**MADIBENG LOCAL MUNICIPALITY**



**MID-YEAR PERFORMANCE REPORT:**

**NON-FINANCIAL PERFORMANCE 2016/2017**



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## Purpose

The purpose of this report is to give feedback regarding the non-financial performance of Madibeng Local Municipality as at mid-year of the 2016/2017 financial year in compliance with the following legislative requirements:

Section 72 (1) of the Municipal Financial Management Act (MFMA)[[1]](#footnote-1) requires that the Accounting Officer must by the 25 January of each year –

1. assess the performance of the municipality during the first half of the financial year, taking into account –
2. the monthly statements referred to in section 71 for the first half of the financial year;
3. the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
4. (the past year's annual report, and progress on resolving problems identified in the annual report; and
5. (the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and
6. submit a report on such assessment to—
7. the mayor of the municipality;
8. the National Treasury; and
9. the relevant provincial treasury.

This non-financial mid-year performance report contains information about:

* The 1st and 2nd Quarterly performance report and annual targets as per the SDBIP for the first two quarters of the 2016/2017 financial year is reported on. The SDBIP contains the Key Performance Areas, objectives and indicators as per the Municipal IDP as well as General Key Performance Indicators.
* The successes and challenges that were experienced during the financial year in achieving targets, especially in cases where targets were not met.
* Measures taken to improve performance: corrective action is included for each KPI or Project Target not achieved.
* Comparison of performance against set targets and performance in previous financial year:
  + Calculations for variance between actual mid-year performance and annual targets are included for each KPI.
  + Comparisons of performance against mid-year targets are highlighted in the form of colours. The scoring method utilised is in line with the assessment rating calculator prescribed by the Local Government: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, Regulation 805 of 2006.

## Components of the Quarterly Performance Report

The following is reported on:

* Performance Highlights
* SDBIP Non-financial performance of service delivery and performance indicators and targets
* SDBIP Project Implementation
* General Key Performance Indicators
* SDBIP Budget Statement Components
* Risks, SWOT analysis and Recommendations
* Annual Report action plan 2015-2016 progress
* Approval of this Report

## Overview of Municipal Performance

Overall Municipal Performance is calculated from all the indicators and projects applicable to the municipality as measured through its performance management system. The indicators and projects are collected into scorecards for General Indicators, Indicators contained in the IDP and SDBIP for 16/17.

**Overall SDBIP performance achieved a score of 71% at mid-year. A total of 73 indicators were assessed of which 31 were not applicable for reporting at mid-year. Overall 30/42 (71%) of targets were reached or exceeded, 12/42 (29%) were not reached or had no or minimal progress.**

A graphical breakdown of performance is as below.

## SDBIP Service Delivery and Performance Indicators Performance

The SDBIP was developed reflecting indicators and targets per Key Performance Area (KPA). Performance against predetermined objectives (service delivery and key performance indicators and targets) per KPA follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **KEY PERFORMANCE AREA** | **TOTAL KPI’s** | **NOT TARGETED / APPLICABLE** | **TOTAL MID-YEAR** | **ACHIEVED** | **NOT ACHIEVED** | **% KPA** |
| Municipal Transformation & Institutional Development | 7 | 5 | 2 | 1 | 1 | **0%** |
| Basic Services Delivery & Infrastructural Services | 27 | 13 | 14 | 11 | 3 | **79%** |
| Local Economic Development | 10 | 2 | 8 | 7 | 1 | **86%** |
| Municipal Financial Viability & Management | 13 | 4 | 9 | 6 | 3 | **67%** |
| Good Governance and Public Participation | 16 | 7 | 9 | 5 | 4 | **56%** |
| **TOTAL NUMBER** | **73** | **31** | **42** | **30** | **12** |  |

Some of the successes at mid-year per priority area were as follows:

* Building Plans Administration and Inspectorate: the municipality was able to approve 207 building plans within an average turn-around time of 30 working days; and also submitted 10 building contraventions for legal action within 6 weeks;
* Integrated liveable urban and rural neighbourhoods: submitted reports from developers on housing units under construction for Letlhabile and Segwaelane; submitted reported on formalization of rural areas to Municipal Manager; and processed beneficiary applications with required documentation;
* Traffic: the municipality was able to conduct joint multi-discipline roadblocks;
* Small, Medium, Micro Enterprise: two SMMEs were assisted with access to markets;
* Tourism: two initiatives were undertaken to increase tourists visiting municipality;
* Expenditure: 40% target on MIG projects and capital budget actually spent on capital projects identified was achieved as well as curbing-over expenditure projected operating expenditure;
* Budget Management: budget statements were submitted as regulated on Section 71 of MFMA;
* Audit: a three year audit rolling plan was approved by Audit Committee in first quarter and reports on the assessment of Audit Committee was submitted to Council.

Whereas challenges faced were as follows:

* Skills Development: 0.05% municipal budget could not be spent on implementing the WSP;
* Electricity: 44% instead of 21% electricity distribution was lost;
* Waste Management: cash for waste program could not accommodate 40 150 households targeted for solid waste removal due to cost cutting measures that were implemented;
* Land Administration: transfer of land is beyond the control of the municipality;
* Performance Management: first quarter reports could not be submitted to Council due to delays to finalise performance auditing report by Internal Audit;
* Customer Care: reports on the Effectiveness of Customer Care Centre were not be submitted to Portfolio Committee due to non-sittings of the committee.

Details of indicators performance are reflected below:

| **IDP OBJECTIVE** | **KEY PERFORMANCE AREA** | **INDICATOR TITLE /KPI** | **KPI REF** | **UOM** | **BASELINE** | **ANNUAL TARGET**  **(JUL-JUN)** | **MID-YEAR**  **NON FINANCIAL PERFORMANCE** | | **MID-YEAR**  **FINANCIAL PERFORMANCE** | | **REASONS FOR DEVIATION** | **REMEDIAL ACTION** | **PORTFOLIO OF EVIDENCE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TARGET** | **PERFORMANCE** | **BUDGET** | **EXPENDITURE** |
| **OBJ 3:**  To upgrade (incl. capital infrastructure dev) existing municipal services in accordance with set targets, standards & norms | Basic Service Delivery and Infrastructural Services | Percentage of electricity distribution losses | SO/3/4/16 | % | 23 | 19 | 21 | **NOT ACHIEVED** | R500k | R0 | The municipality does not have zonal meters + staff to manage the system. Zonal meters measure the # of units purchased + consumed | The municipality must purchase + install zonal meters and recruit personnel to manage the system | Signed Report |
| **OBJ 1:**  To provide basic municipal services (incl. street lighting) in accordance with approved budget & set targets | Basic Service Delivery and Infrastructural Services | *Number of households (Municipal distribution area) with access to electricity* | M\_46 | # | reporting only | reporting only | reporting only | **NO TARGET REPORTING ONLY** | R11m | R3.5m | There was no target set for the 1st + 2nd quarter. Target will commence from the 3rd quarter with 350 connections | Develop + add KPI re: 350 house connections in Tlapalawa + Bulk (sub-station) in Oukasie | Progress Report, Project Progress Reports and Completion Certificates |
| **OBJ 1:**  To provide basic municipal services (incl. street lighting) in accordance with approved budget & set targets | Basic Service Delivery and Infrastructural Services | *Number of new households connected to water borne sanitation* | SO/1/14/16 | # | 0 | 700 | N/A | **TARGETED FOR 4TH QUARTER**  (The service provider has been appointed) | R21m | R6m | N/A | N/A | Project Progress Reports and Completion Certificates |
|  | Basic Service Delivery and Infrastructural Services | % of "Points of Use" with Excellent Monthly Water Quality Rating (99% microbiological & 95% chemical compliance - SANS 241) | M\_74 | % | 100 | 100 | 100 | **ACHIEVED** | R10k | R0 | None | None | Water quality report and results |
|  | Basic Service Delivery and Infrastructural Services | % of water treatment plants with excellent monthly water quality rating (97% microbiological & 95% chemical compliance - SANS 241) | M\_75 | % | 100 | 100 | 100 | **ACHIEVED** | R20k | R0 | None | None | Water quality report and results |
| **OBJ 1:**  To provide basic municipal services (incl. street lighting) in accordance with approved budget & set targets | Basic Service Delivery and Infrastructural Services | *# of households with access to basic level of water* | SO/1/1/16 | # | 0 | 3000 | N/A | **TARGETED FOR 4TH QUARTER**  (The service provider has been appointed) | R55.3m | R9m | N/A | N/A | Project Progress Reports and Completion Certificates |
| **OBJ 13:**  To enhance admin systems in line with applicable instruments (e.g. legislations, policies, procedures, etc.) | Basic Service Delivery and Infrastructural Services | Employment Equity Annual Report submitted to the Department of Labour by the 15 January 2017(DoL) | SO/13/7/16 | # | 1 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | N/A | N/A | N/A | N/A | N/A |
|  | Municipal Transformation and Institutional Development | *Number of people from employment equity groups employed in the three highest levels of management in compliance with Council's approved EE Plan* | M\_04 | # | 0 | 2 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | Signed Report |
|  | Municipal Transformation and Institutional Development | Municipal (operating - excluding staff expenditure) Budget actually spent on implementing the WSP | M\_35 | % | 0.04 | 0.05 | 0.05 | **NOT ACHIEVED** | R700 000 | R379,869.00 | Training demand not matching budget allocation. | Recalculate target as 0.01%, 0.02%, 0.03% + 0.05% cumulative from 1st - 4th quarter + increase budget | Expenditure Report |
| **OBJ 1:**  To provide basic municipal services (incl. street lighting) in accordance with approved budget & set targets | Basic Service Delivery and Infrastructural Services | *Households with access to basic level of solid waste removal* | SO/1/7/16 | # | 39650 | 40650 | 40150 | **NOT ACHIEVED** | R7m | R3.9m | Cash for waste program investigated as cost cutting measure + was used to implement target as it is in rural areas. It delayed achievement. | The fate of KPI to be decided after Risk unit submit report to Council. For now target is moved to the 4th quarter | Monthly reports, scheduled refuse removal routes and e.venus |
|  | Local Economic Development | *Jobs created through municipality's LED initiatives including capital projects* | M\_165 | # | 1000 | 1500 | 1200 | **NOT ACHIEVED** | R0 | R0 | Target achieved with 300 at technical level, but at high level target is 1200 & not achieved (mis-alignment) | Target to be corrected in the technical SDBIP to be in line with high level SDBIP | Signed Report |
| **OBJ 8:**  To promote & support LED initiatives in line with set targets, norms & standards | Local Economic Development | SMMEs assisted with access to the markets | SO/8/8/16 | # | 4 | 4 | 2 | **ACHIEVED** | R0 | R0 | None | None | Signed Report |
| **OBJ 8:**  To promote & support LED initiatives in line with set targets, norms & standards | Local Economic Development | Tourism SMME’s linked to established business enterprises | SO/8/10/16 | # | 1 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | N/A | N/A | N/A |
| **OBJ 1:**  To enhance & maintain sound & sustainable financial management in line with set targets, norms & standards | Municipal Financial Viability and Management | Expenditure on MIG projects | SO/14/2/16 | % | 100 | 100 | 40 | **ACHIEVED** | R0 | R0 | None | None | MIG Expenditure Report |
| **OBJ 14:**  To enhance & maintain sound & sustainable financial management in line with set targets, norms & standards | Municipal Financial Viability and Management | *% of Capital budget actually spent on capital projects identified for financial year i.t.o. IDP* | SO/14/1/16 | % | 100 | 100 | 40 | **NOT ACHIEVED** | R259.9m | R121m | Delays in appointment of Contactors, project stoppages by communities affects the expenditure targets | SCM and ITS must commence with SCM process of approved project at least by May every ear | Capex Expenditure Report |
|  | Municipal Financial Viability and Management | Asset management reports submitted to Council | M\_188 | # | 1 | 1 | 1 | **NOT ACHIEVED** | R0 | R0 | Target supposed to be for 3rd quarter. Asset management report to Council must be audited | Target moved to the 3rd quarter | Copy of Asset Management Report and Council Resolution |
|  | Municipal Financial Viability and Management | Adjustment budget submitted to Council for approval by end February 2017 | M\_192 | # | 1 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | Copy of 2016/17 Adjustment Budget + Council Resolution |
|  | Municipal Financial Viability and Management | Final budget submitted to Council for approval by end of May 2017 | M\_195 | # | 1 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | N/A | N/A | Approved 2017/18 Budget and Council Resolution |
| **OBJ 14:**  To enhance & maintain sound & sustainable financial management in line with set targets, norms & standards | Municipal Financial Viability and Management | Mid - Year budget Adjustment Report submitted to Council by the end of January 2017 | SO/14/11/16 | # | 1 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | Copy of 2016/17 Mid-Year Budget Adjustment report and Council Resolution |
| **OBJ 10:**  To promote integrated municipal planning, monitoring, evaluation & improvement in line with set targets, norms & standards | Municipal Financial Viability and Management | Quarterly reports submitted to Council in line with Sec 52 of MFMA | SO/10/11/16 | # | 4 | 4 | 2 | **NOT ACHIEVED** | R0 | R0 | Internal Audit delays finalising auditing of PMS reports. In the past, PC.8 returned unaudited PMS reports | The unit has filled 2 positions. If not working, PMS will request BPDM or DLGHS to assist to audit PMS reports | Section 52 (financial and performance) Quarterly Report and Council resolution |
| **OBJ 14:**  To enhance & maintain sound & sustainable financial management in line with set targets, norms & standards | Municipal Financial Viability and Management | Timely (within 10 working days after end of previous month) submission of Budget statements (S71) to the Executive Mayor & Provincial Treasury YTD | SO/14/10/16 | # | 12 | 12 | 6 | **ACHIEVED**  (6 Budget statements (S71) submitted to the Executive Mayor and Provincial Treasury) | R0 | R0 | None | None | E-Mail Confirmation |
| **OBJ 14:**  To enhance & maintain sound & sustainable financial management in line with set targets, norms & standards | Municipal Financial Viability and Management | Curbing of over-expenditure on projected operating expenditure | SO/14/3/16 | % | 53 | 0 | 0 | **ACHIEVED** | R0 | R0 | None | None | Expenditure Report |
|  | Municipal Financial Viability and Management | Curbing of under-expenditure on projected operating expenditure | M\_ | % | 0 | 5 | 5 | **ACHIEVED** | R0 | R0 | None | None | Expenditure Report |
|  | Municipal Financial Viability and Management | *Maintain the number of Households earning income not exceeding combined state pension grant (as per indigent policy) per month with access to free basic services* | M\_217 | # | 5000 | reporting only | reporting only | **NO TARGET. REPORTING ONLY** | R0 | R0 | N/A | N/A | Revenue Management Report |
|  | Municipal Financial Viability and Management | Number of Revenue reports tabled in Council per quarter | M\_219 | # | 0 | 4 | 2 | **ACHIEVED**  2 Revenue reports tabled in Council | R0 | R0 | None | None | Revenue Reports and Council Resolution |
| **OBJ 14:**  To enhance & maintain sound & sustainable financial management in line with set targets, norms & standards | Municipal Financial Viability and Management | *Percentage outstanding service debtors to revenue* | SO/14/8/16 | % | 30 | 30 | N/A | **TARGETED FOR 4th QUARTER** | R0 | R0 | N/A | N/A | Revenue Management Report |
| **OBJ 13:**  To enhance administrative systems in line with applicable instruments (e.g. legislations, policies, procedures, etc.) | Good Governance and Public Participation | 3-year audit rolling plan approved by the audit committee on the 30th July 2016. | SO/13/26/16 | # | 1 | 1 | 1 | **ACHIEVED** | R0 | R0 | None | None | Three Year Rolling Internal Audit Plan and AC Resolution |
| **OBJ 13:**  To enhance administrative systems in line with applicable instruments (e.g. legislations, policies, procedures, etc.) | Good Governance and Public Participation | Reports on the Assessment of Audit Committee submitted to Council YTD | SO/13/30/16 | # | 1 | 1 | 1 | **ACHIEVED** | R0 | R0 | None | None | Audit Committee Assessment Report and Council Resolution |
|  | Good Governance and Public Participation | Reports on issues raised by the Audit Committee to Council quarterly | M\_1205 | # | 0 | 4 | 2 | **NOT ACHIEVED** | R200k | R96k | 1st quarter AC Report submitted to Council in Dec 2016. The 2nd report could not get signature of Speaker on time for meeting | This report will be submitted in the 3rd quarter | AC Report and Council Resolution |
| **OBJ 13:**  To enhance administrative systems in line with applicable instruments (e.g. legislations, policies, procedures, etc.) | Good Governance and Public Participation | Reports on the Effectiveness of Customer Care Centre submitted to Portfolio Committee | SO/13/11/16 | # | 4 | 4 | 2 | **NOT ACHIEVED** | R0 | R0 | No PC meetings took place in 1st quarter due to delay in the establishment of PCs, which took place on the 09 Aug 2016 | Report will be prepared for submission to PC during 3rd quarter | Copy of Report on the Effectiveness of Customer Care Centre and PC Resolution |
|  | Good Governance and Public Participation | Delegation of powers & functions approved by Council by end of March 2017 | M\_281 | # | 1 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | Approved Delegations + Council Resolution |
| **OBJ 9:**  To promote good governance & culture of accountability through public & stakeholder participation in line with set targets, norms & standards | Good Governance and Public Participation | Quarterly reports submitted to the Executive Mayor on functionality of Mayoral Committee | SO/9/16/16 | # | 4 | 4 | 2 | **ACHIEVED** | R0 | R0 | None | None | Reports on functionality of Mayoral Committee and proof of submission to the Executive Mayor |
| **OBJ 9:**  To promote good governance & culture of accountability through public & stakeholder participation in line with set targets, norms & standards | Good Governance and Public Participation | Quarterly reports submitted to the Speaker on the functionality of Council and sections 79/80 committees | SO/9/16/16 | # | 4 | 4 | 2 | **ACHIEVED** | R0 | R0 | None | None | Reports on functionality of Council & Section 79/80 Committees and proof of submission to the Speaker |
