

FINANCIAL RECOVERY PLAN:

STATUS QUO ASSESSMENT

Prepared for the

TOKOLOGO LOCAL MUNICIPALITY

JULY 2023



Tokologo
LOCAL MUNICIPALITY



national treasury

Department:
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REPUBLIC OF SOUTH AFRICA

TABLE OF CONTENTS

EXECUTIVE SUMMARY..... 3

BACKGROUND 6

1.1 STATUTORY AND LEGISLATIVE CONTEXT..... 6

1.2 MUNICIPAL OVERVIEW 8

1.3 DEMOGRAPHICS AND SUMMARY OF ECONOMIC OVERVIEW..... 9

1.4 STATUS QUO ASSESSMENT APPROACH 11

1.5 STAKEHOLDER CONSULTATION 11

1.6 RISK MATRIX 12

2 STATUS QUO ASSESSMENT 13

2.1 KEY ISSUES IDENTIFIED 13

2.1 GOVERNANCE..... Error! Bookmark not defined.

2.2 INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES..... 28

2.3 FINANCIAL MANAGEMENT 37

2.4 SERVICE DELIVERY 56

EXECUTIVE SUMMARY

Tokologo Local Municipality (TLM) has been experiencing financial difficulties which had a significant adverse impact on service delivery in the municipality. The Free State Executive Council, on 19th of May 2022, resolved to invoke Section 139 (5) (a) and (c) and placed the municipality under administration.

Tokologo Local Municipality (TLM) municipal council was established in 2001 consisting of a plenary of 8 Council members and subsequently became a full Council with 12 members. This is comprised of proportional representation and wards (5 PR Councillors and 7 ward Councillors). The move from plenary to full Council also impacted on further financial strains as more Councillors have to be paid from the same budget, thereby further impacting service delivery and the municipality's financial wellbeing. Furthermore, an MPAC which must deal with legacy issues of increasing UIF&W without consequence management is not yet functional.

It remains a high risk for the municipality as critical leadership position of Municipal Manager remains vacant for over 12 months and other critical managerial positions remains vacant as well. The vacancy of these positions affects the stability and compromise the implementation of key service delivery decisions of the municipality.

Tokologo Local Municipality has been adopting and operating an unfunded budget for the past five (5) successive years. It is unable to service most of its creditors within 30 days due to inadequate cashflows, and on the other hand the municipality is unable to collect outstanding debts due to the low collection rates caused by customers dissatisfaction as a result of poor service. The municipality has legacy debt. Eskom is the highest owed creditor sitting with a balance of R208 381 206 as of 23 March 2023. The other top creditors are DWS with a balance of R62 775 000.00 as at 30 November 2022, Pension fund of R8 229 214 and Auditor General with a balance of R9 974 145 as at 31st March 2023. The situation is worsened by the fact that the municipality has taken ESKOM to court with regards to alleged non-payment for property rates. The municipality needs to urgently enter into payment arrangement (debt restructuring) with these creditors to avoid its impact on service delivery.

The challenges ventilated in the governance, institutional and finance pillars have also led to the collapse of service delivery. Inadequate infrastructure development and ageing infrastructure has further impacted the ability of the municipality to service its community needs and growth. Lack of repairs and maintenance on infrastructure resulted in interruptions of service delivery to the consumers.

This report serves as the status quo assessment in terms of section 142 of the MFMA to identify the root causes of the financial challenges that the municipality is facing.

This Status Quo Assessment Report will be used to prepare a Mandatory FRP. The Mandatory FRP will outline a strategic, focused approach which is time-bound yet comprehensive enough to ensure that the underlying causes of the crisis are adequately addressed. The status quo assessment focused on the four pillars: Financial Management, Governance, Institutional and Service delivery. For each pillar a diagnostic analysis was performed followed by the identifications of failures, root causes and the strategy to remedy the situation.

Based on the status quo assessment the following key issues have emerged as impacting the Municipality's performance:

Governance:

Council and portfolio committees are in place however they are not effectively holding management accountable for their administrative responsibilities. This manifests from the following issues covered within the report:

- Adoption of unfunded budgets.
- Not effectively implementing the Post Audit Action Plan.
- Poor contract management.
- Poor audit outcomes.
- High levels of Unauthorised, Irregular, Fruitless and Wasteful expenditure (UIF&W).
- Lack of investigations and holding officials responsible for UIF&W expenditure.
- Lack of overall consequence management.
- Not implementing council resolutions.
- Rising litigations due to poor service delivery and late payment of creditors.
- Not enforcing bylaws.
- Lack of adequate institutionalisation of risk management.

Institutional Arrangements

The municipality has critical positions that are not filled. The position for the Municipal Manager has been vacant for over 12 months. There are also other vacancies of key managers post that impact the service delivery ability of the municipality. HR policies were last updated in 2017 which affects their relevance given changes in the regulatory environment resulting in:

- Poor overtime management.
- Lack of consequence management.
- Poor records management.
- Lack of workforce discipline.
- Performance management assessment for employees not being adequately performed.

