

# **MAKANA LOCAL MUNICIPALITY**



## **FINANCIAL RECOVERY PLAN**

### **2019/20 MTREF REVIEW OF THE 2014 AND 2017 EDITIONS**

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## **EXECUTIVE SUMMARY**

### **Introduction**

The Eastern Cape Provincial Executive has instituted an intervention in terms of section 139(1) (b) of the Constitution in respect of the Makana Local Municipality (Makana). The intervention occurred in response to many crises Makana is facing including difficulties in providing basic services and long term financial sustainability.

The municipality is faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and the provision of basic services.

Given the above and the urgency to ensure service delivery to communities and financial viability and sustainability, the development and the implementation of a Financial Recovery Plan (Plan) has been seen as a critical way forward for Makana.

An Administrator was appointed and assumed duty on 1 October 2014 and an Acting Chief Financial Officer was deployed by the Eastern Cape Province to Makana in April 2014 which prompted the initial Financial Recovery plan.

During the 2018/19 financial year, the municipality appointed a fixed-term Municipal Manager, with effect from 01 August 2018, and a fixed-term Chief Financial Officer, with effect from 01 December 2018. In January 2019, the municipality also elected a new Executive Mayor with the view of bringing in new leadership to stabilise and turnaround the municipality.

### **Methodology in Developing the Financial Recovery Plan**

Given the nature of the financial problems an independent and detailed assessment needed to be undertaken to ensure that the key objective of developing a holistic Plan was indeed achieved and which also meet the requirements of Section 142 of the Municipal Finance Management Act (MFMA).

The approach adopted in the development of the Plan was a consultative approach that involved a detailed analysis of relevant documentation as well as engagements with amongst others the Executive Mayor, (former) Administrator, and other Senior Officials of Makana. This initially culminated in the development of a Status Quo Report in November 2014.

The purpose of the status quo report was to assess the institutional, service delivery and infrastructure, and financial challenges impacting on the performance and service delivery imperatives of the municipality, with a view to inform the development of a holistic Plan for the Makana.

In the 2019/20 review of the plan, it was found that many aspects of the plan was still relevant and hence the plan would remain relevant and the timeframes would be reviewed and where necessary additional actions to be included.

### **Nature and Extent of Strategies Identified**

The assessment had identified a number of key strategies that must be outlined, developed and implemented in the short, medium and long term to address the challenges faced by Makana and to follow a path of financial and service delivery recovery and sustainability. Makana has various strategies available to effect the changes needed for sustainability, but not all can be considered due to its' limited cash flow and institutional capacity.

Further, and due to the long term nature of some of the strategies identified, the focus in the short term adopted the Pareto Principle (20% of activities that will contribute 80% to the successful implementation of the Plan) to ensure that the strategies adopted will have the greatest impact and can be undertaken within the financial and human resource capacity and capability of Makana.

It should be noted that any other strategies not immediately addressed in this Plan should still be addressed in the long term and should not be ignored. Key strategies highlighted in the Plan must all be implemented by Makana as this is a holistic and integrated plan, and the final outcome must be to ensure financial and service delivery sustainability. The strategies had to therefore ensure that the objective of financial and service delivery improvement can be achieved in the shortest possible timeframe and that they at least addressed the following: -

1. Reduction in expenditure on non-essentials and optimising current spending within the municipality to accelerate economic growth, job creation and value for money;
2. Increasing revenue through improved collections and billing efficiencies; and
3. Ensuring proper administrative and governance arrangements are in place to manage and address the key financial and service delivery challenges of the municipality.

### **Key Strategies Considered in the Plan**

This Plan including the implementation thereof is critical to achieving the objective of financial and service delivery sustainability.

Further, and as informed by the status quo assessment, the following overarching strategies to address the challenges faced by the municipality are contained in the Plan: -

1. Enhancing the operations of the municipality through organisational realignment, human resource development and restructuring, appropriate comprehensive system of delegations, improved governance and political oversight, and the filling of critical positions including the fixed-term appointment of a Director: Engineering & Infrastructural Services; Manager: ICT; Manager: Internal Audit; Manager: Revenue & Receivables; and an official responsible for Fleet Management amongst others.
2. Improving financial sustainability through budget restructuring, revenue enhancement and management, expenditure management/ cost containment, cash management, tariff restructuring and review of all core and non-core functions and development of a long term financial plan, amongst others;
3. Enhancing asset management through integrated infrastructure development and asset management planning to ensure sustainability through planned maintenance and replacement, growth readiness as well as proper fleet and facilities management; and
4. Improving financial administration through proper supply chain management, risk management and addressing audit related issues including those pertaining to the effective functioning of the Internal Audit Unit and the Audit Committee, amongst others.

The combined impacts of these strategies are intended to address the core and underlying causes that triggered problems at Makana.

Successful implementation will also require greater political oversight, efficient and effective administration and governance arrangements to drive and sustain the implementation of the service delivery mandate and community expectations of Makana.

The strategies are further elaborated upon below and set out in the Detailed Implementation Plan in Section Seven.

### **Implementation of the Financial Recovery Plan**

It is emphasised that the responsibility to implement the Plan rests with the municipality. The Plan must be monitored by Council, the Executive Mayor, and Municipal Manager and his Senior Management Team to ensure successful implementation.

This Plan places significant implementation responsibility on the Municipal Manager, Chief Financial Officer and other senior managers. However, it must also be emphasised that the strategies set out in this Plan relate to activities that must be institutionalised and performed by various municipal officials, as part of their routine duties and tasks. Those appointed to

such positions are given specific roles and responsibilities, which must be re-enforced and captured in a revised performance agreement.

Oversight by Council and other structures in the municipality also needs to be strengthened to ensure proper governance, service delivery and budget implementation, and early warning systems are developed, implemented and corrective measures are taken timeously. Regular, robust and honest interaction must be enforced and sustained beyond this turnaround period at Makana.

The implementation responsibility should also be operationalised and institutionalised whereby the key focus areas and activities outlined in the Plan should be cascaded to all relevant municipal officials and included in their respective performance agreements as mentioned earlier. It is also important that a “portfolio of evidence” is retained throughout the implementation of the Plan to enable assessment of the results.

In respect of financial resources required to support the implementation of the Plan, the key will be the restructuring of the municipal budget, implementing the revenue enhancement initiatives and commitment to stringent expenditure controls particularly on non-essentials and non-revenue generating activities, and successful engagements with the District Municipality and Provincial Government to conclude agency agreements and the funding thereof (related to all agency services) and address non-core activities.

In addition, the Plan should also be presented by the Municipal Manager and the Mayor to the MECs for CoGTA and Finance in the Province, who should then consider any future support or alternative intervention measures at Makana Municipality.

### **Risks Associated with the Plan**

This Plan has identified certain risks that must be mitigated for successful implementation.

The financial recovery plan proposes changes, particularly with regard to financial administration, budgeting, financial discipline and governance. There will also be a need for a regular review of the risks identified to ensure timely mitigation measures are instituted by the Municipal Manager and Political Leadership.

The emerging risks identified include amongst others: -

- Delay in the filling of critical vacant posts especially fixed-term appointment of the Director: Engineering & Infrastructural Services and other permanent appointment of critical middle management vacant posts with incumbents possessing the requisite and appropriate experience, skills and qualifications;

- Industrial actions owing to resistance to the changes due to any organisational restructuring or realignment and the implementation thereof;
- Loss of grant funding due to non-compliance with grant conditions;
- Continued non-collection of revenue and increase in the debtors book;
- Non metering of electricity/ water and continued losses;
- Possible disconnection of bulk electricity by Eskom due to non-payment of the bulk electricity account;
- Possible restriction of bulk water by Department of Water & Sanitation due to arrear debt of the bulk water supply account;
- Old infrastructure and maintenance challenges;
- Non-commitment to stringent expenditure controls, excessive overtime and non-implementation of the revenue enhancement strategy;
- Inadequate systems of delegation that impact on governance, administration and operational efficiency;
- Not adhering to fleet management policies;
- Inadequate implementation of internal controls; and
- Community service delivery and other protests.

Given this, a proper risk management matrix must be developed, managed and reported to Council on a regular basis. The risk management matrix should be updated on a regular basis, to incorporate additional risks which may be identified.

### **Monitoring and Evaluation**

Various elements of this Plan must be fully implemented and institutionalised in a coherent and holistic manner. These components are integrated and care must be taken during the implementation of the Plan not to isolate some aspects from others even though certain aspects may only be implemented in the medium to long term.

The Municipal Manager is therefore required to closely monitor and evaluate progress and must report to Council and Provincial Government on a regular basis. The reports on the implementation should form part of discussions at every management meeting. The Municipal Manager must take corrective action when activities in the Plan are falling behind implementation timelines or when there is a risk of non-achievements of the desired targets or outcomes. Progress reports on the implementation of the Plan must be signed by the



Municipal Manager before submission to Council, National and Provincial Treasuries and Department of Co-operative Governance and Traditional Affairs in Eastern Cape on a quarterly basis. A review of the Plan should be undertaken at regular intervals and be updated as and when more accurate and up to date information is obtained.

Should the municipality delay or fail to implement the Financial Recovery Plan the Provincial Government must consider alternative measures.

## **Conclusion**

This Plan must be submitted by the Municipal Manager for adoption by Council and immediate implementation by Makana Municipality in order to secure the municipality's ability to meet its obligations to provide basic services and financial commitments when they fall due.

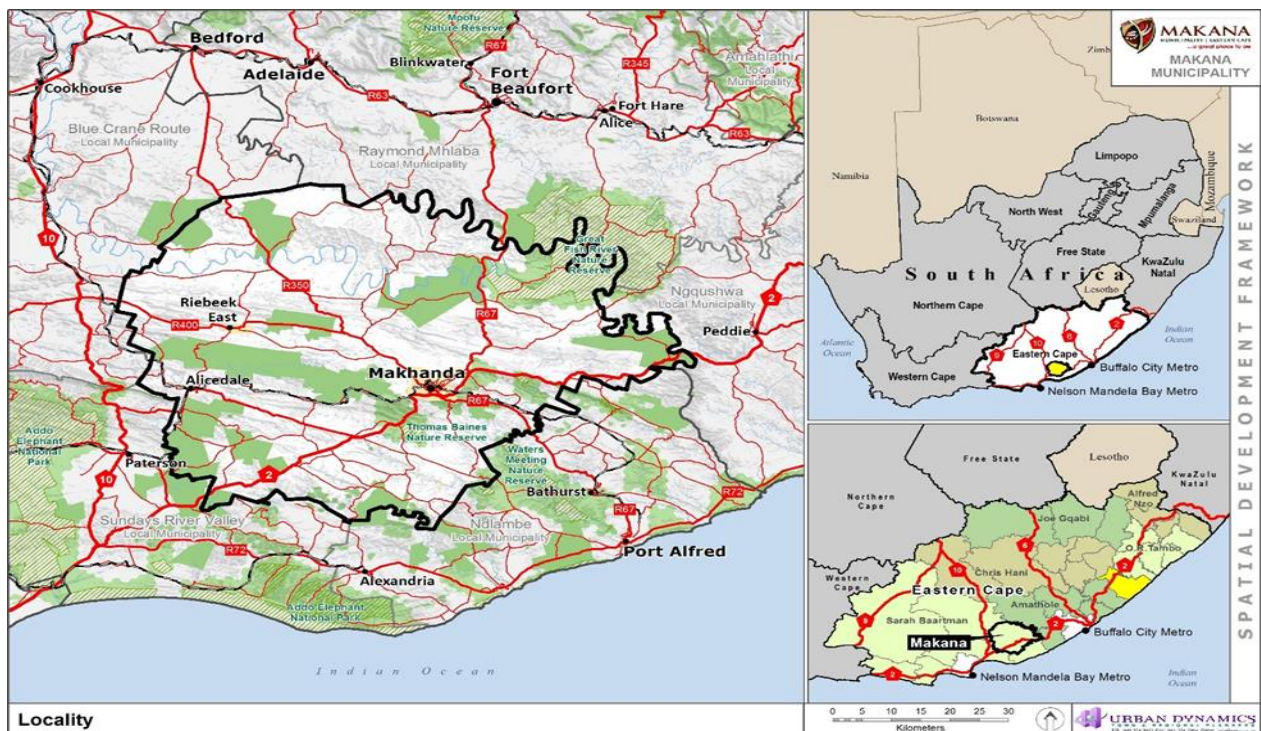
Finally, the municipality should move away from short-term and reactionary planning to a long term stable and sustainable framework, hence the municipality must prioritise the development of a long term financial plan that is realistic and achievable. The financial indicators issued in MFMA Circular 71 must be used as a basis for such a long term plan. Annexure A provides, an example of how Makana Local Municipality can use the Circular in this regard.

## SECTION ONE: INTRODUCTION

### Background to the Makana Local Municipality

Makana is a category B Municipality approximately halfway between East London and Port Elizabeth that forms part of the seven local municipalities of the Sarah Baartman (previously Cacadu) District Municipality in the Eastern Cape Province. Makana's area is bordered in the north-east by Amathole District Municipality, in the north-west by Blue Crane Route Local Municipality, in the south by Ndlambe Local Municipality and in the south-west by the Sundays River Valley Local Municipality. In 2011 Makana was delimited into fourteen wards.

Makana covers an area of 4 375.62 square kilometres and constitutes 7.5% of the Sarah Baartman District and based on the 2011 SA Statistics, the population figure is 80 390 and the largest concentration of people is found in Grahamstown.



At the heart of Makana is the city of Grahamstown, situated 55 kilometres from the coast and 535 metres above sea level. Grahamstown is famous as one of the leading cultural, educational and tourist centres and host of the National Arts Festival in South Africa, as well as being the primary location of Rhodes University.

Makana has faced, and continues to confront, various challenges in terms of service delivery, administration and finance. Many of these have recurred over long periods of time and have been highlighted repeatedly in Makana's annual and audit reports following the statutory audits by the Office of the Auditor-General.

Given the seriousness of the challenges and in an attempt to ebb the decline, the Eastern Cape Provincial Executive instituted a mandatory intervention in line with section 139(1) (b) of the Constitution.

The intervention occurred in response to many crises facing Makana, including difficulties in providing basic services and long term financial sustainability. The challenges in summary include:

- The provision of basic services (including water and sanitation);
- Financial management and credit control (including deteriorating Auditor-General outcomes);
- Allegations of nepotism and corruption;
- Governance and political oversight;
- Communication with communities and key stakeholders; and
- Strengthening and improving the functioning of the administration.

An Administrator was appointed and assumed duty on 1 October 2014 and an Acting Chief Financial Officer was deployed by Province to Makana Local Municipality in April 2014. Given the above and the urgency to ensure service delivery to communities and financial viability and sustainability, the development of a Financial Recovery Plan (Plan) in line with sections 139 and 141(2) of the MFMA, has now been seen as a critical way forward for the turnaround and sustainability of Makana.

The Municipality has had a measure of success in the turnaround as it managed to improve cash position and audit opinions from Disclaimers to a Qualified opinion in 2016; 2017 & 2018. The cash position however deteriorated again from 2017 to 2018 which prompted the review of the Financial Recovery Plan for 2019/20 MTREF.

Makana is faced with numerous financial problems which impact, amongst others, on its ability to meet its financial commitments and basic service delivery obligations. The Eastern Cape Province and Makana identified a need to develop a holistic and integrated Plan to assist with a recovery from the current financial and service delivery challenges.

The National Treasury's Municipal Finance Recovery Service was therefore requested to assist in the development of the original Plan, which commenced with a status quo assessment aimed at obtaining a better understanding of the overall challenges and root causes of the financial and service delivery problems. The 2019/20 review was done internally by the new Management with inputs from Provincial Treasury and CoGTA being requested.

## **SECTION TWO: METHODOLOGY IN DEVELOPING THE FINANCIAL RECOVERY PLAN**

Given the nature of the financial problems, an independent and detailed assessment was undertaken to ensure that the key objective of developing a holistic Financial Recovery Plan was achieved.

The Plan also meets the requirements of Section 142 of the Municipal Finance Management Act (MFMA), which states:-

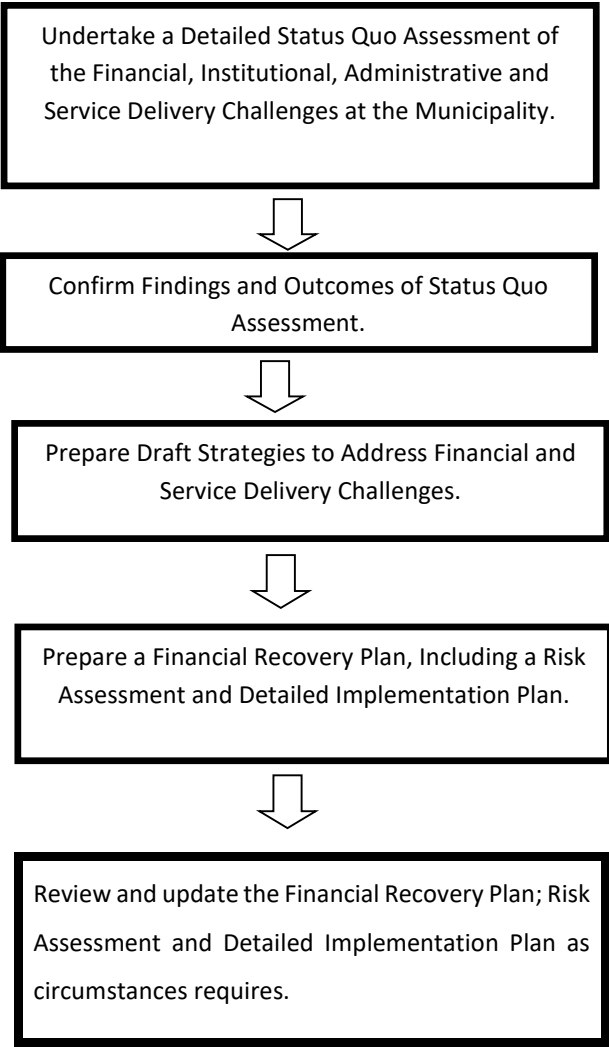
142. (1) A financial recovery plan must be aimed at securing the municipality's ability to meet its obligations to provide basic services or its financial commitments, and such a plan, whether for a mandatory or discretionary intervention must amongst others—

- (a) (i) identify the financial problems of the municipality;*
- (ii) be designed to place the municipality in a sound and sustainable financial condition as soon as possible;*
- (iii) state the principal strategic objectives of the plan, and ways and means for achieving those objectives;*
- (iv) set out a specific strategy for addressing the municipality's financial problems, including a strategy for reducing unnecessary expenditure and increasing the collection of revenue, as may be necessary;*
- (v) identify the human and financial resources needed to assist in resolving financial problems, and where those resources are proposed to come from;*
- (vi) describe the anticipated time frame for financial recovery, and milestones to be achieved; and*
- (vii) identify what actions are necessary for the implementation of the plan.*

Therefore the approach adopted in the development of the Plan was a consultative approach that also involved a detailed analysis of all relevant documentation coupled with a series of engagements between the Executive Mayor, (former) Administrator, Management and other Staff of the Municipality as well as engagement with the relevant National and Provincial Government Departments.

This initially culminated in the development of a Status Quo Report in November 2014, before proceeding with the development of this holistic and integrated Plan.

The process followed in developing the Plan can be summarised as follows: -



## **SECTION THREE: SUMMARY OF THE STATUS QUO ASSESSMENT**

### **1 Status Quo Assessment**

This section provides a summary of the status quo assessment.

The purpose of the status quo assessment was to assess the institutional, service delivery, infrastructure, and financial challenges impacting on the performance of Makana, with a view to inform the development of a holistic Plan for Makana.

Makana, amongst others, has and still experiences challenges in all the areas mentioned below, which negatively impacts on its financial sustainability and ability to deliver basic services sustainably.

### **2 Organisational Structure, and Human Resources and Institutional Matters**

The municipality undertook a comprehensive organisational review exercise for the entire institution, the outcome of which has not been fully implemented. It has been noted that a phase one implementation of the new organisational structure was not undertaken properly and unplanned recruitment occurred within the municipality with individuals being employed outside the organogram, thereby implying that these are unfunded or unbudgeted posts. This matter needs to be addressed urgently.

It is critical that human resource policies and procedures of the municipality are strictly adhered to and consultation with the relevant stakeholders should be improved in the implementation of the entire organisational structure. Service delivery requirements, revenue enhancement and compliance with legislation should be prioritised in the implementation of the structure taking into consideration the funding requirements and current financial constraints at the municipality.

There are no clear and specific job descriptions for the developed new structure (for the positions that were filled as phase one of the implementation of the organisational structure). It has also been noted that the job descriptions within the municipality have not been updated and a job evaluation process has not been conducted within the municipality. This matter should be urgently addressed to ensure competency profiles are aligned with specific job descriptions.

According to the 2017/18 Annual Report, there are eight hundred and twenty three (823) approved positions in the organisational structure and according to the confirmation of employment list submitted by the municipality for the month ending June 2018, six hundred and seventy (670) of these positions are filled, resulting in one hundred and fifty-three (153) positions being vacant. This effectively gives an eighteen point six percent (18.6%) vacancy rate within the municipality.

Information analysed reveals that there are significant vacancies still existing at management and senior management levels within the municipality e.g. the critical posts of Director: Engineering & Infrastructural Services; Manager: ICT; Manager: Internal Audit; Manager: Revenue & Receivables; Manager: Roads & Stormwater; Senior Engineering Technician; and an official responsible for Fleet Management amongst others. The municipality should prioritise the filling of relevant critical vacant positions. The municipality should also prioritise the appointment of engineers and technicians who are key for service delivery as well as the Manager: Internal Audit position which will be key to drive legislative compliance. There should be a clearly articulated process plan on the filling of critical posts and appointments should be concluded by 30 November 2019. The municipality must ensure that these positions are funded in respect of 2019/20 adjustment budget.

Staff retention, development and support is also a major issue that needs to be given utmost care across the municipal departments, with examples being noted in the Budget and Treasury Office and Technical Services where it has been noted that the average period of an employee staying within a position is two (2) years. The municipality faces ongoing challenges in retaining key technical skills such as town planners, water operators and electricians amongst other positions, which has ultimately led to capacity issues within the municipality, resulting in backlogs in the specific areas of work where vacancies exist. The municipality will thus need to consider introducing innovative ways to retain new employees as well as retaining existing talent and skills in the municipality.

The municipality has undertaken a process to verify all employees on the payroll system to ensure correctness of the information contained in the payroll system, given that there have been assertions of "ghost" employees at Makana, and this process is currently being concluded. This process is undertaken in comparison to the staff establishment that reflects the warm bodies that are currently in the municipality.

Due to the nature and extent of the issues identified relating to human resources at Makana, it is evident that there is a need for a human resource policy and procedure review to be conducted. The review will identify all relevant policies and procedures that need to be developed or refined for the municipality and to ensure that the human resource function is fully functional, effective and supportive of the service delivery imperatives of the municipality.

Performance Management System (PMS) is not implemented in the municipality. Performance evaluation has been targeted at senior management and has been implemented during 2017/18 and 2018/19, but the Auditor General and Audit Committee has identified deficiencies that must be addressed. There was a lack of consequence for poor performance and

transgression of policies and procedures within the municipality. This has created a culture of non-performance which has a negative impact on service delivery, financial management and the audit opinions received by the Municipality. The implementation of PMS should be cascaded to the entire staff establishment with consequence for poor or non-performance.

All senior managers within the municipality has signed employment contracts and performance agreements which is an improvement from the past trends.

