

2019 Mid-year Budget and Performance Assessment

Matjhabeng Local Municipality FS184

6 February 2019

FS184 | Feb 2019





Introductory Remarks by the Accounting Officer

Key Issues facing the municipality and how are they being addressed:

- The City is in the grip of a water crisis as a result of the most severe drought ever experienced – previously lowest ever dam levels were 33% and currently 25%.
- A Disaster Relief Grant was applied for and to date there has been no finality.
- The conversion of Contractual Employees to Permanent status, harmonisation of Condition of Services relating to Long Service Bonus and rising employee costs have made it impossible to retain employee costs at below 30%.
- Electrical losses of 11.45% was achieved during the 2017-18 financial year that is under the 12% NERSA accepted norm; Electrical losses needs be lower to under 10% to ensure optimum Network efficiency.
- The Municipality reached a settlement with high energy users which had a negative impact on the Budget
- Due to the down scaling of the mines in the area, the current bulk water supply capacity is more than adequate to service the towns in the area of authority. Due to growth and bucket eradication in some areas, some bulk lines capacities become challenging
- Due to excessive water losses, the Municipality embarked on a project to reduce water losses and detailed investigations on existing water meters were done to determine reason why meters are not functional and associated repair thereof are not undertaken
- Due to the age of the infrastructure of the WWTW, regular spillages and more stoppages continue to occur
- Due to environmental requirements associated with sewerage, the Municipality spent a major portion of its budget on upgrading these services. However, several challenges still exist. The upgrading of the Waste Water Treatment Works (WWTW) especially gets high priority.
- Sewer networks were extended and maintained but due to shortage of funding and resources, some major challenges exist.
- The issue of under- and unfunded mandates remain problematic (libraries, roads, housing).

(S1) Session 1: Performance for the 2017/18 Financial Year





(1.1) Audited Financial Performance – 2017/18

SUMMARY 2017/18 AUDIT PERFORMANCE

Description	2016/17 Audited	
	Revised Budget	Restated results
Operating Budget		
Revenue (incl. capital transfers)	2 174 836 126	2 256 370 729
Expenditure	2 036 734 384	2 952 634 615
Surplus/ (Deficit) - after capital transfers	138 101 743	-696 263 886
Capital Budget		
Revenue	153 362 999	113 363 000
Expenditure	153 363 361	113 363 000

2017/18 Audited		
Original Budget	Revised Budget	Audited Results
2 480 389 758	2 480 389 757	2 173 555 439
2 322 821 658	2 322 821 658	3 043 253 658
157 568 100	157 568 100	-869 698 219
181 216 000	181 216 000	141 910 658
181 215 999	181 216 000	141 910 658

Percentage spent to Budget		
2016/17 Revised	2017/18 Original	2017/18 Revised
104%	88%	88%
145%	131%	131%
-504%	-552%	-552%
73,92%	78,31%	78,31%
73,92%	78,31%	78,31%

Cash Flow Management

Net Increase/ (Decrease) in cash held	326 500 000	-13 792 333
Cash /cash equivalent at the year begin	8 917 000	8 916 845
Cash /cash equivalent at the year end	335 417 000	-4 875 488

-3 940 920	-3 940 920	2 351 254
-4 875 488	335 417 000	-4 875 488
-8 816 408	331 476 000	-2 524 234

Cash Flow Movement

-4,22%	-59,66%	-59,66%
100,00%	100,00%	-1,45%
-1,45%	28,63%	-0,76%

Assets and liabilities

Net Working Assets	835 000 000	-2 645 964 719
Total current assets	2 735 000 000	1 193 607 819
Total current liabilities	1 900 000 000	3 839 572 538

481 776 000	481 776 000	-3 408 293 939
3 181 776 000	3 181 776 000	1 349 673 449
2 700 000 000	2 700 000 000	4 757 967 388

Working Assets Movement

-316,88%	-707,44%	-707,44%
43,64%	42,42%	42,42%
202,08%	176,22%	176,22%

Debtors collection rate 80% 66,70%

Creditors payment rate >120 days >120 days

85% 85% 69,00%

>120 days >120 days >120 days

(1.1) Audited Financial Performance – 2017/18

- **Material variances was a result of the following:**

- The budgeted collection rate was set at 85% and the actual collection rate 69%.
- The increased cost of bulk water and electricity (due to tariff increases from Sedibeng Water and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- The facilities of the municipality is not properly maintained due to the low revenue collected on the rental of these facilities this can largely be attributed to the tariffs not being cost reflective.
- Declining local economy.
- Billing challenges.
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;

(1.1) Audited Financial Performance – 2017/18

- **Deficit realised:**

- The main contributing line item to the deficit realised was non-cash items.
- The total amount for non-cash items is R 738 632 421,00
- There was an under-budgeting for non-cash items.
- The variance in bulk services was as a result of the tariff increase of Eskom and Sedibeng which was higher than the municipal tariff increase.

- **Cash and cash equivalents at financial year-end:**

- Over-budgeting on cash and cash equivalents.

(1.1) Capital Expenditure per Vote – 2017/18

Statement of capital expenditure by vote and funding source

Vote Description	2017/18 performance			% Performance	
	Original Budget	Adjusted Budget	Audit Outcome	Audit as a % of Original Budget	Audit as a % of the Adjusted Budget
Capital expenditure - Vote					
Vote 1 - Council General	50 000 000	50 000 000	0	0%	0%
Vote 2 - Office of the Executive Mayor			0		
Vote 3 - Office of the Speaker			0		
Vote 4 - Council Whip			0		
Vote 5 - Office of the Municipal Manager			0		
Vote 6 - Corporate Services			0		
Vote 7 - Finance			0		
Vote 8 - Human Resources			0		
Vote 9 - Community Services	2 525 000	2 525 000		0%	0%
Vote 10 - Public Safety and Transport					
Vote 11 - Economic Development	3 114 038	3 114 038		0%	0%
Vote 12 - Engineering Services	35 698 375	35 698 375	136 216 000	382%	382%
Vote 13 - Water/ Sewerage	84 433 471	84 433 471	4 811 999	6%	6%
Vote 14 - Electricity	5 445 115	5 445 115	882 659	16%	16%
Vote 15 - Housing					
Total Capital Expenditure - Vote	181 215 999	181 215 999	141 910 658		
Funded by:					
National Government	156 216 000	156 216 000	141 910 658	91%	91%
Provincial Government					
District Municipality					
Other transfers and grants					
Transfers recognised - capital	156 216 000	156 216 000	141 910 658	91%	91%
Public contributions & donations					
Borrowings					
Internally generated funds	25 000 000	25 000 000	0	0	0
Total Capital Funding	181 216 000	181 216 000	141 910 658		



(1.1) Capital Expenditure per Vote – 2017/18

- **Reason for under performance:**

- The MIG grant was fully utilised during the 2017/18 financial year.
- A rollover application was submitted for the WSIG and INEP since we were unable to fully spent the grants.

(1.2) Auditor General report – 2017/18

Insert table (2017/18 Key Qualification Audit Findings (Between 3-5 Queries))

Example:

Department (SBU)	Audit Finding	Recurring Finding			Time Frame / Deadlines	External / Internal Support (Name?)	Total cost of external support (R'000)	Reason for repetition and Current progress
		2015/16	2016/17	2017/18				
Corporate Services	Ghost employees	✓	✓	✓	xx Apr 2019	Consulting firm		
	Leave register incomplete		✓	✓	Xx May 2019	None		

- The municipality received unqualified audit opinion with matters of emphasis audit opinion for the two previous financial years 2015/16 2016/17.

(1.2) Auditor General report – 2017/18

Action Plans to achieve a clean audit

- Audit action plan – tabling in council and progress
- The Municipality received a *qualified audit opinion* for the last 6 financial years.
- To address this issue, an annual Action Plan is compiled by Internal Audit to both anticipate audit issues as well as to address audit findings.
- The approach is summarised as follows:
 - ✓ The populated (action plan) matrix is submitted quarterly to each affected
 - ✓ Directorate for further discussion through workshops / meetings and electronic communication.
 - ✓ Management is responsible to determine the root causes, address each AG finding on a continuous basis and update their action plans on the matrix for IA to audit.
 - ✓ Findings reflected by Management as “ready for audit” are tested by IA via samples selected in the year under review.
 - ✓ Audited results are filtered back to Management on whether or not the findings have been adequately addressed.
 - ✓ Continuous feedback and identification of root causes is undertaken to anticipate and clear the findings.

