the 2017/2018 Financial Years;
  - b) Unauthorized Expenditure for the 2017/18 Financial Year; and
  - c) Irregular Expenditure for the 2017/18 Financial Year.

## 9. FRUITLESS AND WASTEFUL EXPENDITURE

- Progress to date on resolving fruitless and wasteful expenditure.
  
- The Annual Financial Statements and the Audit report was noted by Council under item A.012/20 dated 30 January 2020. Unauthorized, Irregular, Fruitless and Wasteful expenditure for the year ended 30 June 2019 was reported on the Annual Financial Statements as follows:
  - a) Unauthorized Expenditure amount: R518 787 643 which was authorized through 2018/19 Adjustment budget on 30 January 2020 as per Council resolution A.007/20;
  - b) Irregular expenditure amounting: R88 854 893; and
  - c) Fruitless and Wasteful expenditure: R400 420 093 The UIFW for the 2018/19 FY has been presented to Council and referred to the Municipal Public Accounts Committee (MPAC) for further investigation

## 10. USAGE OF CONSULTANTS

- Financial services uses consultants for compilation of asset register for infrastructure assets. The service provider was appointed on the 19 December 2019, the contract will expire in November 2022.
- Annual Financial Statements are prepared internally.
- Technical Services uses consultants on the implementation of conditional grants for specialised expertise which the municipality does not have i.e. technical designs
- The panel of consultants for technical services was appointed for a period of 3 years from May 2020 to April 2023.

# 11. GRANTS SPENDING

Description	DORA Allocation	Amount Received	Amount Spent	% Spent of received
Operational Grants	R	R	R	%
Local Government Equitable Share	456,925,000	180,518,000	100,287,750	56%
Finance Management	3,000,000	3,000,000	177,240	6%
EPWP Incentive	4,846,000	1,212,000	1,212,000	100%
Municipal Infrastructure Grant (MIG)	119,146,000	51,826,000	24,158,937	47%
INEP	41,001,000	11,500,000	970,530	8%
Water Infrastructure Grant	30,000,000	-	-	0%
<b>Totals</b>	<b>654,918,000</b>	<b>248,056,000</b>	<b>128,623,934</b>	<b>51%</b>

- An amount of R654,9million was gazette on the Division of Revenue for both Operational and Capital grants.
- As at end of September 2020, an amount of R248million was received. It must be noted that grants amount are received in 3 tranches annually.
- An amount of R128,6million was spent on capital and operational grants.
- An unspent grant of R22 million (Water Service Infrastructure Grant) was roll over to 2020/2021 financial year. An application was send to National Treasury which has been approved.



## 12. FINANCIAL RECOVERY PLAN

- The Executive Council of Mpumalanga Provincial Government intervened at the Emalahleni Local Municipality, in terms of Section 139 (5)(a) of the Constitution read with Section 139 on the Municipal Financial Management Act.
- This intervention required that a financial recovery plan must be formulated. The plan was approved on 22 January 2019 by the MEC and the implementation thereof is critical to ensure financial recovery and sustainable service delivery.
- The financial recovery plan was presented to Council on the 28 February 2019 for implementation.
- Progress reports on all Seven strategies are submitted on a monthly basis to all stakeholders

# 12. FINANCIAL RECOVERY PLAN

## Strategy One: Strengthening Governance

There are 31 Key Focus Areas which has 7 activities to be performed:

### Progress on the implementation:

24 Activities has been recorded as completed or 77 %  
6 Activities has been recorded almost completed 19%  
1 Activities has been recorded as commenced or 3%  
0 Activities has been recorded as not started or 0%

### Key Activities achieved:

- Development of policy frameworks for enforcement of Code of Conduct for Councillors
- Training Councillors and relevant committees on governance, financial management, service delivery, policy related matters and oversight
- Enforce the turnaround time on the implementation of mitigation measures by the Risk Management, Anti- fraud, Anti- corruption Committee
- Establish an anti-corruption hotline
- Finalisation and approval of the Service Standards and Charter
- Develop a Customer Care Strategy
- Commission of the Disaster Recovery Site

## **STRATEGY TWO : ORGANISATIONAL RESTRUCTURING**

There are 6 Key Focus Areas:

### **Progress on the implementation:**

- 5 Activities has been recorded as completed or 83%
- 1 Activities has been recorded almost completed 17%
- 0 Activities has been recorded as commenced or 0%
- 0 Activities has been recorded as not started or 0%

### **Key Activities achieved:**

- Review the current Organizational Structure to ensure it is in line with the current municipal budget & service delivery demands