The leave management system within the municipality needs to be addressed. There is an inadequate system of control over leave management as leave requests are filled out on loose paper leave applications forms that could be easily lost. Attendance registers and leave forms within the municipality are also not being adequately maintained, and which should also be addressed through the policy review and ensure that all leave issues are dealt with accordingly. Overall record keeping and document management within the municipality needs to be addressed.

There is an inadequate system of delegations to expedite decision making, accountability and improved financial management and service delivery. A review of the system of delegations should be undertaken urgently, refined and implemented in order to maximise administrative and operational efficiency as well expedite decision making and improved accountability.

Makana Municipality has established a functional Local Labour Forum (LLF), however, over the past few months the labour relations function has not been sound as there were repeated incidences of go-slow or sit-ins taking place.

Some of the identified root causes that have caused labour relations issues within the municipality include the following:

- Unresolved legacy issues of salary discrepancies; job description and job evaluation issues; and
- The lack of adequate protective clothing in the past; insufficient tools of trade; lack of suitable vehicles and sufficient vehicles to create a conducive work environment.

The municipality has organisational structure and major human resource challenges which must be addressed as a matter of urgency to ensure a turnaround at the municipality.

### **3 Governance**

Governance and oversight within the municipality must be strengthened for improved decision making and service delivery. Engagements with the municipality reflected that there is an issue of a functional flow of items from Committee system to Mayoral Committee and Council



meetings which have led to delays in crucial processes and the implementation of decisions within the municipality. This has also had an impact on timeous implementation of council resolutions and committee decisions within the municipality.

Adherence to the scheduled dates of Council and Committee meetings is critical and the functional flow of meetings must be reviewed. There is also a need for an improvement in Council resolutions being tracked and the implementation thereof monitored.

It has been noted that there is inadequate processes and equipment to provide administrative services for Council and Committee meetings. It is critical to address the inadequacy of the minutes as well as the delay in the availability and distribution of the minutes of Council and Portfolio Committees to expedite implementation thereof. Capable personnel should be made available to provide administrative support. Non submission or late submission of agenda items and/ or relevant reports for the meeting should also be addressed.

The culture of poor or non-performance and the perception that transgressions were an accepted norm within the municipality should be addressed. This would assist in improving service delivery, financial management and the audit outcomes.

The Audit Committee of Council is now functional and is meeting frequently (more than the minimum of four meetings per year). There is a need to ensure the effectiveness of the Audit Committee of Council to ensure compliance with section 166 of the MFMA. The work of the Audit Committee is critical to respond to Council on any issues raised by the Auditor-General in the audit report.

The municipality should develop a communication strategy, and a public participation and communication (internally and externally) programme should be enhanced. This would assist to stabilise community protest amongst others.

#### **4 Technical Services**

The municipality has the mandate to deliver basic municipal services to its communities within its municipal jurisdiction and must do so within its ability considering both its financial means and institutional capabilities.

The high level challenges facing the Technical Services Department, which should be addressed going forward, are as follows:

- There is a shortage of technical skills in the municipality such as engineers and technicians who are key for service delivery as well vehicles, equipment and machinery;

- Organisational arrangements are not fully aligned to functions;
- By-laws have not been updated and this impacts negatively on enforcement and service delivery;
- There are no master plans or replacement and management plans, an inadequate assets register, planning is fragmented and concentrates on short term instead of long term matters and inadequate meters which compromise sustainable service delivery implementation;
- Insufficient attention directed to upgrading, rehabilitating, refurbishing and operation and maintenance of basic services infrastructure pertaining to electricity, water and sanitation. These includes transmission lines, sub-stations and transformers, bulk water rising mains, water treatment works, replacement of valves, replacement of water meters, re-instatement of existing boreholes in rural areas, sewer reticulation, sewer pump stations and waste water treatment works;
- Under-performance of existing infrastructure, caused by ageing assets and poor repairs and maintenance;
- Service delivery negatively impacted by slow supply chain management procurement. In addition, supply chain management delays resulting in fruitless, wasteful, irregular and unauthorised expenditure;
- Land availability challenges to implement infrastructure related projects; and
- Not planning for growth and as a result demand exceeds supply especially in respect of water and electricity supply.
- Material losses on water and electricity services, as a results of poor maintenance of existing infrastructure amongst others;
- Ineffective water conservation and demand management due to inadequate policy framework amongst others ;
- Variations in the quality of drinking water supplied to the Makana community due to inadequate water quality sampling and the maintenance of the green drop and blue drop status;
- Poor status of roads affected by disaster due repairs to roads, bridges and storm water not effectively addressed;

- Lack of suitable land for development making it impossible to reduce the housing backlog, which has been the subject of public protests;
- Insufficient project management capacity due staffing and discipline matters amongst others; and
- The bulk infrastructure has not been upgraded to cater for the additional development; and
- Implement a housing register to do away with the arbitrary allocation of houses which added to the public protest and also rectify and finalise title deeds.

## **5 Public Safety and Community Services**

The Directorate Public Safety and Community Services is one of the biggest departments within the municipality and made up of about 40% of the staff employed by the municipality. The Directorate is responsible for the provision of parks, recreational and sporting facilities, cleansing and environmental health services, library services, environmental management, traffic services, fire and emergency services.

The challenges facing the Directorate of Public Safety and Community Services include:

- Shortage of human resource capacity to implement by-laws. The by-laws have not been updated and some have not been approved, which could result in possible litigation as regards to billing and collection of monies for services rendered;
- A need to address unfunded mandates for example fire-fighting which is a district municipality's function. Engagements with the Sarah Baartman District Municipality are taking place in this regard but need to be accelerated given the current circumstances at Makana;
- Inadequate customer complaint handling processes. At present all complaints are referred to the Fire Services Department and there is therefore a need to establish a centralised responsive customer care unit / centre to deal with customer queries and emergencies;
- Vehicles are old and unreliable and impact negatively on service delivery.
- The existence of illegal dumping sites; the absence of the cleaning services in all areas of Makana; and
- An ineffective solid waste collection schedule; and
- Ineffective management of the landfill sites resulting in material non-compliance.

## **6 Information Communication and Technology (ICT)**

Information Communication and Technology (ICT) Governance Framework to facilitate formulation and implementation of decisions required to manage and monitor ICT within the Makana municipality has been developed. The ICT Organisational Structure / Steering Committee to discuss the strategic ICT issues has not been established. The ICT Organisational structure reflected in the new Organisational Structure of the municipality has not been approved and implemented. As a result, ICT policies and an ICT Governance Framework are not effectively implemented. In addition, the role of the ICT and the requisite alignment of the ICT Strategic plan with the IDP or business strategic plan are not clear.

It is noted that Makana used the Abakus financial system, which was more than 25 years old and recently migrated to a SCOA compliant system, MunSoft, which is still not yet fully implemented. In addition, the municipality should also adequately address the management of consultants, ensure that there are champions at the municipality that take the lead in owning the system, increase human resource capacity and ensure training of staff and skill transfer and introduce effective backup procedures relative to the system.

## **7 Supply Chain Management**

The challenges relating to SCM, which should be addressed are summarised as follows:

- Delays in the sitting of the bid evaluation and bid adjudication committees;
- Continuous non-adherence to SCM policy resulting in deviations;
- Deviations from SCM processes due to amongst others bad planning and budgeting;
- Shortage of staff in the bids office and ineffective contract management;
- Unskilled staff need to be capacitated;
- Supply chain management system not fully functional; and
- Slow pace of processing orders.

It is evident that a complete analysis and restructuring of the SCM Unit is required at Makana.

The above challenges however need immediate attention including amongst others a review of the policies and procedures, delegations, implementation of measures to ensure the sitting of the bid committees, supplier database updating, bid specifications, bid documents management, skills assessment and skills gaps addressed through development plans and training of all SCM practitioners at all levels in the municipality.

## **8 Internal Audit, Risk Management and Audit Outcomes**

### **8.1 Internal Audit**

The municipality had an Internal Audit Manager up to 11 September 2019 and has advertised for the filling of this vacancy. The Senior Internal Auditor position is also on the process of being filled. The Internal Audit unit now only has an Intern in the section and the lack of adequate skilled staff is the biggest challenge facing this unit.

The Audit Committee is functional, but is hampered by the under resourced Internal Audit unit. The municipality when addressing internal audit should focus amongst others on an internal audit structure review, skills and gap analysis together with the development program, filling of critical posts and quality assurance and improvement.

### **8.2 Risk Management**

A risk management framework is in existence and is currently being reviewed with the assistance of CoGTA. There is a risk based audit plan but the implementation remains a challenge. In addition, the risk based audit plan needs to be reviewed and updated in light of the current challenges at the municipality. Risk management is not fully embedded in the culture and internal control processes of the municipality.

The following are some of the critical risks identified by the municipality, rated with high inherent risk ratings classified priority 1 risks, which are unacceptable and require action to further mitigate the exposure:

- Inability to effectively utilise available resources (human and financial);
- Ineffective utilisation of the budget;
- Non-achievement of revenue targets;
- Silo culture which inhibits communication, information sharing and a common vision. (lack of co-operation between directorates/ departments);
- Lack of adequate investment attraction;
- Lack of a marketing strategy;
- Lack of performance management throughout the municipality;
- Lack of business continuity processes;
- Inadequate communication and implementation of the existing and revised policies;
- Inadequate management and control of confidential municipal information;
- Inability to provide sufficient and safe drinking water;

- The organisational culture does not promote service delivery;
- Lack of implementation of the communication strategy;
- Poor management of inter-governmental relations;
- Thefts, fraud and corruption;
- Critical staff/ skill shortages in key areas of responsibility;
- Not meeting the realistic expectations of stakeholders (community dissatisfaction);
- Lack of community awareness on environmental management;
- Increasing crime in the municipal area; and
- Lack of alignment of IDP, SDBIP and budget.

The action plans to mitigate prioritised risks should be included in the risk and action owners performance agreements to ensure implementation.

### **8.3 Audit Outcomes**

The Auditor-General's Reports for the 2016, 2017 and 2018 financial years have all reflected a qualified audit opinion with a trend of decreasing number of items reflected every year and many of the reported issues being repeats from previous years. This shows a slow pace of commitment to resolve the issues that are contributing to the adverse audit opinions.

The Audit Action Plan for the 2017/18 financial year has 191 issues in the plan but most had a completion date of 30 June 2019 and 31 August 2019, which given the challenges at Makana are unlikely to be achieved. At the end of September 2019 only 117 (61%) of actions were completed and the Auditor General is currently auditing and having repeat findings. The lack of dealing with and rectifying issues raised by the Auditor-General will result in additional audit findings in the 2018/19 financial year audit and more than likely to result in another Qualified audit opinion.

Issues should therefore be categorised and critical issues should be addressed as a priority and the plan should be monitored by the Municipal Manager; CFO; Internal Audit and Audit Committee on a monthly basis to ensure implementation and progress.

## **9 Budget and Treasury Office**

The BTO of the municipality is structured in terms of the following units: Revenue Management; Supply Chain Management; Expenditure Management (including Administration and Payroll); Asset Management; Budget and Reporting. The Revenue section within the BTO has the highest number of vacant positions followed by the SCM section. The municipality

should prioritise the filling of these vacant positions. It is critical to note that there is a need for improvement in all of these functional areas. The challenges facing the Budget and Treasury Office which should be addressed include:

- Lack of a system of delegations that maximises the administrative and operational efficiency and provides adequate checks and balances in the municipality's financial administration;
- BTO structure not aligned to provide the required support to the municipality (no Accountants positions);
- Filling of the critical vacant positions including the Manager: Revenue position;
- There is a need to increase internal capacity to improve revenue and collections;
- Integrity of financial information;
- There is a lack of effective documentation of standards directing financial reporting process and framework including mapping of financial processes and systems;
- Cash flow challenges which result in service not being paid for timeously and therefore service providers withholding their services;
- Lack of a long term financial strategy;
- Lack of implementation of revenue enhancement and cost curtailment strategies which also need the support of other departments;
- Unfunded budget and inadequate budget control and cost ineffectiveness; and
- Poor functional financial management capacities and capability of the staff.

The municipality is in the process of reviewing the Organogram and it is proposed that the Asset Management function moves to Expenditure Management and the Manager's Assets position be abolished. The municipality should also prioritise the implementation of revenue enhancement initiatives, cost containment measures, development of an integrated assets management plan, correction of the opening balances in preparation for the 2019/20 annual financial statements, address staff competencies to meet MFMA minimum competency requirements, reduce irregular expenditure and fruitless and wasteful expenditure, improve financial data integrity, improve in-year assessment and reporting to facilitate timely decision making.

## **10 Local Economic Development, Integrated Development Plan and Public Participation**

The challenges at Makana related to Local Economic Development (LED), Integrated Development Plan (IDP) and Public Participation can be summarised as follows:

- Postponement of meetings prolongs the turn-around time for approval of land use applications;
- A need for prioritisation of funds to implement LED projects, land audit and town establishment;
- Lengthy process for the approval of building plans due to the lack of inter-department cooperation;
- Lack of investor confidence in the municipality due to infrastructure related challenges i.e. constant electricity and water outages;
- A need to improve Makana tourism and a review of the service level agreement with Eastern Cape Tourism;
- The LED strategy and investment policy should be reviewed, refined and implemented;
- A need to improve the alignment of the IDP and budget as well as communication to the community;
- The IDP directorate is currently under Municipal Manager and this might need to be reviewed and addressed through organisational restructuring;
- The municipality does not have a communication strategy, and the public participation and communication programme/ plan needs improvement;
- Currently the customer care unit resides in different units, e.g. corporate services, Speakers office and there is a need for the integration of Customer care to ensure consistency in implementation; and
- The website needs to be revamped to ensure relevant information is placed in compliance with legislation.

## 11 Powers and Functions

The table below clarifies the powers and functions of Makana and the implementing agencies:

<b>Function/ Power</b>	<b>Authority to Perform the Function</b>	<b>Performed by Municipality or External Service Provider</b>
Air pollution	Yes	Municipality
Child care facilities	Yes	Service Providers
Fire fighting	Yes	Makana Municipality/Sarah Baartman District Municipality



<b>Function/ Power</b>	<b>Authority to Perform the Function</b>	<b>Performed by Municipality or External Service Provider</b>
Municipal airports	Yes	Municipality
Municipal health services	Yes	Municipality
Trading regulations	Yes	Municipality
Sanitation	Yes	Municipality
Building regulations	Yes	Municipality
Electricity reticulation	Yes	Municipality
Local tourism	Yes	Municipality / Tourism Office
Municipal planning	Yes	Municipality
Municipal public transport	Yes	Municipality
Storm water	Yes	Municipality
Water (potable)	Yes	Municipality
Cemeteries, funeral parlours and crematoria	Yes	Municipality
Billboards and the display of advertisements in public places	Yes	Municipality
Facilities for the accommodation, care and burial of animals	Yes	Municipality
Local sport facilities	Yes	Municipality
Markets	Yes	Municipality
Municipal parks and recreation	Yes	Municipality
Municipal roads	Yes	Municipality

<b>Function/ Power</b>	<b>Authority to Perform the Function</b>	<b>Performed by Municipality or External Service Provider</b>
Noise pollution	Yes	Municipality
Public places	Yes	Municipality
Refuse removal, refuse dumps and solid waste disposal	Yes	Municipality
Control of undertakings that sell liquor to the public	Yes	Municipality
Fencing and fences	Yes	Municipality
Street trading	Yes	Municipality
Street lighting	Yes	Municipality
Traffic and parking	Yes	Municipality
Control of public nuisance	Yes	Municipality
Licensing of dogs	Yes	Municipality
Licensing and control of undertakings that sell food to the public	Yes	Municipality
Cleansing	Yes	Municipality

The municipality is rendering some of the services at a deficit, for example sewerage services, as a result of poor budgeting, inappropriate costing of services, inadequate tariff structure and operational inefficiencies, amongst others. These weaknesses must be addressed to contribute toward sustainable service delivery. The operation model for rendering the services should be reviewed to ensure efficiency and effectiveness.

The municipality needs to also review the bulk resources contracts with the relevant organs of state for example Eskom and DWA to ensure appropriate service level agreements are concluded. The municipality is both a water service authority and water service provider. It

is noted that Eskom supplies electricity directly to Grahamstown East. The municipality should consider in the medium to long term to secure an electricity licence for its entire area of jurisdiction.

Poor inventory management, asset management (property plant and equipment), fleet management and contract management results in poor service to the communities and poor financial management. This has contributed to ageing infrastructure with a lack of funds being earmarked for the whole life cycle maintenance and replacement.

The municipality is experiencing service delivery challenges due to ageing infrastructure, lack of forward planning (no master plans), lack of management of water and electricity distribution losses, lack of replacement and management plans, inadequate human and equipment resources, budget allocation for replacement, operation and maintenance is low and insufficient to stabilise or prevent further deterioration as well as poor project and contract management amongst others.

The municipality has identified development priorities to address water and sanitation, roads and storm water, electricity and land use management. These should be reviewed, costed and form part of the long term financial plan of the municipality, which will amongst others indicate the funding mix in financing the development priorities including backlogs.

The fleet management system is not functional in the municipality and there is a shortage of equipment and vehicles. This negatively impacts on service delivery. Fleet management is presently decentralised within the municipality and there is a lack of coordination to ensure effective management and control of municipal vehicles. In addition, measures are not implemented to address damage and abuse of vehicles. There is a need to review the fleet management policy. Fleet management needs to be addressed urgently as this functional area is key to service delivery.

## **12 Service Delivery and Infrastructure Planning**

The municipality has experienced a number of challenges with respect to financial management, including persistent disclaimer audit opinions. These challenges have increasingly jeopardised the municipality's ability to provide effective and efficient municipal service delivery. Compounding these challenges has been the instability at the top management level of the municipality, governance inefficiencies, as well as capacity constraints in key service delivery areas.

The service delivery diagnostic report highlighted significant weaknesses in key service delivery mechanisms in most of the organisational areas of the Municipality. These weaknesses

included the required extension of water services, electricity and waste water management core service delivery. The results indicated that end to end functional processes should be reviewed along with the associated clarification or updating of associated policies and procedures including roles across the organisation.

There were significant gaps in a number of the necessary municipal business management activities, such as governance and risk management, human resource management, information, communications and technology planning, asset management, forward financial planning, strategy planning and business performance management. It should be noted that each of these present opportunities for improvement at the municipality. It is critical that the administration and municipal council are committed to such business improvement.

Makana Municipality should move away from short term erratic and reactionary planning to long term stable and sustainable planning and a proactive approach to service delivery. There may be a need to review service levels for consistency of service delivery and there may be a need to analyse the coverage and service levels.

In total it is estimated that R1.2 billion is required to upgrade the services in the Makana Local Municipality's area of jurisdiction. It is suggested that the associated listing of requirements be reviewed and prioritised.

For the upgrades to be successful it would be necessary to implement a project management unit which would be responsible for the procurement as well as the day to day management of all the projects necessary to get Makana into a situation where they could provide communities with the required services.

It should be noted that without the aforementioned bulk infrastructure development it will be very difficult to attract and accommodate further development.

A summary of critical areas related to water and sanitation, electricity and energy, roads and storm water is as follows:

### **12.1 Water and Sanitation**

The high level challenges as regards the water and sanitation services are as follows:

- Ageing infrastructure, poor maintenance and poor contract management;
- Material water supply shortages leading to service delivery protests;
- Inadequate catchment area to Grahamstown West, which could result in possible water shortages to the community in the future;
- Inadequate supply versus demand at the James Kleynhans Water Treatment Works;

- Inadequate electricity supply on the western side of Grahamstown, which results in the inability to supply raw water for purification;
- Inadequate storage retention rate (the Department of Water Affairs requirement is 48 hours but Makana has an average of 12 hours);
- Inadequate capacity at waste water treatment works. Plant operating above design capacity by 78% with the municipality having received pre-directives on non-compliance by Department of Water Affairs, which could result in legal action against the accounting officer. In addition health hazards to the people and pollution to the environment;
- Inadequate capacity of the collector mains (rising main and outfalls) resulting in sewer spillages;
- Inadequate capacity of pump stations resulting in sewer spillages;
- Inadequate capacity reticulation network sewers resulting in spillages. Health hazard to the people and pollution to the environment;
- Storm water ingresses to sewer network system increases the inflow to the waste water treatment works;
- Inadequate resources (equipment and human resources) resulting in the inability to attend to complaints and dealing with the problems; and
- Continuous vandalism of critical infrastructure including the exposure of manholes, which could lead to injury and damage to property resulting in possible litigation.

The water and sanitation service solutions that have been implemented are as follows:

- Makana embarked on a water loss management study (meter audit and pressure control study), which has identified problem areas and solutions. The solutions include prioritisation of new meters, replacement of old meters and billing system database cleansing. The recommendations from the study have been partially implemented;
- Water Conservation & Demand Management projects resulting in some meter replacement; repairs to leaks; refurbishment of pumps; management of water supply;
- Capital funding has been secured for the bulk water supply (James Kleynhans) from the Department of Water Affairs in the amount of R150 million;
- The reservoir and water pipeline for ward 12 (Rhodes University and Monument) at a cost of R4.7 million has been constructed;

- The new Waste Water Treatment Works for the Alicedale community has been constructed (R11.0 million); R20 million spent on upgrading the sewerage network and connecting households; and
- Funding has been secured for the refurbishment of the Belmont Valley and Mayfield Waste Water Treatment Works, albeit in three years' time.

## **12.2 Roads and Storm Water**

The provision and maintenance of roads covers the functional areas of the Department of Roads, the Department of Public Works and the Makana Municipality.

Makana does not have a storm water master plan / pavement management system and insufficient roads infrastructure and maintenance is carried out as and when required, which is also evident during community based planning, where concerns are always raised about potholes and corrugated gravel roads.

The high level challenges in the main are as follows:

- roads and storm water (deteriorating state, unfinished projects, poor workmanship);
- Makana has Provincial acclaimed roads within its boundary especially in the Grahamstown CBD, suburbs and rural areas. These roads, including municipal roads, where the condition has deteriorated substantially have become unaffordable for the municipality to maintain; and
- Municipal funds are unable to finance the maintenance of the roads and storm water infrastructure which is urgently required; and
- Makana's rural areas are fast becoming a safety hazard and are becoming inaccessible due to a lack of maintenance and upgrading due to a lack of funds, equipment and human resources.

Makana Municipality's transportation system is categorised as follows, with the varying ownership and responsibilities of these making the management of this function difficult for Makana:

- municipal roads;
- provincial roads (Department of Roads and Public Works)
- undefined access roads;
- rural surfaced and gravel roads; and
- national roads (SANRAL)

The roads and storm water operating challenges are as follows:

- Budgetary constraints resulting in poor or no maintenance;
- Unavailability of resources e.g. machinery and human resources resulting in incomplete work;
- Deteriorating condition of the roads causing damage to public vehicles and litigation claims;
- Storm water flooding which could cause death, damage to peoples' properties and possible claims; and
- Deteriorating municipal buildings making them inhabitable with the possibility of causing staff to be sick resulting in possible litigation or charges being laid by the Department of Labour.

### **12.3 Electricity and Energy**

Makana is currently the service provider for the distribution of electricity only in the old Grahamstown (CPA) municipal area, while the newer urban settlements, Grahamstown East, Riebeek East, Alicedale and the rural farm areas are serviced by Eskom. This makes delivery of services and credit control difficult for Makana to manage. This matter should be addressed as a matter of urgency.

There is no electricity master plan in place and a service provider was previously appointed to develop the electricity master plan.