Audit Action Plan

Page no.	Finding	Classification					Rating			Number of times reported in previous three years	Status of implementation of previous year(s) recommendation
		Misstatements in financial statements	Misstatements in annual performance report	Non-compliance with regulation	Internal control deficiency	Service delivery	Matters affecting the auditor's report	Other important matters	Administrative matters		

	RR (CAF 98) Employee Related Cost - Appointment agreement signed late - (ISS.130)			✓				✓			In progress
Cash and cash equivalents											
	RR (CAF 5) Bank signatory delegations not updated - (ISS.5)			✓				✓			In progress
Employee costs											
	RR (CAF 4) Employee cost: Organisational structure not approved - (ISS.8)			✓					✓		In progress
	RR (CAF 23) Employee Cost - No performance agreements for employees below Section 57 officials were developed. - (ISS.33)			✓			✓				In progress
	RR (CAF 44) Employee Cost - Performance appraisals not performed for Section 57 employees or any employees of the municipality - (ISS.60)			✓					✓		In progress
	RR (CAF 101) Employee costs – Overpayment of overtime worked - (ISS.118)	✓							✓		In progress
	RR (CAF 118) Employee Related Cost - Non-existing employees as at year end - (ISS.125)	✓						✓			In progress
	RR (CAF 131) HR Compliance - Selection Panel not in line with requirements - (ISS.147)			✓				✓			In progress

Audit Action Plan Cont.

General IT controls											
	RR (CAF 18) The IT governance processes were informal - (ISS.21)							✓			In progress
	RR (CAF 18) Meetings of the IT steering committee - (ISS.22)							✓			In progress
	RR (CAF 18) The security policy was inadequately designed - (ISS.24)							✓			In progress
	RR (CAF 18) Inadequate management of antivirus solution - (ISS.25)							✓			In progress
	RR (CAF 18) Deficient processes of managing of user access - (ISS.26)							✓			In progress
	RR (CAF 18) Insecure management of the firewall - (ISS.27)							✓			In progress
	RR (CAF 18) The program change management process was inadequate - (ISS.28)							✓			In progress
	RR (CAF 18) The disaster recovery plan was not approved - (ISS.29)							✓			In progress
	RR (CAF 18) The backup strategy was not adequately designed - (ISS.30)							✓			In progress
Heading 15											
	RR (CAF 13) Internal Audit: Unit not functioning properly - (ISS.1)			✓				✓			In progress
Heading 2											
	RR (CAF 24) Audit Committee : Non-compliance with the MFMA and MPPMR - (ISS.40)			✓				✓			In progress

Audit Action Plan Cont.

In progress											
	RR (CAF 40) Land and buildings: Municipal properties not identified on the land and building register - (ISS.34)	✓							✓		In progress
	ADJ RR (CAF 30) Capital Work In Progress: Transfer out still disclosed as WIP - (ISS.42)	✓							✓		In progress
Inventory											
	RR (CAF 54) Inventory: Monthly update of inventory list not performed - (ISS.31)			✓					✓		In progress
	RR (CAF 55) Inventory: Consumable stores issues not authorised - (ISS.72)			✓					✓		In progress
Investment property											
	RR (CAF 14) Investment property: Count sheet used to compile AFS not timeously reviewed - (ISS.10)			✓					✓		In progress
	RR (CAF 88) Investment property: Municipal properties not identified on the investment property register - (ISS.135)	✓							✓		In progress
Movable assets											
	RR (CAF 21) Property, plant and equipment: Non-adherence to asset management policy - (ISS.12)			✓					✓		In progress
	RR (CAF 20) Property, plant and equipment: Vacant positions and internal control deficiencies - (ISS.35)			✓					✓		In progress
	RR (CAF 90) Property, plant and equipment: (Other movable assets) - Asset register not updated - (ISS.59)			✓					✓		In progress
	RR (CAF 80) Property, plant and equipment: (Other movable assets) - Assets recorded at different amounts - (ISS.84)	✓							✓		In progress
Operating expenditure											
	RR (CAF 59) Expenditure: Payments not made within 30 days - (ISS.45)			✓				✓			In progress
	RR (CAF 105) Expenditure: No evidence of payment authorisation - (ISS.68)	✓							✓		In progress
	RR (CAF 79) Capital Work In Progress: Asset could not be verified - (ISS.79)	✓							✓		In progress
	RR (CAF 104) Expenditure: Funds not verified against budget - (ISS.87)	✓							✓		In progress

Audit Action Plan Cont.

Payable											
	RR (CAF 16) Payables: Monthly creditors reconciliations not performed - (ISS.19)	✓							✓		In progress
	RR (CAF 17) Payables: Non-compliance: Payments exceeding 30 days - (ISS.20)			✓				✓			In progress
	RR (CAF 89) Payables: Differences between AFS, creditor's reconciliations and suppliers' statements - (ISS.133)	✓							✓		In progress
Predetermined objectives											
	RR (CAF 9) AoPO-KPI 12: No Supporting evidence provided as proof of target met - (ISS.14)		✓						✓		In progress
	RR (CAF 12) AoPO-KPI 19: Reported results does not agree to evidence provided - (ISS.15)		✓						✓		In progress
	RR (CAF 8) AoPO-KPI 18: Supporting documentation for actual achievement differ from the reported actual - (ISS.16)		✓						✓		In progress
	RR (CAF 10) AoPO-KPI 63: Supporting documentation for actual achievement differ from the reported actual - (ISS.17)		✓				✓				In progress
	RR (CAF 11) AoPO-KPI 67 : Inaccurate reported results - (ISS.18)		✓						✓		In progress
	RR (CAF 26) KPI 32- Actual results differ from the reported and proof not sufficient - (ISS.36)		✓						✓		In progress
	RR (CAF 27) KPI 36- Reported result differ firm actual result - (ISS.37)		✓						✓		In progress
	RR (CAF 28) KPI 51- Reported results differ from Actual - (ISS.38)		✓						✓		In progress
	RR (CAF 29) KPI 5-Actual results differ from reported results - (ISS.39)		✓						✓		In progress
	RR (CAF 35) KPI 50,20-No clear target set and target not consistent with reported results - (ISS.43)		✓						✓		In progress
	RR (CAF 36) AoPO: Scope limitation - (ISS.51)		✓						✓		In progress
	RR (CAF 60) AoPO: KPI 65 - Difference between reported and recalculated distance of gravel roads constructed - (ISS.75)		✓					✓			In progress
	RR (CAF 61) AoPO: KPI 65-Constructed gravel roads not complete - (ISS.76)		✓						✓		In progress
	RR (CAF 93)AoPO-KPI 65: Actual results differ from reported results on the Annual performance report - (ISS.114)		✓					✓			In progress
	RR (CAF 132) AoPO-KPI 33- Results are not valid and accurate - (ISS.150)		✓					✓			In progress
	RR (CAF 114) Non Compliance with section 46 of the Municipal System Act - (ISS.90)			✓				✓			In progress
	RR (CAF 133) AoPO-KPI 32- Inaccurate results reported - (ISS.151)		✓					✓			In progress
	RR (CAF 134) AoPO-KPI 10-Inaccurate results reported. - (ISS.152)		✓					✓			In progress
	RR (CAF 136) AoPO-KPI 52- Reported results are inaccurate and incomplete - (ISS.154)		✓						✓		In progress

Audit Action Plan Cont.

Procurement and Contract Management (to confirm for removal)											
	RR (CAF 25) SCM - Business Process : Limitation of scope - (ISS.41)			✓					✓		In progress
	RR (CAF 81) Procurement: Limitation of scope - (ISS.62)						✓				In progress
	RR (CAF 116) Procurement: Deviations to procurement process not reported to council - (ISS.102)			✓			✓				In progress
	RR (CAF 96) Procurement: Declaration of interest not submitted - (ISS.103)			✓			✓				In progress
	RR (CAF 113) Procurement: Awards made to suppliers without tax clearance certificates - (ISS.104)			✓			✓				In progress
	RR (CAF 115) Procurement: Deviations from competitive bidding not in accordance with the municipal SCM regulation 36 (1) - (ISS.105)			✓			✓				In progress
	RR (CAF 95) Procurement: Contracts awarded to incorrect supplier - (ISS.106)			✓			✓				In progress
	RR (CAF 82) Procurement: Competitive bidding not followed - (ISS.107)			✓			✓				In progress
	RR (CAF 101) Procurement: No proof that quotations were obtained from suppliers listed on CSD - (ISS.92)			✓			✓				In progress
	RR (CAF 83) Procurement: Adjudication committee not in accordance with SCM regulations and municipality's SCM policy - (ISS.108)			✓			✓				In progress
	RR (CAF 99) Procurement: No evidence that quotations were advertised for a period of 7 days - (ISS.93)			✓			✓				In progress
	RR (CAF 85) Procurement: Bid advertised for less than the required number of days - (ISS.109)			✓			✓				In progress
	RR (CAF 120) Procurement: Three quotes not obtained and no signed declaration of interest - (ISS.95)			✓			✓				In progress
	RR (CAF 103) Procurement: Awards to persons in the service of the state - (ISS.111)			✓			✓				In progress
	RR (CAF 100) Procurement: Three written price quotations not obtained - (ISS.96)			✓			✓				In progress
	RR (CAF 135) Procurement: Awards made to incorrect suppliers - (ISS.97)			✓			✓				In progress
	RR (CAF 117) Procurement: Contracts not submitted and lack of monitoring on performance of the contractor - (ISS.112)			✓			✓				In progress
	RR (CAF 84) Procurement: Award not adjudicated by bid committee - (ISS.115)			✓			✓				In progress
	RR (CAF 110) Procurement: Employees with possible interest in suppliers of municipality - (ISS.120)			✓				✓			In progress
	RR (CAF 121) Procurement: Transactions split into parts or items of a lesser value - (ISS.119)			✓				✓			In progress
	RR (CAF 128) Procurement: No variation/ extension on contracts - (ISS.122)			✓			✓				In progress
	RR (CAF 137) Use of consultants - No consultancy reduction plans in place - (ISS.155)			✓				✓			In progress

Audit Action Plan Cont.