|  | Good Governance and Public Participation | Final IDP approved by Council by end May 2017 | M\_284 | # | 1 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R150 000 | R0 | N/A | N/A | IDP document & Council resolution |
| **OBJ 10:**  To promote integrated municipal planning, monitoring, evaluation & improvement in line with set targets, norms & standards | Good Governance and Public Participation | Annual Review of Performance Management and Procedure Manual Framework | SO/10/3/16 | # | 1 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | No inputs from Directorates in review of PMS Framework + Procedure Manual | Directorates must participate in the process to revise the framework | PMS Framework & Procedure Manual + Council resolution |
| **OBJ 10:**  To promote integrated municipal planning, monitoring, evaluation & improvement in line with set targets, norms & standards | Good Governance and Public Participation | Final Annual Report approved by Council by end of March 2017 | SO/10/13/16 | # | 1 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | R200 000 | R0 | N/A | N/A | Annual report & Council resolution |
| **OBJ 7:**  To promote integrated human settlements & land use management in line with set targets, norms & standards | Basic Service Delivery and Infrastructural Services | Average turn-around time ( within 30 working days) for assessment of building plans YTD | SO/7/7/16 | # | 90 | 30 | 30 | **ACHIEVED**  (207 building plans approved YTD) | R0 | R0 | None | None | Inspection Register |
|  | Basic Service Delivery and Infrastructural Services | Building contraventions attended (submitted for legal action) to within 6 weeks from detection | M\_80 | % | 90 | 95 | 95 | **ACHIEVED**  (10 building contraventions issued YTD) | R0 | R0 | None | None | Contravention Register |
|  | Basic Service Delivery and Infrastructural Services | Human Settlement development plans reviewed by Council | M\_83 | # | 1 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | Funded by LGHS | Funded by LGHS | N/A | N/A | Revised HSDP/Council resolution |
|  | Basic Service Delivery and Infrastructural Services | Reports from developers on housing units under construction and submitted to Municipal manager | M\_113 | # | 4 | 4 | 2 | **ACHIEVED** (Letlhabile Block I: 15 wall plates  Segwaelane: foundations 260 wall plates – 86 VIP Toilets – 19) | R0 | R0 | None | None | Progress Report |
| **OBJ 7:**  To promote integrated human settlements & land use management in line with set targets, norms & standards | Basic Service Delivery and Infrastructural Services | Number of progress reports on formalization of rural areas submitted to Municipal manager | SO/7/1/16 | # | 4 | 4 | 2 | **ACHIEVED** | R0 | R0 | None | None | Signed Report on Formalized Areas |
| **OBJ 7:**  To promote integrated human settlements & land use management in line with set targets, norms & standards | Basic Service Delivery and Infrastructural Services | Beneficiary applications processed on submission with required documentation | SO/7/9/16 | % | 100 | 100 | 100 | **ACHIEVED** | R0 | R0 | None | None | Status Report and Beneficiary submission list |
| **OBJ 7:**  To promote integrated human settlements & land use management in line with set targets, norms & standards | Basic Service Delivery and Infrastructural Services | Portions of land transferred to Municipality | SO/7/4/16 | # | 1 | 4 | 2 | **NOT ACHIEVED** | R0 | R0 | 1 x deed of transfer T91099/2016 registered in favour of Madibeng. Transfers beyond control of the Municipality | Change indicator to be quarterly report to Council on 4th quarter re: land transferred to MLM | Copy of Title Deeds |
| **OBJ 7:**  To promote integrated human settlements & land use management in line with set targets, norms & standards | Basic Service Delivery and Infrastructural Services | Municipal Township establishment approved by Council | SO/7/10/16 | # | 2 | 2 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | N/A | N/A | PC and Council resolution |
| **OBJ 7:**  To promote integrated human settlements & land use management in line with set targets, norms & standards | Basic Service Delivery and Infrastructural Services | Madibeng Land Use management system developed | SO/7/12/16 | # | 0 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R1.5m | R865 000 | N/A | N/A | PC and Council resolution |
|  | Basic Service Delivery and Infrastructural Services | Reports on Coordinating development of service delivery at Informal settlement submitted to Municipal manager | M\_515 | # | 4 | 4 | 2 | **ACHIEVED**  (2 x reports on coordinating of service delivery at informal settlement compiled) | R0 | R0 | None | None | Signed Report |
|  | Good Governance and Public Participation | Annual report consultation meetings facilitated by the end of March 2017 | M\_1204 | # | 36 | 41 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | Program, agenda, minutes + progress report |
|  | Good Governance and Public Participation | Number of quarterly S56 performance assessments conducted YTD | M\_305 | # | 3 | 36 | 18 | **NOT ACHIEVED** | R0 | R0 | IA delays in finalising auditing of PMS reports. POE + report unverified | Unit filled 2 posts. Alternatively, PMS to request BPDM or DLGHS to assist with auditing PMS | Notice & minutes of assessments and attendance register |
|  | Good Governance and Public Participation | IDP consultation meetings facilitated by end of December 2016 | M\_287 | # | 36 | 41 | 41 | **ACHIEVED** | R150 000 | R0 | None | None | Program, agenda, minutes + progress report |
|  | Basic Service Delivery and Infrastructural Services | New Fire Services by-laws submitted to Council and submitted to COGHSTA for vetting and promulgation | M\_268 | # | 0 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | N/A | N/A | Fire Services by-law, Council Resolution + proof of submission to DLGHS |
| **OBJ 13:**  To enhance administrative systems in line with applicable instruments (e.g. legislations, policies, procedures, etc) | Basic Service Delivery and Infrastructural Services | Develop an Integrated Transport plan | SO/13/22/16 | % | 1 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | Copy of Integrated Transport Plan and Council resolution |
| **OBJ 6:**  To provide risk-free, safe, clean and healthy environment to the community in line with set targets, norms and standards | Basic Service Delivery and Infrastructural Services | Joint Multi-discipline roadblocks conducted | SO/6/25/16 | # | 12 | 12 | 6 | **ACHIEVED** | R0 | R0 | None | None | Schedules, Photos and Statistics |
|  | Basic Service Delivery and Infrastructural Services | Fleet management policy reviewed and approved by Council | M\_269 | # | 0 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | N/A | N/A | Approved Fleet Management Policy and Council Resolution |
| **OBJ 13:**  To enhance admin systems in line with applicable instruments (e.g. legislations, policies, procedures, etc) | Basic Service Delivery and Infrastructural Services | Develop an Internal Security Policy | SO/13/21/16 | % | 1 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | Copy of Internal Security Policy |
|  | Basic Service Delivery and Infrastructural Services | Open Space Management Plan developed and approved by Council | M\_111 | # | 0 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | N/A | N/A | Open Space Management plan and Council Resolution |
|  | Basic Service Delivery and Infrastructural Services | Environmental Management Plan developed and approved by Council | M\_122 | # | 1 | 1 | N/A | **TARGETED FOR 4TH QUARTER**  (Directorate has received the status quo report) | R18.4m | R31 000 | N/A | N/A | Environmental Management Plan and Council Resolution |
| **OBJ 3:**  To upgrade (including capital infrastructure development) existing municipal services in accordance with set targets, standards and norms | Basic Service Delivery and Infrastructural Services | Transfer Stations Constructed | SO/3/21/16 | # | 1 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | Indicator not funded | To be moved to 2017/2018 financial year | Completion Certificate from PMU |
|  | Basic Service Delivery and Infrastructural Services | Sport and Recreation activities identified and implemented | M\_149 | # | 6 | 6 | 2 | **ACHIEVED** | R250K | R83 900, 85 | None | None | Monthly Reports, Photos and Attendance Register |
| **OBJ 3:**  To upgrade (including capital infrastructure development) existing municipal services in accordance with set targets, standards and norms | Local Economic Development | Initiative to increase tourists visiting municipality undertaken YTD | SO/8/17/16 | # | 3 | 3 | 2 | **ACHIEVED** | R0 | R0 | None | None | Signed Report |
|  | Good Governance and Public Participation | Risk mitigation strategies implemented per quarter | M\_319 | % | 0 | 100 | 100 | **NOT ACHIEVED** | R0 | R0 | Not all Directorates submitted the risk management reports or implemented all mitigation strategies | Align risk register to performance plans + convene risk awareness workshop | Signed risk quarterly report |
|  | Good Governance and Public Participation | AG findings addressed | M\_238 | % | 100 | 100 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | AG findings Action plan |
|  | Local Economic Development | EPWP quarterly reports submitted to Council and Public Works | M\_163 | # | 4 | 4 | 2 | **ACHIEVED** | R0 | R0 | None | None | Signed Report and proof of submission |
|  | Municipal Transformation and Institutional Development | Annual OHS audit conducted | M\_11 | # | 1 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | According to the budget, target is not budgeted for and it is unlikely to be achieved. | KPI must be removed until such time that it is funded in the budget. | Copy of OHS Audit and Council Resolution |
| **OBJ 13:**  To enhance admin systems in line with applicable instruments (e.g. legislations, policies, procedures, etc) | Municipal Transformation and Institutional Development | Employment Equity Plan (EEP) submitted to Council for adoption By 31 December 2016 | SO/13/6/16 | # | 0 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | Typing error and target date to be corrected to 31 March 2017 | Copy of Employment Equity Plan (EEP) and Council Resolution |
|  | Municipal Transformation and Institutional Development | Competency assessments conducted for Senior Managers in line with regulations | M\_05 | # | 0 | 5 | N/A | **TARGETED FOR 4TH QUARTER** | R1m  (job evaluation vote) | R0 | N/A | N/A | Copy of Competency  Assessment |
| **OBJ 13:**  To enhance admin systems in line with applicable instruments (e.g. legislations, policies, procedures, etc) | Municipal Transformation and Institutional Development | Municipal organogram reviewed and submitted to Council for approval | SO/13/43/16 | # | 1 | 1 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | N/A | N/A | Copy of approved Municipal Organogram and Council Resolution |
|  | Municipal Transformation and Institutional Development | IDF action plan on HIV/AIDS reviewed and approved by the Mayoral Committee | M\_147 | # | 1 | 1 | 1 | **ACHIEVED** | R100 000 | R0 | None | None | IDF action plan and MC resolution |
| **OBJ 8:**  To promote and support LED initiatives in line with set targets, norms and standards | Local Economic Development | Beneficiary programs facilitated to empower women | SO/8/25/16 | # | 3 | 4 | 2 | **ACHIEVED** | R400 000 | R28 500 | None | None | close out report, attendance register + programme |
| **OBJ 8:**  To promote and support LED initiatives in line with set targets, norms and standards | Local Economic Development | Beneficiary programs facilitated to empower youth | SO/8/24/16 | # | 4 | 4 | 2 | **ACHIEVED** | R800 000 | R54 000 | None | None | close out report, attendance register + programme |
| **OBJ 8:**  To promote and support LED initiatives in line with set targets, norms and standards | Local Economic Development | Beneficiary programs facilitated to empower people with disability | SO/8/26/16 | # | 4 | 4 | 2 | **ACHIEVED** | R300 000 | R27 495 | None | None | close out report, attendance register + programme |
| **OBJ 13:**  To enhance admin systems in line with applicable instruments (e.g. legislations, policies, procedures, etc) | Local Economic Development | Employee satisfaction surveys conducted | SO/13/12/16 | # | 0 | 1 | N/A | **TARGETED FOR 3RD QUARTER** | R0 | R0 | N/A | N/A | Signed Report and SMT Resolution |
|  | Local Economic Development | Poverty alleviation identified projects and programmes implemented | M\_124 | # | 12 | 3 | 1 | **ACHIEVED** | R200k | R200k | None | None | Monthly Reports, Attendance Register and Photos |
|  | Good Governance and Public Participation | Budget consultation meetings facilitated by end of May 2017 | M\_313 | # | 36 | 41 | N/A | **TARGETED FOR 4th QUARTER** | R1.3m | R1.1m | N/A | N/A | Program, agenda, minutes + progress report |