The maintenance plan is in place but not fully adhered to, due to staff and financial shortages. Budgetary constraints hinder the effective operation and maintenance as the infrastructure is ageing and needs to be constantly upgraded and maintained.

There are 5 wards (3, 10, 11, 13 and 14) comprising the majority of households with no access to electricity. There has however been an overall reduction in the number of persons without access to electricity.

The Municipality is looking at innovative alternative energy sourcing methods and there is a policy which sets out the criteria which will enable the evaluation of renewable energy generation infrastructure to be developed in a manner that will limit the potential negative impacts thereof.

Innowind at Waainek has created an alternative power wind farm and the southern portion of the municipality has been identified as having potential for the development of wind energy generation infrastructure.

The high level challenges are as follows:

- Makana’s electricity and energy services are divided into two in terms of supply i.e. Grahamstown East (eRhini) is supplied and managed by Eskom and Grahamstown West (CBD and town areas) is supplied and managed by Makana Municipality;
- The Electricity and Energy Department is not compliant due to it not having GMR2.1 accredited personnel to approve the work done by electricians;
- Ageing electricity network cables between distribution substations to secure firm electricity supply and lack of an upgrade plan for the transformers.
- Major substation (66/11 KV): Waainek Substation - Old infrastructure, needs transformers and control panels. Supplies Rhodes University, Prisons, Military Base and Industrial Area. Summit Substation – poor soil condition (clay) causing major cracks to the foundation and poor drainage;
- Distribution substations require new isolators to the breakers (60% of the 153 substations need urgent attention). In addition security is required at the substations;
- Inadequate resources being vehicles, ladders, materials, testing equipment, safety clothing, designing software, etc.; and
- Insufficient staff training in particular trade tests for electricians and authorisation of electricity staff.

#### 12.4 Development Priorities

Based on the information received and the analysis done, the development priorities for the various departments can be summarised as follows:

Department	Development Priorities
<b>Water and Sanitation</b>	<ul style="list-style-type: none"> <li>• Access to portable water and basic sanitation with special reference to rural areas;</li> <li>• Provide constant water supply in some areas, special reference Grahamstown East;</li> <li>• Provide potable water to meet minimum quality standards;</li> <li>• Provision of waterborne sanitation to all urban areas;</li> <li>• Provision of bulk for water and sanitation infrastructure;</li> <li>• Eradication of sanitation backlogs;</li> </ul>



<b>Department</b>	<b>Development Priorities</b>
	<ul style="list-style-type: none"> <li>• Social facilitation in rural areas for the use of waterless sanitation;</li> <li>• Provision of free basic services;</li> <li>• Maintenance of existing infrastructure;</li> <li>• Bulk water supply for Riebeeck East;</li> <li>• Water and sanitation reticulation and rebuilding toilets;</li> <li>• Explore alternative ways of sanitation in rural areas versus waterless toilet;</li> <li>• Resuscitation of water boreholes;</li> <li>• Customer care.</li> </ul>
<b>Roads and Storm Water</b>	<ul style="list-style-type: none"> <li>• New roads construction plan to include storm water channels;</li> <li>• Upgrading and maintenance of roads and storm water;</li> <li>• Construction of new roads and sidewalks;</li> <li>• Provision of storm water channels;</li> <li>• Paving/ tarring of all access roads (streets);</li> <li>• Upgrading of old main roads with tar;</li> <li>• Upgrading of rural roads;</li> <li>• Road safety mechanisms;</li> <li>• Cleaning of main roads;</li> <li>• Repairs and maintenance of storm water drains;</li> <li>• Installation of storm water channels;</li> <li>• Installation of storm water in all new human settlement development;</li> <li>• Construction of bridges;</li> <li>• Construction of sidewalks.</li> </ul>
<b>Electricity</b>	<ul style="list-style-type: none"> <li>• Electrification of formal and informal areas;</li> <li>• Provision of high masts and street lights;</li> <li>• Provision of free basic service;</li> </ul>

Department	Development Priorities
	<ul style="list-style-type: none"> <li>• Provision of electricity in rural areas.</li> </ul>
<b>Land Use Management</b>	<ul style="list-style-type: none"> <li>• Provision of land for housing development;</li> <li>• Land audit municipal properties/open space;</li> <li>• Influx and informal settlements;</li> <li>• Provision of land for recreation facilities i.e. child care centre.</li> </ul>

Makana should therefore develop a long term financial plan, which will, amongst others, indicate the realistic funding mix to finance the backlogs and the most cost effective way in which expansion of services can be undertaken. This has to be balanced against the growth projections and potential additional revenue from its agricultural, business, industrial, residential, government and other core sectors of its local economy.

Makana must also address underperformance of existing infrastructure due to ageing infrastructure and poor planning for repairs and maintenance. There is a lack of asset management of infrastructure, immovable and movable assets. Due to a lack of proper asset management and financial planning most of the existing infrastructure could not be replaced or refurbished, resulting in frequent interruptions of services. This should also be addressed in the long term financial plan of the municipality and asset management plans need to be put in place as a matter of urgency and implemented.

Once fully implemented, the intent is for the Municipality to understand and illustrate how their asset portfolio will meet the service delivery needs of their communities into the future and ensure the viability and integration of asset management into the IDP. This component involves the completion of a gap analysis of the municipality's asset management against a good practice framework.

Despite the fact that Makana is experiencing challenges of service delivery due to ageing infrastructure, the budget allocation for operation and maintenance is low and insufficient to stabilise or prevent further deterioration. Serious reprioritisation of the budget is still needed.

It is also noted that a number of critical service delivery and economic development projects have not been implemented due to the financial problems. Further the complexity of projects requires technical management and planning; and this area must be strengthened to fast track infrastructure development and economic growth in the municipality.

### 13 Understanding the Financial Challenges

The financial and sustainability challenges faced by Makana Local Municipality are due to poor financial management, operations and administrative inefficiencies, lack of proper leadership, poor planning, and lack of accountability, amongst others.

The high level financial challenges are material cash flow constraints leading to a high volume of litigations, inability to meet financial obligation and community protests, poor internal controls, under spending on conditional grants, recurring and numerous Auditor General findings, inadequate collection of outstanding debtors, lack of billing due to lack of or damaged meters.

The continued poor budgeting, where unachievable revenue and expenditure budgets have been set and not achieved, weak expenditure controls and poor management of assets has had an impact on the current financial status of the municipality. Areas that need to be addressed include setting of cost reflective tariffs, unrealistic revenue collection levels, with general expenses and contracted services that appear to be excessive. These matters should be adequately addressed in the 2019/20 adjustment budget and the 2020/21 MTREF budget.

An analysis of the following key ratios also highlights other areas that need attention. The indicators below provide the main target areas to improve financial sustainability. In addition, understanding how these indicators can be used to manage finances better and improve services will assist Makana with its medium and long term plans. Annexure A provides, an example, in this regard. It is critical that any future revenue and expenditure plans be compared against the resultant indicators as these will inform whether or not Makana is following a medium to long term sustainable path in its development decisions. These indicators are contained in MFMA Circular No. 71.

To assess the financial health of Makana, a summary of key ratio analysis was also undertaken and linked to the MFMA Circular No. 71 and are set out below.

Ratio	Ratio for 2017/18	Ratio for 2018/19	Remarks
<b>Liquidity Ratio (Current Ratio)</b> - this ratio indicates the extent to which current assets can be used to settle short-term liabilities. If current assets do not exceed current liabilities it means a liquidity problem	0.22	0.43	The current ratio is significantly low for both years, shows signs of recovery. The municipality does not have sufficient current assets to cover current liabilities due to a

Ratio	Ratio for 2017/18	Ratio for 2018/19	Remarks
<p>i.e. insufficient cash to meet financial obligations.</p> <p><b>The norm is 1.5 - 2:1.</b></p>			<p>high impairment of debtors and high outstanding creditors.</p>
<p><b>Cash Coverage Ratio</b> - indicates the municipality's ability to meet at least its monthly fixed operating commitments without collecting any revenue during that month.</p> <p><b>The norm should not be less than 1 - 3 months.</b></p>	0.25 month	1 month	<p>The cash coverage ratio has increased from 2017/18 to 2018/19 and is now at the lower band of Treasury norms.</p> <p>This clearly indicates that the municipality is faced with cash flow challenges.</p>
<p><b>Creditors Payment Period</b> – this indicates the average number of days taken to pay trade creditors.</p> <p><b>The norm is 30 days.</b></p>	409 days	309 days	<p>The creditor's payment period improved by a significant 100 days from the prior year but is still alarmingly high.</p> <p>This indicates cash flow challenges continue to be an issue for the municipality and that Makana is using creditors to fund operations.</p>
<p><b>Contracted Services as a % of Total Operating Expenditure</b> – measures the extent to which municipal resources are committed towards contracted services.</p> <p><b>The norm is 2% - 5%</b></p>	4%	10%	<p>Contracted services as a % of total operating expenditure for prior year is within the norm but has significantly increased in 2018/19 due to the R20million spent on Water conservation &amp; demand management &amp; is not repeated in 2019/20</p>
<p><b>Irregular, Fruitless and Wasteful and Unauthorised Expenditure to Total Expenditure</b> – this ratio measures the extent of irregular, fruitless and</p>	139%	165%	<p>Irregular, fruitless and wasteful and unauthorised expenditure to total expenditure is excessive and increasing due to it not being investigated and dealt with.</p>

Ratio	Ratio for 2017/18	Ratio for 2018/19	Remarks
<p>wasteful and unauthorised expenditure to total expenditure.</p> <p><b>The norm is 0%.</b></p>			<p>This expenditure should be investigated and acted upon.</p> <p>The municipality must take measures to ensure that no irregular, fruitless and wasteful and unauthorised expenditure is incurred.</p>
<p><b>Capital Expenditure Budget Implementation Indicator</b> – measures the actual to budgeted capital expenditure that has been spent by the municipality.</p> <p><b>The norm range is between 95% - 100%.</b></p>	93%	29%	<p>The trend is worsening and in both years the municipality has significantly underspent on budgeted capital expenditure.</p> <p>This was as a result of poor planning; SCM challenges and lack of technical expertise.</p> <p>The municipality must improve planning, supply chain management process, and its capacity to implement capital projects, especially if these relate to revenue generating opportunities.</p>
<p><b>Percentage of Property, Plant and Equipment, Intangible Asset and Investment Property Impaired</b> – indicates the loss in future economic benefits or service potential of an asset over and above the systematic recognition of depreciation.</p> <p><b>The norm is 0%.</b></p>	0.00005%	0%	<p>Impairment of property, plant and equipment and investment property decreased to 0% compared to the previous year which was also a minor amount.</p> <p>The municipality must take action to restore the operating capacity of impaired assets as this has an adverse effect on service delivery and revenue generation.</p>

Ratio	Ratio for 2017/18	Ratio for 2018/19	Remarks
<p><b>Repairs and Maintenance to Property, Plant and Equipment and Investment Property</b> – measures the level of repairs and maintenance to ensure adequate repairs and maintenance to prevent breakdowns and interruptions to services delivery.</p> <p><b>The norm is 8%.</b></p>	0.78%	0.21%	<p>Repairs and maintenance to property, plant and equipment and investment property for both years is significantly low and decreasing.</p> <p>This is an indication that insufficient monies are being spent on repairs and maintenance and that asset stripping is taking place.</p> <p>This situation is already impacting negatively on service delivery and resulting in interruption of services.</p>

A high level financial report compiled by the municipality for the three months ended 30 September 2019 reflects expenditure of R 89.87 million and income of R168.68 million. This reflects that income exceeds expenditure by R78.81 million and shows that the austerity measures and financial management controls implemented to date are working. More stringent methods of control still needs to be implemented to ensure the municipality fully recovers.

Inadequate debtors and revenue management as well as asset management are contributing to the going concern challenges of the municipality. Consumer debtors as at 30 September 2019 totalled R547.7 million and the payment collection rate was 55.74%. Debtors amounts have increased over the years 2016/17 (R334m), 2017/18 (R438m) and 2018/19 (R499m), which can be attributed to a number of factors including billing inefficiencies and inadequate debt collection and credit control mechanisms. Makana municipality derives approximately 48% of own revenue from payments for services, 13% from property rates, 28% from intergovernmental grants and the remaining 11% from other income. The municipality has implemented the new valuation roll and is currently busy finalising the supplementary valuation roll processes to address the objections. Promulgation of by-laws related to charging tariffs and property rates has been effected. The municipality should institute measures to improve debtors and revenue management.

The municipality is experiencing severe cash flow challenges that have resulted in service providers not being paid timeously. Creditors such as Eskom (R44m), Department of Water & Sanitation (R44m), Amatola Water (R33.7m), AGSA (R2.2m) and Other Creditors (R16.4m)

were owed a cumulative amount of R140.3 million as at 30 September 2019. As at the same period the municipality had a positive bank and investment balance of R68.8 million before taking into consideration unspent grants and outstanding creditors above which would leave the municipality in a significant overdraft if settled. The municipality should conclude payment arrangement with all the creditors to settle the amounts owing.

Furthermore, Makana has under spent on capital expenditure due to poor planning and supply chain management and technical challenges. Given the municipality’s financial and service delivery obligations this situation must be prevented from recurring and reversed immediately.

Overall poor or non-implementation of administrative systems, procedures, processes, financial controls, poor budgeting, an inadequate delegation framework, poor asset management, weaknesses in governance and oversight together with non-compliance with relevant legislative framework, contributed to the current financial status of the municipality and if not urgently addressed will lead to further deterioration in the municipality’s financial and service delivery sustainability.

The implementation of this financial recovery plan is critical to secure the municipal’s ability to provide basic services and meet its financial obligations.

Finally, from a financial and service delivery perspective, the implementation of this Plan is critical to secure Makana’s ability to provide basic services and meet its obligations as regards its financial commitments.

**14 Conclusion**

Given the state of affairs at Makana, which has deteriorated over the past eight years, a number of strategies must now be developed, refined and implemented in the short, medium and long term through the financial recovery plan.

For the purpose of this Plan, implementation timeframes are defined as follows:

Description	Timing
Immediate to Short Term	Current to 30 June 2020
Medium Term	Up to 30 June 2021
Long Term	Up to 30 June 2022

In this regard, and given the nature of the financial and service delivery problems at Makana, immediate focus must be on addressing the following key issues:

- Improve governance and political oversight;
- Filling of critical senior and middle management positions in particular a permanent Director: Engineering & Infrastructural Services; Manager: Internal Audit; Manager: ICT; Manager: Roads & Stormwater; Senior Engineering Technician.
- Organisational structure review;
- Improved system of delegations;
- Improved supply chain management practices and processes;
- Revenue enhancement with a concerted focus on revenue growth and collection;
- Improved expenditure management;
- Restructure of the budget;
- Address audit outcomes; and
- Improvement in asset management and infrastructure development for all services.

Finally, and to ensure successful outcomes and the turnaround of the municipality, all key deliverables and outputs that are contained in this Plan must form part of the performance agreements of the relevant senior management to ensure implementation thereof.



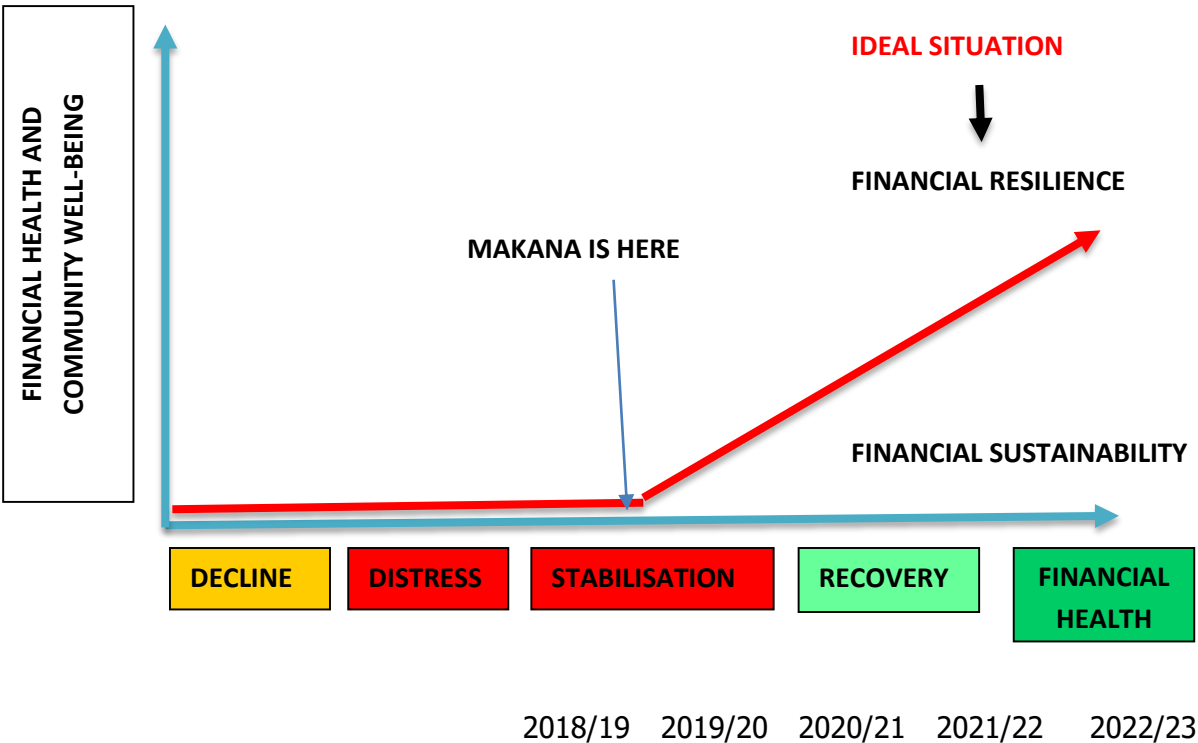
**SECTION FOUR: KEY STRATEGIES IN THE FINANCIAL RECOVERY PLAN**

**15 Nature and Extent of Strategies Identified**

There are a number of strategies identified to effect the changes needed for financial and service delivery sustainability, but not all could be considered due to Makana Local municipality’s limited cash flow and institutional capacity.

Further, and due to the long term nature of some of the strategies identified, the focus in the short term is to adopt the Pareto Principle (20% of activities that will contribute 80% to the successful implementation of the Plan) ensuring that the strategies adopted will have the greatest impact and can be done within the financial and human resource capacity and capability at Makana municipality.

It should be noted that any other strategies not immediately addressed in this Plan should still be addressed in the long term and should not be ignored. Key strategies addressed in the Plan must all be implemented as this is a holistic and integrated plan, and the final outcome must be to ensure financial resilience in the long term as illustrated below.



The strategies had to therefore ensure that the objective of a financial and service delivery improvement can be achieved in the shortest possible timeframe and that they at least addressed the following: -

1. Reduction in expenditure on non-essentials and non-revenue generating activities, and optimising current spending within the municipality to accelerate economic growth and job creation;
2. Increasing revenue through improved collections and billing efficiencies; and
3. Ensuring proper administrative and governance arrangements are in place to manage and address the key financial and service delivery challenges of Makana.

## **16 Key Strategies Considered in the Plan**

This Plan is therefore critical to achieve the objective of financial and service delivery turnaround and sustainability.

Further, and as informed by the status quo assessment, the following overarching strategies to address the challenges faced by Makana are therefore contained in the financial recovery plan: -

1. Enhancing the operations of Makana through organisational realignment, human resource development and restructuring, appropriate comprehensive system of delegations, improved governance and political oversight, and the filling of critical positions;
2. Improving financial sustainability through budget restructuring, revenue enhancement, growth and management, expenditure management / cost containment, cash management, tariff restructuring and review of all core and non-core functions, amongst others;
3. Enhancing asset management through integrated infrastructure development and asset management planning to ensure sustainability through planned maintenance and replacement, growth readiness as well as proper fleet and facilities management; and
4. Improving financial administration through proper supply chain management, risk management and addressing audit related issues pertaining to the functioning of the Internal Audit Unit and the Audit Committee, amongst others.

The combined impacts of these strategies are intended to address the core and underlying problems, which precipitated the challenges at the municipality.

Successful implementation will also require greater political oversight, efficient and effective administration and governance arrangements to drive and sustain the implementation of the service delivery mandate and community expectations of Makana. These strategies are also

intended to respond to challenges facing Makana and are addressed in the financial recovery plan, the details of which are further elaborated upon below (the Detailed Implementation Plan is set out in Section Seven).

### **17 Strategy One: Enhancing the Operations of the Municipality through Organisational Realignment, Human Resource Development, Filling of Critical Positions, Appropriate Comprehensive System of Delegations, Improved Governance and Political Oversight**

The municipality undertook a comprehensive organisational development exercise for the entire institution and the outcomes of the initiative have not been fully implemented as the structure is yet to be approved. Alignment of the old and new organisational structure and assessment of person to post should be undertaken. During this process the operational aspects and functionality of different departments and related units in the organisation must be addressed. The refined organisational structure must be costed before approval to determine its affordability. The process of consultation should be adhered to in order to foster sound labour relations. Human resource policies and procedures of the municipality must be adhered to in the implementation of the refined organisational structure.

This structure should be aligned to the constitutional mandate, the functions and to address the strategic, governance, financial management and service delivery challenges and imperatives of Makana municipality, and should consider, amongst others, the following principles: -

- Aligned, amongst others, to the Integrated Development Plan, service delivery requirements and operating model, revenue enhancement, compliance with legislation and should be concluded after taking into consideration the funding requirements and current financial constraints;
- Ensure an improved financial and performance management regime;
- Support more effective decision-making mechanisms and implementation between the Political Structures and Administration;
- Staff positioning and job functions need to be compared to the desired operating model and organisational structure and aligned accordingly;
- Ensure that officials of the municipality are correctly placed and measures implemented to address excessive or surplus personnel in the establishment;

- A structured organogram indicating reporting lines and job functions should be approved and implemented; and
- Strengthen the capacity of the municipality to provide services to Citizens, lead and facilitate partnerships for growth and development.

The current organogram makes provision for 823 positions of which 670 are filled positions and 153 are vacant positions. Vacant positions need to be reviewed in order to establish if these are critical and are still relevant to the operations of the municipality and to ascertain relevance. The filling of critical vacant budgeted position should be prioritised and follow proper processes. The municipality should introduce measures to retain new employees as well as retain existing talent and skills. It has been noted that there is ineffective utilisation of existing personnel and also inappropriate placement of staff. The municipality should carry out a comprehensive audit for all existing incumbents to assess whether the posts are filled with suitably qualified individuals, establish a process to ensure appropriate placement and how best to address excessive or unskilled staff. The municipality should also prioritise training of employees taking into consideration its current financial status and the functionality of the training committee should be improved.

The municipality should conclude the process to verify all employees on the payroll system to ensure correctness of the information contained in the payroll system, given that there have been assertions of "ghost" employees at Makana. This process should be undertaken in comparison to the staff establishment that reflects the warm bodies that are currently in the municipality.

The human resource anomalies need to be addressed as a matter of urgency. The following challenges relating to human resources need to be normalised:

- Employees take no responsibility for non-performance. A performance management system must be implemented and corrective measures need to be put in place to assist with the improvement of performance. There are no consequences if policies and procedures are not adhered to and poor performance is not addressed at all in many instances;
- To address discipline, human resource consultations need to be initiated. Correct procedures need to be followed, and discipline should be enforced with clearly defined consequences;
- The Union needs to be engaged to improve relations with the municipality;
- Leave management system within the municipality should be improved;

- Executive meetings should take place on a regular basis and matters of concern should be discussed, addressed or escalated where necessary;
- There is a need to ensure separation of functions and improved understanding of the role of Council versus Administration in the area of recruitment and discipline management; and
- Improve its human resource strategy that guides recruitment, placement of staff, retention of staff, performance management and disciplinary processes.