Financial Management

The municipality has been operating an unfunded budget for the past five (5) successive years. Very low revenue collection rates coupled with non-cost reflective tariffs has resulted in the municipality unable to pay its creditors. Non-implementation and monitoring of the approved cost containment policy, coupled with the cash flow management controls has also contributed to the poor state of financial management for the municipality.

Service Delivery

The municipality does not have some vital master plans required for service delivery; for example, the Road and Stormwater Master Plan and a Roads and Stormwater Maintenance plan. Its infrastructure is in bad state and there is no adequate repairs and maintenance resulting in service delivery interruptions. The assessment has revealed the following issues affecting service delivery:

- Water and Electricity distribution losses are not accounted for.
- Tokologo LM has three drinking water supply systems (Boshof, Dealesville, Hertzogville) and all three

systems achieved critical-risk ratings.

- Tokologo LM is not submitting information to the Regulator.
- All three systems achieved the lowest scores on operational capacity.
- On drinking water quality compliance, the municipality did not upload any information indicating that there may be no water quality monitoring.
- The municipality does not show proof of compliance with SANS 241:2015 for water quality monitoring.
- The municipality has not presented to the regulator the water safety plans aligned with SANS 241:2015
- No evidence that water quality is meeting the blue drop standard.
- Tokologo LM has three wastewater treatment works with an indicated capacity of 4,8Ml/day.
- The municipality indicated that the operational flow was 1,5Ml/day suggesting an operational capacity of 32%.
- At the time of compiling the status quo assessment report, the municipality's three wastewater treatment facilities were not authorized for effluent discharge and did not have Water Use Licenses
- The effluent discharged was not compliant with microbiological, chemical, and physical requirements.
- The municipality is licensed by Nersa to distribute and supply electricity to consumers in the towns of Boshof, Dealesville, Hertzogville, Seretse, Dikgalaope and Kareehof,
- There are no recently completed cost of supply studies to confirm the cost reflectiveness of the municipality tariffs.
- The municipality has experienced a number of legal disputes with Eskom on the payment of electricity.
- The municipality has been identified as the host location for Renewable Energy Independent Power Producer Procurement Programme projects for Bid Window 5 (Kentani, Klipfontein, Leliehoek, Braaklaagte, Sonoblomo)
- The status of repairs and maintenance is that the municipality is spending less than the recommended expenditure level. The municipality has an Eskom debt of more than R200 million and a Water Services debt of more than R60 million.
- Aging infrastructure due to poor maintenance.
- Poor road conditions (potholes) due to poor road maintenance, and lack of resources (financial and human).
- Landfill sites in the municipality are non-compliant.

The process followed in conducting the Status Quo Assessment is as follows:

- **Information gathering** - Request for information letter was sent to the municipality, conducted engagement with key process owners, regular follow-ups were performed, and escalations were performed where information was long outstanding.
- **Desktop Analysis** – Project Teams meetings were conducted where information gathered was analysed in line with the four (4) Pillars of Governance, Financial Management, Institutional and Service Delivery. Furthermore, the specialists validated the findings with the key process owners.
- **Work Stream Meetings:** Conducted meetings with various stakeholders on the 24 February 2023, 09 February 2023 and 17 to 18th of April 2023 to gather inputs towards the preparation of the Draft Report. Furthermore, the information obtained from the discussions at the

workstream meetings have been incorporated into the Status Quo Assessment Report.

- **Preparation and presentation of the first Draft Status Quo Report:** Prepared the draft report for NT review processes.

BACKGROUND

Tokologo Local Municipality had been struggling to manage its finances for a number of years. The provincial executive council decided in May 2022 to place it under administration in terms of Section 139(5)(a) and (c) of the Constitution. The Provincial EXCO requested National Treasury to deploy the services of MFRS to amongst others to prepare a financial recovery plan, which considers the reasons for the financial crisis and an assessment of the municipality's financial status (status quo assessment) as required by S139 (1) of the MFMA.

1.1 STATUTORY AND LEGISLATIVE CONTEXT

THE CONSTITUTION OF THE REPUBLIC OF SOUTH AFRICA, 1996 (ACT NO.108 OF 1996)

The intervention was instituted in terms of S139 (5)(a) of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read in conjunction with Section 139 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

S139(5)(a) of the Constitution reads as follows: "the provincial executive must impose a recovery plan aimed at securing the municipality's ability to meet its obligations to provide basic services or its financial commitments, which.

- i. is to be prepared in accordance with the national legislation; and
- ii. binds the municipality in the exercise of its legislative and executive authority but only to the extent necessary to resolve the crisis in its financial affairs"

S139(8) provides that national legislation may regulate the implementation of this section, including the processes established by this section. The Municipal Finance Management Act, 2003 (Act No. 56 of 2003) is one piece that is referred to in section 139(8) of the Constitution which regulates the implementation of section 139 intervention inclusive of related processes.

THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 56 OF 2003)

Chapter 13 of the MFMA deals with the resolution of financial problems in municipalities and outlines the processes that must be followed in terms of mandatory interventions invoked in terms of S139(5) of the Constitution.

- S139 (1) of the MFMA places the responsibility on the Provincial EXCO to request the Municipal Financial Recovery Services (MFRS) unit in the National Treasury to prepare a financial recovery plan, which considers the reasons for the financial crisis and an assessment of the municipality's financial status (status quo assessment).
- Only the MFRS may prepare a financial recovery plan for a mandatory provincial intervention referred to in S139.
- S139(1)(a)(iv) also empowers the MFRS to recommend appropriate changes to the budget and revenue raising measures that will support the implementation of the recovery plan.
- In terms of S139(1)(b), the mayor of the municipality must be consulted on the recovery plan to obtain cooperation (political support) for the implementation and ensure that the budget and any other legislative measures to support the implementation of the recovery plan are approved.

Section 142 of the MFMA specifies the criteria for financial recovery plans irrespective of whether the plan is discretionary or mandatory in nature. In this regard, the following subsections are important:

S142 (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 –

(a) Must –

Identify the financial problems of the municipality;

- i. Be designed to place the municipality in a sound and sustainable financial condition as soon as possible;
- ii. State the principal strategic objectives of the plan, and ways and means for achieving those objectives;
- iii. 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;
- iv. Identify the human and financial resources needed to assist in resolving financial problems, and where those resources are proposed to come from;
- v. Describe the anticipated timeframe for the financial recovery, and milestones to be achieved; and
- vi. Identify what actions are necessary for the implementation of the plan, distinguishing between actions to be taken by the municipality and actions to be taken by other parties.

Section 142 (2) states that in addition, a financial recovery plan –

(b) For a mandatory intervention must –

- i. Set spending limits and revenue targets;
- ii. Provide budget parameters which bind the municipality for a specified period or until stated conditions have been met; and
- iii. Identify specific revenue-raising measures that are necessary for financial recovery, including the rate at which any municipal tax and tariffs must be set to achieve financial recovery.

Regarding the implementation of the financial recovery plan in mandatory provincial interventions, the municipality's attention is drawn to the following provisions of S146 of the MFMA.

S146 (1) If the recovery plan was prepared in a mandatory provincial intervention referred to in section 139 –

- a) the municipality **must** implement the approved recovery plan;
- b) all revenue, expenditure and budget decisions must be taken within the framework of, and subject to the limitations of, the recovery plan; and
- c) the municipality **must** report monthly to the MEC for Finance in the province on the implementation of the plan in such manner as the plan may determine.

Section 150 (2) of the MFMA provides that the national executive assumes for purposes of the national intervention in terms of section 139(7) of the Constitution the powers and functions of a provincial executive and the Minister of Finance assumes for purposes of the national intervention the functions and powers of an MEC for Finance in terms of Chapter 13 on Resolution of Financial problems in municipalities.

1.2 MUNICIPAL OVERVIEW

Tokologo is a Setswana word meaning “freedom”, it emanates from the relentless struggle of the oppressed people culminating in their freedom on 27 April 1994. Tokologo is located within Lejweleputswa District Municipality. The area covers 9 326 square kilometres and consists of three former Transitional Local Councils namely Boshof, Dealesville and Hertzogville, as well as a portion of a former Transitional Rural Council (Moddervaal), which consists of approximately 1 480 farms. Tokologo Local Municipality is in the western Free State. Boshof (the capital town) is situated in the centre; Dealesville is further east, and Hertzogville is situated in the north of the municipal area.

Tokologo Local Municipality came into existence in the year 2001. The municipality was demarcated into 7 wards. The municipal council has 12 members elected by mixed-member proportional representation. Seven (7) councillors are elected by first-past-the-post voting in the said seven wards, while the remaining 5 are chosen from party lists so that the total number of party representatives is proportional to the number of votes received.

Tokologo Local Municipality has a population of 29 149 per the 2016 community survey conducted by Statistics South Africa. 63.06 % of the total population relates to youth (0 – 34 years). In comparison with the 2011 census the population increased slightly by 0.56% from 28 986 per 2011 census to 29 149 in 2016.

Tokoloko Local Municipality is a Water Service Authority (WSA) and Water Service Provider (WSP), the municipality supplies drinking water to the community using water purified from Boshof, Dealesville and Hertzogville treatment plants with a total design capacity of 9Ml/day.