Provisions											
	RR (CAF 77) Provisions: General requirements for landfill sites - (ISS.63)				✓				✓		In progress
Revenue											
	RR (CAF 6) Revenue: No internal control over Interim Charges - (ISS.3)				✓				✓		In progress
	ADJ RR (CAF 19) Property, plant and equipment - Difference between financial statement and fixed asset register - (ISS.32)	✓							✓		In progress
	RR (CAF 127) Revenue - Reconnection not done according to the credit policy - (ISS.74)									✓	In progress
	(CAF 74) Revenue from exchange transactions - Water and electricity consumer accounts that are being billed interim charges - (ISS.91)	✓							✓		In progress
Taxes											
	RR (CAF 62) VAT receivables: Lack of supporting documentation for error detection - (ISS.47)	✓								✓	In progress
	RR(CAF 63) VAT receivables: Municipal VAT function performed by consultants - (ISS.48)				✓					✓	In progress
Projects											
	Project 1: Finding 3: The following requested information could not be submitted for audit purposes (Limitation of scope) (Project 1: Upgrading of the Nyakallong Waste Water Treatment Works (WWTW)) - (ISS.146)					✓	✓				
	Project 1: Finding 4: Inconsistencies on construction progress onsite as reported on Quality control site visit reports (Project 1: Upgrading of the Nyakallong Waste Water Treatment Works (WWTW)) - (ISS.131)					✓	✓				
	Project 1: Finding 2: Expenditure for work that could not be physically verified (Project 1: Upgrading of the Nyakallong Waste Water Treatment Works (WWTW)) - (ISS.148)					✓	✓				
	Project 1: Finding 1: Construction stopped due to contractual dispute (Project 1: Upgrading of the Nyakallong Waste Water Treatment Works (WWTW)) - (ISS.149)					✓	✓				
	Project 4: Finding 1: Poor project planning (Project 4: Welkom (Thabong) T16 – Construction of waterborne sanitation for 1300 stands) - (ISS.157)					✓	✓				
	Project 4: Finding 2: Poor construction planning (Project 4: Welkom (Thabong) T16 – Construction of waterborne sanitation for 1300 stands) - (ISS.158)					✓	✓				
	Project 5: Finding 1: Poor project planning (Project 5: New Far East Sport and Recreational hall in Constantia Road, Thabong) - (ISS.159)					✓		✓			
	Project 3: Finding 3: Expenditure for work that could not be physically verified (Project 3: Virginia: Waste Water Treatment Works (WWTP) Sludge Management) - (ISS.123)					✓		✓			
	Project 3: Finding 2: The winning Bidder was not appointed (Project 3: Virginia: Waste Water Treatment Works (WWTP) Sludge Management) - (ISS.126)					✓		✓			
	Project 3: Finding 1: Poor Project Planning (Project 3: Virginia: Waste Water Treatment Works (WWTP) Sludge Management) - (ISS.127)					✓		✓			

(1.2) Auditor General report – 2017/18

Electricity and Water Losses (Key Findings)

Electricity Loss	June 2018		June 2017		June 2016	
	Units	Value	Units	Value	Units	Value
Loss	52,355,123	46,596,059.8	60,815,072	54,125,414.08	82,832,422	73,720,855
Percentage	11.45%		13.25%		17.86%	
Technical Loss	5.90%		5,90%		5,90%	
Non technical Loss	5.55%		7.5%		11.96%	

(1.2) Auditor General report – 2017/18

Electricity and Water Losses (Key Findings)

Water Loss	June 2017		June 2016		June 2015	
	Units	Value	Units	Value	Units	Value
Loss	111 362	75 900	117 170	707 966	120 902	669 060
Percentage	30,60%		32,11%		33,90%	
Technical Loss	15,00%		15,00%		17,30%	
Non technical Loss	15,60%		17,11%		16,60%	

(1.2) Auditor General report – 2017/18

Loss Mitigation Strategy (Electricity)

Technical Losses:

- ✓ Contribute to approx. 6% of total losses.
- ✓ Reduce the voltage used on the medium voltage network.
- ✓ Re-prioritise spending on the capital budget – more distribution level than transmission level
- ✓ Consider network operations under optimum “open point” conditions.

Non-Technical Losses:

- ✓ Implement a check and area metering solution to identify where the main losses occur – area metering, substation and feeder levels.
- ✓ Purchase “smart ready” pre-payment meters to replace all those domestic meters previously tampered, by-passed meters, faulty meters and where no meters were installed.
- ✓ Back to basics approach and improve and enhance the customer service programmes and education programmes in the field.

(1.2) Auditor General report – 2017/18

Loss Mitigation Strategy (Water)

(1) Work stream – Bulk Water Supply & Bulk Meters

Objective:

- ✓ Provide bulk water balances to proactively establish accurate assessment of water losses in bulk water supply system
- ✓ Replace/upgrade old infrastructure
- ✓ Ensure adequate working bulk meters at all required supply points

(2) Assistance to the Poor and School Leak Repairs

Objective:

- ✓ Ensure that internal water losses are identified and repaired

(3) Leak Repair Contractor

Objective:

- ✓ To reduce water losses identified by the leak detection team by the appointment of repairs and maintenance contractor

(4) Valve & Fire Hydrant Audits

Objective:

- ✓ To ensure all valves and fire hydrants are located, working and are on the record system

ETC....

(1.3) Consequence management / Special Adjustment based on Section 32 of the MFMA (UIFW)



Special adjustments budget in terms of Section 32 of the MFMA and Regulation 23 of the MBRR; presentation to include:

1. Unauthorized expenditure for the 2017/18 financial year amounted to R 873 124 569,28 and tabled in Council on 31 January 2019.
2. The municipality anticipated a higher collection rate which did not realized hence resulted in under-budgeting of non-cash items. Main component of unauthorized expenditure is non-cash items.
3. Council certified an amount of R 422 356 060 incurred during the financial year as irrecoverable and to be written off as fruitless and wasteful expenditure.
4. Council authorized an amount of R 965 932 246 incurred as unauthorized expenditure during the financial year.
5. Fruitless and wasteful expenditure includes interest and penalties charged for late payments of suppliers.
6. Fruitless and wasteful expenditure amounting to R388 409 300 was certified by Council to be irrecoverable and to be written off.

(1.3) Consequence management / Special Adjustment based on Section 32 of the MFMA (UIFW)



4. The fruitless and wasteful expenditure was investigated during the financial period by Section 32 Committee and determined to be irrecoverable and no criminal or disciplinary actions were taken.
5. Irregular expenditure amounting to R 272 329 778,55 was investigated during the financial period by Section 32 Committee in order to comply with Section 32(2) and (4) of the MFMA.
6. Irregular expenditure amounting to R 110 144 565,48 was certified by council to be irrecoverable and to be written-off.
7. The Accounting Officer continues to establish controls to detect and prevent these types of expenditure and the municipality has adopted the use of the centralized database from Treasury.

(1.4) Conditional Grant Performance - 2017/18

SUMMARY - CONDITIONAL GRANTS PERFORMANCE							
GRANT	BUDGET YEAR 2017/18					Approved Rollover	
	Original Budget	Adjusted Budget	Audit Outcome	Outcome as % Original	Outcome as % Adjusted	Total Approved	YTD Expenditure
Municipal Finance Management Grant	121 216 000	121 216 000	136 216 000	112,37%	112,37%		
Finance Management Grant	2 145 000	2 145 000	2 145 000	100,00%	100,00%		
Integrated National Electrification Programme	5 000 000	5 000 000	882 659	17,65%	17,65%		
Extended Public Works Programme	1 000 000	1 000 000	1 000 000	100,00%	100,00%		
Water Services Infrastructure Grant	30 000 000	30 000 000	4 811 999	16,04%	16,04%		
Total Grants	159 361 000	159 361 000	145 055 658	91,02%	91,02%		

The municipality applied for rollovers for the following grants:

- Water Services Infrastructure Grant (WSIG)
- Integrated National Electrification Programme (INEP)

(1.4) Conditional Grant Performance - 2017/18

Unspent conditional grants:

Unspent conditional grants increased from R 0,00 in 2016/17 to R 23 305 342 in the 2017/18.