Critical positions have not been filled and the following strategies need to be implemented to rectify this situation:

- Filling of critical senior and middle management positions in particular a permanent Director: Engineering & Infrastructural Services; Manager: Internal Audit; Manager: ICT; Manager: Roads & Stormwater; Senior Engineering Technician; and
- There is a shortage of technical skills such as engineering, electricians, technicians and planners which are required.

The strategies to be implemented as regards the appointment of staff are as follows:

- Clearly defined recruitment policies and procedures need to be implemented;
- Every single employee at the municipality should have a clearly defined job description, indicating reporting structures, responsibilities, decision making capabilities, accountabilities and delegations;
- Critical vacancies should be expedited and should be dealt with as a matter of urgency;
- A process to identify other critical positions to be filled linked to revenue enhancement, service delivery and compliance requirements taking into consideration the funding requirements and cash flows is to be undertaken. The filling of other critical posts should be concluded before the end of the 2020/21 financial year. These must be budgeted for in the 2020/21 Original budget and future budgets;
- It is critical that the existing staff complement is fully utilised before using external service providers and Makana must ensure that the transfer of skills takes place where contractors are appointed; and

- Employees at the municipality should have a clearly defined job description, indicating reporting structures, responsibilities, decision making capabilities, accountabilities and delegations.

There is also an inadequate system of delegations to expedite decision making, accountability and improved financial management and service delivery. A review of the entire system of delegations should be undertaken, refined and implemented in order to maximise administrative and operational efficiency as well as expedite decision making.

The area of governance and oversight within Makana Local Municipality must be strengthened for improved decision making and service delivery. The governance model of the municipality, in particular the political component, needs to be reviewed, refined and fully implemented to speed up decision making and to separate the political and administrative arrangements at the municipality.

The postponement of meetings should be addressed in order to expedite decision making and also to comply with legislative activities within the required timelines. Capable personnel should be made available to provide adequate administrative support to Council and Portfolio Committees. There is also a need for an improvement in Council resolutions being tracked and associated implementation aspects being effectively monitored. The implementation and enforcement of code of conduct for councillors is critical. The review of the system of delegations should address the political component of the municipality as well.

The Internal Audit unit of Council of the municipality is under-resourced and there is a need for improvement in the effectiveness of the unit to support the Audit Committee to ensure compliance with section 166 of MFMA.

## **18 Strategy Two: Improved Financial Sustainability**

The financial challenges faced by Makana are due to poor financial management, operations and administrative inefficiencies, lack of proper leadership, poor planning, and lack of accountability. These have negatively impacted on Makana's ability to meet its financial obligations, for example, Eskom, Department of Water Affairs, Amatola Water and AGSA have outstanding amounts payable. Hence, this holistic Plan is critical to address the financial challenges faced by the municipality.

The continued poor budgeting, where unachievable revenue and expenditure budgets have been set and not achieved, weak expenditure controls and poor management of assets has had an impact on the current financial status of the municipality. The restructuring of the budget is necessary.

Some of the target areas to improve financial sustainability include improvement in the following key financial ratios/ indicators over the medium term to desired norms liquidity management; debtors' management; expenditure efficiency; budget implementation; asset management; and efficiencies in trading services and distribution losses.

The municipality also needs to move away from short term erratic and reactionary planning to a long term stable and sustainable plan and a long term financial plan to determine the available resources and various realistic funding mechanisms/ mixes at the disposal of Council must be developed.

The IDP should be aligned to the long term financial plan in the medium term and also filter through future budget restructuring. This will allow for revenue and expenditure to be in accordance with predetermined realistic parameters, thereby enabling the municipality to have sufficient cash at all times to meet its financial and service delivery obligations, as and when due.

### **18.1 Budget Restructuring**

The last four financial years reflects unrealistic budgeting where unachievable revenue and expenditure budgets have been set and not achieved. The budget that has been prepared for the 19/20 financial year revealed weaknesses in funding and cash-backing where the budget was found to be unfunded. The continued poor budgeting where inaccurate revenue and expenditure budgets have been set and not achieved, weak expenditure controls and poor asset management of assets as mentioned earlier has had impact on the poor financial status of the municipality. These matters should be adequately addressed in the 2019/20 adjustment budget, 2020/21 MTREF budget and future budgets to comply with the principles of a funded and credible budget.

Own revenue needs to be relooked at to address the following: ensure that service charges are cost reflective; multiple year tariff increase approach should be adopted and communicated to all stakeholders; introduce flat rate in the areas where there are currently no meters to encourage proper management and consumption of municipal services whilst prioritising installation of meters; revenue from property rates, fines and rental looked at to ensure it's realistic; and introduce targeted credit control measures designed to increase revenue collection and this must be vigorously implemented as part of revenue enhancement strategy.

Expenditure needs to be relooked at to address the following:

- The cost of personnel needs to be adjusted to only reflect “feet on the ground” and funded critical vacant position taking the restructuring into consideration, address unacceptable high level of overtime, to bring employee cost to acceptable levels;
- Review and implement cost cutting /austerity measures to eliminate non essentials;
- Irregular, fruitless and wasteful and unauthorised expenditure to total expenditure is very high and should be investigated and acted upon;
- Low levels of repairs and maintenance should be addressed to ensure effective operation of all assets and minimal service delivery interruptions;
- General expenses should be looked at to ensure it’s realistic and eliminate non essentials; and
- Under spending on capital expenditure and the municipality should improve planning, supply chain management process, its capacity to implement capital projects and own internally generated revenue.

The entire budget line items should be analysed, especially property rates, trading services, fines, rental revenue, employee related cost, contracted services, general expenses, contractors and free basic services, which will assist in identifying possible expenditure excesses and identify credible revenue billing and collection so that the municipality can set a credible and achievable budget.

Debtors should also be analysed and profiled to ensure only indigent consumers are obtaining the benefit of free basic services and that those receiving and consuming services actually pay for their services.

All policies relating to the budget needs to be reviewed as part of the 2020/21 MTREF budget process, updated, approved and implemented. In addition, related by-laws should be reviewed, updated and implemented.

The revenue and expenditure budget as well as the cash flow budget should be aligned to ensure realistic anticipated cash flow.

## **18.2 Stringent Cash Management**

Cash flow management must be improved in Makana so that the municipality is able to provide basic services and meet its service delivery obligations and financial commitments.



The municipality had a low cash coverage ratio of 0.25 in 2017/18 and with considerable effort of improved cash flow forecasting and investing initiatives, the cash coverage ratio improved to 1 month with is at the lower range of the norm of 1-3 months. Improvement in this area requires urgent and immediate attention to sustain and improve the progress already made.

As mentioned earlier, Makana Local Municipality's cash flow problems impacted seriously on the ability of the municipality to meet financial obligations. This situation highlights the need for the municipality to urgently improve on the areas of cash, revenue and expenditure management. Further, the municipality should conclude payment arrangements with relevant creditors to address amounts owed where no agreements are in place. Some agreements, like with Amatola Water, needs re-negotiating as interest is still being charged contrary to what Council approved in November 2017.

It is critical that cost containment measures are implemented and communicated at all levels within the municipality. A revised cash containment policy that aligns to the latest Regulations of June 2019 must be approved by Council. The assessment of all expenditure before being incurred should be undertaken, through stringent budgeting and expenditure controls. This must be institutionalised in the daily management practices of the municipality.

The implementation of revenue enhancement initiatives must be prioritised to increase billing, collection levels and cash levels. The municipality should also vigorously implement its credit control and debtor collection policy. It is also critical that the municipality is realistic when projecting expected revenues and cash receipts, which will assist the municipality to move away from persistent under performance in cash-flow.

The municipality should establish cash backed capital replacement reserve so that the cost of future renewal and replacement of infrastructure and other assets can be funded from the internal reserve.

In particular, the introduction of sound management accounting practices will go a long way towards ensuring that management decisions are based on accurate, reliable and real time data, hence the need to address the financial management system during this process is critical.

### **18.3 Revenue Enhancement**

The payment collection rate is low at 55.74% as at end of September 2019. The collection rate is below the norm of 95% required to sustain the municipality and to ensure that it at least meets its financial and service delivery obligations. This rate needs to be increased and

arrear debt needs to be collected so as to obtain additional cash and to ensure collection of the current and outstanding debt.

As at 30 June 2019 receivables totalled R498.9 million and there was an impairment provision of R468.9 million. As at 30 September 2019 receivables grew and totalled R547.7 million and strategies need to be put in place to collect this outstanding debt.

To achieve a target of 95% in the short to medium term and exceeding it in the long term will require rigorous and creative solutions on the entire revenue collection value chain. The following actions are therefore recommended for the various components of the revenue value chain:-

- Installation of infrastructure to enable accurate electricity and water meter readings and disconnection / connection of arrear customers;
- Protection of meters from vandalism and illegal connections;
- The systematic data cleansing process must be completed to ensure correct details of account holders or property owners and the classification or reclassification of standards of services being rendered, and where appropriate correcting the tariff that each property is charged;
- Accurate meter reading by meter readers, who are easily identifiable by consumers and property owners, must be put in place;
- Smart meters with latest technology must be considered to reduce reliance on physical meter reading – possibly introduction of prepaid water meters where ESKOM is servicing electricity thereby increasing our credit control mechanisms;
- Consistent billing cycles and accurate and timely bills must be assured;
- Efficient and effective credit control management policies and procedures applied with clear delegations of authority and monthly reporting to Council on actions taken;
- Disconnections and reconnections need to be properly scheduled to optimise speedy payments and behavioural changes. This function should also be reviewed to ensure that Council has overall control of its processes and infrastructure;
- Accessibility of payment facilities must be reviewed;
- Improvement of customer service to ensure quality management, communication and implementation of Batho Pele principles must be given priority. The development and implementation of customer service chapter must also be prioritised. The

establishment of an effective and efficient Call Centre operations could address customer relationship issues, provided it is managed well;

- Stricter risk management and internal control processes must be introduced with emphasis on adequate supervision of daily cash receipting, banking processes and cash management reporting;
- Development, promulgation and implementation of bylaws;
- Establishment of a permanent Revenue Protection Section, to detect illegal connections and institute surveillance equipment to arrest those who connect themselves illegally;
- Legal processes for the collection of over-due consumer accounts must be put in place;
- Daily and monthly reporting of progress must be done by Management;
- Communication between Departments to resolve customer queries and reduce the turnaround time of queries must be improved;
- Cash flow targets should be set and form part of the performance measures of management; and
- Oversight by the Council must be strengthened.

The implications are that investment in water and electricity metering will be critical to the success of this process and must also be linked with a project to reduce the electricity and water distribution losses.

The financial recovery plan should ensure that there is a revenue enhancement strategy which is kept up to date and vigorously implemented. The strategy should ensure that:

- All residents are paying what they should for rates and services taking into consideration the indigent policy;
- All residents are being charged the correct tariff for their rates and services;
- All residents or households receiving services from the municipality are included in the municipality's billing system; and
- A flat rate is introduced where properties do not have meters.

The municipality has developed a Revenue Enhancement Strategy and is generic and high level. This strategy needs to be reviewed and a detailed action plan must be developed and implemented. The following should be considered in updating and implementing the strategy.

### **18.3.1 Short Term (to be completed by 30 June 2020)**

- Resourcing the revenue section through the appointment of staff (dedicated credit control and task team including revenue collection, customer care and control room) and the better use of information technology;
- Undertake debtors and data cleansing to ensure that debtors are billed the correct amount for services received;
- Ensure that IT systems function correctly and review or consider replacement of the current system;
- Ensure that debtors' statements are produced and distributed regularly and timeously. Introduce the strategy to send debtors invoices by MMS or email (outstanding clients);
- Collection of outstanding debtors due by Councillors and Municipal Officials;
- Prioritise collection of outstanding debtors' balances in terms of the top 100 customers, businesses, etc.
- Revenue maximisation through the identification of areas where the municipality is not billing or is billing incorrectly;
- Implement flat rate for properties where there are no meters installed;
- Service costing and tariff review as part of restructuring the budget including bulk contribution levies and basic/ fixed utilisation charges;
- Indigent management by updating the Indigent Management Policy to be more vigorous and updating the Indigent Register;
- The management, improvement and accuracy of the meter reading and billing specifically focussing on the accuracy of meter readings including the replacement of meters that are not working and installing meters at properties where there are no meters;
- Review service agreements with customers with the view to enforce more vigorous deposit policies and better and updated information on new agreements;
- Address illegal connections, stricter action is required without fear or favour;
- Increasing current collection rates by the introduction of pro-active collection strategies;

- Establish a customer care and control centre to centrally control revenue enhancement;
- Develop a cash flow budget to manage all receipts and payments;
- Look at intensely marketing the incentive scheme to encourage consumers to pay;
- Collect debt owed by Government and Provincial Departments;
- Enhancement of revenue and concerted focus on revenue collection;
- The review of polices and bylaws and enforcement thereof;
- Ensure all new properties and buildings are correctly valued in the valuation roll;
- Commission a VAT Contingency Review in the latter part of the financial year;
- Make realistic fixed commitments to pay the outstanding creditors;
- Review all contracts and leases with the municipality with the purpose of trying to reduce expenditure and/ or increase income;
- Develop, implement and monitor expenditure and cash management plan; and
- Explore new or expand the revenue streams.

### **18.3.2 Medium Term to Long Term (to be completed 30 June 2022)**

- Installing water meters in un-metered areas as well as investigating the need to target bulk service contributions;
- Action plan to reduce the current water losses must be developed and implemented;
- Improve the revenue enhancement communication strategy by focussing on cost effective communication;
- Eliminate internal inefficiencies by looking at the way in which services are currently rendered;
- Improving the image of the municipality with all stakeholders including customers and suppliers;
- Perform an intensive audit of unmetered households, privately developed townships and businesses;
- Data cleansing strategy – i.e. updates of stand records for ownership, postal addresses, correct tariffs for correct category and zoning, do house to house survey

using local people and also incorporate indigent registration and comparing to the Valuation Roll and other databases;

- Introduce a strategy to collect outstanding traffic fines; and
- Property audit to identify properties surplus that can either be used for housing or sold to obtain much needed funds for the municipality, provided these are not required for further development and growth and or municipal service delivery in the future.

## **19 Strategy Three: Improving Asset Management**

There is a lack of asset management of infrastructure and all other immovable and movable assets. The municipality should strengthen its technical skills to effectively manage its assets. The breakdown in controls and lack of management oversight over basic processes; lack of control and safety of assets and poor repairs and maintenance planning and management requires urgent attention.

A major strategic risk facing Makana is old and ageing infrastructure, lack of forward planning (no master plans), lack of management of water and electricity distribution losses, lack of replacement and management plans, budget allocation for replacement, operation and maintenance is low and insufficient to stabilise or prevent further deterioration, poor project and contract management amongst others.

The operation of the fleet is undertaken in-house. Fleet management is non-functional and there is a shortage of vehicles, machinery and plant. In addition, there is lack of fleet and fuel management systems. The municipality should review this operation model and explore and implement efficient options. Repairs and maintenance are done in house and vehicles sit for long periods of time in the workshop due to cash constraints and SCM processes being low and ineffective amongst others. This negatively impacts on service delivery and fleet management is core to service delivery and revenue generation. Tracking devices need to be installed in the vehicles to enable monitoring of the use of the vehicles and use of fuel.

Further to this, the inability of the municipality to implement capital projects due to, amongst others, cash flow problems, poor planning and supply chain management process contributed to service delivery challenges faced by the municipality. The municipality should prioritise the development of the PMU capacity by ensuring correct staffing to manage and obtain funding to undertake the necessary infrastructure replacement and development of new infrastructure as well as the repairs and maintenance of existing infrastructure.

This will require setting aside financial resources as part of the annual budget with a long term planning horizon to address service delivery backlogs, infrastructure and maintenance issues. The municipality put in place a clear strategy and plan to address social versus revenue generating assets.

Makana will therefore need to implement a comprehensive infrastructure development, maintenance and upgrade plan informed by the outcome of a comprehensive audit of infrastructure backlog and ageing infrastructure. The long term financial plan of Makana should ultimately give effect to this strategy.

## **20 Strategy Four: Improving Financial Administration through Proper Supply Chain Management, Risk Management and Addressing Audit Related Issues**

### **20.1 Supply Chain Management**

The municipality's SCM Unit should be immediately improved and strengthened. In terms of the current challenges, a number of key areas have been identified that will need immediate attention, to revamp the SCM Unit. Focus should be on the following:

- Review of SCM policies and procedures, delegations, supplier database updating, poor management of stock levels, the placement of staff in the SCM Unit and training of all SCM Practitioners at all levels in the municipality;
- Improvement in the turnaround time of the sitting of Bid Evaluation and Bid Adjudication Committees and ensure the independence and functionality of the SCM Committees;
- Deviations to SCM Policy need to be suspended. No deviations should be permitted and Directorates must do proper planning and budgeting where practical;
- Where Strip & Quote deviations are done, municipality should look at rotation of suppliers to prevent fraud and corruption or a monopoly system;
- Ensure supply chain management system is fully functional and strictly enforce proper SCM processes;
- Speed up the processing of bids and orders;
- Introduce stricter controls around spending, procurement, and contracting as well as supplier management;
- Reviewing the integrity and updating of the service provider database, drafting of bid specification documents and management of bid documents;

- Development of a procurement plan to ensure coherent demand management and to drive the sourcing strategies;
- Development of contract management/documentation management system;
- Training and development of the whole organisation on SCM policies and procedures; and
- Installation of an electronic procurement system to ensure objective selection and rotation of service providers.

It is imperative that policies and procedures throughout the value chain including procurement, contract management and spending be enforced without any exception.

## **20.2 Risk Management and audit related matters**

Risk management is not fully embedded in the culture and internal control processes of Makana municipality. The risk based audit action plan needs to be reviewed and updated in light of the current challenges faced by the municipality. The action plans to mitigate prioritised risks should be included in the risk and action owners performance agreements to ensure implementation.

A comprehensive plan to deal with theft, fraud and corruption within the municipality should also form part of this process. The Internal Audit unit should at least annually evaluate the effectiveness of the entire system of risk management and provide recommendations for improvement where necessary.

The internal audit unit has resource challenges and lack of internal capacity in terms of personnel as well as skills and knowledge of inherent audit requirements is affecting the effectiveness of the unit. The municipality in addressing internal audit challenges should focus amongst others on an internal audit structure review, skill matrix and gap analysis, together with a development programme, filling of critical posts to build and enhance its own internal capacity, a quality assurance and improvement programme and an external quality assurance review.

The municipality should vigorously implement an adequate audit action plan to address persistent audit findings. A holistic approach should be followed in addressing the findings and all actions should form part of the performance agreement of relevant officials of the municipalities to ensure implementation.



## **21 Implementation of the Financial Recovery Plan**

It is emphasised that the responsibility to implement the financial recovery plan vests with the municipality. Regular monitoring of the plan by Council, the Mayor, and the Municipal Manager is critical to ensure successful implementation.

This Plan places significant implementation responsibility on the Municipal Manager, Chief Financial Officer and other senior managers. However, it must be emphasised that the strategies set out in this Plan relate to activities that must be institutionalised and performed by various municipal officials, as part of their routine duties, and who have been appointed to such positions and given specific roles, responsibilities and delegations.

The key focus areas and activities outlined in the Plan must also be cascaded to all relevant municipal officials irrespective of whether acting or not and included in their respective Performance Agreements. It is also important that a “portfolio of evidence” is retained throughout the implementation of the Plan to enable assessment of results by the Auditor General.

Oversight within Makana by both Councillors and Management needs to be strengthened to ensure proper governance and that the service delivery and budget implementation plans are implemented, early warning systems are introduced, and corrective measures are taken timeously, where applicable.

Finally, and in respect of financial resources, the key will be the restructuring of Makana municipality budget, optimising revenue resources available to the municipality, vigorous implementation of the revenue enhancement strategy and cost containment/ austerity measures.

## SECTION FIVE: RISK ASSESSMENT AND MITIGATION

### 22 Risks Associated with the Plan

This financial recovery plan has identified certain risks that must be monitored and mitigated for successful implementation.

The financial recovery plan proposes changes, particularly with regard to financial administration, budgeting, financial discipline and governance. There will however be a need for a regular review of the risks identified to ensure that as additional risks arise, timely mitigation strategies can be adopted and instituted.

The risks and mitigation measures associated with this Plan are summarised below: -

- **Non-implementation of Plans:** In order to mitigate this risk, specific timeframes and responsibilities have been defined for each of the strategies developed in the Plan. In addition, all Senior Managers', irrespective of whether acting or not, performance agreements must include all the relevant elements of the Plan with clear deliverables/ outcomes and deadlines. The monitoring and evaluation process has also been developed and is set out in Section Six of this Plan.
- **Poor Accounting and Record Keeping:** A key risk is that the outcomes of this Plan may not be measured accurately because of poor accounting processes and the delay in the timeous updating of accounting records. Processes to update the accounting records regularly and to ensure that they remain up-to-date are required in order to mitigate this risk and the effective utilisation of the financial system may also go a long way to mitigate this.
  - Furthermore, internal reporting to management on finances is critical to ensure that this Plan can be accurately and timeously monitored and managed. The role of the Municipal Manager in leading this process is therefore critical.
  - The operational aspects of the Internal Audit Unit and the Audit Committee in the municipality must also be addressed urgently to ensure that independent and objective advice on financial management and performance is provided.
- **Change Management:** From a change management perspective, urgent action is required to address some of the poor practices that have occurred for many years. There is a need to strictly enforce new procedures and disciplinary measures. The enforcement of discipline across the municipality will be extremely important and this should also drive the change management processes. The Municipal Manager and

Heads of Department with the assistance of the Human Resources Unit must communicate the content of this Plan to all employees and Labour Unions to ensure full understanding for effective and co-ordinated implementation and the potential consequences of its non-implementation.

- **Labour Relations:** This Plan has an impact on labour and therefore discussions will need to be held with Organised Labour to address any labour relations matters arising from the implementation of this Plan. Communication with these stakeholders is essential and the need for open discussions on the serious financial challenges and long term viability and sustainability of the municipality will be required.
- **Community and Stakeholders:** There is a risk that there may be community and ratepayer resistance to certain aspects of the Plan; such as budget cuts and the need to increase tariffs or for vigorous revenue collection actions. This risk can be managed by effective, improved and consistent communication by Councillors and officials of the municipality with the community. The municipality must communicate effectively with the community on all aspects of the Plan and provide regular feedback on progress, including the submission of this Plan to the Provincial Legislature. Councillor support for the Plan is also required to ensure that there is a collective mind set to support and communicate all aspects of the Plan when Councillors engage with community members.
- **Filling of Critical Vacancies:** To ensure accountability and successful implementation of this Plan is imperative that critical vacancies be filled as a matter of urgency.
- **Emerging Risks:** The following emerging risks have been identified and should form part of the daily oversight of the Municipality:
  - Delay in the filling of critical vacant posts especially permanent appointment of Senior and Middle Management possessing the requisite and appropriate experience, skills and qualifications;
  - Industrial actions owing to resistance to the changes due to any organisational restructuring or re-alignment and the implementation thereof ;
  - Community service delivery and other protests;
  - Loss of grant funding due to non-compliance with grant requirements;
  - Continued non-collection of revenue and increase in the debtors' book;

- Non metering of electricity / water and continued losses;
- Possible disconnection of bulk electricity by Eskom if payment arrangement not adhered to;
- Possible restriction of bulk water by Department of Water & Sanitation due to non-payment of arrear debt;
- Old infrastructure and maintenance challenges;
- Non-commitment to stringent expenditure controls, excessive overtime and non-implementation of the revenue enhancement strategy;
- Inadequate systems of delegation that impact on governance, administration and operational efficiency;
- Not adhering to fleet management policies and best practices; and
- Inadequate implementation of internal controls.