1.3 DEMOGRAPHICS AND SUMMARY OF ECONOMIC OVERVIEW

Tokoloko is a Setswana word meaning “freedom”, it emanates from the relentless struggle of the oppressed people culminating in their freedom on 27 April 1994. Tokologo is located within Lejweleputswa District Municipality. The area covers 9 326 square kilometres and consists of three former Transitional Local Councils namely Boshof, Dealesville and Hertzogville, as well as a portion of a former Transitional Rural Council (Moddervaal), which consists of approximately 1 480 farms. Tokologo Local Municipality is in the western Free State. Boshof (the capital town) is situated in the centre; Dealesville is further east, and Hertzogville is situated in the north of the municipal area. The total estimated residents in the Tokologo Region, was 28 986, as per census 2011. As per community survey conducted by Statistic South Africa in the year 2016, the population of Tokologo Local Municipality increased, from 28 986 as per census 2011 to 29 149 in 2016.

Map Overview



Distribution of population by functional age group and gender

Majority of the population of Mafube Local Municipality is youth 0- 34 age group accounts for 63.06 % of the total population of 29 146, followed by the adults age group of 35 – 64, covering 28.56 % of the total population. The elderly population of 65 + years only covers 8.37 % of the Total population size.

Functional age group	Gender		Total
	Male	Female	
0–14 (Children)	4 262	4 042	8 303
15–34 (Youth)	5 024	5 055	10 079
35–64 (Adults)	4 328	3 997	8 325
65+ (Elderly)	1 120	1 322	2 442
Total	14 733	14 416	29 149

Data source: Statistics South Africa, Community Survey 2016 (2016 municipal boundaries)

Distribution of population, by population group and gender

Black African population in Tokologo Local Municipality, covers 86.87% of the total population of municipality, followed by the white population group standing at 9.35 %, followed by the coloured population being 3.68 %, and the lowest being the Indians/Asian.

Population Group	Gender		Total
	Male	Female	
Black African	12 751	12 570	25 321
Coloured	590	484	1 074
Indian/Asian	24	00	24
White	1 368	1 361	2 728

Total	14 733	14 416	29 149
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Data source: Statistics South Africa, Community Survey 2016 (2016 municipal boundaries)

Economic overview

As stated above the municipality has three towns namely Boshof, Dealesville and Hertzogville. Per Municipal Social Economic Profile, the dominant municipality's economic activity is agriculture, forestry, and fishing.

Internal revenue sources

The Municipality has two main revenue sources which are property rates taxes and services charges in the form of sales of electricity, water, refuse and sewerage.

Employment profile

The table below indicates the trend of employment per 2016 community survey.

Employment Status	Gender		Total
	Male	Female	
Employed	4 464	2 155	6 618
Unemployed	1 059	1 445	2 504
Not Economically Active	3 542	5 572	9 155
Unemployment rate	19.20%	40.10%	27.50%

Data source: Community Survey (2016 municipality boundaries)

As per the census conducted in 2016, illustrated in the table above, Tokologo Local Municipality unemployment rate was standing at 27.5 % and the most unemployed gender group being Females.

1.4 STATUS QUO ASSESSMENT APPROACH

This status quo assessment is prepared in accordance with the requirements of the Municipal Finance Management Act, 2003. The status quo assessment was conducted using a combination of document review and analysis together with consultations with relevant stakeholders.

The status quo assessment will be conducted for all four pillars. Each pillar will be analysed based on its focus area and the status quo will be highlighted. Key issues or problems and their root causes will be identified and strategies to resolve the problems will be suggested. The findings of the status quo assessment will be used to prepare an appropriate recovery plan for the municipality.

1.5 STAKEHOLDER CONSULTATION

In preparing this status quo assessment, initial discussions were held between National Treasury's Municipal Financial Recovery Service (MFRS), Provincial Treasury, CoGTA, SALGA, and MISA. An introductory workshop with the municipality was held on the 23rd of February 2023.

Consultation sessions were also conducted with major creditors, suppliers, and labour on the 17th of July 2023

and 18th of July 2023 respectively to orientate them on mandatory intervention as well as organised labour. A draft status quo report was presented, and labour representatives were reminded that they could submit further comments in writing. There were follow-up meetings with National Treasury to assess status quo assessment progress on the XXXX.

1.6 RISK MATRIX

The emerging risks identified, include amongst others:

Pillar 1 Governance:

- Council not leading by example in paying their rates and taxes thereby setting a tone at the top for the residents to pay their rates and taxes.
- Ineffective oversight committees.
- Inadequate systems of delegation that impact on governance, administration, and operational efficiency.
- Lack of consequence management.
- Risk of unforeseen litigations due to poor systems of internal controls over Contract Management.
- High levels of UIF&W expenditure.
- Loss of important information due to lack of records management policies and controls.

Pillar 2 Institutional and Human Resources:

- Filling of positions in the organisational structure not being informed by need and budget as the structure is not yet costed.
- Use of outdated HR policies that are not aligned to current human resources regulations.
- Excessive employee related costs resulting in worsened financial constraints.
- Lack of adequate skills and competences.
- Internal and external stakeholders, there might be resistance to change.