The following DORA Grants remained unspent as at 30 June 2018:

- Water Services Infrastructure Grant – R 19 188 001 – Rollover approved
- Integrated National Electrification Programme – R 4 117 341 – Rollover approved
-

(1.5) Service Delivery Performance (SDBIP) – 2017/18

HIGH LEVEL SUMMARY - SDBIP PERFORMANCE

Description & Year	KPA 1 - Basic Service Delivery	KPA 2 - Municipal Transformation	KPA 3 - Local Economic Development	KPA 4 - Financial Viability	KPA 5 - Good Governance	Total Annual Target
2015/16						
SDBIP target set	45	23	8	6	4	86
Target achieved	25	15	5	3	3	51
% Target achieved	55,6%	65,2%	62,5%	50,0%	75,0%	59,3%
2016/17						
SDBIP target set	34	18	8	7	4	71
Target achieved	12	10	5	3	2	32
% Target achieved	35,3%	55,6%	62,5%	42,9%	50,0%	45,1%
2017/18						
SDBIP target set	28	20	7	5	3	63
Target achieved	25	12	4	3	3	47
% Target achieved	89,3%	60,0%	57,1%	60,0%	100,0%	74,6%

- Provide summary on reasons for deviations reported
- Strategies to address AGSA findings

(1.5) Service Delivery Performance (SDBIP) – 2017/18

KPA 1: Basic Service Delivery

Department: Water and Sanitation

IDP Objective	Project	Baseline/ Status Quo	Measurable Performance Indicator	2017/18 Original target	2017/18 Revised target	2017/18 Actual results	2017/18 Original Budget	2017/18 Revised Budget	2017/18 Actual outcome
To improve basic living conditions, health and well-being of society	Refurbishment of sewer networks	30 km defective/ old sewer pipes that require replacement	Replace 3 km of defective sanitation pipes	1 km	1.5 km	1 km	R14 m	R14.5 m	R14.1 m

- Provide a **detailed** overview of performance in terms of the 2017/18 SDBIP with specific focus on:
 - High Level performance per Services – (Water, Sanitation, Roads, Electricity, Housing) Identify 3 main projects per service
 - Indicate any adjustments to SDBIP targets and budgets for 2017/18
 - Provide 3-5 key projects per directorate
 - Provide reasons for over/ under performance

1.5) Service Delivery Performance (SDBIP) – Sanitation

STRATEGY	KPI	BASELINE	WARD No	ANNUAL TARGET	ANNUAL BUDGET	RESPONSIBLE DEPARTMENT	ANNUAL ACHIEVEMENT	REASON FOR DEVIATION	REMEDIAL ACTION	POE
Refurbish and upgrade Nyakallong WWTP Phase 2 and pump-stations as well as bulk sewer networks :	Upgrade of Nyakallong measured according to PPIM	WWTP exists	36	PPIM 71	R6m	MIG	Achieved	None	N/A	Minutes
Virginia: WWTP Sludge Management	Construction of Virginia: WWTP Sludge Management measured according to PPIM	WWTP exists	9	PPIM 90 completed	R11.33m	MIG	Achieved	None	N/A	Completion certificate
Mmamahabane: WWTW , Pump Station and Outfall sewer pipe line refurbish	Refurbishment and Upgrade of Mmamahabane WWTW measured according to PPIM	WWTW, Pump Station and Outfall sewer pipe exist in Mmamahabane	1	PPIM 85 completed	R8.4m	MIG	Achieved	None	N/A	Minutes

1.5) Service Delivery Performance (SDBIP) – Water

KPI	BASELINE	WARD No	ANNUAL TARGET	ANNUAL BUDGET	RESPONSIBLE DEPARTMENT	ANNUAL ACHIEVEMENT	REASON FOR DEVIATION	REMEDIAL ACTION	POE
Number of dysfunctional water meters replaced	5 000 meters exist	All	1 000 new meters	R1.5m	COUNCIL	Achieved	None	4182 water meters have been replaced	Job Control Forms
Installation of zonal meters measured according to PPIM		All Welkom, Bronville, Thabong and Riebeckstad	PPIM 85 completed	R4.2m	MIG	Not achieved	Project still at PPIM 30.	Expedite the evaluation and adjudication of tender for the appointment of Vuk'uphile learner contractors.	Copy of the Tender advert.
Replace steel pipe according to PPIM		36	PPIM 40 completed	R0.25m	MIG	Not achieved	Project still at PPIM 30.	Expedite the evaluation and adjudication of tender for the appointment of Vuk'uphile learner contractors.	Copy of the Tender advert.
Install new water network and house connections according to PPIM		23	PPIM 67 completed	R0.88m	MIG	Not achieved	Project still at PPIM 30.	Expedite the evaluation and adjudication of tender for the appointment of Vuk'uphile learner contractors.	Copy of the Tender advert.

1.5) Service Delivery Performance (SDBIP) – Roads

KPI	BASELINE	WARD No	ANNUAL TARGET	ANNUAL BUDGET	RESPONSIBLE DEPARTMENT	ANNUAL ACHIEVEMENT	REASON FOR DEVIATION	REMEDIAL ACTION	POE
Number of square meters of streets patched	79 000 m ²	All wards	15 800 m ²	R6m	COUNCIL	Partly achieved	Only 10970m ² was patched	More materials must be made available for service delivery	Job Control Forms
Number of km of gravel and dirt roads refurbished though blading/ regravelling	200km	All wards	60 km	R1m	COUNCIL	Partly achieved	Only 113,844 m of dirt road were bladed	More materials must be made available for service delivery	Job Control Forms
Construction of roads measured according to PPIM		28	PPIM 40 completed	R4.3m	MIG	Achieved	None	N/A	Copies of the Contractor's appointment letter and order issued by SCM.
Construction of roads measured according to PPIM		29	PPIM 90 completed	R0.5m	MIG	Achieved	None	N/A	Completion certificate
Construction of roads measured according to PPIM		6.7	PPIM 76 completed	R12,54m	MIG	Achieved	None	N/A	Completion certificate

1.5) Service Delivery Performance (SDBIP) – Cemeteries

KPI	BASELINE	WARD No	ANNUAL TARGET	ANNUAL BUDGET	RESONSIBLE DEPARTMENT	ANNUAL ACHIEVEMENT	REASON FOR DEVIATION	REMEDIAL ACTION	POE
Create new cemetery at Mmamahane and mesured according to PPIM	Existing near its life expectancy	1	PPIM 49 completed	R2.3m	MIG	Not achieved	The project was at PPIM 8.	Expedite completion and approval of Designs	Copy of the Preliminary Design report.
Develop Water Services Development master plan (WSDP) according to legislation (Act 108 of 1997) and Water master plan (WMP) according to PPIM	2011 Draft exists	All wards	PPIM 85 completed	R3m	COUNCIL/ DBSA	Not achieved	The Service Provider was appointed for the Development of the Water Services Development Plan (WSDP) but have since suspended work due to non-payment.	Payment of the Service Provider in order for them to return to complete the outstanding work on the WSDP.	1st completed Draft of the WSDP.
Develop Storm water Master plan for all towns and prioritize identified projects subject to availability of budget.	In need of masterplan for each town.	All wards			COUNCIL/ DBSA	Not achieved	The Master Plan was not prioritised for 2017/2018 as there was no sufficient funding.	The master plan must be prioritised as a matter of urgency and funding must be sourced elsewhere other than the initially planned if nothing came out of the plan.	None

1.5) Service Delivery Performance (SDBIP) – LED

KPI	BASELINE	WARD No	ANNUAL TARGET	ANNUAL BUDGET	RESPONSIBLE DEPARTMENT	ANNUAL ACHIEVEMENT	REASON FOR DEVIATION	REMEDIAL ACTION	POE
Upgrade Welkom Regional Taxi Centres measured according to PPIM		32	PPIM 20 completed	R2.2m	MIG	Achieved	The project is at PPIM 20 but has since been suspended due to lack of counter-funding from the Department of Roads and Transport.	Correspondence has been sent to CoGTA for the possibility of additional funding.	Copy of the Correspondence to Consulting Engineers to suspend works and the one to CoGTA requesting additional funding.
Construct pound measured according to PPIM			PPIM 58 completed	R5m	Municipal	Not achieved	The project was allocated capital budget but did not have funds available.	Allocate budget and funds to the project.	Copy of the Municipal capital budget.

