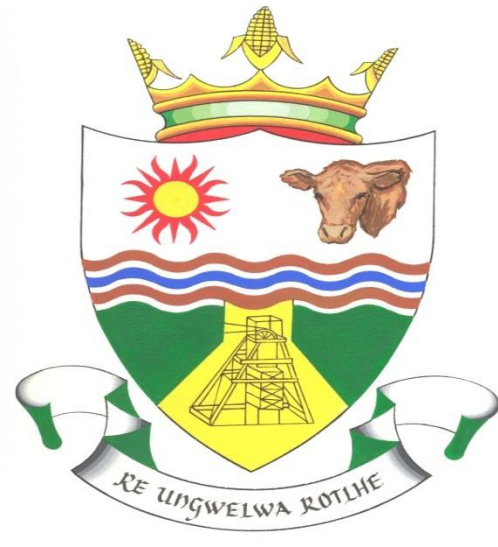


JOE MOROLONG LOCAL MUNICIPALITY

PRESENTATION TO NATIONAL COUNCIL OF PROVINCES

28 October 2020



Joe Morolong
Local Municipality



INTRODUCTION - Governance

- JMLM is a Grade 2 Municipality, seated in Churchill village within John Taolo Gaetsewe District, Northern Cape Province.
- The Municipality has 15 wards with 29 Councilors and serves a Population of 89,530 citizens.
- The Municipality is mostly rural, with a serious water, sanitation and roads infrastructure backlog.



GOVERNANCE

ISSUE

The vacancy rate of critical positions (management and technical positions)

MUNICIPAL RESPONSE

- Municipal Manager post was filled on the 09 October 2017.
- Director Corporate Services, Director Planning and Development Services, Director Community Services and Chief Financial Officer positions were filled on the 08 July 2019.
- Director Technical services position was filled on the 01 October 2019.
- A considerable number of critical posts in the Technical Services department have been vacant since 2018/19 due to a dispute which was declared by one of the Trade Unions at the Bargaining Council on allegations of insufficient consultation. The matter is now resolved and Council approved the organogram by end of June 2020. We are in the process to fill the critical, vacant and funded posts.



FINANCIAL MANAGEMENT

Audit

ISSUE	MUNICIPAL RESPONSE
Audit Opinion (2017/18 vs 2018/19)	2017/18 – Disclaimer 2018/19 – Disclaimer
Reasons for stagnation / regression of latest audit outcomes	<ul style="list-style-type: none">• There were several contributing factors leading to the 2018/19 audit outcome which include:<ul style="list-style-type: none">• Instability due to the delay in the appointment of the CFO. Most AFS preparation work was done within a few weeks of AFS submission.• Poor performing financial system. We intended to migrate from FMS to EMS (mSCOA) by the 01st of July 2019. Transactions were then posted into EMS. However EMS failed to operate as expected forcing the municipality to postpone several times and ultimately cancel the project and revert back to transacting on FMS. Consequently there were a large number of mispostings that needed to be rectified.



FINANCIAL MANAGEMENT

ISSUE	MUNICIPAL RESPONSE
<p>Reasons for stagnation / regression of latest audit outcomes</p>	<ul style="list-style-type: none"> • System failure towards submission of AFS. The financial system was mostly unstable and ultimately failed while officials were processing final journals. • There were a lot of legacy issues which were slightly reduced. The current issues were not reduced due to queries related to inconsistencies between the General Ledger and Trial Balance caused mainly by unstable financial system. • The Municipality is in the process to procure the new financial system to address inadequacies of the current financial system.



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FINANCIAL MANAGEMENT

Audit

ISSUE	MUNICIPAL RESPONSE
Audit Action Plan	<ul style="list-style-type: none">• There were 114 Qualification Paragraphs on the audit report for 2018/19 financial year.• We have been paying attention to the action plan to clear most recurring issues to ensure that we improve our future audit outcomes. So far we have resolved many issues and are left with 35 to resolve. We are optimistic that for the 2019/20 financial year we will have an improved audit outcome.
Usage of Consultants	<ul style="list-style-type: none">• The municipality does not have internal capacity to compile financial statements, hence the utilization of consultants for this purpose.• We have a plan to create a position in the organogram for a Deputy CFO who will be responsible for Financial Reporting and Preparation of Annual Financial Statements amongst others, and with whom the consultants will be working closely for skills transfer purposes.