## 

## General Indicator Performance

General Key Performance Indicators (KPIs) are prescribed as per Section 43 of the Municipality Systems Act No. 32 of 2000 and Local Government Municipal Planning and Performance Management Regulations 796 of 2001, Chapter 3, Section 10. For Madibeng Local Municipality, the General KPIs applicable to the Municipality are also reported on in the SDBIP. These indicators are planned as follows per Key Performance Area (KPA):

**Figure 1: General Indicator Performance per KPA**

It should be noted that the details of the General Key Performance Indicators are included in the detailed table here under.

| **IDP OBJECTIVE** | **KEY PERFORMANCE AREA** | **INDICATOR TITLE /KPI** | **REF** | **UOM** | **BASELINE** | **ANNUAL TARGET**  **(JUL-JUN)** | **MID-YEAR**  **(JUL – DEC)** | | **MID-YEAR**  **FINANCIAL PERFORMANCE** | | **REASONS FOR DEVIATION** | **REMEDIAL ACTION** | **PORTFOLIO OF EVIDENCE** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **TARGET** | **PERFORMANCE** | **BUDGET** | **EXPENDITURE** |
| **OBJ 1:**  To provide basic municipal services (incl. street lighting) in accordance with approved budget & set targets | Basic Service Delivery and Infrastructural Services | *Number of households (Municipal distribution area) with access to electricity* | M\_46 | # | reporting only | reporting only | reporting only | **NO TARGET**  **REPORTING ONLY** | R11m | R3.5m | There was no target set for the 1st + 2nd quarter. Target will commence from the 3rd quarter with 350 connections | Develop + add KPI re: 350 house connections in Tlapalawa + Bulk (sub-station) in Oukasie | Progress Report, Project Progress Reports and Completion Certificates |
| **OBJ 1:**  To provide basic municipal services (incl. street lighting) in accordance with approved budget & set targets | Basic Service Delivery and Infrastructural Services | *Number of new households connected to water borne sanitation* | SO/1/14/16 | # | 0 | 700 | N/A | **TARGETED FOR 4th QUARTER** (The service providers has been appointed) | R21m | R6m | N/A | N/A | Project Progress Reports and Completion Certificates |
| **OBJ 1:**  To provide basic municipal services (incl. street lighting) in accordance with approved budget & set targets | Basic Service Delivery and Infrastructural Services | *# of households with access to basic level of water* | SO/1/1/16 | # | 0 | 3000 | N/A | **TARGETED FOR 4th QUARTER** (The service providers has been appointed) | R55.3m | R9m | N/A | N/A | Project Progress Reports and Completion Certificates |
|  | Municipal Transformation and Institutional Development | *# people from EE groups employed in the 3 highest levels of management in compliance with Council's approved EE Plan* | M\_04 | # | 0 | 2 | N/A | **TARGETED FOR 3RD QUARTER** | N/A | N/A | Council does not yet have an approved EE plan | Council to approve the EE Plan in March 2017 | Signed Report |
| **OBJ 1:**  To provide basic municipal services (incl. street lighting) in accordance with approved budget & set targets | Basic Service Delivery and Infrastructural Services | *Households with access to basic level of solid waste removal* | SO/1/7/16 | # | 39650 | 40650 | 40150 | **NOT ACHIEVED** | R7m | R3.9m | Cash for waste program investigated as cost cutting measure + was used to implement target as it is in rural areas. It delayed achievement. | The fate of KPI to be decided after Risk unit submit report to Council. For now target is moved to 4th quarter | Monthly reports, scheduled refuse removal routes and e.venus |
|  | Local Economic Development | *Jobs created through municipality's LED initiatives including capital projects* | M\_165 | # | 1000 | 1500 | 1200 | **NOT ACHIEVED** | R0 | R0 | Target achieved with 300 at technical level, but at high level target was 1200 and not achieved due to misalignment | The target will be corrected at technical level to be consistent with the target at high level | Signed Report |
| **OBJ 14:**  To enhance & maintain sound & sustainable financial management in line with set targets, norms & standards | Municipal Financial Viability and Management | *% of Capital budget actually spent on capital projects identified for financial year i.t.o. IDP* | SO/14/1/16 | % | 100 | 100 | 40 | **NOT ACHIEVED** | R259.9m | R121m | Delays in appointment of Contactors, project stoppages by communities affects the expenditure targets | SCM and ITS must commence with SCM process of approved project at least by May every financial year | Capex Expenditure Report |
|  | Municipal Financial Viability and Management | *Maintain # of Households earning income not exceeding combined state pension grant (as per indigent policy) per month with access to free basic services* | M\_217 | # | 5000 | reporting only | reporting only | **NO TARGET**  **REPORTING ONLY** | R0 | R0 | N/A | N/A | Revenue Management Report |
| **OBJ 14:**  To enhance & maintain sound & sustainable financial management in line with set targets, norms & standards | Municipal Financial Viability and Management | *Percentage outstanding service debtors to revenue* | SO/14/8/16 | % | 30 | 30 | N/A | **TARGETED FOR 4TH QUARTER** | R0 | R0 | N/A | N/A | Revenue Management Report |