1.5) Service Delivery Performance (SDBIP) – Municipal Transformation

KPA 1: MUNICIPAL TRANSFORMATION AND INSTITUTIONAL TRANSFORMATION

#	OBJECTIVE	STRATEGY	KPI	BASELINE	WARD No	ANNUAL TARGET	ANNUAL BUDGET	RESPONSIBLE DEPARTMENT	ANNUAL ACHIEVEMENT	REASON FOR DEVIATION	REMEDIAL ACTION	POE
KPA1 - 1	To ensure that the Matjhabeng Local Municipality is sufficiently capacitated with skilled and competent workforce across all levels in order to meet Service Delivery objectives.	Review the Organizational structure and identify critical positions to capacitate the Local Municipality.	Approved Organizational structure.	Structure reviewed by 4th Quarter of 2016/2017 financial year	All	Approved structure by 1 st Quarter of 2017/2018	R0	Corporate Services	Not achieved	The TASK process is incomplete	To address outstanding issue	Approved organisational structure
KPA1 - 2A	Recruit, Select and place applicants in line with the approved Organizational Structure and Budget.	Ensure that all critical appointments are filled in accordance with the Organizational structure and budget	Number of critical positions filled in accordance with the Organizational Structure.	In line with the guidelines related to critical skills as espoused by LGSETA Critical Skills Index	All	16% of all vacant positions in line with the annual staff turnover.	R74 898 461	Corporate Services	Not achieved	The organogram was not approved as planned	Approval of the structure was key to achieving the target	Structure
KPA1 - 2B		Recruit and place employees in line with approved Human Resources Policy.	All Employees placed in line with Human Resources policy.	Placement in line with HR Policy	All	100% placement in line with HR Policy	R0	Corporate Services	Not achieved	The organogram was not approved as planned	Approval of the structure was key to achieving the target	Placed staff
KPA1 - 2C		Induct all newly recruited employees	New Employees inducted	Induction conducted	All	All New employees Inducted	R0	Corporate Services	Not achieved	Due to non-approval of the new structure	Approval of the structure was key to achieving the target	Induction report/list

1.5) Service Delivery Performance (SDBIP) – Finance

#	OBJECTIVE	STRATEGY	KPI	BASELINE	WARD No	ANNUAL TARGET	ANNUAL BUDGET	RESPONSIBLE DEPARTMENT	ANNUAL ACHIEVEMENT	REASON FOR DEVIATION	REMEDIAL ACTION	POE
PROGRAMME: FINANCIAL ACCOUNTING AND MANAGEMENT												
KPA4 - 1A	To practice sound and sustainable financial management personnel	Submit draft AFS for audit purposes	Draft annual financial statements are submitted to auditor general for audit	Annually	All	31-Aug-17	R2 000 000	FINANCE	Achieved	None	N/A	Annual Financial statements 2017
KPA4 - 1B		Implement action plans, financial accounting and internal controls as per professional standards, financial management to form part of strategic communication	Date by action plans and related policies are to be communicated with stakeholders	Annually	All	31-Aug-17	R0	FINANCE	Achieved	None	N/A	Financial policies and action plans
KPA4 - 1C		Implement 100% of allocated capital projects to identified projects in the 2017/2018 financial year	The % of a municipality's capital budget actually spent on capital projects identified for 2017/2018 in terms of the approved IDP	Annually	All	30-Jun-18	R121 216 000	FINANCE	Achieved	None	N/A	Capital project report

s2) Session 2:
Section 72 in-year performance
(2018/19 Financial





(2.1) 2018/19 Mid-year performance

General theme of the mid year discussion should focus on the following:

- The aim of this session is for the municipality to summarise at a high level the resolutions of the benchmark discussion with National Treasury based on their tabled budget, indicate any changes made to the adopted budget and the outcome of the half year budget implementation.

(2.1) Revenue Management

Financial performance to include the following:

Revenue:

- Performance against targets for property rates and trading services

Table A4 Financial Performance - Revenue billed as at 31 December 2018

Description	2018/19			
	Tabled Budget	Original Budget	YTD Actual	% of Original
<u>Revenue By Source</u>				
Property Rates	294 052 535	294 052 535	153 117 418	52,07%
Service Charges - electricity revenue	673 476 058	673 476 058	349 714 942	51,93%
Service Charges - water revenue	361 259 659	361 259 659	173 483 429	48,02%
Service Charges - sanitation revenue	155 578 326	155 578 326	83 340 400	53,57%
Service Charges - refuse revenue	88 430 380	88 430 380	61 549 419	69,60%

- 52,21% has been collected from the original total budget.
- Revenue Enhancement Committee established to address under collection of revenue.
- The local economy is declining, hence no growth in the revenue base.

(2.1) Expenditure Management

Table A4 Financial performance - Expenditure as at 31 December 2018

Description	2018/19			
	Tabled Budget	Original Budget	YTD Actual	% of Original
Expenditure By Type				
Employee related costs	732 641 693	732 641 693	333 194 413	45,48%
Remuneration of councillors	30 822 501	30 822 501	16 569 736	53,76%
Debt impairment	142 020 000	142 020 000	1 848 814	1,30%
Depreciation & asset impairment	136 000 000	136 000 000	0	0,00%
Finance charges	133 864 802	133 864 802	230 567	0,17%
Bulk purchases	921 204 731	921 204 731	167 928 706	18,23%
Other materials	122 507 530	122 507 530	70 376 723	57,45%
Contracted services	104 067 657	104 067 657	50 309 777	48,34%
Transfers and subsidies				
Other expenditure	92 307 379	92 307 379	81 166 853	87,93%
Loss on disposal of PPE				
Total Expenditure	2 415 436 293	2 415 436 293	721 625 589	29,88%

- 29,88% of the total budget spend as at 31 December 2018.
- The contract for consultants expired 31 December 2018.
- Consultants were appointed to assist the municipality with AFS and HR matters.

(2.1) Capital Expenditure

Statement of capital expenditure by vote and funding source - Table A5

Vote Description	2018/19 performance		% performance % of original budget
	Original Budget	YearTD actual	
Vote 1 - COUNCIL GENERAL	0	0	
Vote 2 - OFFICE OF THE EXECUTIVE MAYOR	0	0	
Vote 3 - OFFICE OF THE SPEAKER	0	0	
Vote 4 - COUNCIL WHIP	0	0	
Vote 5 - OFFICE OF THE MUNICIPAL MANAGER	0	0	
Vote 6 - CORPORATE SUPPORT SERVICES	0	0	
Vote 7 - FINANCE	0	0	
Vote 8 - HUMAN RESOURCES	0	0	
Vote 9 - COMMUNITY SERVICES	42 418 021	7 924 866	19%
Vote 10 - PUBLIC SAFETY AND TRANSPORT	0	0	
Vote 11 - ECONOMIC DEVELOPMENT	2 235 293	0	
Vote 12 - ENGINEERING SERVICES	18 987 985	14 436 084	76%
Vote 13 - WATER	86 852 499	35 978 069	41%
Vote 14 - ELECTRICITY	12 912 202	248 000	2%
Vote 15 - HOUSING SERVICES	0	0	
Total Capital Expenditure	163 406 000	58 587 019	36%
Funded by:			
National Government	163 406 000	58 587 019	36%
Provincial Government			
District Municipality			
Other transfers and grants			
Transfers recognised - capital	163 406 000	58 587 019	36%
Public contributions & donations			
Borrowing			
Internally generated funds			

2.1 Cash Flow at 31 December 2018

FS184 Matjhabeng - Table C7 Monthly Budget Statement - Cash Flow - Mid-Year Assessment

Description	Ref	2017/18	Budget Year 2018/19							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates			264 647		13 637	98 293	132 324	(34 031)	-26%	196 585
Service charges			833 734		50 131	342 981	416 867	(73 886)	-18%	685 962
Other revenue			160 174		6 939	51 495	80 087	(28 592)	-36%	102 990
Government - operating			461 252		129 707	320 972	230 626	90 346	39%	641 944
Government - capital			163 406		15 515	105 196	81 703	23 493	29%	210 392
Interest			139 323		431	3 433	69 662	(66 228)	-95%	6 867
Dividends			20		—	—	10	(10)	-100%	—
Payments										
Suppliers and employees		—	(2 281 571)	—	(181 089)	(721 395)	(1 140 786)	(419 391)	37%	(1 442 790)
Finance charges		—	(133 865)	—	(53)	(231)	(66 932)	(66 702)	100%	(461)
Transfers and Grants		—	—	—	—	—	—	—		—
NET CASH FROM/(USED) OPERATING ACTIVITIES		—	(392 879)	—	35 218	200 744	(196 440)	(397 184)	202%	401 488
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE								—		
Decrease (Increase) in non-current debtors								—		
Decrease (increase) other non-current receivables								—		
Decrease (increase) in non-current investments								—		
Payments										
Capital assets								—		
NET CASH FROM/(USED) INVESTING ACTIVITIES		—	—	—	—	—	—	—		—
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans								—		
Borrowing long term/refinancing								—		
Increase (decrease) in consumer deposits								—		
Payments										
Repayment of borrowing								—		
NET CASH FROM/(USED) FINANCING ACTIVITIES		—	—	—	—	—	—	—		—
NET INCREASE/ (DECREASE) IN CASH HELD		—	(392 879)	—	35 218	200 744	(196 440)			401 488
Cash/cash equivalents at beginning:			(4 875)				(4 875)			—
Cash/cash equivalents at month/year end:		—	(397 755)	—		200 744	(201 315)			401 488

(2.1) Asset Management –capital expenditure performance

Repairs and Maintenance Performance

Description	Audited Actuals			2018/19	
	2015/16	2016/17	2017/18	Original Budget	YTD
R&M	39 768 465	71 864 414	61 038 826	98 354 118	70 372 723

- 71% of the R&M budget has been spent as at 31 December 2018.
- Asset Renewal:
 - Indicate the provision for asset renewal and spending in relation thereto;
 - Measure performance against the total required infrastructure investment; and
 - Where there is an under provision explain the impact of the current performance in the longer term?
- Does the municipality have asset management plans over the project life cycle?