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FINANCIAL MANAGEMENT

FINANCE

ISSUE	MUNICIPAL RESPONSE
Status of completion and submission of Section 71 reports	<ul style="list-style-type: none">• Challenges were experienced with the submission of Section 71 Reports between July 2019 and September 2019. The municipality experienced technical challenges after attempting to migrate from FMS to EMS.• All the outstanding reports were however submitted as at end of June 2020.
Usage of consultants for AFS	<ul style="list-style-type: none">• The municipality is assisted by CCG Systems for compilation of Annual Financial Statements and started in May 2019.• They were appointed on a 3 year contract.



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FINANCIAL MANAGEMENT

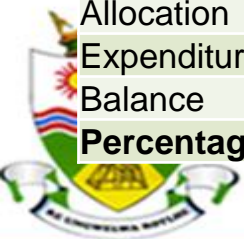
FINANCE

ISSUE	MUNICIPAL RESPONSE
Financial Viability of the Municipality	<ul style="list-style-type: none">• The Municipality due to its rural nature, depends mostly on Government Grants. Most individual customers are indigents.• The Municipality has a number of mining customers who contribute 60% of services and taxation revenue. <p>The Municipality earns revenue from:</p> <ul style="list-style-type: none">• Equitable Share• Conditional Grants• Revenues (Service Charges and Property Rates) <ul style="list-style-type: none">• The Municipality is currently in the process of developing a financial recovery plan in order to ensure that revenue collection is maximised and expenditure is reduced to enable the municipality to remain viable.• The municipality has 10 mines from which it was previously not collecting property rates. However this has now been rectified through a data cleansing exercise.• Government institutions were not billed previously but are now being billed. They owe the Municipality millions of Rands which we are in the process of pursuing them to settle outstanding accounts, failing which legal action will be taken against them.• Government departments owe a total of R96,005,178• District municipality owes the municipality a total of R2,399,271



Spending of Conditional Grants

Financial Year	2017/18	2018/2019	2019/20
<u>FINANCE MANAGEMENT GRANT (FMG)</u>			
Allocation	1,810,000.00	2,215,000.00	2,680,000.00
Expenditure	1,742,408.00	2,215,000.00	2,680,000.00
Balance	67,592.00	-	-
Percentage	96%	100%	100%
<u>EXTENDED PUBLIC WORKS PROGRAMME (EPWP)</u>			
Allocation	1,050,000.00	1,447,000.00	1,319,000.00
Expenditure	1,040,905.00	1,447,000.00	1,319,000.00
Balance	9,095.00	-	-
Percentage	99%	100%	100%
<u>MUNICIPAL EMERGENCY HOUSING</u>			
Allocation	-	1,162,512.00	-
Expenditure	-	655,392.00	-
Balance	-	507 120.00	-
Percentage	-	56%	-
<u>LIBRARY</u>			
Allocation	-	1,490,000.00	1,290,000.00
Expenditure	-	1,490,000.00	1,290,000.00
Balance	-	-	-
Percentage	-	100%	100%
<u>COVID 19</u>			
Allocation	-	-	125,000.00
Expenditure	-	-	125,000.00
Balance	-	-	-
Percentage	-	-	100%



Infrastructure Grants

MUNICIPAL INFRASTRUCTURE GRANT (MIG)

Financial Year	2017/18	2018/2019	2019/20
Allocation	R 61 060 000.00	R 58 828 000.00	R 60 002 500.00
Expenditure	R 50 896 086.71	R 54 043 027.00	R 58 438 863.85
Balance	R 10 163 913.29	R 4 784 973.00	R 1 563 636.15
Percentage	83%	92%	97%

WATER SERVICES INFRASTRUCTURE GRANT (WSIG)

Allocation	R 45 000 000.00	R 57 500 000.00	R 50 000 000.00
Expenditure	R 45 000 000.	R 57 500 000.00	R 45 817 404.98
Balance	R 0.00	R 0.00	R 4 182 595,02
Percentage	100%	100%	92%