Pillar 3 Financial Management:

- Rise in interest costs as well as fruitless and wasteful expenditure due to long outstanding creditors payments.
- Failure to agree payment plans with major creditors.
- Loss of revenue because of ineffective billing system and low collection rates resulting in an excessive increase in the debtors book.
- Not applying cost-containment measures resulting in excessive expenditure.
- Inability to apply revenue enhancement strategies.
- Lack of consequence management over UIF&W expenditure.
- Not implementing systems of internal controls over the financial environment.

Pillar 4 Service Delivery:

- Increase in lawsuits and protests due to poor service delivery.
- Service delivery backlogs leading to community protest.
- Loss of grant funding due to breach of grant conditions.
- Inability to replace aged infrastructure.
- Lack of adequate infrastructure maintenance.
- Failure to control and account for both electricity and water losses.

2 STATUS QUO ASSESSMENT

In developing this financial recovery plan, the following information sources were utilised:

- Audit reports by the Auditor-General of South Africa 2020/21 and 2021/22;
- Management reports by the Auditor-General of South Africa 2020/21 and 2021/22;
- Annual reports 2019/20 and 2020/21;
- Annual Financial Statements 2020/21 and 2021/22
- Municipal budget for 2018/19, 2019/20, 2021/22 and 2022/23
- Service Delivery and Budget Implementation Plan 2020/21;
- Integrated Development Plan (IDP) 2022/23;
- Financial Ratios in accordance with MFMA Circular 71;
- Annual Financial Statements 2019/20, 2020/21 and 2021/22;
- Council Resolutions;
- Minutes of Council meetings and
- Various municipal documents such as reports, policies, procedures, etcetera.

2.1 KEY ISSUES IDENTIFIED

The status quo assessment will be ordered in terms of the following 4 municipal sustainability pillars:

- a) Governance
- b) Institutional stability and capability
- c) Financial health
- d) Service Delivery

The status quo assessment was conducted for all pillars. Each pillar analysed based on its focus area and the status quo will be highlighted. Key issues or problems and their root causes will be identified and strategies to resolve the problems will be suggested thereof.

2.2 GOVERNANCE

Governance Model

Tokologo Local Municipality has a fully constituted council which convenes meetings regularly. The Council has 2 established portfolio committees namely Finance (Budget & Treasury) and Technical services and, Community services and Corporate Services. There is currently no Disciplinary Board in place, nor terms of reference developed for this committee. Key problems identified include inadequate oversight role by Council over the implementation of audit action plan, ineffective Council oversight committees, lack of consequence management relating to UIF&W expenditure and poor service delivery. Underlying factors giving rise to these problems include lack of accountability, lack of oversight by the MPAC as well as inadequate finances. Council needs to urgently instil a culture of accountability by strengthening its oversight role, developing a workplan for all oversight committees and ensuring that all oversight committees (Audit Committee, MPAC, Internal Audit function, Disciplinary Board and Risk management committee) are functioning effectively.

Powers and functions

Tokologo Local Municipality has the powers and functions vested in Local Municipalities in terms of Chapter 7 of the Constitution of the Republic of South Africa. These relate to matters such as, electricity reticulation; local tourism; municipal planning; water and sanitation services; Municipal roads; refuse removal, refuse dumps and solid waste disposal. billboards and the display of advertisements in public places; local sport facilities and Municipal parks and recreation.

Financial constraints hampered the Municipality's ability to exercise its powers and functions resulting in poor service delivery. Strategies to address these problems include preparation of a zero-based budget starting from 2023/24 adjustment budget justifying each expense prior to adding it to the budget (both old and recurring expenses), cost containment and improving the revenue collection rates. Further, the municipality must identify and analyse its revenue generating areas and enhance them (revenue enhancement).

Political/Administrative Interface

The current Tokologo Local Municipality Council was elected in Nov 2021, so far it has enjoyed relative political stability. Notwithstanding this, administratively the municipality has been operating for over 12 months with no Municipal Manager (MM) and lots of vacancies in key administrative functions. This impacts negatively on service delivery as it affects the stability and implementation of key service delivery decisions for the municipality. The acting MM is also the director for corporate services which creates conflict as the role of MM as the accounting officer is also to oversee/supervise the activities of corporate services department.

Council should place on its standing agenda the appointment of MM to stabilise the administrative function of the municipality.

Contract Management

The Municipality has no accurate/complete Contract Register in place. Contract Management Policy Framework is currently in draft and has not yet been approved by Council. There are no qualified legal personnel or a Contracts Management Committee to oversee municipal contracts. Per the AGSA reports, some contracts were awarded and implemented without properly following Supply Chain Management (SCM) processes and the performance of contractors is not being monitored. In short, there is lack of capacity to oversee contract management at the municipality. This is also evidence by the repeated findings from AGSA in procurement and contract management audit for the past two to three years.