Asset Management Unit (Y/N)	AM Unit Functional (Y/N)	Asset Management Plan (Y/N)	Long Term Strategy for Assets (Y/N)
Y	Y	Y	N

(2.1) Conditional Grant Performance - 2018/19

CONDITIONAL GRANTS TRANSFERRED FROM NATIONAL DEPARTMENTS AND ACTUAL PAYMENTS MADE BY MUNICIPALITIES: PRELIMINARY RESULTS									
	Division of revenue Act No. 1 of 2018	Total Available 2018/19	Transferred to municipalities for direct grants	Actual expenditure by municipaliti es by 30 September 2018: Q1	Actual expenditure by municipalities by 31 December 2018: Q2	YTD Actual expenditure by municipalities	Actual expendit ure by municip alities	Exp as % of Allocatio n by municipa lities	Total Roll Over 2018/19
R thousands									
National Treasury									
Local Government Financial Management Grant	2 215	2 215	2 215	822	1 081	1 904	31.5%	86.0%	
Public Works									
Expanded Public Works Programme Integrated Grant (Municipality)	1 000	1 000	700		1 274	1 274	-	127.4%	
Energy									
Integrated National Electrification Programme (Municipal) Grant	10 000	10 000	6 000			-	-	-	
Water Affairs									
Water Services Infrastructure Grant (Schedule 5B)	36 825	36 825	27 500		5 296	5 296	-	14.4%	
Cooperative Governance									
Municipal Infrastructure Grant	116 581	116 581	71 696	23 089	30 201	53 290	30.8%	45.7%	

(2.1) Debtors Management

Debtors Age Analysis - 31 December 2018

Description	Budget Year 2018/19									
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days
R thousands										
Debtors Age Analysis By Income Source										
Trade and Other Receivables from Exchange Transactions - Water	45 753	20 161	18 000	18 330	21 682	15 632	137 812	732 954	1 010 322	926 409
Trade and Other Receivables from Exchange Transactions - Electricity	43 473	19 975	12 220	9 980	9 368	7 128	35 918	131 391	269 453	193 785
Receivables from Non-exchange Transactions - Property Rates	23 769	8 873	7 292	6 871	17 919	5 394	32 797	190 534	293 449	253 515
Receivables from Exchange Transactions - Waste Water Management	13 776	10 950	10 741	11 214	11 520	7 993	52 882	286 645	405 721	370 254
Receivables from Exchange Transactions - Waste Management	8 418	6 550	6 467	6 794	6 939	4 633	30 874	192 616	263 290	241 856
Receivables from Exchange Transactions - Property Rental Debtors	1 174	1 145	1 121	1 097	1 056	996	6 435	54 902	67 926	64 486
Interest on Arrear Debtor Accounts	15 989	15 615	15 223	15 030	14 584	14 340	93 972	526 868	711 622	664 795
Recoverable unauthorised, irregular, fruitless and wasteful expenditure									–	–
Other	382	1 531	1 530	1 105	3 189	548	8 681	18 472	35 437	31 995
Total By Income Source	152 733	84 800	72 595	70 422	86 257	56 663	399 370	2 134 382	3 057 221	2 747 093
2017/18 - totals only									–	–
Debtors Age Analysis By Customer Group										
Organs of State	10 298	5 772	4 489	4 486	14 076	2 894	17 581	30 305	89 900	69 341
Commercial	51 008	22 370	13 301	11 711	13 399	10 730	59 490	381 497	563 506	476 826
Households	89 936	55 241	53 426	52 883	56 586	41 858	314 680	1 698 379	2 362 988	2 164 385
Other	1 491	1 418	1 378	1 342	2 196	1 182	7 619	24 202	40 827	36 540
Total By Customer Group	152 733	84 800	72 595	70 422	86 257	56 663	399 370	2 134 382	3 057 221	2 747 093

(2.1) Debtors Management

- *Collection rate as at 31 December 2018:*

	Total Income	Pay Rate
Jul-18	43%	42%
Aug-18	65%	64%
Sep-18	57%	57%
Oct-18	68%	67%
Nov-18	42%	41%
Dec-18	63%	62%
Average	56%	56%

- *Debt written off (2018/19 financial year)*
- *Detail on credit control measures implemented monthly (i.e nr. of cut-offs, etc.)*
 - Revenue Enhancement Committee established to address under collection of revenue consisting of Councilors and Officials
 - *Cut off implemented*

(2.1) Creditors Management

Creditors Age Analysis - 31 December 2018

Description	Budget Year 2018/19								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	
R thousands									
Creditors Age Analysis By Customer Type									
Bulk Electricity	58 390	559	56 965	57 108	1 970 398				2 143 420
Bulk Water	43 854	63 520	54 686	114 407	2 321 375				2 597 842
PAYE deductions	8 741	8 483	9	–	–				17 234
VAT (output less input)	–	–	–	–	–				–
Pensions / Retirement deductions	22 739	4 341	–	–	–				27 081
Loan repayments	–	–	–	–	–				–
Trade Creditors	11 935	11 364	2 546	14 325	25 929				66 099
Auditor General	1 397	3 067	2 673	1 530	833				9 500
Other									–
Total By Customer Type	147 057	91 334	116 880	187 369	4 318 535	–	–	–	4 861 174

(2.1) Creditors Management

Report on:

- 3rd party payments status

OUTSTANDING 3RD PARTIES OCT 2018

SARS	9 215.49
SUB TOTAL	9 215.49

OUTSTANDING 3RD PARTIES NOV 2018

SARS	8 482 961.54
SUB TOTAL	8 482 961.54

OUTSTANDING 3RD PARTIES DEC 2018

MAINTENANCE	11 000.00
SARS	8 741 477.86
LOANS	2 846 233.11
SUB TOTAL	11 598 710.97

2.1) Creditors Management

Eskom Payment Plan & Sedibeng Payment Plan

- The Municipality had a payment plan agreement with Sedibeng and Eskom but currently is in litigation process between Sedibeng and Eskom.

(2.3) Institutional Arrangements

Vacancy for top management

1. Executive Director: Engineering Services
2. Executive Director: LED and Planning

Status of Senior Managers contracts

1. Municipal Manager ending 01 July 2022
2. Executive Director: Corporate Services ending 01st April 2020
3. Executive Director: Strategic Support is permanent
4. Executive Director: Community Services ending 01st December 2022
5. Chief Financial Officer ending 01st December 2022

Summary vacant posts in Service delivery units

Indicate key/critical vacant posts per directorate

Engineering Services has 11 Managers positions and 2 Senior Managers positions vacant.

At operational level Engineering Services has 289 vacant positions which includes technicians; artisans and plumbers

Community Services has 2 Senior Manager positions that are vacant and 4 Manager vacancies

At the operational level the vacancy rate is at 576

Finance has 2 manager vacancies.

At operational level Finance has 84 vacancies

(2.3) Institutional Arrangements

Plans put in place to appoint within current financial resources.

The approval of the Organizational Structure is meant to streamline and determine the size within the budget.

- **Minimum competency:**
 - Number of employees enrolled and completed per level, e.g.:
 - Exec Management (All Compliant)
 - Managers (2 managers enrolled and 21 managers completed)
 - Employees (40 Enrolled and 105 completed)

(2.4) Supply Chain Management

- Disciplinary Board:
 - Any cases referred to the DC Board during 2018/19?
 - No cases referred to the DC Board during 2018/19
- Unauthorized, Irregular and Fruitless & Wasteful Expenditure
 - Any unauthorized, irregular and fruitless & wasteful expenditure for the 17/18 identified financial year
 - Unauthorized expenditure R873 124 569
 - Irregular Expenditure R358 024 407
 - Wasteful Expenditure R167 709 893
- Progress towards implementation of the procurement plans 60%

(2.4) Adjustments budget estimates – 2018/19

- The 2018/19 Adjustment Budget will be tabled in Council before 28 February 2018. The reason for this decision was to ensure that the recommendations from the Mid-term budget bilaterals are incorporated in the budget and also to ensure that the alignment matters identified are also completely addressed.
- The corrections between the A1 and ORGB will be corrected by means of the adjustment budget.
- The Treasury Reporting Utility was implemented in order to generate Schedule A, B and C directly from the system.
- Currently challenges relate to the alignment issues, remedial action identified was to undergo more training on TRU facility. The system vendor also addresses alignment challenges and issues solutions on how to correct the issues.