These risks will therefore require effective and focused management as their combined impact is likely to have far reaching consequences and impact on the financial and service delivery sustainability of Makana municipality.

Given this, a proper risk management matrix must be developed, managed and reported to Council on a regular basis.

## **SECTION SIX: MONITORING AND EVALUATION**

### **23 General**

The purpose of this section of the Plan is to set out a monitoring and evaluation process to ensure that the financial recovery plan is implemented and that the milestones and outputs specified are realised.

Various elements of this Plan must be institutionalised and fully implemented in a coherent and holistic manner. These components are integrated and care should be taken during implementation of the Plan not to isolate some aspects from others even though certain aspects may only be implemented in the medium to long term.

The Municipal Manager should continue with the implementation of this Plan until such time that all aspects of the Plan have been fully implemented and institutionalised. The Municipal Manager should closely monitor and evaluate progress and must report to the Mayor, Council, Provincial and National Government on a regular basis. In addition, all Senior Managers' performance agreements must be amended to include elements of this Plan with clear deliverables and deadlines.

### **24 Regularity of Reporting**

The monitoring of the implementation of this Plan and reporting on progress will be undertaken by the Municipal Manager.

Reports on the implementation of the Plan must be submitted to the Municipal Manager on a fortnightly basis, at least in the immediate to short term. The details should form part of discussions at every management meeting and the Municipal Manager must take corrective actions when activities in the Plan are falling behind implementation timelines or when there is a risk of non-achievement of the desired targets.

Progress reports on the implementation of the Plan must be submitted by the Municipal Manager to Council on a quarterly basis. The Executive Mayor and Council must also implement corrective measures and exercise greater oversight to ensure full implementation. These reports should also form part of the quarterly report submitted by the Mayor to Council in terms of section 52 of MFMA on the implementation of the budget and the financial state of affairs of Makana.

The Municipal Manager must also submit progress reports on implementation of this Plan to Provincial Treasury and CoGTA in the Eastern Cape Province with National Treasury's Municipal Finance Recovery Services copied, on a quarterly basis.

## **25 Non Implementation of the Plan**

Should Makana municipality delay or fail to implement this Plan, the Provincial Government must consider alternative measures.

## **26 Updating of the Plan**

This Plan may be updated as and when more accurate information is obtained, where identified strategies need to be updated, and when risks and implementation barriers have not been anticipated.

The responsibility for updating the Plan rests with the municipality. The Municipal Manager must forward any future updated or revised Plan to the Eastern Cape Provincial Treasury and Department of Co-operative Governance and Affairs with the National Treasury's Municipal Financial Recovery Service copied. Provincial Treasury, working jointly with Department of Co-operative Governance and Affairs Eastern Cape, may also provide additional comments on the Plan over the course of its implementation as part of its monitoring role, with the National Treasury's Municipal Financial Recovery Service copied, and until such time as Makana is turned around and is on the path to service delivery and financial recovery.

## **27 Conclusion**

This reviewed financial recovery plan must be submitted by the Municipal Manager for adoption by Council and immediate implementation by Makana municipality.

Finally, Makana must move away from short-term and reactionary planning to a long term stable and sustainable planning framework, hence the municipality must prioritise the development of a long term financial plan and credible IDP.

## SECTION SEVEN: DETAILED IMPLEMENTATION PLAN

### STRATEGY ONE: ENHANCING OPERATIONS THROUGH ORGANISATIONAL RESTRUCTURING AND REALIGNMENT

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
To review the current organisational structure and align capacity to improve service delivery.	<ul style="list-style-type: none"> <li>Review and finalise the organisational structure consistent with this Plan, including drafting of job descriptions, profiles and reporting lines to allow for functional responsibilities to be performed.</li> </ul>	<ul style="list-style-type: none"> <li>Municipal Manager (MM), Director: Corporate Shared Services, Senior Management Team, Manager: Human Resources</li> </ul>	2 Jan 2019	30 Oct 2019	<ul style="list-style-type: none"> <li>Organisational structure refined and aligned to reprioritised municipal functions, service delivery mechanisms and IDP.</li> <li>Development of a new operating model for Makana aligned with service delivery and financial imperatives.</li> <li>Job descriptions showing reporting lines and competency profiles concluded.</li> <li>Job evaluation and grading conducted and concluded.</li> <li>Approved organisational structure implemented.</li> </ul>	<ul style="list-style-type: none"> <li>The organogram review is near complete and is in approval stage after consultation is being wrapped up.</li> <li>Due to financial constraints the filling of vacancies is limited to scarce-critical position guided by the limited budget.</li> <li>The costing of organisational structure is in progress and will be complimented by the finalisation of job evaluation at end of this financial year.</li> <li>The employee verification is an on-going exercise with aim of controlling ghost employees</li> <li>The next review of the organogram will be in 2022(within 12 months after election of new Council)</li> <li>The organisation has limited resources and Moratorium on</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA EC</li> </ul>
	<ul style="list-style-type: none"> <li>Draft structure submitted to Local Labour Forum (LLF) for consultation.</li> </ul>		June 2019	30 October 2019			
	<ul style="list-style-type: none"> <li>Municipal Manager to approve the reviewed structure.</li> </ul>		30 October 2019	30 October 2019			
	<ul style="list-style-type: none"> <li>Submit the revised organisational structure to Council for noting.</li> </ul>		30 November 2019	15 December 2019			
	<ul style="list-style-type: none"> <li>Implement the approved organisational structure.</li> </ul>		06 January 2020	30 June 2020			
	<ul style="list-style-type: none"> <li>Development of placement and migration plan into</li> </ul>		01 November 2019	30 June 2020			

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
	<p>the new structure for all employees</p> <ul style="list-style-type: none"> <li>Analyse increase in contractors' costs along with an increase in employment costs.</li> </ul>		06 January 2020	31 December 2020		<p>recruitment was taken on the 31 May 2017.</p> <p>The old job descriptions are being refined with new job descriptions. The aim is to ensure that performance management system is implemented across the organisation.</p>	
Control excessive overtime.	<ul style="list-style-type: none"> <li>Policies and procedures to be devised to manage overtime.</li> <li>Consultation with key stakeholders.</li> <li>Approval and implementation of overtime policies and procedures.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director Corporate and Shared Services</li> </ul>	<p>October 2019</p> <p>November 2019</p> <p>01 February 2020</p>	<p>31 January 2020</p> <p>20 December 2019</p> <p>Ongoing</p>	<ul style="list-style-type: none"> <li>Policies and procedures developed.</li> <li>Implementation of policies and procedures.</li> <li>Reduction in overtime.</li> <li>Expenditure saving.</li> </ul>	<ul style="list-style-type: none"> <li>Regular Senior Management Team (SMT) are taking place every second week.</li> <li>Overtime forms have been revised &amp; pre-approved form has been developed.</li> <li>Overtime budget vote has been separated from the standby allowance to get accurate figures for overtime spent.</li> <li>On a monthly basis a detailed report is tabled in the Budget Steering Committee for oversight purpose.</li> <li>BSC has resolved that the overtime policy &amp; Procedures must be reviewed by Management – Process to start from October 2019.</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA EC</li> </ul>



Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
Develop, approve and implement a Policy to address al HR anomalies which include internal transfer or placement of staff	<ul style="list-style-type: none"> <li>▪ Draft Policy to address HR anomalies which include internal transfer or appropriate placement of staff</li> <li>▪ Skill audit undertaken</li> <li>▪ Consultation with stakeholders</li> <li>▪ Approval of policy and implementation</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, Director Corporate and Shared Services, HR Manager</li> </ul>	06 Jan 2020	30 June 2020	<ul style="list-style-type: none"> <li>▪ Improved staff utilisation</li> <li>▪ Reduce personnel costs</li> </ul>	<p>Actions implemented since 2016</p> <ul style="list-style-type: none"> <li>• The HR Policies are under reviews through HR roadshows and policy workshops and will be tabled to the LLF for consultation, thereafter, adopted by Council for implementation in 2019/20 &amp; 2020/21 financial years and these include:</li> <li>• Employment Contract</li> <li>• Telephone use policy</li> <li>• Employment Equity Plan</li> <li>• Hall hire policy</li> <li>• uniform &amp; Protective clothing</li> <li>• Dress code Policy</li> <li>• Records Management Policy</li> <li>• Training &amp; Development Policy</li> <li>• Overtime Policy</li> <li>• Leave Policy</li> <li>• Recruitment &amp; Selection Policy</li> <li>• Retention Policy &amp; Strategy</li> <li>• Employee Transfer Policy</li> <li>• Employee Recognition Policy</li> <li>• Study Assistance Policy</li> </ul>	
			01 July 2020	Ongoing			

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
						<ul style="list-style-type: none"> <li>Occupational Health &amp; Safety Policy</li> <li>Employee Wellness Policy</li> <li>Fleet Management Policy</li> <li>PMS Policy / Framework</li> <li>The Acting Policy.</li> </ul>	
Employees to be sensitised about the challenges facing the municipality and Union support obtained for the implementation of this Plan.	<ul style="list-style-type: none"> <li>Communicate with all employees on the implications of the financial problems and the content and consequences of the Plan.</li> </ul>	<ul style="list-style-type: none"> <li>MM</li> </ul>	20 January 2020	31 January 2020	<ul style="list-style-type: none"> <li>Staff informed of the challenges and change management process commenced.</li> </ul>	<ul style="list-style-type: none"> <li>Project to commence after plan approved.</li> </ul>	
	<ul style="list-style-type: none"> <li>Meet with Organised Labour to discuss the Plan.</li> </ul>	<ul style="list-style-type: none"> <li>MM supported by the Mayor/ Speaker</li> </ul>	20 January 2020	31 January 2020	<ul style="list-style-type: none"> <li>Organised Labour is informed of the financial recovery plan and supports the Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Project to commence after plan approved.</li> </ul>	
Filling of critical vacant positions	<ul style="list-style-type: none"> <li>Advertisement and shortlisting of Key Management &amp; Technical vacant positions, interview, candidates, appointment and assumption of duty.</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Corporate and Shared Services, HR Manager</li> </ul>	11 October 2019	28 Feb 2020	<ul style="list-style-type: none"> <li>Critical vacant positions filled with suitably qualified incumbents.</li> </ul>	<ul style="list-style-type: none"> <li>Some management posts advertised in October 2019.</li> </ul>	
Develop a Human Resources Strategy/ Plan.	<ul style="list-style-type: none"> <li>Development, approval and implementation of the human resources strategy.</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Corporate and Shared Services Manager: Human Resources</li> </ul>	1 February 2020	30 June 2020	<ul style="list-style-type: none"> <li>Human resources strategy/plan developed, approved and implemented.</li> <li>Improvement in recruitment,</li> </ul>	Plans to be reviewed	<ul style="list-style-type: none"> <li>CoGTA EC</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
					placement and retention of staff etc.		
Review current delegation framework within the administration to ensure completeness	<ul style="list-style-type: none"> <li>Review the current delegation framework to ensure appropriate delegations in place are cascaded to all affected staff.</li> <li>Finalise and Council adopt delegation framework.</li> <li>Implement approved delegations.</li> </ul>	<ul style="list-style-type: none"> <li>MM</li> <li>Director: Corporate and Shared Services</li> <li>Other Section 56/ 57 Managers</li> </ul>	1 February 2020	30 June 2020	<ul style="list-style-type: none"> <li>Comprehensive delegations approved and implemented.</li> <li>Maximise administrative and operational efficiency.</li> <li>Accountability taken as per delegations.</li> </ul>	<p>Actions implemented since 2016</p> <p>The implementation and enforcement of the Delegations Framework is an on-going process and Executive Mayor and the MM are monitoring the process.</p> <p><b>Impact</b></p> <p>Improved control measures and ensuring a clear understanding of responsibility and roles. Accountability will be strengthened.</p>	<ul style="list-style-type: none"> <li>CoGTA and PT EC</li> </ul>
Develop a Change Management Strategy.	<ul style="list-style-type: none"> <li>Develop a Change Management Strategy and Implementation Plan.</li> <li>Implementation of approved strategy.</li> </ul>	<ul style="list-style-type: none"> <li>MM</li> <li>Director: Corporate and Shared Services</li> </ul>	06 Jan 2020	30 June 2020	<ul style="list-style-type: none"> <li>Change management strategy and implementation plan developed and implemented.</li> <li>Stable working environment.</li> <li>Signed performance agreements reflecting activities in this Plan, conclusion of</li> </ul>	<p>Actions implemented since 2016</p> <p>For COGTA to avail specific budget and to source a consultant to develop the change management strategy and plan. All performance agreements are signed. The road-shows to re-sensitise employees about the code of conduct and the</p>	

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
					<ul style="list-style-type: none"> <li>performance evaluations.</li> <li>Staff morale improved.</li> </ul>	disciplinary code including policies.	
Implement management training programmes to ensure competent Managers in place.	<ul style="list-style-type: none"> <li>Implement training action plan based on gap analysis and identified training needs</li> <li>Training action plan should provide details of the training provider, relevant officials, training needs, specific training, start and end date</li> </ul>	<ul style="list-style-type: none"> <li>MM Director: Corporate and Shared Services, Manager: Human Resources</li> </ul>	31 Jan 2019	31 Dec 2021	<ul style="list-style-type: none"> <li>Management training programmes to ensure competent Managers employed and developed.</li> <li>Ensure compliance with legislated minimum competencies.</li> <li>Improved organisational performance and service delivery.</li> <li>Improvement is staff morale.</li> </ul>	<p>Actions implemented since 2016:</p> <p>A Skills Audit is being undertaken and training needs were submitted through the Workplace Skills Plan regulated by the SETA. And 24 Officials enrolled for the CPMD course to enhance competencies and compliance with legislated minimum competencies. Senior Management already found competent necessary CPMD / MFMP modules.</p>	
Legal Services and Legislative Compliance.	<ul style="list-style-type: none"> <li>Reviewing all policies, procedures and By-laws for legal compliance and potential risk to municipality.</li> </ul>	<ul style="list-style-type: none"> <li>Legal Advisor, MM with relevant S56/57 Managers</li> </ul>	31 Jan 2020	30 June 2021	<ul style="list-style-type: none"> <li>Amended policies and procedures.</li> <li>Reduction in litigation.</li> <li>Amended and published By-laws.</li> <li>Increase in by-law enforcement.</li> </ul>	<ul style="list-style-type: none"> <li>Project to commence</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA EC</li> </ul>
Conclusion of disciplinary processes	<ul style="list-style-type: none"> <li>Finalise outstanding disciplinary cases</li> </ul>	<ul style="list-style-type: none"> <li>MM. Director: Corporate &amp; Shared Services,</li> </ul>	01 October 2019	30 September 2020	<ul style="list-style-type: none"> <li>Outstanding disciplinary cases finalised</li> </ul>	<ul style="list-style-type: none"> <li>Cases are currently in process.</li> </ul>	

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
		Manager: Human Resources					
Human Resources Development In Consultation with Legal Services, Internal Audit and the Relevant Department.	<ul style="list-style-type: none"> <li>▪ Training of Staff on Policies and Procedures.</li> <li>▪ Training sessions on code of conduct, collective agreement and disciplinary processes to be undertaken.</li> <li>▪ Instances of non-compliance with legislation, policies and procedures must be investigated and disciplinary actions taken and or finalised</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, Director: Corporate &amp; Shared Services, Manager: Human Resources, Legal Advisor</li> </ul>	06 January 2020	<ul style="list-style-type: none"> <li>▪ On-going</li> </ul>	<ul style="list-style-type: none"> <li>▪ Staff obtaining knowledge on reducing risk and legal compliance when implementing Council Policies.</li> <li>▪ Officials that disregarding legislation, policies and procedures must be held accountable</li> <li>▪ Staff compliance to policies and procedures</li> <li>▪ Reduction in discipline for non-compliance.</li> </ul>	<ul style="list-style-type: none"> <li>• HR Policy Roadshows have been conducted.</li> <li>• Policy workshop was conducted and will continue with the reviews. All disciplinary cases reported to HR are investigated and department are advised accordingly.</li> </ul>	
Strengthening Governance.	<ul style="list-style-type: none"> <li>▪ Train Councillors and relevant Committees on governance, financial management and oversight</li> <li>▪ Review the current delegation framework to ensure appropriate delegations are cascaded within the</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, Director: Corporate and Shared Services</li> <li>▪ Mayor, MM</li> </ul>	01 February 2020	30 September 2020	<ul style="list-style-type: none"> <li>▪ Facilitate sessions for Councillors and Oversight structure</li> <li>▪ Comprehensive political sphere and relevant governance committees delegations approved and implemented</li> </ul>	New Councillors were sent to training. MPAC and the Audit Committee is meeting regularly as required. The Delegations Framework was reviewed and was tabled to Council for adoption in March 2016. The annual schedule of Council meetings were	<ul style="list-style-type: none"> <li>▪ CoGTA and PT EC</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
	<p>political sphere and relevant governance committees</p> <ul style="list-style-type: none"> <li>Finalise and adopt delegation framework</li> <li>Implement approved delegations</li> <li>Review, develop and update and implement a schedule of oversight meetings to expedite decision making and comply with legislative activities within required time lines</li> <li>Council resolutions adequately formulated, timely distributed, tracked and implementation monitored</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Corporate and Shared Services</li> </ul>	01 July 2019	Ongoing	<ul style="list-style-type: none"> <li>Expedite decision making</li> <li>Development of an annual calendar of events and meetings and improvement in attendance</li> <li>Realisation of policies and plans into actual service delivery</li> <li>Improvement in implementation of resolutions</li> <li>Reduction in cancellation of meetings.</li> <li>All meetings properly constituted</li> </ul>	<p>approved by Council in May 2019 and meetings dates are strictly adhered to. The progress with the implementation of Council resolutions is reported to, using an action sheet that is submitted to the following Council meeting.</p> <p><b>Impact</b> Oversight is taking place as required and meeting are taking place as scheduled. This contributes to a sense of stability.</p>	
Leave Management System	<ul style="list-style-type: none"> <li>Introduce leave management system for all categories of leave.</li> <li>Investigate and update all leave records and leave days due and available.</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Corporate and Shared Services, Manager: Human Resources</li> </ul>	06 January 2020	30 June 2020	<ul style="list-style-type: none"> <li>Improvement in control over leave management.</li> <li>Accurate leave provision with supporting documentation and reconciliations.</li> </ul>	<p>The Leave policy was reviewed. Leave reconciliation is done monthly</p> <p><b>Impact</b> Stricter control of leave in the organisation.</p>	<ul style="list-style-type: none"> <li>COGTA EC</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Outputs	Progress/Implementation	Technical Support
Validating the number of employees within Makana.	<ul style="list-style-type: none"> <li>▪ Undertake audit of employees to ascertain and whether there are "ghost" employees.</li> <li>▪ Check employees back to organogram.</li> <li>▪ Verify employee to payment schedules and bank accounts.</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, CFO, Director: Corporate and Shared Services, Manager: Human Resources</li> </ul>	01 March 2020	30 June 2020	<ul style="list-style-type: none"> <li>▪ Complete workforce audit, which can be tied back to the organogram and salary payments.</li> <li>▪ Reduced salary bill</li> </ul>	<p>The number of employees are continuously validated through employee verification by the HR / internal audit.</p> <p>The HR office conducted a staff verification where it was required from all staff of the Municipality to report in person to the officials of the said office with their identity documents.</p> <p>Sending a message that fraud will not be tolerated is promoting stability.</p>	

## STRATEGY TWO: IMPROVED FINANCIAL SUSTAINABILITY

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Analyse 2016/17, 2017/18 and 2018/19 actuals as part of budget line item analysis.	<ul style="list-style-type: none"> <li>▪ Undertake budget and actual line item analysis for the 2016/17, 2017/18 and 2018/19 financial years.</li> <li>▪ Analyse, in particular, the following categories of expenditure in 2016/17, 2017/18 and 2018/19 to identify possible inefficiencies, etc.: <ul style="list-style-type: none"> <li>➢ Employment costs;</li> <li>➢ Contracted services;</li> <li>➢ General expenditure; and</li> <li>➢ Free basic services.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	31 October 2019	31 January 2020	<ul style="list-style-type: none"> <li>▪ Any inefficiencies in expenditure identified addressed in the 19/20 adjustment budget and 2020/21 MTREF budget.</li> <li>▪ Revised budget and budget baseline.</li> </ul>	<ul style="list-style-type: none"> <li>- The municipality has procured a Munsoft Financial System and when migrating, reviewed its vote structure in line with mSCOA requirements. Expenditure trends however was not analysed and must be done.</li> <li>- There are several new initiatives to monitor income and expenditure, like the Budget Steering Committee meetings that are now held monthly, and a Revenue Enhancement Committee that meet monthly and all revenue raising sections, as well as our debt collecting company, is represented there.</li> </ul>	Provincial Treasury
Restructuring of the budget to address budget deficiencies and to restore the financial sustainability of the Municipality.	<ul style="list-style-type: none"> <li>▪ Review the actual performance of 19/20 budget</li> <li>▪ Review the actual performance for the 1<sup>st</sup> six months of the 2019/20 budget.</li> <li>▪ Review and amend the 2019/20 budget in relation to past and projected expenditure and revenue.</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	31 October 2019	28 February 2020	<ul style="list-style-type: none"> <li>▪ Credible budget base for 2019/20 adjustment budget based on past and projected trends.</li> <li>▪ Strict controls over revenue and expenditure consistent</li> <li>▪ Savings in identified intervention areas.</li> </ul>	<ul style="list-style-type: none"> <li>• The municipality needs has assessed expenditure during 2018/19 AFS preparation and moved to correct votes. Trends must be identified and budget requirements determined to eliminate wastage.</li> </ul>	<ul style="list-style-type: none"> <li>▪ PT EC</li> </ul>



Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Restructuring of the budget to address budget deficiencies and to restore the financial sustainability of the Municipality.	<ul style="list-style-type: none"> <li>Compile a 2019/20 adjustment budget in line with reviewed targets for realistically anticipated revenue and expenditure trends and ensure revised budget to be cash funded.</li> <li>Adjust personnel budget to reflect actual posts, including the new key positions.</li> <li>Austerity and cost cutting measures to be reflected in the 2019/20 adjustment budget.</li> <li>Approved SDBIP for 2019/20 to be reviewed and finalised to reflect 2019/20 adjusted budget.</li> <li>Approval of the Adjustments budget and revised SDBIP for 19/20 by Council</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager Budget, S56/57 Managers, Manager: IDP/PMS</li> </ul>	06 January 2020	28 February 2020	<ul style="list-style-type: none"> <li>Credible budget base for 2019/20 based on past and projected trends.</li> <li>An adjustment budget that reflects realistically anticipated revenue and expenditure, austerity and cost cutting measures and a cash funded budget.</li> <li>Proper baseline for long term financial planning.</li> <li>Unspent conditional grants ring-fenced and cash backed</li> </ul>	<ul style="list-style-type: none"> <li>-The adjustment budget is based on the consultation with various departments, expenditure trends for the first six months &amp; 18/19 AFS</li> <li>- A critical review started on non-core and 'nice to have' expenditures.</li> <li>- Reconciliation initiated for the purpose of correcting incorrect billing and debtors' accounts.</li> <li>- Data cleansing on income vote initiated for the purpose realising the actual revenue to be collected.</li> </ul> <p>Grant &amp; Investment Recons are performed and a separate investment account has been opened for all grant allocations</p>	PT EC
	<ul style="list-style-type: none"> <li>Capturing the approved adjustment budget for 2019/20 on the financial system.</li> </ul>	<ul style="list-style-type: none"> <li>CFO, Manager Budget</li> </ul>	01 February 2020	06 March 2020	<ul style="list-style-type: none"> <li>Budget information on the financial system consistent with adjusted and approved Budget.</li> </ul>	<ul style="list-style-type: none"> <li>The original &amp; adjustment budgets are prepared in the financial system. Any changes by Council, will be done</li> </ul>	PT EC