Interventions required to address the problems noted above should include hiring a qualified legal manager to oversee the municipality's contracts, undertaking a review of existing contracts to ensure their legality as well as aligning procurement planning and contract management, upskilling existing employees to attain the required Supply Chain Management skills, and undertaking monthly contract performance monitoring.

Litigations / Contingencies

The Municipality has no Litigation Management Strategy and policy in place. The Municipality's legal cases are handled by a panel of attorneys. The organisational structure of the Municipality provides for a Legal Unit comprising of 1 Manager Legal Services (reporting to Director: Corporate Services), 1 Contract Management Officer, and 1 Law Enforcement Officer. However, the Legal Unit is presently not functional as all these posts are vacant. Hence, there is lack of competent personnel to manage legal matters. The Municipality must prioritise filling the post of the Legal Manager.

With regard to contingencies; there were lots of litigations against the municipality; 2019/20: R23 million with 5 cases (matters), 2020/21: R6 million with 18 cases (matters) and 2021/22 with R4.3 million with 10 cases. AGSA raised a disclaimer for the 2021/22 over the completeness and accuracy of the number cases and contingency amounts disclosed.

System of Delegations

Tokologo municipality did not have a system of delegation in place. The last delegation was approved before the current Council moved from plenary to full Council. The current Council has not reviewed the delegation of authority and its still using the old delegation from previous Council that was last done/reviewed in 2016 but never adopted by Council.

By-laws

The municipality has only three (3) by-laws promulgated. CoGTA provided a set of approximately thirty draft by-laws for customization by the municipality. The promulgated by-laws are not published on the

municipality website and this impacts on awareness of the same. Enforcement of the by-laws is non-existent because the municipality has no by-laws enforcement officers. This impacts revenue collection and reporting associated with by-law enforcement. The underlying cause of these problems is lack of financial resources and direction as some critical positions are still vacant.

UIF&W and Consequence Management

There is currently no disciplinary board established and terms of reference for this committee. There is also no consequence management taken so far for UIF&W. There is no UIF&W reduction plan and as such UIF&W remain high. In the 2021/22 financial year unauthorised expenditure was reported as R688 million which is an increase from R617million in 2019/20. Irregular expenditure was reported as R439 million in the 2021/22 financial year which is an increase from R314 million in 2019/20. Fruitless and Wasteful expenditure was reported as R51,3 million in the 2021/22 financial year, an increase from R28,4 million in 2019/20.

Factors contributing to the problems highlighted above include unrealistic revenue targets resulting in overspending on votes thereby increasing unauthorised expenditure and non-investigation of UIF&W Expenditure. Moreover, there is no consequence management for incurring Unauthorised, Irregular, Fruitless and Wasteful expenditure.

Officials who cause the municipality to incur UIF&W Expenditure must be held accountable through disciplinary action. Municipality should consider establishment of a cashflow committee to monitor and prevent spending on unbudgeted votes. Preparation of cashflow forecasts to manage the use of available funds. There should be development and monitoring of the UIF&W reduction plan. Timely identification, investigation, and reporting of Irregular, Unauthorised, Fruitless, and Wasteful expenditure as per legislation.

Audit action plans (internal and external)

Internal Audit function and audit committee are in place; however, this functions and committee are dysfunctional and ineffective. The Municipality received qualified audit opinions for 219/20 and 2020/21. In 2021/22 the municipality regressed further obtaining a Disclaimer of audit opinion. Poor record management system resulted in limitations of scope per Auditor General Report for 2021/22. There are lots of repeat findings for audit and as such the audit action plans are not yielding any results.

To deal with these problems the municipality needs to among other things, design and implement financial reporting processes. Internal Audit should provide monthly assurance on the effectiveness of internal controls. The audit and steering committee should meet biweekly to monitor progress as well as to ensure skills transfer to municipal personnel. Audit committee should have a standing item on their agenda for the monitoring of audit action plans. Audit action plans should form part of performance management and there should be consequence management for non-adherence to this.

Risk Management

The municipality has no functional Risk Management Committee in place. Currently, the committee does not have a chairperson hence, it is not fully institutionalised. This has resulted in the committee not meeting regularly. A Risk Chairperson should be urgently appointed. The Risk Unit currently does not have any staff, it has three vacancies per the approved organisational structure. Municipality needs to urgently fill the key risk management unit vacancy.

According to AGSA management report, the municipality did not conduct a risk assessment as required by the MFMA for 2022/23. Risk management policies and strategy are yet to be approved.

Audit Committee

Audit committee has been appointed but this has not been approved and/or ratified by Council. The audit committee did not advise the council and the accounting officer on matters relating to financial controls, effective governance, compliance with MFMA and Dora, and performance management, furthermore, they could not advise the council and the accounting officer on 2 quarters as 2 quarterly reports of internal audit, accuracy and reliability of financial reporting and risk management was not submitted to the audit committee for recommendations.