## Project Implementation

The following progress on capital projects information was reported:

| KPA | Strategic Goal | Programme | Project Name | Ward Number | Total Budget 2016/17 | End Date | Mid-Year Target | Expenditure To Date | Mid-Year Performance | Reasons for Deviation | Remedial Action |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Water Supply | Klipgat Extension Water Supply | 24,8,36 | R10,000,000 | 30/06/17 | 5 | R799,355.56 | Construction = 75% | Contractor terminated for abandoning site | Contractor on site with similar scope to be identified and extend hid works to cover the remaining scope |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Water Supply | Hebron/Kgabalatsane/Rockville Erasmus & Itsoseng | 10,15,16 | R55,388,000 | 30/06/17 | 40 | R43,309 181.84 | Construction = 50% | Contractors and currently they are all going well | None |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Water Supply | Hebron to Madidi Bulk Water Pipeline | 3 | R2,500,000 | 29/06/18 | 0 | R0 | Design | Consultant to conduct EIA report | None |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Water Supply | Water Supply Augmentation: Boreholes(Cluster) | 1,2,25,26,27,29,34 | R1,500,000 |  | 0 | R0 | N/A | 25% Appointment of Consultant in 3rd Quarter | |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Sanitation | Klipgat Sanitation | 24,8,36 | R21,000,000 | 30/06/17 | 40 | R11,268,105.12 | Construction 25% | Cost of purchasing electromechanical equipment | Cession for electromechanical equipment concluded |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Sanitation | Ward 1 VIP Toilets | 1 | R2,500,000 |  | 0 | R0 | N/A | 10% Appointment of Consultant in 3rd Quarter | |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Sanitation | Upgrading of Hartbeespoort Sewer System | 30 | R8,000,000 | 30/06/17 | 5 | R2,102,086.13 | Construction 25% | Strip and quote exercise | None |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Sanitation | Upgrading of Mothotlung Outfall Sewer | 20 | R1,500,000 |  | 0 | R0 | N/A | 25% Appointment of Consultant in 3rd Quarter | |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Sanitation | Upgrading of Oukasie Outfall Sewer | 13,21,22 | R1,500,000 |  | 0 | R0 | N/A | 25% Appointment of Consultant in 3rd Quarter | |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Fafung to Rasai Road | 1 | R20,000,000 | 30/06/17 | 25 | R4,733,578.78 | Construction 25% | Local community concerns | MMC resolved the matter |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Cluster 1 Internal Roads | 7 | R19,880,974.37 | 30/06/17 | 25 | R5,251,694.95 | Construction 25% | Contractor established site | None |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Cluster 2 Internal Roads | 21,20 | R1,450,000 | 30/06/17 | 100 | R1,063,400.09 | Complete | N/A | N/A |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Upgrading of Internal Roads of Cluster 3 | 15,16 | R11,000,000 | 30/06/17 | 25 | R3,575,899.26 | Construction 25% | Contractor established site | None |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Upgrading of Internal Roads of Cluster 5 | 9,11,12,35 | R12,669,000 | 30/06/17 | 25 | R6,206,193.78 | Construction 25% | Awaiting for appointment of contractor to submit sureties | None |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Upgrading of Internal Roads of Cluster 6 | 2 | R19,500,000 | 30/06/17 | 25 | R8,925,290.37 | Construction 25% | N/A | N/A |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Upgrading of Internal Roads of Cluster 7 | 4,5,6 | R2,900,000 | 30/06/17 | 100 | R335,903.68 | Construction 50% | Contract terminated | Contractor to be appointed from panel established for two years |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Upgrading of Internal Roads of Cluster 8 | 17,18,19 | R8,000,000 | 30/06/17 | 25 | R4,224,774.52 | Construction 25% | Contractor established site | Appointment finalised |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Rankotea Road | 14 | R8,000,000 | 15/12/16 | 100 | R4,484,007.89 | Construction 99% | Road surfaced contractor to attend marking and signage | None |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Roads and storm water | Oukasie Storm Water | 13,21,22 | R17,000,000 | 30/06/17 | 25 | R2,605,350.89 | Construction 25% | Contractor established | None |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Public transport | Upgrading of the Main Bus Taxi Rank | 25 | R14,000,000 | 15/06/17 | 25 | R5,214,754.77 | Construction 0% | Delay on site establishment due to temporary relocation of taxi rank | Relocation finalised |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Electricity | Madibeng High Mast Electrification | all wards | R1,000,000 | 30/06/17 | 0 | R858,340.88 | Construction 25% | Based on Eskom issuing quotes for connection points | Engage Eskom |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Libraries | Mmakau Library | 17,18,19 | R7,000,000 |  | 10 | R0 | None | Delay in appointment of the service providers | Project to be removed in the performance due to over-commitment of projects or limited resources |
| KPA 2: Basic Service Delivery and Infrastructure Development | Develop and Refurbish Infrastructural services | Libraries | Klipgat Library | 8,24,36 | R500,000 |  | 0 | R0 | N/A | 10% Appointment of Consultant in 3rd Quarter | |

## SDBIP Budget Statement Components

The Municipal Budget and Reporting Regulations (MBRR) R33, specifies that the financial report of a municipality must be in the format specified in Schedule C and include all the required tables, charts, explanatory information and the quality certificate, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

The Finance Department has submitted the following:

1. Table C1 – Summary
2. Table C2 – Financial Performance (standard classification)
3. Table C3 – Financial Performance (revenue and expenditure by municipal vote)
4. Table C4 – Financial Performance (revenue and expenditure)
5. Table C5 – Capital Expenditure (municipal vote, standard classification and funding)
6. Table C6 – Financial Position
7. Table C7 – Cash Flow

## Component 1: Summary



## Component 2: Financial Performance – Standard Classification



## Component 3: Financial Performance – Revenue and Expenditure by Municipal Vote



## Component 4: Financial Performance – Revenue and Expenditure



## Component 5: Capital Expenditure – Municipal Vote, Standard Classification and Funding



## Component 6: Financial Position



## Component 7: Cash Flow



## 

## SWOT Analysis, Risks Assessment and Recommendations

**SWOT ANALYSIS AND RISK MANAGEMENT**

The mid-term budget and performance review assessment in terms of section 72 of the Local Government: Municipal Finance Management Act is a half-year strategic planning process in the local government calendar. This process may lead to a major strategic decision and, therefore, imperative to conduct SWOT analysis to determine the municipal institutional strengths, weaknesses, opportunities and threats. SWOT analysis does not only give the institution the opportunity to identify both internal and external factors that can influence its organisational strategy, but also increase internal awareness of all the surrounding environmental factors. If the Municipality is aware of the environmental factors around it, this increase its capacity to face its organisational challenges and to transform. The following is a conservative SWOT analysis:

SWOT analysis of the Municipality project a negative outcomes, a strong combination of ***internal weaknesses*** and ***external threats***, which is a sign of serious challenges facing the Municipality. A defensive matching strategy need to be implemented to convert the negative outcomes (weaknesses and threats) into the positive attribute (strengths and opportunities). The municipality should normally operate on an aggressive mode for positive outcomes because it means the Municipality is in a better position to perform and achieve its IDP strategic objectives.

The organisational threats and weaknesses that cannot be converted into strength and opportunities through the matching principle, have to be minimized or avoided through the risk management strategy. Unfortunately, our risk management and reporting at mid-term period is also very poor as only 2 Directorates submitted quarterly risk management reports in the 1st quarter and none for the 2nd quarter. As a result of this, a risk assessment could not be conducted on Directorates and thus on the entire organisation. This has an impact on the performance level of the Municipality in terms of the achievement of its strategic objectives and this may well have been a major contributor to non-achievement of some of the mid-term review assessment performance targets.

Some of the strategic objectives in our Service Delivery & Budget Implementation Plan are not found in the strategic risk register and, on the other hand, the timeframes provided for targets in the strategic scorecard does not align with the timeframes in the strategic risk register. These discrepancies result with mis-alignment between the municipal strategic scorecard and strategic risk register.

Based on the understanding that poor risk management can be detrimental to the success of the Municipality, it is recommended that a risk assessment workshop be held for the management to address the following issues:

* Re-alignment or re-assessment of the performance plans and risk registers at all levels.
* Raising awareness of the strategic importance of risk management in the Municipality.
* Determine and get consensus of risk management reporting format and channels.

The above workshop will include the processes of SWOT analysis and the review of the Municipal IDP strategic objectives for the 2017/2018 financial year.