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Restructuring of the budget to address budget deficiencies and to restore the financial sustainability of the Municipality	<ul style="list-style-type: none"> <li>Implementation and monitoring of the approved adjustment budget for 2019/20.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	28 February 2020	Monthly	<ul style="list-style-type: none"> <li>This is to be used for the management of actual revenue and expenditure.</li> <li>Strict controls over revenue and expenditure consistent with delegations and approved budget.</li> <li>Reduction in deviations, unauthorised, irregular, fruitless and wasteful expenditure to acceptable norm</li> </ul>	<ul style="list-style-type: none"> <li>immediately after approval.</li> <li>Sec 71 reports reflects the system budget information.</li> <li>With current financial system all request for goods are captured in the system, this assist in Updating commitments information on a daily basis. It also prevents departments from exceeding the allocated budget.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
Compilation of a credible and cash funded MTREF budget for 2020/21 in accordance with the approved budget timetable of Council.	<ul style="list-style-type: none"> <li>Completion of a strategic alignment workshop to determine objectives and guidelines for the 2020/21 budget process.</li> <li>Enhance the Budget Steering Committee, represented by the MM, relevant Section 56/57 Managers and the Councillor responsible for Finance and service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	01 December 2019	15 February 2020	<ul style="list-style-type: none"> <li>Budget Steering Committee that will oversee the Budget and IDP process in place.</li> <li>Review of the performance for the 2019/20 financial year. Guidelines from Council on key focus areas for MTREF 2020/21 to 2022/23 that will form the basis of the budget.</li> <li>Guidelines communicated to all staff.</li> </ul>	<ul style="list-style-type: none"> <li>Budget Steering Committee convenes on a monthly basis to refined objectives and strategies, planned strategic interventions and consolidated proposed Directorate projects and budget needs</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Compilation of a credible and cash funded MTREF budget for 2020/21 in accordance with the approved budget timetable of Council.	<ul style="list-style-type: none"> <li>▪ Compile a 2020/21 MTREF budget in line with the 19/20 adjustment budget reviewed targets for realistically anticipated revenue and expenditure trends</li> <li>▪ Adjust personnel budget to reflect actual posts, including the new critical positions.</li> <li>▪ Austerity and cost cutting measures to be reflected in the 2020/21 budget.</li> <li>▪ Review all tariffs and charges.</li> <li>▪ Review all current budget related policies.</li> <li>▪ Scrutinise draft 2019 Valuation Roll to ensure completeness.</li> <li>▪ Develop the Draft MTREF Budget.</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	06 January 20	31 March 2020	<ul style="list-style-type: none"> <li>▪ Credible budget baseline for future budgeting and long term financial planning.</li> <li>▪ IDP and Budget related policies for 2020/21 MTREF consistent with the Financial Recovery Plan and Legislative Framework.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tariffs structure being reviewed by Sarah Baartman DM appointed Service Provider &amp; findings to be implemented going forward</li> <li>▪ General Valuation Roll implemented July 2019 and first Supplementary Roll being implemented October 2019</li> </ul>	<ul style="list-style-type: none"> <li>▪ PT EC</li> <li>▪ CoGTA EC</li> <li>▪ SBDM</li> </ul>
Review and compilation of 2020/21 IDP	<ul style="list-style-type: none"> <li>▪ Review all services to establish which services are to be continued, curtailed and restructured.</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	06 January 20	31 March 2020	<ul style="list-style-type: none"> <li>▪ Core services allocated sufficient funding to ensure service delivery at acceptable</li> </ul>	<ul style="list-style-type: none"> <li>▪ SLA's and funding agreements in place, but not covering full costs of mandate</li> </ul>	<ul style="list-style-type: none"> <li>▪ CoGTA EC</li> <li>▪ PT EC</li> <li>▪ SBDM</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
		<ul style="list-style-type: none"> <li>Review all agency related services and discussions with District Municipality and Provincial Government to ensure that all agency related services are rendered with funded mandate and adequate written agreements / contracts in place. This must be reviewed annually.</li> </ul>				<ul style="list-style-type: none"> <li>standards and in terms of the Constitutional Mandate.</li> <li>Revised basket of services and accountabilities for service delivery.</li> <li>Committed funding from the District Municipality and Provincial Government and written adequate service level agreement (contract) in place for all agency related services.</li> </ul>		
		<ul style="list-style-type: none"> <li>Compile the revised IDP and a 5 year financial plan.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director: LED and Planning, S56/57 Managers, Manager: IDP/PMS</li> </ul>	06 January 2020	31 March 2020	<ul style="list-style-type: none"> <li>IDP and Financial Plan developed.</li> <li>Alignment to operating model of the municipality.</li> </ul>	<ul style="list-style-type: none"> <li>Process Plan approved by Council on 31 July 2019</li> <li>IGR Meeting convened and plans shared;</li> <li>Public Outreach to commence</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA EC</li> <li>PT EC</li> <li>SBDM</li> </ul>
MTREF Budget for 2020/21 and IDP		<ul style="list-style-type: none"> <li>Developed Draft MTREF Budget, reviewed Policies, IDP be consulted with the Community through the participation process as a combined IDP and Budget</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	1 November 2019	31 March 2020	<ul style="list-style-type: none"> <li>Credible budget baseline for future budgeting and long term financial planning.</li> <li>IDP and Budget related policies for 2020/21 MTREF consistent with the</li> </ul>	<ul style="list-style-type: none"> <li>Process Plan approved by Council on 31 July 2019</li> <li>IGR Meeting convened and plans shared;</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA EC</li> <li>PT EC</li> <li>SBDM</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
MTREF Budget for 2020/21 and IDP	engagements for 2020/21				Financial Recovery Plan and Legislative Framework.		
	<ul style="list-style-type: none"> <li>Finalise and Council adopt MTREF Budget, budget policies, bylaws, IDP.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	1 April 2020	31 May 2020	<ul style="list-style-type: none"> <li>A MTREF budget that is fully compliant and cash funded.</li> </ul>	<ul style="list-style-type: none"> <li>To commence after Draft Budget approval</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
	<ul style="list-style-type: none"> <li>Implementation of MTREF Budget, budget policies, bylaws, IDP</li> </ul>		1 July 2020	30 June 2021	<ul style="list-style-type: none"> <li>Strict controls over expenditure and revenue consistent with delegations and approved budget</li> </ul>		
<ul style="list-style-type: none"> <li>Monitoring of implementation MTREF Budget, budget policies, bylaws, IDP</li> </ul>	1 July 2020		On-going				
Long term Financial Planning	<ul style="list-style-type: none"> <li>Development of a long term financial plan.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager Budget, S56/57 Managers</li> </ul>	06 January 2020	30 June 2020	<ul style="list-style-type: none"> <li>Long term financial plan developed to ensure sufficient and cost effective funding to achieve the municipality's long term objectives through the implementation of IDP 2020/21 and MTREF budget for 2020/21.</li> </ul>	<ul style="list-style-type: none"> <li>To Commence with Budget Process.</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
<b>Revenue Enhancement:</b> Revenue section to be fully operational		<ul style="list-style-type: none"> <li>Revenue section resourced, capacitated and fully operational to ensure effective and efficient systems and billing and collection processes.</li> <li>Ensure IT systems are utilised fully to assist with revenue management and enhancement.</li> </ul>	<ul style="list-style-type: none"> <li>CFO, MM, Acting Manager Revenue, Director: Corporate and Shared Services, Manager: Human Resources</li> </ul>	31 October 2019	30 June 2020	<ul style="list-style-type: none"> <li>Fully operational revenue management section.</li> <li>Increase in collection levels.</li> <li>Reduced billing queries.</li> </ul>	<ul style="list-style-type: none"> <li>The Revenue section organogram has been reviewed and 2 Accountant posts are proposed to add middle management capacity.</li> <li>Debt Collection service provider appointed and using tracing systems to collect debt.</li> <li>Kagiso trust using incoming profiling systems to assist in Indigent Management</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> <li>CoGTA EC</li> <li>SBDM</li> </ul>
<b>Revenue Enhancement:</b> Debtors Management		<ul style="list-style-type: none"> <li>Database clean-up to ensure all data is correct and complete.</li> <li>Assess the credit control division to ensure maximum efficiency in collecting outstanding debt.</li> <li>Debtor profiling.</li> <li>Draw up accurate indigent register.</li> <li>Send out final demand letters for rates and services.</li> <li>Solve all outstanding queries on Government accounts to ensure payment of arrears</li> </ul>	<ul style="list-style-type: none"> <li>CFO, MM, Acting Manager Revenue;</li> </ul>	31 October 2019	30 June 2020	<ul style="list-style-type: none"> <li>Accurate and complete consumer database.</li> <li>Increase in collection levels.</li> <li>Increase in cash reserves.</li> <li>Updated indigent register.</li> </ul>	<ul style="list-style-type: none"> <li>Munsoft billing system is assisting with reducing incorrect billing.</li> <li>Makana Municipality is currently working on amending the policy that all consumers be converted to pre-paid metering.</li> <li>Prepaid customer details is being updated and consumers blocked for outstanding debt.</li> <li>Consumer data is updated to Munsoft.</li> <li>Opening of accounts have been centralised to ensure all contact details is captured to clients' accounts.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
		<p>by the respective Departments.</p> <ul style="list-style-type: none"> <li>Collection of outstanding amounts from Councillors and Municipal officials.</li> <li>Collection of outstanding amounts from all relevant consumers</li> </ul>		31 October 2019	30 June 2020 & On-going		<ul style="list-style-type: none"> <li>Debt Collection company was appointed in September 2018 for a 3 year period.</li> <li>Government department's debt are being reconciled for payment of arrears.</li> <li>Staff &amp; Councillors debt are being attended to &amp; agreements are being put in place to ensure collection from pay office.</li> <li>20 Disconnection are done from Monday to Wednesday each week. Credit control and Debt collection policy is firmly implemented.</li> </ul>	
<b>Revenue Enhancement:</b> Increased billing/revenue base.		<ul style="list-style-type: none"> <li>Improve accuracy and processes to regularly update information from meter readers into billing system and distribution of accounts to consumers including through MMS</li> </ul>	<ul style="list-style-type: none"> <li>CFO, MM, Acting Manager Revenue</li> </ul>	31 October 2019	31 March 2020 & On-going	<ul style="list-style-type: none"> <li>Correct debtor's accounts</li> <li>Increase revenue and improved cash flow</li> </ul>	<ul style="list-style-type: none"> <li>Meter readings are updated to the system daily and statements processed by the 2<sup>nd</sup> working day of each month. Emailed statements are sent by 3<sup>rd</sup> working day of the month. Posted statements sent by end of first week of the month.</li> <li>MMS statements will be implemented by end of March 2020</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
<b>Revenue Enhancement:</b> Increased billing/revenue base.	<ul style="list-style-type: none"> <li>▪ Install meters on properties where there are no meters or meters are broken or have been tampered with.</li> <li>▪ Revamping the meter reading processes to ensure correct meter readings are used for billing purposes.</li> <li>▪ Ensure a proper validation process is put in place.</li> <li>▪ Reduce estimation on accounts.</li> <li>▪ Improve communication with the public in terms of policies and processes.</li> <li>▪ Put a system in place to deal with illegal connections, including increased deposits.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CFO, MM, Acting Manager Revenue, Acting Director: Technical Services</li> </ul>	31 October 2019	30 June 2022	<ul style="list-style-type: none"> <li>▪ Increase in cash</li> <li>▪ Improved revenue base.</li> <li>▪ Accurate meter readings on all accounts.</li> <li>▪ Reduction in distribution losses.</li> <li>▪ Increase deposits and deposits ring-fenced</li> </ul>	<ul style="list-style-type: none"> <li>▪ The irregularities identified by meter readers are sent to Technical department to replace meters. Meter audits are being performed by Technical department to identify the irregularities.</li> <li>▪ New Meter reading devices to be procured by November 2019 &amp; Meter readers will receive training to assist with more accurate readings.</li> <li>▪ Meter billing reports are analysed on a monthly basis and irregularities identified and corrected.</li> <li>▪ Averaged meter consumptions report are analysed and followed up to ensure all meters are read.</li> <li>▪ High and negative consumption billing reports are verified and corrected as reading batches are updated to billing system.</li> <li>▪ Notes on changes are inserted into monthly statements</li> </ul>	<ul style="list-style-type: none"> <li>▪ PT and CoGTA EC</li> <li>▪ DWS</li> <li>▪ Dept. of Energy</li> </ul>



Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
<b>Revenue Enhancement:</b> Review tariff policies and tariff adjustments to ensure that core services are rendered at least at a breakeven point.	<ul style="list-style-type: none"> <li>▪ Determination of the cost of rendering services and better understanding of why certain functions incur losses.</li> <li>▪ Revised tariff proposals that address the cost of rendering services but which are also affordable and sustainable and reflect value for the service obtained.</li> <li>▪ Compile procedures for the implementation of rates and tariff policies.</li> <li>▪ Consultation on all tariffs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CFO, MM, Acting Manager Revenue and all S56/57 Managers</li> </ul>	31 October 2019	31 May 2020	<ul style="list-style-type: none"> <li>▪ True cost of current core services ascertained.</li> <li>▪ Trading services operating at a loss reviewed to realise a surplus.</li> <li>▪ Quantification of the revenue required to generate a surplus in the restructured budget.</li> <li>▪ Appropriate tariffs taking into account the need to increase surpluses, the cost of rendering the service and the affordability of tariffs to communities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Service provider has been appointed by Sarah Baartman District municipality to assist with cost of supply study to enable the Municipality to revise its tariffs.</li> <li>▪ Refuse Tariff has been increased by 19% in 2019/20 to eradicate trading deficit and budget for a trading surplus.</li> <li>▪ Water Drought Tariff structure has been exponentially increased to mitigate loss of revenue due to current drought</li> <li>▪ Sewerage Tariff currently being reviewed as the remaining trading services operating at a deficit.</li> <li>▪ New and enhanced Other Tariffs to be explored during 2019/20 for implementation after public consultation in 2020/21</li> </ul>	<ul style="list-style-type: none"> <li>▪ PT EC</li> <li>▪ SBDM</li> <li>▪ CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
		<ul style="list-style-type: none"> <li>Amended tariff policies and by-laws drafted, adopted by Council</li> </ul>	<ul style="list-style-type: none"> <li>CFO, MM, Acting Manager Revenue, S56/57 Managers, Legal Services Manager</li> </ul>	31 October 2019	31 May 2020	<ul style="list-style-type: none"> <li>Revised tariffs and policies adopted by Council, including bylaws.</li> <li>Revised credit control processes</li> </ul>	<ul style="list-style-type: none"> <li>Yearly policies are reviewed and approved by Council</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
		<ul style="list-style-type: none"> <li>Introduction and implementation of new tariffs to support the MTREF Budget.</li> </ul>	<ul style="list-style-type: none"> <li>CFO, MM, Acting Manager Revenue, S56/57 Managers, Legal Services Manager</li> </ul>	31 October 2019	30 Jun 2020	<ul style="list-style-type: none"> <li>Revised tariff proposals that support the restructured and credible budget</li> </ul>	<ul style="list-style-type: none"> <li>Departments considering new tariffs for the purpose of enhancing revenue and those tariffs will be implemented in 2020/21 financial year.</li> </ul>	
	<b>Implementation of the Revenue Enhancement Strategy.</b> Short Term aspects of Revenue Enhancement.	<ul style="list-style-type: none"> <li>Communicate all aspects of the financial recovery plan and revenue enhancement strategy internally and to the community and other key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Mayor, MM, CFO, Acting Manager Revenue</li> </ul>	31 October 2019	31 May 2020	<ul style="list-style-type: none"> <li>Financial recovery plan and revenue enhancement strategy communicated internally and to the community and other key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Items relating to the financial position of the municipality was table to all portfolio committees; Budget Steering Committee and labour forums.</li> </ul>	
	Short Term aspects of Revenue Enhancement.	<ul style="list-style-type: none"> <li>All revenue policies of the Municipality must be aligned and addressed in Municipal By-laws.</li> <li>Implementation of revenue policies and bylaws.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Manager Revenue, Legal Services Manager</li> </ul>	31 October 2019  1 July 2020	31 May 2020  30 Jun 2021	<ul style="list-style-type: none"> <li>Revenue related policies finalised and By-laws approved.</li> <li>Implementation of revenue related policies and by-laws.</li> </ul>	<ul style="list-style-type: none"> <li>Policies and bylaws review to commence with budget process</li> </ul>	

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Short Term aspects of Revenue Enhancement.	<ul style="list-style-type: none"> <li>Target the Top 100 Debtors in value terms to collect amounts outstanding within the first month of commencement.</li> <li>Thereafter, every week, target the next 30 highest debtors' balances.</li> <li>Resolve outstanding queries, update billing records and implement credit control and debt collection policy.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Manager Revenue</li> </ul>	21 October 2019	Ongoing	<ul style="list-style-type: none"> <li>Collection of large debtors' balances, resolve queries, and this should have a positive impact on cash flow.</li> <li>Reduced debt and impairment provisions.</li> </ul>	<ul style="list-style-type: none"> <li>Project Plan to be developed and staff to be identified by 31 October 2019</li> <li>Terms of reference to be explained to staff</li> <li>Use September 2019 Billing data to start calling top 100 debtors and issue disconnection notices for continued non-payment.</li> <li>Tabled Reviewed Debt Incentive Policy to Council on 31 July 2019</li> <li>Queries are being dealt with daily. Records are updated daily. Credit control policy implemented daily.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
	<ul style="list-style-type: none"> <li>Undertake a socio-economic study for the area.</li> <li>Optimise revenue by exploring all opportunities to increase revenue or reduce expenditure including review of all contracts and agency agreements</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Revenue Manager, S56/57 Managers</li> </ul>	1 February 2020	30 June 2020	<ul style="list-style-type: none"> <li>Increase revenue and improved cash flow.</li> <li>Reduction in expenditure where applicable.</li> <li>All significant and long term contracts and leases reviewed.</li> </ul>	<ul style="list-style-type: none"> <li>To commence in future</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
	<ul style="list-style-type: none"> <li>Review and develop an Indigent Policy consistent with the financial and</li> </ul>	<ul style="list-style-type: none"> <li>CFO, MM, Acting Manager Revenue,</li> </ul>	31 October 2019	31 May 2020	<ul style="list-style-type: none"> <li>Increase revenue and improved cash flow.</li> </ul>	<ul style="list-style-type: none"> <li>Indigent registration underway</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Short Term aspects of Revenue Enhancement.		<p>administrative ability of the municipality to sustain this policy.</p> <ul style="list-style-type: none"> <li>Compile procedures for the implementation of the Indigent Policy.</li> <li>Approve the new Indigent Policy and draft By-laws giving effect to the Policy by Council.</li> <li>Communicate the Indigent registration and procedures to customers and maintain records of Indigent applications in a safe place.</li> <li>Update the billing system.</li> <li>Manage Indigent consumption according to free basic service and Equitable Share allocation.</li> </ul>				<ul style="list-style-type: none"> <li>Correct allocation and billing of indigent consumers.</li> <li>Alignment of equitable share and indigents at the municipality.</li> </ul>	<ul style="list-style-type: none"> <li>Indigent Steering Committee being established</li> <li>Indigent debt written off July 2019</li> <li>Queries are being dealt with daily. Records are updated daily. Credit control policy implemented daily.</li> </ul>	
		<ul style="list-style-type: none"> <li>Review &amp; develop the credit control &amp; debt collection policy consistent with the financial &amp; administrative ability of the municipality to sustain this Policy.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Manager Revenue</li> </ul>	31 October 2019	31 May 2020	<ul style="list-style-type: none"> <li>Increase revenue and improved cash flow.</li> <li>Increased collection of outstanding debtors.</li> </ul>	<ul style="list-style-type: none"> <li>Policy to be reviewed with Budget process and amended if necessary</li> <li>Updates and changes are communicated to consumers through adverts in local paper,</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Short Term aspects of Revenue Enhancement.		<ul style="list-style-type: none"> <li>▪ Compile procedures for the implementation of the credit control policy, links with meter reading &amp; the billing system as well as the introduction of stricter measures for illegal connections.</li> <li>▪ Approval the new credit control policy &amp; draft by-laws giving effect to the Policy by Council.</li> <li>▪ Enhance the customer care centre to implement the policy &amp; deal with all debtor issues.</li> <li>▪ Improve communication between consumer &amp; municipality.</li> <li>▪ Develop &amp; implement customer service charter.</li> <li>▪ Advise Councillors &amp; Staff of their roles &amp; responsibilities with regards to credit control &amp; by-law enforcement.</li> </ul>				<ul style="list-style-type: none"> <li>▪ Improved customer services.</li> <li>▪ Reduction in community protests.</li> </ul>	<p>notices in their statements and email.</p>	

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Short Term aspects of Revenue Enhancement.		<ul style="list-style-type: none"> <li>Review &amp; implement service agreements with Customers to ensure alignment with consumption of services &amp; deposits held by the Municipality for such services &amp; consumption.</li> </ul>	<ul style="list-style-type: none"> <li>CFO, MM, Acting Manager Revenue</li> </ul>	01 March 2020	30 June 2020	<ul style="list-style-type: none"> <li>Increase revenue and improved cash flow.</li> <li>Assistance and arrangements in place with the collection of outstanding debt.</li> </ul>	<ul style="list-style-type: none"> <li>Part of Budget Process</li> </ul>	<ul style="list-style-type: none"> <li>SBDM</li> </ul>
		<ul style="list-style-type: none"> <li>Implementation of flat rate levy to consumers who do not have meters.</li> </ul>	<ul style="list-style-type: none"> <li>CFO, MM, Acting Manager Revenue</li> </ul>	01 July 2020	Ongoing	<ul style="list-style-type: none"> <li>Flat rate tariff approved by Council.</li> <li>Increase in revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Part of Budget Process</li> </ul>	
		<ul style="list-style-type: none"> <li>Implement meter reading maintenance.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Director: Technical Services, Acting Manager Revenue</li> </ul>	31 October 2019	Ongoing	<ul style="list-style-type: none"> <li>Accurate billing.</li> <li>Reduction in averaging consumption and resultant reduction in water and electricity distribution losses.</li> </ul>	<ul style="list-style-type: none"> <li>In December 2016 the meter reading system has been changed to Peter meter and meter readers were trained.</li> </ul>	
		<ul style="list-style-type: none"> <li>Implement Strategies to minimise water and electricity losses.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Director: Technical Services, Acting Manager Revenue</li> </ul>	31 October 2019	Ongoing	<ul style="list-style-type: none"> <li>Reduce distribution losses for electricity (10%) and water (15%).</li> <li>Resultant expenditure saving.</li> </ul>	<ul style="list-style-type: none"> <li>Leaks being attended to as identified;</li> <li>Shortage of meters delays progress</li> <li>Tender to be advertised for new prepaid electricity &amp; water meters under a proposed funding model that is covered by monthly charge.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
<b>Implementation of the Revenue Enhancement Strategy.</b> Medium to long term aspects of Revenue Enhancement.	<ul style="list-style-type: none"> <li>Conduct an audit of all unmetered consumers.</li> <li>Prioritise repairs to faulty meters and installation of new meters to unmetered consumers.</li> <li>Introduce a process to confirm readings and verification of accuracy in bulk meters for bulk water and electricity consumption.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Director: Technical Services, Acting Manager Revenue</li> </ul>	31 October 2019	30 June 2022	<ul style="list-style-type: none"> <li>Increase revenues, reduce expenditure and improve cash flows.</li> <li>Reduction in distribution losses.</li> </ul>	<ul style="list-style-type: none"> <li>Technical Services and meter readers are busy with the audit.</li> <li>All faulty meters are being replaced by Technical services.</li> <li>Verification of bulk meter is conducted by electricians.</li> <li>Tender to be advertised for Meter Audit; new prepaid electricity &amp; water meters under a proposed funding model that is covered by monthly charge.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
	<ul style="list-style-type: none"> <li>Continuous improvement in the manner in which communication with consumers is undertaken.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Director: Technical Services, Managers, S56/57 Managers, Communication Officer</li> </ul>	31 October 2019	Ongoing	<ul style="list-style-type: none"> <li>Improved customer relations</li> <li>Increased revenues and improved cash flows.</li> <li>Reduction in community protests.</li> </ul>	<ul style="list-style-type: none"> <li>All Social media platforms are used</li> <li>Utilising resources of National Arts Festival &amp; Rhodes to boost impact of communication</li> </ul>	
	<ul style="list-style-type: none"> <li>Regular review of operations to ensure elimination of wastage and inefficiencies including looking at the way in which services are rendered.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, S56/57 Managers</li> </ul>	06 January 2020	Ongoing	<ul style="list-style-type: none"> <li>Improved efficiencies and cost saving.</li> <li>Reduction in customer complaints.</li> <li>Tariffs cost reflective.</li> </ul>	<ul style="list-style-type: none"> <li>Project to commence in future</li> </ul>	