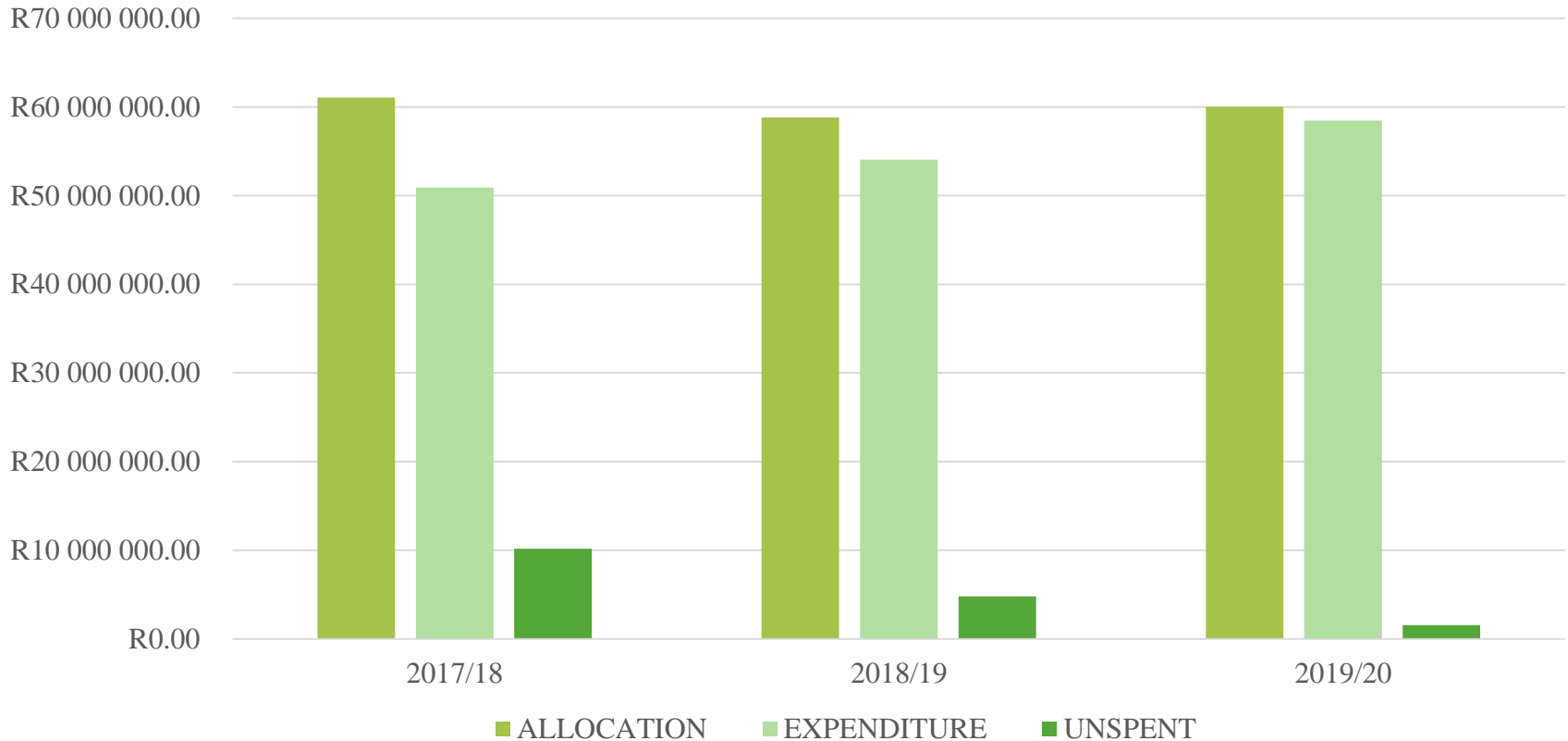


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Unspent Conditional Grants

Municipal Infrastructure Grant



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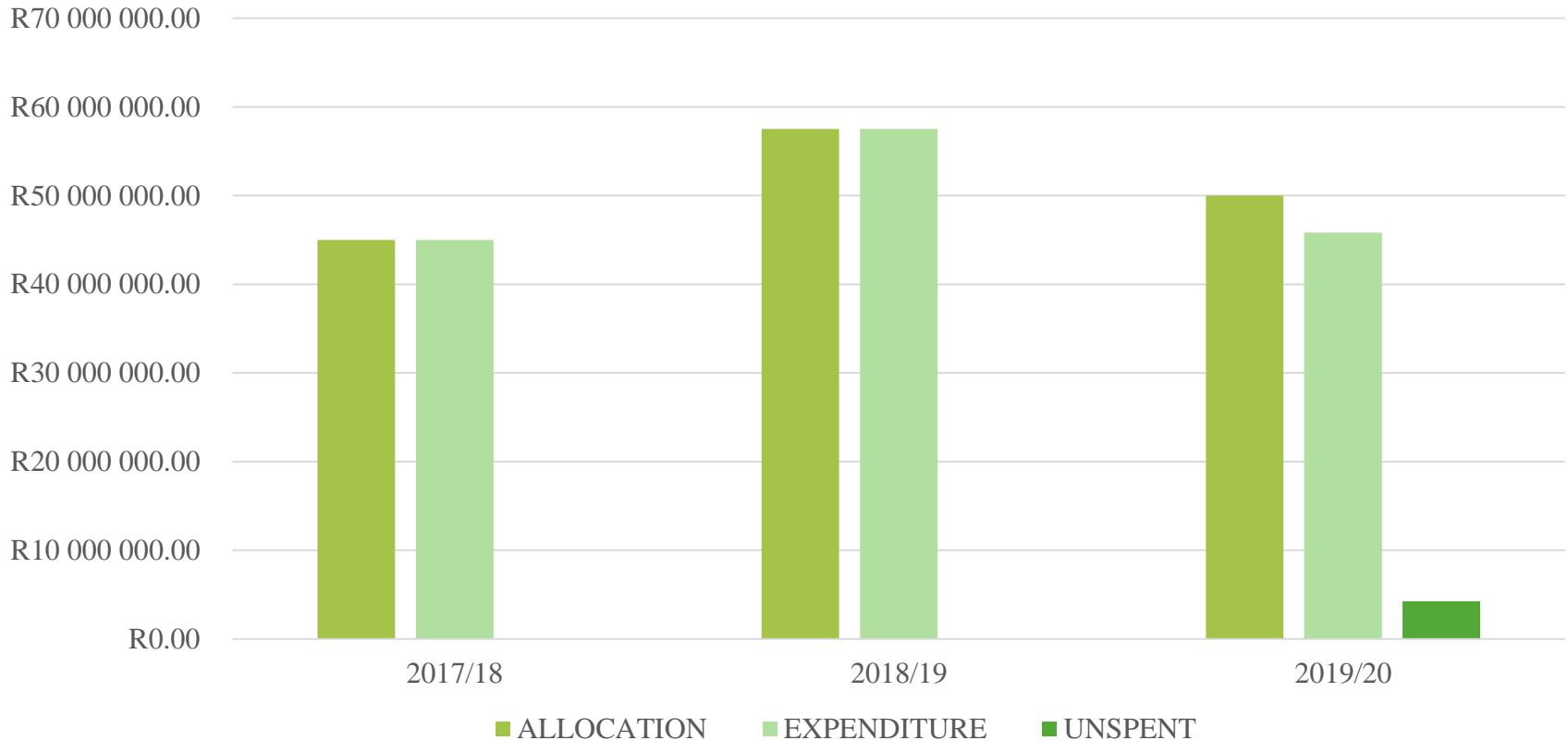


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Unspent Conditional Grants

Water Services Infrastructure Grant



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FINANCIAL MANAGEMENT

List of Major Debtors and Creditors

ISSUE	MUNICIPAL RESPONSE	
List of Major Debtors	Customer	Amount Owed
	COGHSTA	16,976,522
	DWA	16,431,130
	Hotazel Manganese Mine	15,877,186
	Dept of Housing	13,336,764
	HSH Construction	5,266,501
	Kalahari Cottage	5,101,676
	Dept of Rural Development	4,274,394
	Hotazel Recreation Club	4,577,859
	Life Occupational Health	3,787,440
List of Major Creditors	We do not owe Eskom and Sedibeng Water. They're accounts are up to date.	



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FINANCIAL MANAGEMENT

FINANCE

ISSUE	MUNICIPAL RESPONSE
Revenue Collection Strategy	<ul style="list-style-type: none">• The revenue collection strategy has been developed and is still in draft stage.• A meeting was held with DBSA to assist in finalising the strategy for implementation.• As mentioned earlier, the Municipality is in the process of developing a financial recovery plan through the assistance of CCG Systems. Sessions were held with COGHSTA and Provincial Treasury in that regard.
Credit Control Policy	<ul style="list-style-type: none">• The Credit Control and Debt Collection Policy has been reviewed and adopted by Council.• Reminders are being sent to customers if their accounts are not paid within 7 days of the due dates at the expense of the customer. Services will be terminated if customer fails to pay.• If no payment is received 90 days after termination of service, customer is handed over to external debt collectors and or our panel of attorneys.• So far letters of demand have been sent to customers with long overdue accounts and several large account holders, including Tshipi eNtle Mine, Ntsimbinhle Mine etc. Kudumane Mine has since cleared their outstanding accounts.• Kalagadi Mine has requested a payment arrangement with the municipality to clear its outstanding accounts.• The municipality is also in discussions with government departments in order to clear their outstanding balances.