## Action Plan to Address 2015/16 Financial Year Audit Report Findings

| **Item No.** | **Audit Report Finding** | | | **Action Plan to Address Findings** | **Responsible Person** | **Target Date** |
| --- | --- | --- | --- | --- | --- | --- |
| **Audit Paragraph** | **Finding** | **Audit Recommendation** |
|  | Cash and cash equivalents | I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents as the municipality could not provide adequate substantiating records for the unreconciled difference between the municipality’s cash book and bank statement balances for the current and prior year. Furthermore, I identified reconciling items of R126 510 882 that have not been captured in the financial system. I was unable to confirm the cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments relating to cash and cash equivalents of R65 626 995 (2015: R58 957 539) and the bank overdraft of R94 862 046 disclosed in the statement of financial position and note 12 to the financial statements or any other accounts affected, were necessary. | Bank reconciliations should be performed on a monthly basis. If any adjustments are made to the period that was already reconciled, the reconciliation should be adjusted. The accounting officer should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting and submitted to the auditors on time.  Internal bank transfers should be captured in the financial system.  EFTs not yet presented for payment: The transactions did not go through the bank and should be reversed  The EFTs not yet captured in the financial system: The information should be captured in the financial system.  Receipts and direct deposits not yet allocated should be investigated and be allocated to the correct consumers’ accounts. Receipts that can’t be allocated, should be recorded as a creditor.  EX | * Ensure that the bank reconciliations for all the M municipal bank accounts are done on a monthly basis. * Ensure that all the bank reconciliations are reviewed on a monthly basis by the Manager Reporting. * Ensure that all the reconciling items identified on the reconciliations are investigated and the proper adjustments are made. * Investigate and source all outstanding payment vouchers. Reverse all transactions didn’t go through the bank but captured in the financial system. Capture EFTs that went through the bank but not captured in the financial system. * Ensure that no payments are made to suppliers without invoices being captured on the system. * Ensure that all payments made are supported by the relevant supporting documentations. * Ensure that all outstanding EFTs are followed to ensure that no invoices have been captured on the system twice. * Ensure that all adjustment made to the period that was already reconciled, the reconciliation for that period is updated. * Ensure that all internal transfers are captured in the financial system. * Investigate all receipts and direct deposits not yet allocated. * Ensure that all monies received in the bank are captured on the municipal financial system. (No reconciling items should be on the bank reconciliation relating to monies received in the bank). | Manager Financial Management, Manager Expenditure, Manager Revenue and CFO | 28 Feb 2017 |
|  | Revenue from exchange transactions | The municipality did not adequately account for revenue from service charges in accordance with GRAP 9 Revenue from exchange transactions due to an inadequate billing process. I was unable to confirm the revenue from service charges by alternative means. Consequently, I was unable to determine the full extent of this misstatement of revenue from service charges of R636 380 735 disclosed in note 22 and consumer receivables of R196 115 791 disclosed in note 11 to the financial statements. | The CFO and the Revenue Manager should ensure the following, to avoid the issue of zero billing and the recovery of the amount in the next financial year:   * On monthly basis all active accounts are billed based on actual readings or estimates; * The system is able to run the exception report if the billing for the account is zero and * Reconciliation of the active accounts on the system against the monthly billing report is performed to identify the accounts with zero billing. | * Review the monthly billing exception report and identify all accounts with zero billing or account with lower or huge billings as compared to other months. * Ensure that all the accounts which need to be billed are billed using estimates. * Follow up on all faulty meters and ensure that they are repair or replaced. | Revenue Manager and CFO | 31 January 2017 |
|  | Revenue from non-exchange transactions | I was unable to obtain sufficient appropriate audit evidence for property rates revenue of R292 796 357, due to discrepancies identified in the valuation roll and the billing system as well as an inadequate billing process. I was unable to confirm the property rates revenue by alternative means. Consequently, I was unable to determine whether any adjustments relating to property rates revenue of R292 796 357 recognised in the statement of financial performance and receivables from non-exchange transactions of R110 679 138 recognised in the statement of financial position, were necessary. | The CFO and the Revenue Manager should ensure the following, to avoid the issue of zero billing and the recovery of the amount in the next financial year:   * On monthly basis all active accounts are billed based on actual readings or estimates; * The system is able to run the exception report if the billing for the account is zero and * Reconciliation of the active accounts on the system against the monthly billing report is performed to identify the accounts with zero billing. | * Review the monthly billing exception report and identify all accounts with zero billing or account with lower or huge billings as compared to other months. * Ensure that all the accounts which need to be billed are billed using estimates. * Follow up on all faulty meters and ensure that they are repair or replaced. * Ensure that reconciliation is done between the valuation roll and the system to identify all the errors on time. * Before the property value charges on the system ensure that proper reasons are provided and validity of these reasons are confirmed. | Revenue Manager and CFO | 31 January 2017 |
|  | Bulk purchases  Repairs and maintenance\ Contracted services etc | I was unable to obtain sufficient appropriate audit evidence for bulk purchases of electricity of R362 104 042 and water of R122 816 063 disclosed in note 36 to the financial statements, due to a lack of proper substantiating accounting records. I was unable to confirm these bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustment relating to bulk purchases of R515 693 414 recognised in the statement of financial performance, was necessary. | * The accounting officer should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting * The accounting officer should ensure that requests for information are submitted within the days agreed upon to the auditors. | * Review the of all payment by the expenditure manager to ensure that all the required documents are attached to the payments and to ensure that the quantity, quality and the price of the goods on the tax invoice match the requisition and purchase order prior to payment being made. * Ensure that payment checklist/comparisons are done daily on the invoice, remittance advice against the order and requisition form to ensure completeness, accuracy and authorization. * Perform reconciliation of the sequential number as per the filling room (last voucher number) against the last payment voucher as per system to ensure that all invoices captured but not paid are filled accordingly to avoid misplacement of documents. * Ensure that all documents are scanned into the system as and when they are received. | Manager Expenditure and CFO | 31 May 2017 |
|  | Distribution losses | * I was unable to obtain sufficient appropriate audit evidence for bulk electricity and water distribution losses due to an inadequate billing process and the limitation on the testing of bulk purchases. The extent of these distribution losses could not be confirmed by alternative means. Consequently, I was unable to determine whether any adjustments relating to electricity distribution losses of R310 187 118 and water distribution losses of R130 386 620 disclosed in note 50 to the financial statements, were necessary. |  | * Implement credit control measure to ensure that outstanding account are paid on time. * Implement the assets maintenance plan to ensure that assets a properly maintained to avoid impairments and to ensure that the economic benefits as intended are consumed from the assets. * Perform monthly reconciliation between the units purchased and the units sold. * Perform the year end reconciliation between the units purchase, sold and on hand to determine the amount of losses incurred at year end. * Review of financial statement to ensure that the Distribution losses are correctly disclosed. | Director ITS/CFO/Manager Revenue/Manager Water/Manager Electricity | 30 June 2017 |
|  | Irregular expenditure | The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of expenditure and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, but the uncorrected material misstatements and supporting records for commitments and irregular expenditure that could not be provided, resulted in the qualified audit opinion. | The Municipal manager and the SCM manager should ensure that information is available for submission as requested. | * Develop and implement records management procedures. * Re-file all procurement documents in line with the procedures. * Test compliance to SCM Regulations and SCM Policy of all procurement transactions. * Submit reports to Council. * Council to consider MPAC recommendations to recover or write off the expenditure. * Institute disciplinary hearing or criminal charges for any person who deliberately or negligently found to liable for committing such expenditure. * Update the irregular expenditure register. * Compile disclosure notes for the 2015/16 annual financial statements. * Continuous enforcement of SCM Policy and procedures. | SCM Manager/CFO | 30 June 2017 |
|  | Unauthorized Expenditure | As disclosed in note 45 to the financial statements, unauthorised expenditure of R796 321 559 incurred in the current year and R1 169 383 204 in respect of prior years, had not yet been dealt with in accordance with section 32 of the MFMA. | Matters of Emphasis | * Strict budget monitoring. * Enforce SDBIP implementation * Compile a balanced budget * Submit a report to Council (in line with Section 32 of the MFMA) to Council to consider condonement for non-cash items | MM/CFO/Manager Budget | 30 June 2017 |
|  | Fruitless and Wasteful Expenditure | As disclosed in note 46 to the financial statements, fruitless and wasteful expenditure of R7 330 977 incurred in the current year and R8 033 260 in respect of prior years’ not yet been dealt with in accordance with section 32 of the MFMA. | Matters of Emphasis | * Submit reports to Council. * Council to consider MPAC recommendations to recover or write off the expenditure. * Institute disciplinary hearing or criminal charges for any person who deliberately or negligently found to liable for committing such expenditure. * Compile disclosure notes for the 2013/14 annual financial statements. * Continuous enforcement of SCM Policy and procedures including payment procedures. * Arrangement of payment terms with creditors where necessary. | MM/CFO/Manager Expenditure | 30 June 2017 |
|  | Restatement of corresponding figures | As disclosed in note 41 to the financial statements, the corresponding figures for 30 June 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the Madibeng Local Municipality at, and for the year ended 30 June 2015. | Matters of Emphasis | * Review of all transaction by the managers on a daily basis to ensure that all transactions have been correctly accounted for in the financial records. | CFO and BTO managers | 30 June 2015 |
|  | Material losses and impairments | As disclosed in note 28 to the financial statements, debt impairment of R159 241 289 and bad debts written off of R69 512 132, were incurred.  As disclosed in note 32 to the financial statements, material losses of R19 330 166 were incurred as a result of impairment of assets. | Matters of Emphasis | * Implement credit control measure to ensure that outstanding account are paid on time. * Implement the assets maintenance plan to ensure that assets a properly maintained to avoid impairments and to ensure that the economic benefits as intended are consumed from the assets. * Perform monthly reconciliation between the units purchased and the units sold. * Perform the year end reconciliation between the units purchase, sold and on hand to determine the amount of losses incurred at year end. * Review of financial statement to ensure that the Distribution losses are correctly disclosed. * Reduce losses | MM/Director ITS/CFO | 30 June 2017 |
| **BORROWINGS & LONG-TERMS LOANS** | | | | | | |
| EX.69 | PIC Loans: Terms and Conditions not adhered to by the Municipality. | The terms and conditions of the PIC Loans were not adhered to by the Municipality in the 2015/16 year of review. The yield on the stock to be amortised half-yearly on 31 December and 30 June has not been amortised, there was no payments on the redemption date which was on 30 June 2003 as per the Stock Certificate.  This has resulted in the terms and conditions of the PIC being breached and there has been no payment of the capital amount and the interest. | The Municipal Manager should ensure adherence to terms and conditions entered into are adhered to and any breach addressed promptly | The municipality has instructed Gildenhys and Malatji attorneys to assist the municipality to defend the matter. | Municipal manager | 31 May 2017 |
| **COMPLIANCE** | | | | | | |
| EX.47 | Internal audit and audit committee did not report on compliance | As per MFMA 165(2)(b)(vii) & 166(2)(a)(vii), the audit committee should advised the council/ accounting officer on matters relating to compliance with the MFMA/ DoRA/ any other applicable legislation.  Contrary to this requirement, no report on compliance was done. We inspected the internal audit reports as well as the audit committee reports to council, only compliance with regards to AFS and performance management are reported on. | The internal audit and audit committee should monitor and report on compliance to applicable legislation on a regular basis | Internal Audit will review the approved 2016/17 Operational plan to include a specialized audit on Compliance. The audit is planned to be conducted in the 2016/17 financial and willbe reported to the Audit Committee. The plan will be submitted to Audit Committee for review: 25 January 2017 | CAE/Manager IA | 24 Jan 2017 |
| EX.48 | Annual report of 2014/15 tabled late | Contrary to this requirement, the annual report was only tabled end of April 2016 | A checklist should be used to ensure compliance deadlines are adhered to | Ensure that annual report is tabled in compliance with the MFMA | Director | January 2017 |
| EX.49 | Consequence management | 1. As reported in exception 77, no information on suspensions was received. We could therefore not establish if a disciplinary board meets the requirements of the Financial Misconduct regulation 4 or if allegations of misconduct were tabled before council and investigated.  2. We further could not establish if the suspension was based on a criminal offence, if it was reported to the SAPS.   3. On inspection of the AFS note 45 - 47, it was noted that no investigation was done on unauthorised, irregular and fruitless and wasteful expenditure to determine if any person is liable for the expenditure.  2. As per MFMA 32(2)(a), (b) and Municipal Budget & reporting regulation 75 (1), the council should investigate all instances of unauthorised, irregular and fruitless and wasteful expenditure to determine if any person is liable for the expenditure. | Information should be availed for audit purposes and all investigations should be reported to the AGSA.  Investigations should be done as per the MFMA and guidance’s issued. If an official was liable, the loss should be recovered from the official or if determined, written off as irrecoverable. This should be disclosed as   Proper consequence management should be put in place and all details should be submitted to the AGSA. | Aallegations of financial misconduct and fraud should be investigated in accordance with requirement of section 171(4)(a) of the Municipal Finance Management.   * Submit a report to Council (in line with Section 32 of the MFMA); * Council Consider MPAC recommendations to recover or write off the expenditure. * Institute disciplinary hearing or criminal charges for any person who deliberately or negligently found to liable for committing such expenditure. | MM  MM | 31 Mar 2017  31 Mar 2017  28 Feb 2017 |
| EX.53 | Non-compliance with budget requirements | As per MFMA section 15, a municipality may incur expenditure only in terms of an approved budget and within the limits of the amounts appropriated for the different votes in an approved budget. Contrary to this requirement, overspending of the budget was identified and disclosed on the AFS. This leads to unauthorised expenditure and non-compliance with the MFMA. | The department heads should monitor the actual expenditure against budget before approving any expenditure. Controls should be put in place to prevent overspending of the budget.  The unauthorized expenditure should be investigated by council and approved or recover in terms of the guidance issued. | The Manager Budget to prepare a report on unauthorized expenditure for submission to council. | Municipal Manager/CFO/Directors | 28 Feb 2017 |
| EX.97 | Non-Compliance to MSA 54A(7)  Regulations on appointment and conditions of employment of SMs reg 17(3b) (GNR 37245 MSA sec 54A(2), 56(1)(b), MFMA sec 83, 107, 119, Municipal Regulations on Minimum Competency Levels reg 5, 7, 9, 11, 12, 15, 18 (GNR 493), National Treasury Guidelines for municipal competency levels | 1. There are no proofs that the screening was done before the appointment of the chief internal auditor.   2. The list of competency assessments was inspected and the CAE is not listed.   3. No proof was received that the MEC Local government was informed of the CAE's appointment.   4. The CFO position was only advertised in November 2016 | To ensure that the municipality benefit from only competent, qualified employees, the legislative requirements should be met. A checklist should be put in place by the mayor to ensure the appointment of the CFO that was advertised, are done accordingly | HR to perform the screening before the appointment is done.  The list of competency assessments to include all candidates.  The MEC of Local government to be informed about all senior managers appointments. | MM/Director CSS | Ongoing |