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Medium to long term aspects of Revenue Enhancement.	<ul style="list-style-type: none"> <li>Continuous update of data and information relating to consumers.</li> <li>Cleansing of the database, updating land ownership records, postal addresses, updating Indigent records, reviewing tariffs for correctness, different category of consumers and re-zoning, undertake house-to-house surveys and incorporate updated information.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Director: Technical Services, Acting Manager Revenue, S56/57 Managers</li> </ul>	21 October 2019	Ongoing	<ul style="list-style-type: none"> <li>Improved efficiencies and accurate records of consumers.</li> <li>Increased cash flow.</li> <li>Reduced queries and customer complaints.</li> </ul>	<ul style="list-style-type: none"> <li>Gaps identified in Billing through AFS process; Revenue Enhancement initiatives and Data analytics.</li> <li>Kagiso Trust project ensures that Debtor's information is updated on a daily basis.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> <li>CoGTA</li> <li>SBDM</li> </ul>
	<ul style="list-style-type: none"> <li>Review of the 5 year SDF to facilitate land use management</li> <li>Review of municipal property portfolio.</li> <li>Undertake complete property audit &amp; review of all leases.</li> <li>Review the possible sale of municipal properties.</li> <li>Investigate &amp; where possible terminate leases where municipality is lessee.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Manager Revenue, Director: LED and Planning, Manager: Town Planning, Legal Services Manager</li> </ul>	21 October 2019	30 June 2020	<ul style="list-style-type: none"> <li>Updated and relevant Spatial Development Framework (SDF)</li> <li>Full facilities audit complete.</li> <li>Improved revenue and cash flow from sale of properties and increased rentals.</li> <li>Increased rates and services from properties sold.</li> <li>Decrease in expenditure on</li> </ul>	<ul style="list-style-type: none"> <li>Spatial Development Framework (SDF) to be tabled at Council on 30 October 2019</li> <li>Land application committee established and considering the municipality's property portfolio.</li> <li>Properties and Estate unit is in the process of identifying the commercial sites.</li> <li>All rental agreements are being reviewed by Legal Unit.</li> </ul>	<ul style="list-style-type: none"> <li>MISA</li> <li>PT EC</li> </ul>



Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
		<ul style="list-style-type: none"> <li>Investigate and increase where possible rentals where municipality is lessor.</li> </ul>				<ul style="list-style-type: none"> <li>maintenance of properties not being used and leased properties not being used.</li> </ul>	<ul style="list-style-type: none"> <li>Plan to put management of properties out on tender to be professionally managed by Estate Agents.</li> </ul>	
<b>Revenue Enhancement:</b>	Implementation of a Cash Management Strategy. Improve cash flow management and provide effectively for commitments.	<ul style="list-style-type: none"> <li>Compile a cash-flow projection for the remainder of the current financial year upon completion of the 2019/20 adjustment budget, showing monthly projections.</li> <li>Compile a cash-flow projection in support of the MTREF Budget, showing monthly projections</li> </ul>	<ul style="list-style-type: none"> <li>CFO, Budget Manager</li> </ul>	<ul style="list-style-type: none"> <li>01 July 2019</li> <li>01 Feb 2020</li> </ul>	<ul style="list-style-type: none"> <li>30 June 2020</li> <li>31 May 2020</li> </ul>	<ul style="list-style-type: none"> <li>Realistic and accurate cash-flow projection aligned to 2019/20 adjustment budget and commitments.</li> <li>Accurate cash-flow projection aligned to MTREF Budget</li> </ul>	<ul style="list-style-type: none"> <li>Realistic cash flow to drafted upon receipt of NT Payment Schedule</li> <li>Daily Cash flow monitoring is in place</li> <li>Reduction of Overtime, telephone costs and fuel costs have not been very successful.</li> <li>Reduction of catering and travel and accommodation costs have been very successful.</li> <li>Payment plan with ESKOM has been revised</li> <li>DWS &amp; Amatola Water need to be engaged.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
		<ul style="list-style-type: none"> <li>Management of the cash-flow on a daily basis with weekly reporting to MM and Management Meetings.</li> <li>Implementation of cost containment measures.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO</li> </ul>	<ul style="list-style-type: none"> <li>01 July 2019</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Improved cash-flow.</li> <li>Progress towards achieving an increased positive cash coverage ratio by 30 June 2020, and three month coverage over the medium term.</li> </ul>	<ul style="list-style-type: none"> <li>Daily Cash flow monitoring is in place</li> <li>Reduction of Overtime, telephone costs and fuel costs have not been very successful.</li> <li>Reduction of catering and travel and accommodation costs</li> </ul>	

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Implementation of a Cash Management Strategy. Improve cash flow management and provide effectively for commitments.						<ul style="list-style-type: none"> <li>Austerity measures implemented.</li> <li>Pay off short term debt within the financial year</li> <li>Savings in respect of non-essentials.</li> </ul>	have been very successful.	
		<ul style="list-style-type: none"> <li>Identify and engage with all arrear creditors and finalise payment arrangements.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager Expenditure</li> </ul>	November 2019	30 June 2020	<ul style="list-style-type: none"> <li>Meet with creditors to arrive at a new agreement that will be consistent with the availability of cash.</li> <li>Reduced creditors' balances.</li> <li>Continuation of services from external services providers.</li> </ul>	<ul style="list-style-type: none"> <li>Due to sometimes unrealistic demands by creditors when negotiating payment agreements leads to a limited number of agreements being concluded.</li> <li>Creditors Age Analysis increases monthly due to ongoing essential purchases as operations realistically have to continue</li> </ul>	
		<ul style="list-style-type: none"> <li>Manage payments in accordance with revised agreements.</li> </ul>	<ul style="list-style-type: none"> <li>CFO, Manager Expenditure</li> </ul>	01 July 2019	Ongoing	<ul style="list-style-type: none"> <li>Outstanding liabilities dealt with in terms of new agreements.</li> </ul>	<ul style="list-style-type: none"> <li>Managed to reduce AGSA &amp; DoT debts; also paying off smaller debts</li> </ul>	
		<ul style="list-style-type: none"> <li>Ensure that all contracts are current, and review contracts that can be cancelled or delayed.</li> <li>Implement suitable contract registers</li> <li>Standardisation of contract documentation</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager SCM, Legal Services Manager, Manager Expenditure</li> </ul>	1 November 2019	30 June 2020	<ul style="list-style-type: none"> <li>Only commitments that are enforceable and consistent with the restructured budget to be paid.</li> </ul>	<ul style="list-style-type: none"> <li>Contracts are all being terminated where expired or renewed when impractical to cancel.</li> <li>In process of getting all contracts out on tender.</li> <li>Annual tenders are in place.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
Implementation of a Cash Management Strategy. Improve cash flow management and provide effectively for commitments.	<ul style="list-style-type: none"> <li>Standard procedure for document drafting process</li> <li>Centralisation in finance of administration and monitoring</li> </ul>						
	<ul style="list-style-type: none"> <li>All contingent liabilities to be investigated, a meeting held with claimants to address legal challenges and resolve amicably</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Legal Services Manager, Manager Expenditure</li> </ul>	1 February 2020	30 June 2020	<ul style="list-style-type: none"> <li>Resolution of contingent liabilities to the extent possible</li> <li>Addressed in accordance with agreements with claimant</li> </ul>	<ul style="list-style-type: none"> <li>Settlements are considered when brought to the table.</li> </ul>	
	<ul style="list-style-type: none"> <li>Implement an effective grant management and monitoring system to ensure that conditional grants are used for their intended purposes only.</li> <li>Assess competency of service providers and establish a database for grant allocation projects.</li> <li>Finalise arrangements with regards to grants that have been used for other purposes.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Manager Expenditure, Manager Budget, Manager SCM,</li> </ul>	01 November 2019	Ongoing	<ul style="list-style-type: none"> <li>Effective management of grants and unspent grant allocations.</li> <li>System to ensure unspent grant monies can be identified at any time and are cash backed.</li> </ul>	<ul style="list-style-type: none"> <li>All grants received are allocated in a ring-fenced Grant Liability account for each grant.</li> <li>Grants are transferred to a separate investment account and only released per invoice claimed.</li> <li>Grant &amp; Investment recons done to ensure grant funds not used for other purposes.</li> <li>Supply Chain Management Unit together with the LED SMME's unit developed a database for all service providers.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
<b>Revenue Enhancement:</b> VAT Contingency Review.	<ul style="list-style-type: none"> <li>Undertake a VAT Review.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Acting Manager Revenue, Manager: Budgets</li> </ul>	1 July 2020	30 June 2021	<ul style="list-style-type: none"> <li>Additional revenue from unclaimed VAT.</li> </ul>	<ul style="list-style-type: none"> <li>VAT issues were dealt with by a Service Provider up to 2018 &amp; resolved disputes with SARS.</li> <li>A new review for 2018 to 2020 must be done after the 2020 tax year.</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
<b>Revenue Enhancement:</b> Implementation of a new Valuation Roll	<ul style="list-style-type: none"> <li>Implementation of a new General Valuation Roll</li> <li>Implementation of additional supplementary valuation rolls</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director: LED and Planning, Municipal Valuer, Acting Manager Revenue, Senior Clerk: Rates &amp; indigent</li> </ul>	1 July 2019  31 October 2019	30 June 2024  Ongoing	<ul style="list-style-type: none"> <li>General Valuation roll prepared</li> <li>Implementation of a completed General Valuation Roll</li> <li>Implementation of Supplementary Valuation Rolls</li> </ul>	<ul style="list-style-type: none"> <li>New GV has been prepared and implemented 01 July 2019</li> <li>Objections being reviewed</li> <li>First Supplementary be published August 2019</li> <li>Values &amp; Rates tariff has increased resulting in increased revenue to be collected</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA EC</li> </ul>
<b>Revenue Enhancement:</b> Local Economic Development Strategy	<ul style="list-style-type: none"> <li>Review and refine of LED strategy.</li> <li>Address also the formalisation of informal settlement where applicable.</li> <li>Implement approved LED strategy.</li> </ul>	<ul style="list-style-type: none"> <li>MM</li> <li>Director: LED and Planning, Manager: Town Planning</li> </ul>	1 July 2019  1 January 2020	30 June 2020  Ongoing	<ul style="list-style-type: none"> <li>Approved Local Economic Development Strategy to ensure co-ordinated and focussed planning and development.</li> <li>Increased revenue base for Makana.</li> </ul>	<p>The LED Strategy being reviewed in 2019.</p> <p>All the positions in this department is filled, i.e. three town planners &amp; three building inspectors. Consequently the backlogs that were existing in May 2017 was addressed. The Municipality is up to date in preparing for SPLUMA to be implemented.</p>	<ul style="list-style-type: none"> <li>CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
							<p><b>Local Economic Development Tourism</b></p> <p>The following projects have been implemented:</p> <ul style="list-style-type: none"> <li>• Arts &amp; culture policy was submitted to the Portfolio Committee for consideration</li> <li>• Marketing the Municipality at the NAF with a stall of local crafters</li> <li>• 1x DVD promoting Makana Tourism Attractions</li> <li>• 1x Map &amp; 1x Marketing guide for kwam eMakana homestay project</li> <li>• A council approved plan on the promotion of forts and towers</li> <li>• Heritage route map &amp; information signs for Egazini heritage site &amp; interpretation centre</li> <li>• A Business plan on Inner City Regeneration</li> <li>• Creative City – establish Grahamstown as a Creative City</li> </ul> <p><b>SMME Development, Trade and Investment</b></p> <p>This position was filled in June 2017, after being vacant for one year.</p>	

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
							<p>The following projects were implemented:</p> <ul style="list-style-type: none"> <li>▪ Kaolin mining: Establishment of a Kaolin PSC, a Community Trust, sourcing funding from SBDM for the establishment of a Kaolin Studio. Sourcing funding from ECDC for an incubation centre, sending members of co-ops on training courses</li> <li>▪ Building relationships with the three business forums in the Municipality</li> <li>▪ Representation of business forums on the Sarah Baartman District Business Forum</li> <li>▪ Finalising a business plan for Aloe Production</li> <li>▪ Assist with the registration of Co-ops and Small Businesses</li> </ul> <p><b>Agricultural development</b></p> <p>The following projects were implemented:</p> <ul style="list-style-type: none"> <li>▪ Emerging farmers that visit LED office &amp; are looking for assistance is</li> </ul>	

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress/Implementation	Technical Support
							<p>assisted in terms of land, &amp; entrepreneurial skills in agriculture.</p> <ul style="list-style-type: none"> <li>Thorn park &amp; Abattoir: DRDAR is in the process with training in the basics of poultry production (this would be the 3rd phase). The EIA application was submitted to DEDEAT.</li> <li>Capacity building Programmes for 30 small scale farmers</li> <li>7 community gardens was established &amp; supported. (3 from urban and 4 rural areas)</li> </ul>	
<b>Future or Long Term Planning (Municipal Development )</b>		<ul style="list-style-type: none"> <li>Develop &amp; update all Sector Plans.</li> <li>Develop a Municipal Development Strategy based on various Sector Plans through consultations &amp; engagements with internal &amp; external Stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: LED and Planning, S56/57 Managers</li> </ul>	06 January 2020	30 June 2020	<ul style="list-style-type: none"> <li>Approved Sector Plans.</li> <li>Approved Municipal Development Strategy.</li> <li>Credible IDP.</li> </ul>	<ul style="list-style-type: none"> <li>Project to commence in future</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA EC</li> </ul>

### STRATEGY THREE: ENHANCING ASSET MANAGEMENT

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
Asset Management Master Plans		<ul style="list-style-type: none"> <li>Development of a long term asset management master plans that will look into long term investments, replacement, maintenance and sustainability of the municipality, amongst others</li> <li>Audit of current infrastructure to determine state, taking into consideration service backlogs and long term strategy aligned to IDP, budget and long term financial plan</li> </ul>	<ul style="list-style-type: none"> <li>MM,CFO, Director: Technical Services, S56/57 Managers</li> </ul>	1 Feb 2020	31 Jan 2021	<ul style="list-style-type: none"> <li>Improved and integrated planning between the IDP, Budget and Long Term Financial Plan</li> <li>Proper understanding of future needs and priorities of municipalities</li> <li>Approved asset management plan for Makana.</li> </ul>	<p>Actions implemented since 2016</p> <ul style="list-style-type: none"> <li>The Water and Sanitation Master Plan was presented to the municipality by the Department of Water and Sanitation on 18 May 2017.</li> <li>MISA has committed to funding master plans for other sectors like Roads and Stormwater, Electricity and Energy, and Human Settlements.</li> </ul>	PT and CoGTA EC
<b>Water and Electricity</b>	Maintenance: Reduce Non-Revenue Water and Electricity for the 2019/20 Financial Year	<ul style="list-style-type: none"> <li>Development and updating of repairs and maintenance plan for water, sanitation and electricity.</li> <li>Implementation of plans</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Technical Services, CFO</li> </ul>	06 Jan 2020	30 June 2020	<ul style="list-style-type: none"> <li>Reduction in the number of water and electricity supply interruptions.</li> <li>Complying with blue and green drop requirements.</li> <li>Enhanced lifespan of assets through</li> </ul>	<p>Actions implemented since 2016</p> <ul style="list-style-type: none"> <li>Maintenance Plans for Water, Sanitation, and Electricity developed</li> <li>Bulk meters for water are in the process of being installed</li> <li>Consumers with faulty and no meters are</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>



Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
						proactive and preventative maintenance.	<p>identified on an ongoing basis using the Revenue Enhancement Service Provider appointed by Makana as well as the internal staff.</p> <ul style="list-style-type: none"> <li>The roll-out of domestic meters for both water and electricity continues in areas where they never existed was done, however there is still a huge backlog.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>Reduction in the number of water and electricity supply interruptions.</li> <li>Complying with blue and green drop requirements.</li> <li>Enhanced lifespan of assets through proactive and preventative maintenance.</li> <li>Reliable calculation of water and electricity losses.</li> <li>Reduced revenue forgone due to reduction in distribution losses.</li> <li>Increase revenues and improved cash flows.</li> </ul>	

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
							<ul style="list-style-type: none"> <li>Reduction in distribution losses.</li> </ul>	
		<ul style="list-style-type: none"> <li>Installation of bulk water and electricity meters to determine the exact amount of distribution losses.</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Technical Services, CFO</li> </ul>	1 November 2019	31 March 2020	<ul style="list-style-type: none"> <li>Reliable calculation of water and electricity losses.</li> <li>Reduced revenue forgone due to reduction in distribution losses.</li> </ul>	<ul style="list-style-type: none"> <li>Bulk water meters are being installed to manage water supply and loss identification</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>
		<ul style="list-style-type: none"> <li>Continue the program of identify consumers with no meters or faulty and tampered with meters and prioritise repairs of faulty meter and installation of new meters to un-metered consumers.</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Technical Services, CFO</li> </ul>	2 Feb 2020	31 December 2021	<ul style="list-style-type: none"> <li>Increase revenues and improved cash flows.</li> <li>Reduction in distribution losses.</li> </ul>	<ul style="list-style-type: none"> <li>Tender being advertised to appoint a service provider to undertake meter audit; meter installation and management of system.</li> </ul>	
<b>Spending of Capex / Conditional Grant Funding</b>		<ul style="list-style-type: none"> <li>Develop PMU capacity by ensuring correct staffing and resources – outsource if necessary in the short term.</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Corporate and Shared Services, Director: Technical Services</li> </ul>	1 November 2019	31 May 2022	<ul style="list-style-type: none"> <li>Fully capacitated PMU.</li> <li>Improvement in capital spending.</li> <li>Increase in implementation of key projects.</li> <li>Reduced irregular expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>Manager: PMU post being advertised;</li> <li>Training of the PMU staff in Contract Management has been done.</li> <li>All projects for the 19/20 FY have been registered.</li> <li>Required to register outer year projects for 2020/21; 2021/22 &amp; 2022/23</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
							<b>Impact</b> <ul style="list-style-type: none"> <li>▪ Fully capacitated PMU.</li> <li>▪ Improvement in capital spending.</li> <li>▪ Increase in implementation of key projects.</li> <li>▪ Reduced irregular expenditure.</li> <li>▪ Improved MIG / WSIG actual expenditure</li> <li>▪ Ensure all MIG / WSIG funding is correctly spent.</li> <li>▪ Improved service delivery levels and customer/ ratepayer satisfaction.</li> <li>▪ Reduced risk of losing unspent grant funding.</li> </ul> Capital projects meeting target outcomes.	
		<ul style="list-style-type: none"> <li>▪ Development of MIG Funding Plan.</li> <li>▪ All unregistered projects registered.</li> <li>▪ Multi-year Projects Plan budgeting (Multi-year approval for the projects to be implemented over more than one financial year).</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, Director: Corporate and Shared Services, Director: Technical Services</li> </ul>	06 January 2020	31 March 2020	<ul style="list-style-type: none"> <li>▪ Improvement in capital spending</li> <li>▪ Improved MIG actual expenditure</li> <li>▪ Ensure all MIG funding is correctly spent.</li> <li>▪ Improved service delivery levels and customer/ ratepayer satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The 5-year MIG capital plan is in the process of being compiled.</li> <li>▪ Consultants appointed on a panel to start with projects design &amp; costing – getting implementation ready.</li> </ul>	<ul style="list-style-type: none"> <li>▪ CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		<ul style="list-style-type: none"> <li>Capital Projects Implementation Plans: Adherence / Monitoring.</li> </ul>				<ul style="list-style-type: none"> <li>Reduced risk of losing unspent grant funding.</li> <li>Capital projects meeting target outcomes and dates</li> <li>Grant funding fully utilised</li> </ul>		
<b>Bulk Supply Water and Electricity Contract</b>		<ul style="list-style-type: none"> <li>Review the current SLA with DWS, Water Board and Eskom, refined and adequately address technical, service delivery and financial matters</li> <li>Monitor the implementation of the revised SLA</li> </ul>	<ul style="list-style-type: none"> <li>MM, Director: Corporate and Shared Services, Director: Technical Services, CFO</li> </ul>	<p>2 January 2020</p> <p>1 July 2020</p>	<p>31 March 2020</p> <p>Ongoing</p>	<ul style="list-style-type: none"> <li>Reliable bulk water and electricity</li> </ul>	<ul style="list-style-type: none"> <li>Payment contract with AW to be discussed in November to amend terms.</li> <li>Amatola Water are in the process of appointed another contractor for phase 2 and phase 3 to follow for concurrent running of project.</li> <li>Eskom debt payment underway on a monthly basis and arrears paid from Equitable Share</li> <li>No signed agreement with DWS for arrears and litigation was initiated by DWS in prior years – currently paying the current account.</li> </ul> <p><b>Impact</b> Reliable bulk water and electricity supply.</p>	