### **Challenges:**

- Funding for filling of vacant critical positions

## **STRATEGY THREE: HUMAN RESOURCE MANAGEMENT**

There are 13 Key Focus Areas which has 33 activities to be performed:

### **Progress on the implementation:**

16 Activities has been recorded as completed or 64%  
11 Activities has been recorded almost complete 23%  
6 Activities has been recorded as commenced or 13%  
0 Activities has been recorded as not started or 0%

### **Key activities implemented:**

- Workshop all Presiding Officers, Managers & Supervisors on the Code of Conduct, disciplinary processes and procedures as well as Ethical Behavior
- Implementing Consequence Management
- Implementation of the IPMS in a phased-in approach on levels (1-3)
- Development of a Work Place Skills Plan
- Verification of senior and middle management academic qualifications

### **Challenges:**

- Performance Management still to be cascaded down to lower levels (4-6)

## **FOUR: SERVICE DELIVERY:**

**There are 79 Key Focus Areas which has 45 activities to be performed:**

### **Progress on the implementation:**

24 Activities has been recorded as completed or 30%

34 Activities has been recorded as almost completed 43%

15 Activities has been recorded as commenced or 19%

6 Activities has been recorded as not started or 8%

### **Key Activities achieved:**

- Completion of Mine water reclamation plants
- Upgrade Rietspruit Water Treatment Plant
- Standby power supply for pump stations

### **Challenges**

- Lack of funding to implement the targets
- Community interference in the project implementation process

## **STRATEGY FIVE: IMPROVE FINANCIAL SUSTAINABILITY, ADMINISTRATION AND CONTROL**

There are 129 Key Focus Areas which has 17 activities to be performed:

### **Progress on the implementation:**

- 104 Activities has been recorded as completed or 82%
- 15 Activities has been recorded as almost completed 12%
- 10 Activities has been recorded as commenced or 6%
- 0 Activities has been recorded as not started or 0%

### **Key Activities achieved:**

- Implementation of the Valuation Roll
- Reconciliation of the Valuation Roll to the deeds register and financial system
- Standing Committee on Revenue Enhancement activities weekly
- Analysis and reconciliation of monthly billing
- Confirm that approved tariffs are captured on the financial system and are billed
- Develop and Implement an invoice payment tracking system

### **Challenges**

- Illegal connections
- Vandalism of municipal infrastructure
- Lack of infrastructure protective devices

## **STRATEGY SIX: RESTRUCTURING OF THE BUDGET**

**There are 34 Key Focus Areas which has 0 activities to be performed:**

Progress on the implementation:

34 Activities has been recorded as completed or 100%  
0 Activities has been recorded as in progress or 0%  
0 Activities has been recorded as commenced or 0%  
0 Activities has been recorded as not started or 0%

### **Key Activities achieved:**

- Developing a Long-Term Financial Plan (10 - 15 years) which will link to the long-term vision of the municipality. The plan should include the following: Predicting future municipal revenue, Estimating future operational expenditure, Asset replacement expenditure , Determining future capital demand - New capital investment
- Compile a 2018/19 adjustment budget in line with reviewed targets for realistically anticipated revenue and expenditure trends and mandatory budget prioritization provided in this financial recovery plan to ensure revised budget to be credible and cash funded and takes strategies of the plan into account
- Develop and update virement register

### **Challenges**

- Unfunded budget ( The Budget 2020/21 FY was approved on a 70% payment rate target)

# STRATEGY SEVEN: IMPROVE CASH FLOW MANAGEMENT

There are 6 Key Focus Areas which has 6 activities to be performed:

## Progress on the implementation:

04 Activities has been recorded as completed or 60%  
1 Activities has been recorded as in progress or 20%  
1 Activities has been recorded as commenced or 20%  
0 Activities has been recorded as not started or 0%

## Key Activities achieved:

- Establish the current cash flow position by reconciling the bank account and taking consideration of creditors and liabilities and unspent conditional grants
- Compile a cash flow projection in support of the 2018/19 MTREF budget, 2018/19 budget adjustment and 2019/20 MTREF budget showing monthly projections
- Implementation of a credible cash flow projection for the 2018/19 MTREF budget, 2018/19 budget adjustment and 2019/20 MTREF budget including through adjustment budget
- Management of the cash flow on a daily basis with weekly reporting to the MM and management meetings
- Review long-term debt and restructure where economic benefits can be attained.
- An effective grant management system put in place and ensure that conditional grants are only used for their intended purpose- ring fencing of conditional grant funding

## Challenges

- Unspent grant WSIG



■ ■ ■ ■ ■  
To be a centre of excellence and innovation.

**Thank You**