(s3) Session 3: mSCOA Implementation

(3.1) Progress on mSCOA Presentation

- The Treasury Reporting Utility was implemented in order to generate Schedule A, B and C directly from the system.
- Currently challenges relate to the alignment issues, remedial action identified was to undergo more training on TRU facility. The system vendor also addresses alignment challenges and issues solutions on how to correct the issues.

**(S4) Session 4:
Preparation for the 2019/20 MTREF**

(4.1) Status of 2019/20 Budget Preparation Process

- The 2019/20 Budget Preparation Process was tabled in Council on 31 May 2018 (A46/2018).

A46 of 2018

BUDGET/ IDP REVIEW PROCESS PLAN – 2019/ 2020 (EXECUTIVE MAYOR) (18/1/18)

PURPOSE

To present the Budget/ IDP Review Process Plan in terms of chapter 5 of the Municipal Systems Act and MFA chapter 4 section 21, to Council for consideration.

DISCUSSION

The Executive Mayor presented the item to Council.

COUNCIL RESOLVED: (30 MAY 2018)

*That Council **APPROVES** the Budget/Integrated Development Plan Review Process-Plan for financial year 2019/ 20.*

(4.1) Status of 2019/20 Budget Preparation Process

- The 2019/20 Budget Preparation Process was tabled in Council on 31 May 2018 (A46/2018).

A46 of 2018

BUDGET/ IDP REVIEW PROCESS PLAN – 2019/ 2020 (EXECUTIVE MAYOR) (18/1/18)

PURPOSE

To present the Budget/ IDP Review Process Plan in terms of chapter 5 of the Municipal Systems Act and MFA chapter 4 section 21, to Council for consideration.

DISCUSSION

The Executive Mayor presented the item to Council.

COUNCIL RESOLVED: (30 MAY 2018)

*That Council **APPROVES** the Budget/Integrated Development Plan Review Process-Plan for financial year 2019/ 20.*

(4.2) Risk Management

- Identify top 10 municipal risks
- Has a formal risk register been drafted (specify date)?
- Has the municipality appointed a Chief Risk Officer?
- What internal structures have been established to deal with risk management, how often did these structures meet and the level of representation?
- The table below serves as a guide for reporting risk management issues:

Risk name	Assigned to	Progress made to date	Alignment with the budget
Incurring expenditure before gazetted funds are received by the municipality.	CFO	No expenditure is incurred until gazetted funds are received.	Transfer and confirmation of receipt of funds per the gazette and approved budget.

(4.2) Risk Management Cont.

Top ten risks

Risk 1. Cash Flow constraints

Risk 2. Non- compliance with laws & regulations

Risk 3. Fraud & Corruption

Risk 4. Ageing Infrastructure

Risk 5. Disaster Recovery Plan & Business Continuity Plan not in place

Risk 6. Lack of development & growth

Risk 7. Turn-around time in filling key positions

Risk 8. Inability to attract & retain employees

Risk 9. Blockages of storm water

Risk 10. Water loss

(S5) Session 5: Other Matters

(5.1) Back to Basics

- Indicate progress w.r.t implementation of back to basics action plans

Back to Basics indicators for the period July 2018 to December 2018te:		
How many households received electricity?	No of Households	29292
How many outages there were in the previous month?	Number	1002
The average time taken to fix outages in the system,	Hours	3-6 hours
How many households had their electricity disconnected for non-payment?	No of Households	68
How many households were connected for the first time to the electricity system?	No of Households	12

(5.2) Propac Resolutions

- Indicate progress w.r.t implementation of PROPAC resolutions
- **Vacancies**
 - The Municipality uses the 2009 approved organisational structure.
 - There is a draft structure waiting to be approved by council;
 - We have developed a list of critical posts that must be advertised and filled as a matter of urgency;

Consultants

- We have appointed consultants to assist the Municipality on AFS compilation and related HR issues;
- We have terminated contracts of the above consultants as from the end of January 2019;
- Some consultants on meter reading have also received the termination letters;
- We still rely on some consultants on the delivery of critical services especially where we lack capacity.

(5.2) Propac Resolutions

Internal Audit

- The vacancy rate of the Internal Audit unit is 60%
- The unit lack capacity in terms of performing their expected responsibilities;
- There is an urgent need to provide capacity to the unit.

Audit Committee

- The Audit Committee was appointed by Council in March 2018;
- They have had three meetings in the current financial year.
- They have attended at least one council meeting where they presented key internal audit and audit committee documents to council.

(5.2) Propac Resolutions

Risk Management

- There is no Risk Management Unit in the Municipality;
- We have appointed an official to assist with risk management processes for the Municipality;
- Updating of the risk register has not been completed for the 2018/2019;
- All related risk documents served before a s80 committee and will be submitted to council;
- We anticipate that a unit is established immediately a structure is approved by council.

(5.2) Propac Resolutions

Performance Information

- Alignment between the IDP, SDBIP and annual report was improved for 2017/2018;
- Filing of portfolio files was also given attention for the 2017/2018;
- Some project targets could not be achieved due to budgetary constraints. This was a challenge for the last financial years. We have ensured that those projects without budgets be removed from the SDBIPs and be planned for the succeeding financial year.

MPAC

- The Municipal MPAC is functional;
- Its meeting takes place as required by law;
- They also make recommendations to Council as per their terms of reference and these get implemented.

(5.3) S139 Interventions

- See the Attached innervations report

SOLID WASTE MANAGEMENT					
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION	TIMEFRAME	RESPONSIBLE PERSONS	PROGRESS
Inconsistent Refuse Removal Service due to Shortage of tools of trades like refuse removal vehicles	Lack of resources like compactor trucks (20 trucks not in operation), grab trucks, roll on trucks and skip loader to service 123 195 formal household and 24 300 informal households. Gradual expansion of Towns (Units) which affects existing tools of trade.	Embark on cost benefit analysis for acquisition of Fleet (i.e. procurement v finance lease) Short term measure - (currently we are leasing 10 compactor trucks at the amount of R2m per month	Aug-18	DPRT, COGTA, MM, All All Exc. Managers	
Shortage of human resources	The current approved structure does not speak to institutional and community needs	Approval of the proposed Organogram	Urgent	Council	
Non-compliance with National Environmental Management Act	Lack of resources (wheelie bins)	Use of refuse bags by communities. Review of Waste Management Policy to include affordable measures on how refuse can be collected.	Ongoing End Dec 2018	Executive Director Community Services	Draft Policy developed, to be submitted to Council by the end of Dec 2018.

(5.3) S139 Interventions

COMMUNITY FACILITIES, CEMETERIES SPORTS AND RECREATION			
CHALLENGES	ROOT CAUSES OF	PROPOSED INTERVENTION	TIMEFRAME
Digging of graves (down time)	Lack of resources (TLB's for digging of graves)	Short Term- Renting of 2 TLB's at R120 000p/m. Medium-Long - Procure as per the recommendation of the assessment by DPRT (government government)	Ongoing
	Unavailability of Operators.	Expedite the approval of the proposed structure to accommodate the required plant operators	End Aug 2018
Cemeteries	Lack of Fencing	Utilisation of MIG Funds for fencing.	2018/19
	Vandalism of fencing	Awareness campaigns; alternative types of fencing (i.e. plastic palisade fencing)	Immediately
	Shortage of personnel for maintenance	Expedite the approval of the proposed structure to accommodate the required plant operators	
Pruning of trees	Lack of resources (tools of trade) for pruning of trees	Short term measure – rental of 2 cherry pickers Medium to long term - Procure as per the recommendation of the assessment by DPRT (government government)	Ongoing