Key Focus Area	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
<b>Fleet Management</b> : Municipal Vehicles Service and Maintenance Plan	<ul style="list-style-type: none"> <li>Development of fleet strategy and the vehicle maintenance plan.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director: Technical Services, Director: Public Safety and Community Services, Fleet Manager, Manager: Expenditure</li> </ul>	04 November 2019	30 June 2020	<ul style="list-style-type: none"> <li>Fleet management strategy developed and approved.</li> <li>Developed planned service schedule, including costs.</li> <li>Controlled and planned servicing and maintenance of vehicles and plant.</li> <li>Reduced downtime and costs.</li> </ul>	The municipality is in the process of appointing Fleet Manager.	
	<ul style="list-style-type: none"> <li>Implementation of strategy and vehicle maintenance plan.</li> </ul>		1 July 2020	Ongoing			
<b>Fleet Management</b> : Replacement of fleet, fleet management and fuel management	<ul style="list-style-type: none"> <li>Develop Vehicle and Plant Replacement Plan.</li> <li>Identify Vehicle replacements for at least the next three years.</li> <li>Financing of the Plan in place.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director: Technical Services, Director: Public Safety and Community Services, Fleet Manager, Manager: Expenditure</li> </ul>	04 November 2019	31 March 2020	<ul style="list-style-type: none"> <li>Replacement of redundant/ obsolete fleet.</li> <li>Reduced vehicle downtime and increased utilisation/ up-time.</li> <li>Modernised and reliable fleet.</li> </ul>	<ul style="list-style-type: none"> <li>Municipality resolved to investigate lease-to-own options</li> </ul>	
	<ul style="list-style-type: none"> <li>Implementation of plan.</li> </ul>		1 July 2020	Ongoing			
	<ul style="list-style-type: none"> <li>Investigate and identify the best possible system for fleet and fuel management.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director: Technical Services, Director: Public Safety</li> </ul>	06 Jan 2020	30 June 2020	<ul style="list-style-type: none"> <li>More efficient cost effective system of fleet and fuel management.</li> </ul>	Project to commence in future	

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		<ul style="list-style-type: none"> <li>Implement system.</li> </ul>	and Community Services	1 Jul 2020	Ongoing	<ul style="list-style-type: none"> <li>Cost saving in fleet and fuel management.</li> </ul>		
<b>Roads and Stormwater:</b>	Allocation of Function and Maintenance.	<ul style="list-style-type: none"> <li>Assess ownership and responsibility for roads in relation to National, Provincial and District responsibility.</li> <li>Develop and implement a Roads and Stormwater Maintenance Plan.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director: Technical Services,</li> </ul>	06 January 2020	30 June 2020	<ul style="list-style-type: none"> <li>Reduced number of potholes on municipal roads.</li> <li>Reduced number of liability claims against Council.</li> <li>Less incidents of flooding of properties.</li> </ul>	<ul style="list-style-type: none"> <li>The roads ownership in Makana has been sorted out. National and provincial roads are being maintained by SANRAL on behalf of the owners.</li> <li>The Roads and Stormwater Maintenance Plan has been developed for Makana roads but could not be fully implemented due to lack of finances.</li> </ul>	<ul style="list-style-type: none"> <li>CoGTA EC</li> </ul>
<b>Roads and Stormwater:</b>	Rehabilitation of Ageing Infrastructure.	<ul style="list-style-type: none"> <li>Development of Roads Rehabilitation Plan.</li> <li>Implementation of Roads Rehabilitation Plan.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director: Technical Services</li> </ul>	06 Jan 2020	30 June 2020	<ul style="list-style-type: none"> <li>Updated prioritised and costed roads rehabilitation needs for accurate budgeting purposes.</li> <li>Extended life span of rehabilitated roads.</li> <li>Reduced maintenance costs.</li> <li>Reduction in complaints and litigation.</li> </ul>	<ul style="list-style-type: none"> <li>The Roads Rehabilitation Plan has been developed for Makana roads through the SBDM.</li> <li>The plan above could not be implemented due to lack of finances for such.</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>

## STRATEGY FOUR: IMPROVING FINANCIAL MANAGEMENT AND ADMINISTRATION

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
<b>Improving the Operations of the Budget and Treasury Office</b>		<ul style="list-style-type: none"> <li>Review as part of the organisational structure the Budget and Treasury Office to ensure operational efficiencies and compliance.</li> <li>Assignment of responsibilities within the BTO must be delegated to appropriate skilled and competent personnel.</li> <li>Include as part of the review of current delegations the sub-delegations under MFMA.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, S56/57 Managers</li> </ul>	06 Jan 2020	30 June 2021	<ul style="list-style-type: none"> <li>Effective, efficient and compliant Budget and Treasury Office, for improved financial management and administration.</li> <li>Comprehensive financial management delegations approved and implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Organogram of BTO being reviewed and proposed changes to boost middle management capacity has been identified.</li> <li>Structure sufficient for next 5 years as the recovery plan reaches maturity, the structure can focus on further expansion.</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>
<b>Finance: Auditor-General's Findings.</b>		<ul style="list-style-type: none"> <li>Update, finalise and implement the action plan to address any outstanding audit findings.</li> <li>Develop an annual financial statements preparation plan.</li> <li>Produce interim financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, S56/57 Managers Head of Internal Audit</li> </ul>	31 October 2019	31 August 2020	<ul style="list-style-type: none"> <li>Action plan to address audit findings finalised.</li> <li>Audit outcomes addressed.</li> <li>Holistic implementation of the audit action plan</li> <li>Attendance register and reports to Council</li> </ul>	<ul style="list-style-type: none"> <li>2017/18 Audit Action Plan still being implemented &amp; it gets updated on a monthly basis.</li> <li>Currently the municipality is being assisted by A2A Kopano who is deployed by Sarah Baartman District municipality to</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		<ul style="list-style-type: none"> <li>Address all the opening balance issues.</li> <li>Present progress report relating to the implementation of audit action plan to the Audit Committee &amp; the Committee respond to Council on addressing audit findings.</li> </ul>				<ul style="list-style-type: none"> <li>Audit outcomes addressed</li> <li>Improvement in audit opinion.</li> </ul>	<ul style="list-style-type: none"> <li>address prior year audit findings.</li> <li>The 2018/19 Audit is underway and management is responding to findings &amp; also reviewing internal controls.</li> <li>The municipality is also engaging Auditor General &amp; presenting progress made</li> </ul>	
<b>Finance:</b> Ensure that appropriate financial controls are developed and implemented.		<ul style="list-style-type: none"> <li>Basic accounting processes to be improved &amp; applied to ensure that accurate financial information is provided timeously.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, S56/57 Managers</li> </ul>	01 July 2019	30 June 2020 Ongoing	<ul style="list-style-type: none"> <li>Accurate accounting records maintained.</li> <li>Improved audit opinion.</li> <li>Regularly and accurate reporting, including mid-year reporting and interim audits.</li> </ul>	<ul style="list-style-type: none"> <li>Budget Steering Committee sits every month to consider Sec 71 reports</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>
		<ul style="list-style-type: none"> <li>Develop &amp;/or update current operating procedures/policies relating to finance to enhance the control environment</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, S56/57 Managers</li> </ul>	06 January 2020	31 March 2021		<ul style="list-style-type: none"> <li>All policies to be reviewed and updated</li> <li>SOP's to be drafted / amended accordingly</li> </ul>	
Audit Committee		<ul style="list-style-type: none"> <li>Establishment of Audit Committee by Council</li> <li>Schedule and attend the Audit Committee meetings and presents the relevant reports timely</li> </ul>	<ul style="list-style-type: none"> <li>Mayor, MM,</li> <li>MM, Head of Internal Audit, CFO, S56/57 managers</li> </ul>	01 July 2019	30 June 2020  Ongoing	<ul style="list-style-type: none"> <li>Attendance register and reports to Council timely</li> <li>Complete Audit Committee evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Audit Committee is established and functional</li> <li>Audit Committee meeting regularly and reporting to Council.</li> <li>Audit Committee Chairperson forming</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>



Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		<ul style="list-style-type: none"> <li>Implement the audit committee evaluation</li> </ul>				<ul style="list-style-type: none"> <li>Report on the performance of Audit Committee</li> <li>Effective evaluation Committee.</li> </ul>	<p>part of annual performance assessments of Section 57 managers</p> <ul style="list-style-type: none"> <li>Audit Committee members are invited to key strategic meetings of the Municipality such as Strategic Risk Assessments, Strategic Planning etc.</li> <li>There's an open communication channel between the Executive Mayor and the Audit Committee Chairperson</li> <li>MPAC Chairperson is an ex Official of the Committee</li> </ul> <p><b>Impact</b> The overall impact of this function is inherently compromised by the Internal Audit's lack of capacity to proactively assist the Audit Committee function.</p>	

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
Risk Management		<ul style="list-style-type: none"> <li>▪ Develop a Risk Management Policy that reflects:               <ul style="list-style-type: none"> <li>➢ Relevancy to current circumstances and objectives;</li> <li>➢ Alignment with the Public Sector Risk Management Framework available on NT website.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, Head of Internal Auditor, Risk Manager</li> </ul>	01 October 2019	31 May 2020	<ul style="list-style-type: none"> <li>▪ Approved Risk Management Policy.</li> <li>▪ Reduction in key priority risks.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Risk Champions have been appointed</li> <li>▪ Strategic Risk Assessment being reviewed for 2019/20</li> <li>▪ Risk Committee Chairperson Position being advertised.</li> <li>▪ Annual review of key strategic risk management documents such as policy, charter and strategy currently underway.</li> </ul> <p><b>Impact</b></p> <ul style="list-style-type: none"> <li>▪ The risk register was compiled and being reviewed, each directorate will be required to report on actions taken to mitigate risks. This will impact positively on the management of risks in the Municipality.</li> </ul>	<ul style="list-style-type: none"> <li>▪ PT and CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		<ul style="list-style-type: none"> <li>Develop a risk management strategy that includes a fraud prevention plan and policy.</li> <li>Communicate the plan and policy to all officials in the municipality.</li> <li>Implement the plan and policy.</li> </ul>	MM, Risk Manager	06 January 2020	30 June 2020	<ul style="list-style-type: none"> <li>Approved Risk Management Strategy, Fraud Prevention, Plan and Policy.</li> </ul>		<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>
		<ul style="list-style-type: none"> <li>Delegation of risk management responsibilities to appropriate officials.</li> </ul>	MM, Risk Manager	06 January 2020	30 June 2020	<ul style="list-style-type: none"> <li>Risk management delegation plan.</li> </ul>		
		<ul style="list-style-type: none"> <li>Regular review, assessment, update and report on risks to the Audit Committee and Council.</li> </ul>	MM and Head of Internal Audit	1 February 2020	Ongoing	<ul style="list-style-type: none"> <li>Quarterly Reports and Risk Register maintained.</li> </ul>		
Internal Audit Function		<ul style="list-style-type: none"> <li>Fill the Manager: Internal Audit &amp; Senior Internal Auditor vacancies.</li> <li>Have the unit functioning effectively as per MFMA and supporting the Audit Committee.</li> </ul>	MM, Director Corporate and Shared Service, CFO	21 October 2019	31 January 2020	<ul style="list-style-type: none"> <li>Skilled and Capacitated internal audit function.</li> <li>Operational Internal Audit Function</li> </ul>	Actions implemented since 2016 <ul style="list-style-type: none"> <li>Vacant posts advertised in October 2019</li> <li>Reports to Audit Committee per each meeting held</li> <li>Working with the Risk Management Unit and conduct annual</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
							<p>facilitation of the Strategic Risk Assessment</p> <p>Working with the Risk Management Unit and conduct Departmental facilitation of Risk Assessment.</p> <ul style="list-style-type: none"> <li>• Annually developed the risk based Annual Internal Audit Plan</li> <li>• Issued a number of Internal Audit reports</li> <li>• Reports to Audit Committee per each meeting held</li> <li>• Improved relations and co – ordination of work with external auditors</li> <li>• Increased capacity and output however due to increased scope, more resources are needed.</li> <li>• In the process of acquiring audit management system as well data interrogation software's to ensure that continuous</li> </ul>	

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
							<p>auditing is provided in the light of shortage of resources.</p> <p><b>Impact</b> The overall impact is compromised due to lack capacity for the Unit to perform its functions as envisaged in the Municipal Finance Management Act in terms of section 165.</p>	
		<ul style="list-style-type: none"> <li>▪ Develop a risk based Internal Audit Plan that will address the following: <ul style="list-style-type: none"> <li>➢ Evaluate the outcomes achieved on a quarterly basis by the Municipal Manager and Senior Management on the implementation and compliance with the legal framework;</li> <li>➢ Undertake quarterly</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, Head of Internal Auditor</li> </ul>	01 July 2019	30 June 2020	<ul style="list-style-type: none"> <li>▪ Approved strategic and operational plan.</li> <li>▪ Achievement of planned targets and goals.</li> <li>▪ Compliance with legislation</li> </ul>	<ul style="list-style-type: none"> <li>▪ As Above</li> </ul>	<ul style="list-style-type: none"> <li>▪ PT and CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		<p>performance reviews on the results and performance that is achieved by the Municipal Manager and Senior Management against the approved IDP, the MTREF Budget, SDBIP and the Financial Recovery Plan;</p> <p>➤ Audit of risk management effectiveness.</p>						
<b>Supply Chain Management</b>	<p>Ensure that all goods and services are procured according to the Municipal Supply Chain Management (SCM) regulations and in accordance with the Municipality's</p>	<ul style="list-style-type: none"> <li>SCM implementation plan and policy must be reviewed and approved to ensure goods and services are procured in terms of the legal framework.</li> <li>The progress thereof must be regularly monitored and breaches of this policy must result in disciplinary processes being instituted.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, SCM Manager</li> </ul>	13 Jan 2020	31 May 2020	<ul style="list-style-type: none"> <li>Adherence to the Municipality's adopted Supply Chain Management Policy.</li> <li>Goods and services procured where the appropriate supporting documentation is not in place, to be considered irregular and recoverable from the Official concerned.</li> </ul>	<ul style="list-style-type: none"> <li>SCM officials were trained on the full SCM process and internal controls.</li> <li>The revised policy is in line with the SCM regulation unlike the old policy that was not in line and resulted in a lot of audit findings that increased irregular expenditure</li> <li>Last year's irregular finding will be investigated and a section 32 committee was established</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
Supply Chain Management Policy.		<ul style="list-style-type: none"> <li>All supporting documentation must be stored in a safe and secure place, before and after goods and services are procured and received.</li> <li>Bid committees policies and procedures to be put in place.</li> </ul>				<ul style="list-style-type: none"> <li>Reporting of contract awards to the National Treasury and checking the national database of restricted suppliers.</li> <li>Operational bid committees.</li> <li>Reduced irregular, unauthorised and fruitless and wasteful expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>All supporting documents are kept safe and SCM is commencing implementing paperless storage (scanning documents before submitting to expenditure)</li> <li>Bid Committee training is needed</li> </ul>	
		<ul style="list-style-type: none"> <li>No deviations should be permitted, unless prior approval is obtained from the MM and exceptional cases are dealt with in terms of SCM Regulation 36.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, SCM Manager</li> </ul>	21 October 2019	Ongoing	<ul style="list-style-type: none"> <li>Deviations must be approved by the Municipal Manager in accordance with SCM Regulations.</li> <li>The prescripts must be implemented and enforced.</li> <li>Reasons for deviations must be recorded and reported to the next Council meeting.</li> </ul>		
		<ul style="list-style-type: none"> <li>The CFO or his/ her delegate to counter-sign all orders to ensure that only goods and services</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, SCM Manager</li> </ul>	01 November 2019	Ongoing	<ul style="list-style-type: none"> <li>Commitments are only made which are affordable and for which the Municipality has</li> </ul>		

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		that are affordable and within the cash-flow budget of the Municipality are procured.				sufficient cash, and which is aligned to the needs of the Municipality.		
		<ul style="list-style-type: none"> <li>▪ All Supply Chain Management processes to be centralised and undertaken by the SCM Unit, operating under the direct supervision of the CFO.</li> <li>▪ The SCM Unit must be properly structured, capacitated, trained and operational.</li> <li>▪ The Municipality must advertise when establishing a list of prospective suppliers.</li> <li>▪ This list must be updated and reviewed annually.</li> <li>▪ Specification, Evaluation and Adjudication Committee Members must be appointed formally, in writing.</li> <li>▪ SCM Practitioners and all Bid</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, CFO, SCM Manager</li> </ul>	21 October 2019	Ongoing	<ul style="list-style-type: none"> <li>▪ Only one procurement process in place which is standardised and consistently applied across Makana.</li> <li>▪ SCM processes conform to SCM regulations and policy.</li> <li>▪ Bid Committees (Specification, Evaluation and Adjudication) to be properly and fully functional.</li> <li>▪ Improvement in turnaround times and operational efficiencies in service delivery.</li> </ul>	<ul style="list-style-type: none"> <li>▪ All SCM processes are centralised &amp; undertaken by SCM Unit under the direct supervision of the CFO</li> <li>▪ The unit is capacitated, there is Senior Acquisition Clerk appointed on the 1<sup>st</sup> of December 2016, Senior Demand Clerk appointed on the 1<sup>st</sup> of December 2016, Senior Stores Clerk appointed on the 1<sup>st</sup> of December, SCM Manager appointed on the 1<sup>st</sup> of November 2016 &amp; Senior Contract Management Clerk appointed on the 1<sup>st</sup> of April 2017 after the Senior Contract Clerk appointed in December 2016 resigned.</li> <li>▪ Database is updated continuously &amp; we are on CSD</li> </ul>	



Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		<p>Committee Members to sign adherence to Codes of Good Conduct.</p> <ul style="list-style-type: none"> <li>▪ Bid Committee Members to declare interest, confidentiality and impartiality at every meeting.</li> <li>▪ Bid Committee meetings scheduled and timeous sitting to ensure speedily adjudication of all tenders</li> </ul>					<ul style="list-style-type: none"> <li>▪ The suppliers &amp; potential suppliers are invited to register or renew their registration, advert was publishes on local newspaper &amp; website</li> <li>▪ SCM practitioners &amp; Bid Committee members have signed a code of conduct &amp; have declared their interest</li> <li>▪ Bid members declared interest &amp; sign secrecy of Oath in each bid sitting</li> <li>▪ Delays with the spending were due to late procurement process</li> </ul>	
		<ul style="list-style-type: none"> <li>▪ All SCM Practitioners including Senior Managers and Bid Committee Members to attend formal SCM training on the functions of the Bid Committees, the requirements of the Preferential Procurement Policy Framework (PPFA) Act and its Regulations and</li> </ul>	<ul style="list-style-type: none"> <li>▪ MM, CFO, SCM Manager</li> </ul>	13 January 2020	Ongoing	<ul style="list-style-type: none"> <li>▪ All SCM Practitioners including Senior Managers and Bid Committee Members effectively trained in SCM.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Request for training submitted to COGTA for assistance.</li> </ul>	<ul style="list-style-type: none"> <li>▪ COGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		combating of fraud and corruption in the SCM environment.						
		<ul style="list-style-type: none"> <li>SCM Delegations to be issued in writing (including specific delegations to the Bid Committees).</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, SCM Manager</li> </ul>	1 November 2019	31 March 2020	<ul style="list-style-type: none"> <li>Delegations that will support the SCM activities.</li> </ul>	All delegations are in writing per approved SCM policy	
		<ul style="list-style-type: none"> <li>Terms of payment for orders and contracts are to be standardised and implemented.</li> <li>Internal control measures must be put in place to ensure that relevant documents are processed promptly and payments made according to agreed terms.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, SCM Manager</li> </ul>	06 January 2020	On-going	<ul style="list-style-type: none"> <li>The practice of late payments to Suppliers is discontinued.</li> <li>All payments made within 30 days of receiving the relevant invoice or statement.</li> <li>No payments made which are prejudicial to the municipality.</li> </ul>	<ul style="list-style-type: none"> <li>Terms of reference for Request for Quotation are standardised and implemented.</li> <li>There is a SCM Compliance check list for each order that is reviewed by the SCM Manager after being prepared by the SCM official.</li> <li>The municipality is still struggling to make payments within the required 30 days.</li> </ul>	
		<ul style="list-style-type: none"> <li>Reviewing &amp; updating of internal controls on procurement, spending, contracting &amp; supplier management required.</li> <li>Formal contracts must be signed by the Municipality &amp;</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, SCM Manager</li> </ul>	06 January 2020	31 March 2020	<ul style="list-style-type: none"> <li>Formal contracts signed by the Municipal Manager or CFO, based on the delegation framework, and successful Bidder, in accordance with the legal processes in Municipal Bidding Document</li> </ul>	<ul style="list-style-type: none"> <li>SCM has a Compliance checklist for each order to ensure internal controls are adhered to.</li> <li>All appointment letters are signed by MM for tenders and CFO signs for RFQs</li> <li>Senior contract management Clerk started in April 2017,</li> </ul>	<ul style="list-style-type: none"> <li>PT and CoGTA EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
		<p>the successful bidder taking into consideration any legal processes in accordance with the Municipal Bidding Document.</p> <ul style="list-style-type: none"> <li>A system to be put in place to monitor supplier performance and contracts in progress in accordance with their terms and conditions.</li> <li>Disputes and complaints must be dealt with and resolved appropriately in terms of the SCM Regulations.</li> </ul>				<ul style="list-style-type: none"> <li>A system to monitor and manage supplier performance put in place.</li> <li>Disputes and complaints dealt with and finalised/resolved appropriately in terms of the SCM Regulations and MFMA</li> </ul>	<p>so the municipality is still battling with monitoring of the contract as some of the contracts have expired but are still in use which increases irregular expenditure. There is a lot of work to be done on contracts.</p> <ul style="list-style-type: none"> <li>Some contracts have no supporting documents from previous years and still in use</li> <li>Objections and complaints are now resolved according to the SCM regulation even though the process took longer to implement</li> </ul>	
<b>Document Management</b>		<ul style="list-style-type: none"> <li>A proper document management system to be reintroduced.</li> <li>All documents to be properly stored/safeguarded in appropriate facilities for audit and other purposes.</li> </ul>	<ul style="list-style-type: none"> <li>MM, CFO, Director: Corporate and Shared Services, S56\57 managers</li> </ul>	1 March 2020	Ongoing	<ul style="list-style-type: none"> <li>Improved audit outcome.</li> <li>Better efficiency in financial processes.</li> <li>Good record keeping.</li> </ul>	<ul style="list-style-type: none"> <li>Planning in progress</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
ICT		<ul style="list-style-type: none"> <li>Establish ICT governance committee at institutional level including an ICT Strategy and Business Continuity Plan.</li> </ul>	<ul style="list-style-type: none"> <li>MM</li> <li>CFO</li> <li>All S56/57 Managers</li> </ul>	1 Feb 2020	Ongoing	<ul style="list-style-type: none"> <li>ICT governance formalised.</li> <li>ICT policies and Governance structure implemented</li> <li>Alignment of ICT strategic plan with business strategic plan</li> </ul>	<p>Actions implemented since 2016/17 FY</p> <ul style="list-style-type: none"> <li>Installed an mSCOA compliant systems in Munsoft and Payday;</li> <li>Developed and Implemented these policies (information security policy, Data and network, Network &amp; Computing guidelines, Server room access, Password, Change Management, ICT use, Disaster recovery plan/ business continuity framework);</li> <li>Developed and Implemented ICT Governance framework;</li> <li>Proper Monitoring on the Financial &amp; Payroll system via SLA;</li> <li>Increase network security by implementing a Disaster recovery or Business continuity by daily backup synchronisation;</li> <li>Upgraded the PAYDAY system to the latest</li> </ul>	<ul style="list-style-type: none"> <li>PT EC</li> </ul>

Key Area	Focus	Activities	Responsible	Start Date	End Date	Milestones/ Output	Progress	Technical Support
							<p>release version and implemented the leave Employee Self Service portal; and</p> <ul style="list-style-type: none"> <li>▪ Installed the new Financial System (Munsoft) that is mSCOA compliant.</li> <li>▪ Develop ICT strategic and operational risks;</li> </ul> <p><b>Impact</b>  Proper &amp; reliable email solution without downtime. The file/data storage was increased &amp; there is minimal network downtime. Compliance with the ICT governance improved. Service providers are monitored via SLA &amp; improve productivity The network has been improved and it's a reliable &amp; secured.</p>	