| EX.115 | No approved policy or roads maintenance plan in place for the renewal and routine maintenance | The municipality does not have an approved policy in place for the planning, management and reporting of roads infrastructure (which includes the routine maintenance and renewal of existing roads infrastructure projects). Council did not approve a policy on road infrastructure and ensured the implementation thereof by the municipality. | The municipality should approve and implement a policy for the planning, management and reporting of all roads infrastructure. | ITS to submit a draft policy to effectively address the routine maintenance of roads infrastructure to Council for approval and implementation | Director ITS/Manager Roads | 31 Mar 2017 |
| **HUMAN RESOURCES** | | | | | | |
| Prgr73 |  | Positions in senior management were vacant for more than 12 months.  The CFO position had been vacant for more than 12 months  Vacant positions in senior management were not advertised within six months.  New appointees did not have the required qualifications and experience for the position.  The verification process for new appointments did not cover criminal record checks, financial record checks, qualification verifications and reference checks.  Competencies of key officials: The CAE’s competency was not measured | To ensure that the municipality benefit from only competent, qualified employees, the legislative requirements should be met. A checklist should be put in place by the mayor to ensure the appointment of the CFO that was advertised, are done accordingly. | MM/Director CSS to fill all vacant senior position  All new appointees to meet all minimum competency requirements and to meet the required qualification and experience  The verification process for new appointments to cover criminal record checks, financial record checks, qualification verifications and reference checks.  Competencies of key officials: The CAE’s competency to be measured | MM/Director CSS |  |
| prgr97 | Risk Management | The municipality did conduct a risk assessment, as required by the MFMA but the strategy is not being monitored to prevent fraud as indicated in findings  Enterprise Risk Management framework not submitted for audit. | The municipality should provide the supporting documents requested for audit purposes within 3 working days as per the engagement letter. | The Municipal Manager/Chief Risk Officer should monitor the implementation of risk strategies.  Directors/Managers should provide the progress report on strategies implemented to mitigate the risk.  The Municipal Manager should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available. | MM/Chief Risk Officer | ongoing |
| **ENVIRONMENTAL MANAGEMENT** | | | | | | |
| EX.3 | Ineffectiveness of Wastewater Treatment Infrastructure (Machinery & Equipment**)** | The municipality operated its wastewater treatment facility without a license in contravention of section 24(2)(a) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) and section 22(1)(b) of the National Water Act, 1998 (Act No. 36 of 1998) (NWA). | The municipality's wastewater treatment infrastructure (plants/works) should be properly maintained to effectively treat and dispose wastewater.  The municipality should adhere to legislative requirements preventing pollution to the environment. | The Municipality is refurbishing the Wastewater treatment Assets and developing maintenance management system and procedures.  Submit maintenance plans to council for approval  Conduct feasibility studies on wastewater treatment plant  designs and apply for grant funding  Sewer spillages, odours and ineffective treatment processes are attributed to malfunctioning of the equipment. Madibeng has taken heed of the situation and has issued emergency orders to address malfunctioning equipment.  Internal audits/OHS assessment is underway to quantify scope of work needed to address Occupational health and safety risks | Director ITS/Manager Water | 31 March 2018 |
| EX.4 | Non-compliance to license/authorisation conditions as well as minimum requirements for waste disposal by landfill | As reported in the last year management report, we noted during the current year under review as well that the municipality's waste landfill site did not comply with the license/authorisation conditions and/or minimum requirements for Waste Disposal by Landfill. | The municipality's waste landfill site (and selected waste transfer stations) should comply with the license/authorisation conditions as well as the Minimum Requirements for Waste Disposal by Landfill. | Appointment of service provider by municipal insurance to repair fencing at the landfill site to restrict access as per permit. Strict monitoring of internal Sanitary Landfill Compactor to improve compaction of waste. Appointment of Landfill Consult to repair and maintain the site. | Director CD/Manager Solid waste | 30 June 2017 |
| EX.5 | Draft Environmental Management Plans and/or Strategies not adopted or implemented | The municipality does not have plans & strategies, which have been approved and/or implemented, to manage environmental risks and issues. | Draft Integrated Waste Management Plan which has been developed should be adopted by Council and implemented by management. | Integrated Waste Management Plan (IWMP) adopted by Council on the 09th December 2016.Environmental policy developed and adopted by Council on the 02 December 2015.Service providers appointed for development of  Environmental Management Plan which is anticipated to be adopted in June 2017. | Director CD/Manager solid waste | 30 June 2017 |
| EX.6 | No responsibilities allocated for monitoring and enforcement of the bylaws | As reported in the last year management report, we noted during the current year under review that Madibeng Local Municipality has not implemented an effective revenue collection management system to enforce fines on the non-compliance of the current municipal by-laws and other legislative requirements, with specific reference to environmental transgressions. No revenue was generated for environmental related fines or prosecutions (provided for in the bylaws or legislation) during the 2015/16 financial period, whilst continuous environmental transgressions and pollution was obvious during the physical visits performed on 14 September 2016. | Law enforcement officials to monitor and enforce the environmental related bylaws should be appointed & designated, which will determine their mandate, powers and scope of work;   Implement an effective revenue collection management system to enforce fines on the non-compliance of the current municipal by-laws and other legislative requirements, with specific reference to environmental transgressions. | Capacitate enforcement officers to monitor and enforce environmental by-laws. Designate them to determine their scope of work as it affect fines, prosecutions and non-compliance notices. We should also implement revenue collection strategy to enforce fines for non-compliance with environmental by-laws   Revenue generated from fines will deter pollution. Inspectors from MLM and BPDM should collectively monitor and enforce environmental by-laws  Three officials designated as Environmental Management Inspectors to monitor compliance and enforcement | Director CD/Manager Solid waste | 30 June 2017 |
| EX.7 | Non availability of water due to regular water shortages incurring | * Non adherence to the Constitutional quantity and other agreements; * Not all residents, communities, areas within the municipality's jurisdiction area have availability to water; * There are no or ineffective infrastructure / processes in place to ensure / develop water services infrastructure and availability to all residents | More water tankering should take place to minimize water supply shortages complaints especially in high lying areas, thereby eradicating the problem on non-availability of water. The process where the municipality refurbished community boreholes should also continue. | Implementation of strategies to address water supply shortages in Madibeng, such as increasing of the areas supplied by water tankers, resuscitation of boreholes + stand pipes connections and in the long term, upgrading of the Brits Wastewater Treatment Works/Plant.  sec 139(1)(b) Provincial intervention to provide close out report on the findings and strategies to improve water supply and increase access to water to communities, Intensified water awareness programmes | Director ITS/Manager Water |  |
| EX.8 | Mothotlung Wastewater Treatment Plant is not licensed/permitted | As reported in the prior year management report we also noted in the current year that the Mothotlung wastewater treatment and disposal activities were not licensed | Management should continuously pursue the licensing of its wastewater purification plant to ensure legal compliance and avoid penalties and / or legal action | ITS to make a follow-up on the use License application submitted for operation of WWTW to the Department of Water Affairs. | Director ITS/Manager Water |  |
| **INTERNAL CONTROL** | | | | | | |
| EX.1 | Internal control deficiencies | Integrity and ethical values  1. Formal codes communicating appropriate ethical and moral behavioural standards and addressing acceptable operational practices and conflicts of interest are not periodically acknowledged by signature from all employees.  2. Fair, non-extreme incentives to help ensure integrity and adherence to ethical values do not exist.  Management’s philosophy and operating style  3. The entity does not comply with the relevant laws and regulations pertaining to the reporting of performance information including the Framework for Managing Programme Performance Information, issued by the National Treasury during May 2007 as periodic reviews are not conducted for s57 managers and other officials participating in PMS.  Organisational structure  4. The organisational structure is not aligned with the HR plan. *Management does not have an HR plan aligned to the strategic plan and budget.*  Human resource policies and practices  5. Promotion, compensation, and rotation of employees are not based on periodic performance appraisals but on skills development.  6. The importance of integrity and ethical values are not reflected in performance appraisal criteria.  7. Background checks are not conducted on candidates for employment (hiring standards do not require investigations for criminal records for all potential employees, references and previous employers are not contacted and educational and professional certifications are not confirmed and candidates who change jobs often are not given particularly close attention).  Retirement benefits  8. Retirement benefits payout made to employees who resign, retire or deceased beneficiary is calculated by assistance manager: payroll, however there is no evidence (signature) that indicate payout calculations were reviewed before the payments was done. | The municipal manager should ensure that the internal controls are in place and understood by all employees, as well as monitor compliance to the controls to ensure a good control environment. | The accounting officer to ensure that all employees understand internal controls and monitor compliance to these controls.  The accounting officer to ensure that proper system is in place to monitor compliance to the relevant applicable laws and regulations.  The accounting officer to ensure that the organisational structure is aligned with the HR plan. *Management must ensure that the HR plan is aligned to the strategic plan and budget*  The accounting officer to ensure that the importance of integrity and ethical values are reflected in performance appraisal criteria.  The accounting officer to ensure background checks are conducted on candidates for employment. Hiring standards should require investigations for criminal records for all potential employees, references and previous employers must be contacted and educational and professional certifications must be confirmed.  Retirement benefits  The manager Expenditure to review the retirement benefits payout made to employees who resign, retire or deceased beneficiary once calculated by assistance manager: payroll | MM/CFO/All Directors/All Managers | Ongoing |
| **IMMOVABLE ASSETS** | | | | | | |
| EX.61 | Assets written off not authorised by council resolution | As reported in the prior year we also noted in the current year that assets that were classified in the asset register as assets written off were not authorised for write off by the Municipal Manager. The following is an example of assets that were written off during the year under review without approval | Management should ensure that the financial statements are an accurate and true reflection of the financial position of the Municipality. The Municipal Manager must ensure approval of all the assets that are to be written off. | The Supply Chain Management Unit will finalise the appointment of the auctioneer to speed up the process to dispose-off all unused assets including the redundant/obsolete assets | Manager SCM/Manager Financial Management/CFO | 28 Feb 2017 |
| EX.62 | Location of infrastructure assets incorrectly captured on the fixed assets register | The location of the some infrastructure assets were captured incorrectly on the asset register. | Management should make the adjustments on the fixed assets register and ensure that the location of all assets is accurately captured on the fixed assets register when doing physical verification of assets | The adjustment to update the asset register will be done during the current year conditional assessment of infrastructure assets. | Manager Financial management/CFO | 30 June 2017 |
| EX.64 | Investment property not included in the asset register | Some properties were listed both under inventory list and investment property register: | Property should be investigated and properly disclosed in the financial statement. | The adjustment to update the asset register will be done during the current year conditional assessment of infrastructure assets and physical verification of assets | Manager Financial management/Manager Land & Housing/CFO/Director Human Settlement | 30 June 2017 |
| **OPERATING EXPINDITURE** | | | | | | |
| EX.86 | Payment voucher not paid within 30 days | During the audit of expenditure we identified that the following suppliers were not paid within 30 days of issuing the invoice. For bulk purchases, although payments were made within 30 days, it was only part payments of the invoice and not the whole amount was paid | The accounting officer should ensure that he exercises oversight responsibility over reporting and compliance with laws and regulations and internal control to ensure compliance to the MFMA. | * Improve the Cash-flow of the municipality in order to service the debts on time. * The invoices to be send to BTO directly once the service has been rendered. | Manager Expenditure/CFO |  |
| EX.88, EX.112 & EX.113 | Inaccurate accounting for VAT | During the audit of VAT we identified that input VAT is calculated on an amount including interest, the amount is not split between interest which is not subject to VAT and the billing amount | The accounting officer should ensure that regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information are prepared | All payments made will be scrutinized to ensure that VAT is accounted correctly | Manager Expenditure/CFO | 30 June 2017 |
| EX.89 | Requested information not submitted | The supporting payment vouchers or other supporting documents for the transactions were not submitted for audit; | The accounting officer should implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting | Perform reconciliation of the sequential number as per the filling room (last voucher number) against the last payment voucher as per system to ensure that all invoices captured but not paid are filled accordingly to avoid misplacement of documents. | Manager Expenditure/CFO | 30 June 2017 |
|  | | | | | | |
| 127 | Irregular expenditure | R195 180 310 (100%) of irregular expenditure incurred in the current financial year was as a result of the contravention of SCM legislation. 14% (5% in the prior year) of this irregular expenditure was identified during the audit process and not detected by the municipality’s monitoring processes |  | * Develop and implement records management procedures. * Re-file all procurement documents in line with the procedures. * Test compliance to SCM Regulations and SCM Policy of all procurement transactions. * Update the irregular expenditure register. | Manager SCM/CFO | 31 Mar 2017 |
| 128 | Awards to persons in the service of the state | 1. SCM Regulation 44 prohibits awards to persons or to entities owned or managed by them if they are in service of the auditee The audit included the identification of such prohibited awards. Further testing was also performed to determine whether the legislated requirements with regard to declarations of interest were adhered to. |  | The MM/CFO/Manager SCM and Bid Committees to fully comply with regulation 44 of the SCM regulations  Awards to close family members of persons in the service of the state to be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM Regulation 45 | MM/CFO/Manager SCM | ongoing |
| 129 | Awards to close family members of persons in the service of the state | Awards to close family members of persons in the service of the state not disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM Regulation 45. | Awards to close family members of persons in the service of the state not disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM Regulation 45. | Awards to close family members of persons in the service of the state to be disclosed in the financial statements of the municipality for the sake of transparency and as required by SCM Regulation 45. | Manager SCM/CFO | 31 Aug 2017 |
| 132 | Procurement process | 4 contracts to the value of R25 652 774 were procured from suppliers without valid tax clearance from the South African Revenue Services. | The MM/CFO/Manager SCM and Bid Committees to fully comply with SCM regulations SCM policy for all transactions | The MM/CFO/Manager SCM and Bid Committees to fully comply with SCM regulations SCM policy for all transactions | Manager SCM/CFO | ongoing |
| 133 | Procurement process | Invitations for competitive bids for the procurement of 3 contracts with a value of R42 617 684 were not advertised for the required minimum number of days | The MM/CFO/Manager SCM and Bid Committees to fully comply with SCM regulations SCM policy for all transactions | The MM/CFO/Manager SCM and Bid Committees to fully comply with SCM regulations SCM policy for all transactions | Manager SCM/CFO | ongoing |
| 135 | Contract Management | The contract performance and monitoring measures and methods applied in monitoring 25 contracts with a total value of R46 493 207 were insufficient to ensure effective contract management |  | The MM/Directors/Manager SCM to monitor performance of contracts on a regular basis | MM/Directors/Manager SCM | ongoing |