There is no evidence of audit committee performing its duties in terms of Section 166 (2) of MFMA. The audit committee is not effective. Council should ratify the appointment of audit committee. Audit committee agenda to include all duties of the committee per section 166 (2) of MFMA.

Internal Audit

Internal audit function lack capacity. The unit has one staff member and the other two positions within the unit are vacant. According to the AGSA report, the Internal audit function did not provide the audit committee with 4 quarterly reports on performance management.

ICT Governance

ICT governance and steering committees are non-existent at the municipality.

The table below reflects on matters that have been noted under this pillar and provides an analysis of the problems and possible solutions:

Key Issues Identified:

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
<p>Governance Model (council and committees)</p>	<p>Council and its committee are holding meeting as evidence my minutes of Council and EXCO, however there is no approved calendar for these meetings.</p> <p>The Council was previously a Plenary which consisted of 8 Councillors.</p> <p>Currently is a full Council which consist of 12 Councillors</p>	<p>From the review of the council minutes and resolutions, there is no evidence that the council approved the annual workplan.</p> <p>There was no evidence of stakeholder engagement strategy developed and/or approved by council</p>	<p>Lack of accountability</p>	<p>An annual workplan for all oversight committees should be developed and this approved by Council.</p> <p>The approval should be formally minuted by Council as evidence of review and approval.</p> <p>Stakeholder engagement strategy to be developed and approved by Council.</p>	<p>Council resolution register for 2022/23</p>
	<p>Section 80 committees There are two established committees namely the Finance and Technical, Community service and corporate services</p> <p>They sit regularly before the Council meeting</p>	<p>Currently there are no written terms of reference developed for these committees de.</p> <p>The committee relies on guidance from Municipal Systems and Structure Act</p>	<p>Lack of accountability</p>	<p>Formal written terms of reference of this committee to be developed to enhance governance and accountability.</p>	<p>Workstream meetings</p>
	<p>Several Council members are in arrears with their Municipal accounts.</p> <p>The AFS does not disclose this information.</p>	<p>The annual financial statement did not disclose outstanding rates amount by Councillor as required by GRAP standard.</p> <p>A review of rates accounts as at 31 March 2023 was done. The Council have 12</p>	<p>No political will to address the issue of payments.</p> <p>Lack of policy with guidelines on how to process these outstanding payments matters.</p>	<p>Municipal Councillors to pay their debts so that they lead by example and thereby promoting a tone at the top that residents should pay their rates and taxes.</p>	<p>March 2023 Councilors statements</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
		<p>councillors. Of this 12 Councillors about 8 Councillors owe the municipality of a combined amount of about R390,000.00 which is on 90+ days outstanding as of 31 March 2023.</p>	<p>Lack of consequence management</p>	<p>Code of Ethics/Conduct to be enforced or implemented for non-payment by Councillors. There should be a separate agenda in all council meetings to remind councillors who are owing the municipality to settle their dues.</p> <p>Annual Financial Statement to disclose Councillors outstanding amount of rates and taxes.</p>	
	<p>No evidence of oversight committee meetings held during the 2021/22 financial year for:</p> <ul style="list-style-type: none"> - MPAC - Risk management - Audit and Performance committee <p>Municipal Public Accounts Committee was appointed on the 22nd of November 2022</p>	<p>Non-existent and/or functioning of Council oversight committees. No regular meetings for MPAC were held.</p> <p>No reports have been submitted to Council so far for MPAC.</p> <p>Increase in UIF&W as there is no oversight and consequence management taken</p>	<p>MPAC was because of the move from plenary to full Council not yet adjusted.</p> <p>Not enough staff to enable a proper meeting of MPAC to be held.</p> <p>No dedicated resource to assist MPAC with administration.</p> <p>The issue of conflict of interest as the MM and Corporate directors is the same person</p>	<p>To consider shared service model of MPAC to ensure that it sits regularly, and that the committee is effective.</p> <p>MPAC should be capacitated to enhance corporate governance best practices. Capacitation should include training of MPAC members.</p>	<p>Council minutes submitted for 2021/22 (28 October 2022)</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Political/ Administrative interface	Appointment of Municipal Managers (MM) was advertised and re-advertised. Currently there is no MM	The post of MM has been vacant for over 12 months. The director corporate services have been acting MM for a long time and this creates a conflict as the role of MM is to hold the directors accountable	Lack of accountability and leadership by Council	Municipality should prioritize the appointment of Municipal Mangers Council to take accountability on non-appointment of MM and this should be part of their standing item on agenda	Review of Council minutes Workstream meetings
Contract Management	<p>The municipality has no formal contract management policies and procedural guides in place, the contract management policy is in draft format, and is awaiting council approval.</p> <p>During the AGSA audit for both 2020/21 and 2021/22, the AGSA audit noted/raised various instances which indicate that the contract registrar is not complete (did not include all contract and some fields on the register like contract value where not completed)</p>	Lack of contract management quality assurance.	<p>No Legal/Contract Management Personnel as posts are vacant.</p> <p>Lack of capacity</p>	<ul style="list-style-type: none"> - Appointment of legal and contract management personnel - The policy to be approved by Council. - Training on contract management is to be conducted for officials in the SCM to comply with the contract management prescripts. - Review annual procurement plan. Align it with the Contract Management process. - Identify goods and services required on an ongoing basis and procure high value items for long term contracts. - Consequence management for non-adherence to policy to be enforced 	AGSA Management report for 2021/22 and 2020/21