FINANCIAL MANAGEMENT

RISK MANAGEMENT

ISSUE	MUNICIPAL RESPONSE
<p>Risk Management Strategy and Plan</p>	<p>The municipality has established its Risk Management Unit and is still using a John Taolo Gaetsewe District Municipality Audit and Risk Committee “Shared Service”.</p> <p>The Municipality Council has approved Fraud Prevention Policy and Risk Management Strategy that includes the Risk Strategy(Risk Management Policy & Risk Management Plan) and Risk Management Methodology.</p> <p>The Municipality has performed its Strategic Risk assessment for the financial year 2020/2021.</p> <p>Key risks have been identified and will be managed accordingly.</p>



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FINANCIAL MANAGEMENT

OVERSIGHT RESPONSIBILITIES

ISSUE	MUNICIPAL RESPONSE
<p>Functional MPAC</p>	<ul style="list-style-type: none"> • MPAC has been functional though there have been some challenges, mainly that the MPAC Coordinator post was not existent. However, this has been created in the organogram and it's funded. The post will be advertised soon. A professional with a finance background will be appointed to ensure that the objectives of MPAC are achieved. • The annual reports for previous financial years were referred to MPAC for oversight review and MPAC was able to report back to Council. In addition, MPAC also conducted visits to projects.
<p>Functional Internal Audit Unit</p>	<p>The Internal Audit unit was established during the 2018/19 financial year.</p> <p>An internal audit operational plan and internal audit charter were submitted to the Audit Committee and approved and subsequently submitted to Council for noting.</p> <ul style="list-style-type: none"> • Quarterly Internal Audit Reports have been submitted to the Municipal Manager since establishment of the unit. • Follow ups have been made to by management. • The internal audit has also been requested to investigate some cases and the investigations are in progress.



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FINANCIAL MANAGEMENT

OVERSIGHT RESPONSIBILITIES

ISSUE	MUNICIPAL RESPONSE
Functional External Audit Committee	<ul style="list-style-type: none">• For a number of years the Municipality did not have an External Audit Committee. Initially the was being served by District Shared Services. Previous management had issues/disputes with the District Shared Services Committee, hence the withdrawal from participating in the committee.• From 2018/19 we started participating in the District Shared Services Committee.• In 2019/20, there was a dispute regarding the rates charged by the District Audit Committee resulting in non-participation in the committee for a while. However, the rates dispute has been resolved and the District Shared Services will now be utilised.



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SERVICE DELIVERY

ISSUE	MUNICIPAL RESPONSE
Annual Report	<ul style="list-style-type: none">• Annual report with audited financial statement was submitted to council in January.• The annual report was noted by council and referred to MPAC for oversight review.



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SERVICE DELIVERY

Predetermined objectives (non-financial) audited reports

- The following matters were raised during 2018/19 audit and have been addressed in the 2019/20 financial year.

ISSUE	MUNICIPAL RESPONSE
Finding - Performance management system of the municipality not adequate	<ul style="list-style-type: none"> Municipality has developed the Performance Management System and the Framework for Management of Programme Performance Information. The framework has been adopted by council
Finding - Target not measurable	<ul style="list-style-type: none"> This has been addressed in the Revised SDBIP, all the targets have been developed based on SMART principle.
Finding - No proof that the adjusted budget was advertised	<ul style="list-style-type: none"> Budget adjustment and SDBIP review were published after council approval and records to that effect have are available at registry.
Finding - Achievement of targets could not be confirmed and target incorrectly reported as achieved	<ul style="list-style-type: none"> The department of Planning and Development has been working together with internal audit to monitor quarterly reports and ensuring that reliable evidence is provided. Incomplete POE will not be accepted.



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SERVICE DELIVERY

Predetermined objectives (non-financial) audited reports

- The following matters were raised during 2018/19 audit and have been addressed in the 2019/20 financial year.

ISSUE	MUNICIPAL RESPONSE
<p>Finding - Reported indicators/objectives and Targets not consistent with planned indicators/objectives and targets</p>	<ul style="list-style-type: none"> The Municipality's PMS framework directs alignment of APR to SDBIP.
<p>Finding – Performance indicators not relevant and well defined</p>	<ul style="list-style-type: none"> The Municipality has revised and adopted the SDBIP for the 2019/20 financial year, Key Performance Indicators were amended to address SMART principle approach. In cases where targets could not be measured by a number, a % has been used to address the finding.

Fruitless and Wasteful Expenditure

For 2019/20 financial year UIF& W is follows:

- Fruitless and Wasteful Expenditure: R269 486.97
- Irregular Expenditure: R6 763 156,36



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THANK YOU



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