| 136  137  138  139  140  141  142  143 | SCM Internal control deficiencies | Proper record keeping was not in place to ensure that complete, relevant and accurate information is accessible and available to support the procurement processes followed.  The names of potential providers who submitted quotations were not always recorded together with their quoted prices.  There are no controls for vendor acceptance to prevent and detect fictitious providers.  There are no controls in place to monitor on a monthly basis the performance of the contractor under the contract or agreement.  The implementation of the SCM policy is not reviewed on an annual basis.  There is no effective internal monitoring system to determine, on the basis of a retrospective analysis, whether the authorised SCM processes are being followed and whether the desired objectives are being achieved.  There are no vendor master file controls for adding, deleting or changing the master file.  A risk assessment of the SCM system wasn’t performed. |  | Develop and implement records management procedures.  Test compliance to SCM Regulations and SCM Policy of all procurement transactions.  Implement proper control to avoid and detect factious providers.  The MM/Directors/Manager SCM to monitor performance of contracts on a regular basis.  The MM to review the implementation of the SCM policy annually.  The Manager SCM to develop vendor master file controls for adding, deleting or changing the master file.  The Internal audit to perform a risk assessment of the SCM system. |  |  |
| **PREDETERMINED OBJECTIVES** | | | | | | |
| EX.18 | No documented procedures to ensure improve performance on non-achieved objectives' targets | The municipality has Performance Management Framework and Procedure Manual  used as performance management mechanism (system) however  the frame work does not include procedures to ensure improved performance with regard to those development priorities and objectives where performance targets are not met as required by the legislation | Management Framework + manual procedures should be reviewed and updated to ensure includes documented procedures to ensure performance improvement with regard development priorities and objectives where performance targets are not met. All work performed by service providers (consults) on behalf of the municipality should be reviewed for compliance and accuracy by unit responsible for the project | Develop indicator processes | Director | March 2017 |
| EX.19 | SDBIP not linked to the budget |  |  | Amend the IDP to ensure alignment of IDP/SDBIP / Budget | Manager: IDP | March 2017 |
| EX.20 | Misalignment between IDP and SDBIP | Inconsistencies were noted between Integrated Development Plan (IDP) and Service Delivery and budget and implementation Plan (SDBIP), IDP included indicators and targets planned for the current year however those indicators and targets were not included in the SDBIP | The COO and Municipal Manager should ensure that critical review is performed on the SDBIP to ensure that it is consistent with the IDP | Amend the IDP to ensure alignment of IDP/SDBIP / Budget. (IDP references) | Manager: IDP | March 2017 |
| EX.27 | Revision of the SDBIP not approved | The SDBIP was revised however approval for revision by council could not be provided by management to support compliance with section 54 of the MFMA.  Furthermore the executive summary in the adjusted budget report does not include recommendations that the Municipal council approves the revision to the SDBIP as required by Municipal budget and reporting regulations (GN 393 of 17 April 2009) | Chief Operating Officer and other directors should develop compliance checklist for performance management and review completion and adherence of thereof. | Submit revised SDBIP to Council for approval after mid-term | Director | February 2017 |
| EX.28 | Documents not provided for audit purposes (RFI 16 and 24) |  |  | Verify submitted information with relevant Directorates | Director | Quarterly |
| EX.29 | Effect of the budget adjustment on the SDBIP not included on the adjustment budget report |  |  | Dual process: adjust the budget + align SDBIP + IDP | Director: IPM/CFO | January 2017 |
| EX.31 | KPA 2: Inconsistency between the planned and reported performance information |  |  | Submit revised SDBIP to Council for approval after mid-term | Director | February 2017 |
| EX.32 | Evidence supporting reported performance not verified |  |  | Verify submitted information with relevant Directorates | Director | Quarterly |
| EX.34 | Indicators not well-define | Performance indicators set by the Municipality as indicated are not well-defined | Deploy human resource with extensive and sufficient in the unit responsible performance management unit. The COO together internal audit should adequately SDBIP to ensure that planned indicators are well defined for them to be measurable. | Request the assistance of the Province + AG | Director | March 2017 |
| EX.35 | Indicator not verifiable and target not measurable | The municipality does not have document processes for the indicators and based on the processes obtained verbally, management could not provide evidence supporting the process to ensure the indicator is verifiable | Municipal Manager should deploy human resource with necessary skills and extensive knowledge of performance management. The COO and the directors responsible for indicators under the key performance areas should develop the standard operating policies and procedures for collecting, collating and verifying information for the indicators. The COO and directors responsible for the indicators should refer to the national treasury FMMPI when developing the indicators and setting the targets. | Request the assistance of the Province + AG | Director | March 2017 |
| EX.37 | KPA 3: Inconsistency between the planned and reported performance information | Duplicated indicators and targets were identified in the SDBIP | The Municipal Manager and the COO should develop compliance checklist to review and monitor compliance with laws and regulations relevant to performance information. The COO should review the performance information compiled by the PMS Manager for consistency between planned information to reported information before submission to the municipal manager. COO should adequately review the SDBIP, APR + other performance management documents/reports for accuracy + completeness | Submit revised SDBIP to Council for approval after mid-term | Director | February 2017 |
| EX.38 | Documents not provided for audit purpose(RFI 50) | The following was requested on request for information 50 of 2016 and it was not provided:   1. Contract/MOU between SMME and cooperative (M\_186) 2. Contract between the SMME and cooperative (M\_178) 3. Quarterly reports (with all the supporting documents) (M\_178) 4. Business plans for the implemented projects (M\_124) 5. MOU between municipality with the projects (M\_124). | Financial Management Manager and COO should provide the supporting documents requested for audit purposes within 3 working days as per the engagement letter. | Verify submitted information with relevant Directorates | Municipal Manager | Quarterly |
| EX.39 | No performance management processes in place + documented standard operating procedures for performance management |  | The COO and the Municipal Manager should perform proper review on the annual performance report to ensure that accurate information is reported | Develop indicator processes | Director | March 2017 |
| EX.40 | KPA 3: Misstatement of reported performance | Misstatements were identified on the reported performance in the APR | The Municipal Manager and COO should implement proper adequate review is exercised over the budget and SDBIP to ensure this two documents are aligned | Amend the IDP to ensure alignment of IDP/SDBIP / Budget. (IDP references) | Manager: IDP | March 2017 |
| EX.41 | KPA 2: Misstatement of reported performance | Misstatements were identified on the reported performance in the APR |  | Amend the IDP to ensure alignment of IDP/SDBIP / Budget. (IDP references) | Manager: IDP | March 2017 |
| EX.42 | KPA 5: Inconsistency between planned and reported priorities/objectives, indicators and targets | Inspected the IDP, SDBIP and APR noted the inconsistency in the three documents 3, IDP and SDBIP do have priorities and the APR does not have priorities | Municipal Manager + COO should develop compliance checklist to review and monitor compliance with laws and regulations relevant to performance information. COO should review PMS information compiled by the PMS Manager for consistency between planned information to reported information before submission to municipal Manager. COO should adequately review the SDBIP, APR and other performance management documents/reports for accuracy and completeness | Submit revised SDBIP to Council for approval after mid-term (Municipal Manager to take action against Directors who fail to submit performance reports + POE). | Director (Municipal Manager) | February 2017 |
| **PROCUREMENT** | | | | | | |
| EX.43 | SCM Internal control | During the assessment of the internal controls of it was found that:  1. The website of the municipality is not functioning effectively and efficiently due to lack of maintenance and regular update.  2. Based on the SCM findings the implementation of the SCM policy is not followed up and reviewed annually.  3. Based on repeated exceptions noted there is not an effective internal monitoring system to determine, on the basis of a retrospective analysis, whether the authorised SCM processes are being followed and whether the desired objectives are being achieved.  The internal control deficiencies led to the increase in irregular expenditure and until the control deficiencies are  addressed, the procurement process is open for misuse | The Municipal Manager should ensure that controls are developed, implemented and monitored on a regular basis to prevent non-compliance findings and errors. | The Municipal Manager should ensure that controls are developed, implemented and monitored on a regular basis to prevent non-compliance findings and errors | MM/CFO/Manager SCM |  |
| EX.45 | Contract Register does not include expenditure incurred to date | During the audit of the internal controls of  supply chain management it was noted that the Contract register  list does not include expenditure incurred to date. Refer to extract to the Contract Register. | The supply chain manager should ensure that financial reports prepared are accurate and complete are prepared and supported by reliable information. The contract register should be updated and monitored on a regular basis for purposes of contract management. | The contract register will be updated and monitored on a regular basis for purposes of contract management. | Manager SCM | 31 Mar 2017 |
| EX.81 | Bid register not attached |  | A supply chain management policy must determine the procedure for the handling; opening and recording of bids.  The accounting officer-  i) record in a register all bids received in time;  ii)make the register available for public inspection; and  iii) publish the entries in the register and the bid results on the website of the  municipality. | The SCM Manager to record in a register of all bids received in time, to make the register available for public inspection; and  To publish the entries in the register and the bid results on the website of the municipality. | Manager SCM/CFO | 28 Feb 2017 |
| EX.82 | Possible incorrect supplier information | 1. Some suppliers do not have an address captured. 2. Some suppliers have duplicate addresses. 3. Some suppliers are duplicated on the supplier database due to alternative spelling of names. 4. Some suppliers have the same bank details. 5. Not all VAT numbers of suppliers are captured. Example: Altimax | The address should be captured and the supplier database must be reviewed to ensure that all required details are captured.  2. Proof should be provided that the address are incorrectly captured.  3. The duplicate suppliers should be merged. Before a supplier is captured on the database, a request to be listed as a supplier should be completed and it must be ensured that the supplier is not already on the list.  4. Proof should be provided that the bank details are incorrect. If it is the same company, the suppliers should be merged. | The Manager SCM to captured the address of suppliers and to review the supplier database to ensure that all required details are captured.  3. The Manager SCM to verify duplicate suppliers .  4. The Manager SCM/Expenditure to ensure that the bank details are correct. | Manager SCM | 31 Mar 2017 |
| EX.93 |  | Some contractors were not included on the contract register for 2015/16 financial year. | The Municipal Manager should ensure that the contract register includes all the contracts entered into by the municipality. | The Manager SCM should ensure that the contract register includes all contracts entered into by the municipality | Manager SCM | 31 Mar 2017 |
| EX.98 | SCM-Expenditure made in vain | During the audit of competitive bids, fruitless and wasteful expenditure was identified, as per Resolution A.0805 payments made to Flame-it-strategy that were not within the conditions of the agreement amounted to the value of R1 419 857.82 (R1 167 560.00 + R252 497.82) | The Municipal manager should ensure that payments that are made are within the conditions of agreements. | The Municipal Manager/CFO/Manager Expenditure to ensure that invoices are in accordance with the agreement and are thoroughly checked, reconciled, prior to effecting payment. | Manager Expenditure/CFO |  |
| EX.100 | Tender Files not submitted for audit. | Some tender information as requested in Request for information 58 of 2016 was not submitted for audit: | The Municipal manager and the SCM manager should ensure that information is available for submission as requested. | The Manager SCM should ensure that the contract register includes all contracts entered into by the municipality and all contract information is accurate and complete. | Manager SCM | 31 Mar 2017 |
| EX.101 | SCM - SARS TAX clearance certificate and BEE Certificate not attached | Some tender files did not contain SARS tax clearance certificates and BEE certificates | No tender may be awarded to any person whose tax matters have not been declared by the South African Revenue Services to be in order in accordance with the Preferential Procurement Regulation 14 - Tax Clearance. | MM/CFO/Manager SCM/Bid Committees to ensure that No tender may be awarded to any person whose tax matters have not been declared by the South African Revenue Services to be in order | MM/CFO/Manager SCM/Bid Committees | ongoing |
| EX.102 | Project progress reports | During the audit of contract management we could not test the performance of the contractors as the progress report submitted by the municipality does not include a track record of the entire project undertaken. These results in progress of the projects under contracts entered into not being able to be measured. | The municipal manager, supply chain manager and the performance management unit should ensure that an accurate and complete progress report is kept of all contracts entered into by the municipality. | The Municipal manager/CFO, SCM manager to ensure that an accurate and complete progress report is kept of all contracts entered into by the municipality. | Manager SCM/CFO | ongoing |
| EX.107 | Tender register incomplete | Some payments above R200,000 were identified however were not included on the tender register. | The Municipal manager should ensure that the SCM unit identifies all payments above R200,000 and ensure that they are included on the tender register. If tender process are not followed, a deviation should be indicated and approved, if not, it should be indicated as irregular expenditure and disclosed as such. | The SCM manager to ensure that an accurate and complete tender register is kept of all contracts entered into by the municipality. | Manager SCM/CFO | 31 Mar 2017 |
| **RECEIVABLES** | | | | | | |
| EX.96 | Municipal accounts in arrears for more than 90 days | During review of the financial statements for 2015/16 financial year, we identified note no: 48 for Councillors with accounts outstanding for more than 90 days. The outstanding debt of councillors has increased from prior year to current year. | The Accounting officer should ensure that the council is responsible and held accountable for credit control and debt collection policy and that all the outstanding debt from councillors’ accounts are fully recovered through a deduction from the councillors’ salaries. | MM/CFO/Manager Revenue to apply Credit Control Policy in full | MM/CFO/Manager Revenue | ongoing |
| EX.103 | Indigent application form incomplete | Some indigent application form were incomplete without the signature of commissioner of oath and council | The Accounting officer should ensure that the indigent application forms are accurately completed and a pre-approval is received from council before inclusion in the debtors billing system. | The manager revenue to update the indigent register to ensure completeness. | Manager Revenue | 30 June 2017 |
| **REVENUE** | | | | | | |
| EX.104 | Estimates not reasonable | During the audit of revenue ( estimates) the following was noted that there debtors with the same meter number  Overreliance is placed on estimates and estimates are not always correct. Estimates are not reasonable when compared to the actual readings | The CFO and Municipal Manager should ensure the following:  1. Billing based on an estimated consumption is only appropriate when it is used as a temporary measure until the actual consumption is available.  2. The necessary infrastructure for measuring consumption is in place to ensure that estimates are only used to temporarily determine consumption and the related revenue until the actual / accurate information is available | ITS to replace faulty meters.  Provision of adequate budget to realize replacement of meters  The manager Revenue to use estimated billing as a temporary measure | MM/CFO/Director ITS/Manager Revenue |  |

## Limitations of Evaluation

1. The analysis contained in this report was based on information submitted to Performance Management Unit in January 2017. Where no information or relevant supporting documentation (POE) was supplied, a not achieved performance was stated.
2. All budget related data must be verified against the Municipal Financial System. Values input into the Performance Management System should be cumulative expenditure figures to give a true reflection of the actual performance.

1. All of the performance data had not yet been audited by the Internal Auditor at the time of writing this report.

## Approval

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| *Developed by:*  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **B Matlou Date**  **Assistant Manager PMS** |
| *Reviewed by:*  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **AK Modise Date**  **Director IDP, PMS & Legal Services** |
| *Approved by:*  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **ME Manaka Date**  **Acting Municipal Manager** |

1. Local Government: Municipal Finance Management Act 56 of 2003 [↑](#footnote-ref-1)