Aug-18

(5.3) S139 Interventions

TRAFFIC MANAGEMENT		
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION
Communication System (Traffic Control)	Unavailability of radio communication devices	Short term – provide the officials with airtime vouchers Medium to long term Procure/ lease communication system
	<p>Lack of vehicles which leads to 4 to 5 officers travelling in a vehicle. This render the other officers ineffective as they all need to travel to one incident at a time (minimum required 23; available 8).</p> <p>- Response times to accidents and incidents are affected</p> <p>-The shortage affects service delivery as officers are not on time at their traffic points in the morning due to offload of all officers with one or two vehicles.</p> <p>- The Warrants Section cannot operate during peak hours (which is the most effective time) as they assisting Law Enforcement with transporting officers to and from the points.</p> <p>-The blue lights and sirens are not in working order for longer than a year now due to budget constraints and poses huge challenges during the escorting of dignitaries</p>	<p>Medium to long term - Procure as per the recommendation of the assessment by DPRT (government government)</p>
Law enforcement equipment	<p>shortage of enforcement equipment</p> <p>(Speed machines/Drager Alcohol Machines/K78 Roadblock trailer/Fire Arms/Automated Number Plate Recognition System)</p>	<p>- Procure/ lease equipment and K78 trailer for road blocks and training</p> <p>- provision of funding for servicing of equipment</p>
Accommodation for Traffic Trainees	<p>Due to the inability to provide accommodation, the Municipality are losing some revenue as learners has no choice to seek for private accommodation. Some Municipalities rather enrol students at colleges where accommodation forms part of the training package as the administration to separate payment is a cumbersome process.</p>	<p>There is a municipal building that is occupied by SASSA that can be upgraded for this purpose.</p> <p>Process of investigation the possible of acquiring that building back be started.</p>

(5.3) S139 Interventions

SECURITY MANAGEMENT					
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION	TIMEFRAME	RESPONSIBLE PERSONS	PROGRESS
Supply of fuel	Usage of one supplier in Allanridge.	Short term: Availability of fuel points in all towns Medium/Long term: Full fleet management system	End of July 2018 End of August 2018	Municipal Manager	Available but not implemented fully
Security at all Municipal facilities	Theft and vandalism	Report of the SSA be availed and analyze, submitted for approval to Council	End of August 2018	Municipal Manager & Council	

(5.3) S139 Interventions

FIRE & RESCUE SERVICES					
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION	TIMEFRAME	RESPONSIBLE PERSONS	PROGRESS
Non-compliance with MSA, Fire Brigade Act and SANS	Lack of Fire Engines and other equipment. Poor condition of 4 Fire Stations	Procurement of 3 Fire Engines.	Jan-19	Executive Director, PMU,CFO	1 Satellite station already established and 5 still remaining.
		Upgrading of four Fire Stations	Aug-18		
		MOU to be negotiated with District Municipality	Aug-18		
		Establishment of 6 satellite fire stations	2020/2021		

(5.3) S139 Interventions

INSTITUTIONAL				
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION	RESPONSIBLE PERSON	TIME FRAME
Poor service delivery	Shortage of resources i.e. materials, plant and equipment	<p>i. Revise current procurement procedure;</p> <ul style="list-style-type: none"> ✓ Implementation of efficient SCM processes. ✓ Increase collection of revenue for services rendered (awareness campaigns per ward linked to set targets). ✓ Procure fuel from wholesale suppliers. ✓ Procurement of Annual tenders for the procurement of maintenance services and materials. <p>ii. Acquire New Fleet or alternative Fleet Management Services</p>	Executive Director Infrastructure, CFO & MM	Sep-18
	Lack of capacity and Shortage of Skills	<ul style="list-style-type: none"> • Completion of Skills Audit and Training of Personnel. • Align the organizational structure with the service delivery requirements and fill vacancies • Minimize outsourcing and build internal capacity. 	Executive Director Corporate Services (Municipal Organisational & Efficiency Studies)	December 2018

(5.3) S139 Interventions

ELECTRICITY				
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION	RESPONSIBLE PERSON	TIME FRAME
Deficiencies in electrical services	Ageing Infrastructure	<ul style="list-style-type: none"> Allocate internal funding for the Development of Electrical Master Plans Seek funding for the refurbishment of the Ageing Infrastructure 	Executive Director Infrastructure, CFO & MM	Dec-18
	Shortage of Resources	<ul style="list-style-type: none"> Procurement of 8 x 1 tonner LDV's Procurement of 1 TLB's Procurement of 2 x 14meter and 2 x 12meter Cherry Pickers Procurement of 2 x 5Ton Trucks with 5T Hydraulic Crane Appointment of 8 Qualified Electricians 	Executive Director Infrastructure, CFO & MM	Dec-18
	Theft and vandalism of public lighting	<ul style="list-style-type: none"> A political interventions is required in this regards as the an estimated 35 High mast and 291 Streetlight are damaged and vandalised in the MLM area which will amount to an estimated R7.9 million to repair and reinstate. Investigate and implement technologies to reduce theft and vandalism 	Executive Mayor, MMC Infrastructure & Technical services	Dec-18
	Electrification Backlogs Eskom areas = 2 230 Municipal area = 1 160	<ul style="list-style-type: none"> Application submitted to DOE for funding. Awaiting approval. 	Executive Director Infrastructure	August 2018

WATER / WATER DEMAND				
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION	RESPONSIBLE PERSON	TIME FRAME
High Water Losses	<p>Ageing Infrastructure:</p> <ul style="list-style-type: none"> Approximately 250km which is 15% of the water reticulation network is in a poor condition and require urgent attention. 722km which constitutes 44% of the network is Asbestos Cement pipes that must also be urgently replaced 	<ul style="list-style-type: none"> Development of Water Master Plans (DBSA currently assisting) Seek funding for refurbishment of ageing infrastructure and replacement of Asbestos Cement Pipes Replacement of ageing Infrastructure in PDA's through MIG funding Implement the Leak Detection and Repair project. Negotiate a payment plan with the SP already appointed 	Executive Director Infrastructure, Executive Director Strategic Support Services & CFO	Immediately
	<p>Unmetered areas contributing to high water losses (6 900 households) Reasons:</p> <ul style="list-style-type: none"> Policy differences before amalgamation where flat rates was policy of some areas Removal of meters by consumers Non-metering of supply connections by Provincial Department of Human Settlement Contractors during RDP development Meters covered by soil due to consumer behaviour 	<ul style="list-style-type: none"> Consumer education action plan must be compiled. Water Services By-law must be promulgated Water distribution and metering policy must be approved by Council. (Draft Policy was approved by the S80 Committee for Technical Services). Installation of meters 	<p>Executive Director Infrastructure & Speaker's Office.</p> <p>Ex Director Corporate Services</p> <p>EXCO</p> <p>Executive Director Infrastructure / CFO</p>	<p>September 2018</p> <p>Sep-18</p> <p>Aug-18</p> <p>Mar-19</p>

(5.3) S139 Interventions

SANITATION				
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION	RESPONSIBLE PERSON	TIME FRAME
Sewer Spillages	<ul style="list-style-type: none"> Ageing Infrastructure Misuse of sewer network Theft and vandalism Illegal Mining Dysfunctional Sewer Pump stations and WWTW Capacity of Kutlwanong, Whites and Thabong WWTW 	<ul style="list-style-type: none"> Development of Sanitation Master Plans Conduct an assessment of the sewer network Develop business plans to apply for funding to replace the ageing infrastructure A Community Awareness Program on the use of sewers must BE IMPLEMENTED with the assistance of an outsourced expert and guided by the Department of Water and Sanitation. Investigate and implement technologies to reduce theft and vandalism National Government intervention required to deal with the issues of illegal mining in the area. Prepare business plans to apply for funding to refurbish dysfunctional sewer pump stations across Matjhabeng and improve capacity of WWTW 	<p>Executive Director Strategic Support Services</p> <p>Ex Director Infrastructure</p> <p>Ex Director Infrastructure</p> <p>Ex Director Infrastructure / Political Office/ DWS</p> <p>Ex Director Infrastructure / Director Community Services (Security)</p> <p>Executive Mayor & MM</p>	September 2018

(5.3) S139 Interventions

ROADS, STORMWATER & BUILDINGS				
CHALLENGES	ROOT CAUSES	PROPOSED INTERVENTION	RESPONSIBLE PERSON	TIME FRAME
Poor conditions of roads and storm water	<ul style="list-style-type: none"> Ageing Infrastructure Under capacitated storm water drainage system Damages caused by sewer spillages and water leakages 	<ul style="list-style-type: none"> Updating of Roads and Storm water Master Plans. Rebuilding of damaged Storm water canals. Prepare business plan to apply for funding for the full rehabilitation of the Road Network Resealing of roads 	<p>Executive Director Strategic Support Services</p> <p>Ex Director Infra</p>	March 2019
	<ul style="list-style-type: none"> Shortage of Resources 	<ul style="list-style-type: none"> Procurement of 4 graders Procurement of 3 front-end loaders Procurement of 8 tipper trucks Procurement of 1 water cart Procurement of 2 TLBs Procurement of 4 LDVs 	Executive Director Infrastructure, CFO & MM	Dec-18

(5.4) Financial Management Capability Maturity Model

- Provincial Treasury and municipality had a work session on 22 January 2018.
- The FMCMM Action plan was reviewed and updated and submitted to PT on 28 January 2018.
- The SCM and Revenue modules posted challenges.