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>Contract performance and monitoring was not in place and/or monitored regularly</p>	<p>In adequate contract performance evaluation and monitoring</p>	<p>Position for legal service manager is vacant.</p> <p>Lack of capacity</p>	<p>Appointment of legal service manager to deal with the issue of contract management.</p> <p>Regular contract performance and monitoring are to be done by the respective contract manager.</p> <p>Senior manager to be trained on contract management including evaluation of supplier performance</p>	<p>AGSA management report 2021/22 2020/21</p>
<p>Litigations</p>	<p>There were lots of litigations against the municipality.</p> <ul style="list-style-type: none"> - 2019/20 R23m with 5 cases (matters) - 2020/21 R6m with 18 cases (matters) - 2021/22 with R4.3m with 10 cases (matters) <p>The above were qualified (disclaimer) by AGSA due to a lack of accurate and complete records. There is an incomplete litigation register.</p> <p>The municipality does not have a legal strategy and policy on how to approach legal matters, which matters to defend, and which matters to settle outside of court</p>	<p>Incomplete litigation registers and lack of capacity for the legal department of the municipality</p> <p>Lack of legal strategy and policy for the municipality</p> <p>Legal fees spent have been increasing for the past three financial years:</p> <ul style="list-style-type: none"> • 2019/20 – R2.6 million • 2020/21 – R3.2 million • 2021/22 – R6.2 million 	<p>Lack of litigation strategy and policy</p> <p>Poor litigation records: impacting the ability to audit them.</p> <p>The municipality does not have dedicated in-house legal resource for legal services and positions are vacant.</p> <p>Lack of capacity</p>	<ul style="list-style-type: none"> • Appointment of legal specialist of the municipality • Legal strategy and policy developed and approved. • Review all outstanding matters and develop an accurate list of court matters (contingencies) • Update the litigation register based on the above • Capacitate SCM and Legal Unit • Contract Management controls tightened. 	<p>Litigation Register</p> <p>AFS 2020/21 2021/22</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
System of delegations	The municipality did not have a system of delegation in place. The last delegation was approved before the current Council moved from plenary to full Council.	The current Council have not reviewed the delegation of authority and its still using the old delegation from previous Council that was last done in 2016 but never adopted by Council	Non-adoption/Review of systems of delegations by Council. Lack of awareness by end-users	Fully roll-out and conduct organization-wide training on the system of delegations to all end-users to ensure awareness and appropriate delegations are cascaded with the political sphere, relevant governance committees and administration. Ensure appropriate delegations in place for Municipal Departments: MM, CFO and four Directors. To sub-delegate powers and functions to staff.	Workstream meetings
By-laws	Only three (3) by-laws were promulgated. CoGTA provided a set of approximately thirty draft by-laws for customization to the municipality. In 2016, the process was kick-started with five by-laws which went for public participation but unfortunately, they could not get promulgated due to financial constraints. At that time, it cost about R90 000.00 to promulgate one by-law	Loss of revenue due to lack of bylaws enforcement	Financial Constraints to do by-laws.	CoGTA is to be approached for assistance with the development of By-laws. Alternatively, to source other funding assistance to do this	By-laws register

Status Quo Assessment Report for Tokologo Local Municipality

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<p>UIF&W and Consequence Management</p>	<p>No consequence management imposed on UIF&W</p> <p>According to AGSA municipality has failed to investigate and/or proper disciplinary steps were not taken with regards to fruitless, irregular, and wasteful expenditure</p> <p>UIF&W for the municipality has been increasing from 2018/19 to 2021/22</p>	<p>No disciplinary board established and no terms of reference for this committee.</p> <p>The established Disciplinary Board is not fully constituted and not functional yet.</p> <ul style="list-style-type: none"> Irregular expenditure increased from R314 in 2019/20 to R439 million in 2021/22 Fruitless & Wasteful expenditure increased from R28, four million in 2019/20 to R51,3 million in 2021/22 Unauthorized expenditure increased from R617million in 2019/20 to R688 million in 2021/22 <p>No reduction plan for the high UIF&W</p> <p>A forensic investigation has been conducted Cota but there was no evidence of the report and or consequence management taken</p>	<p>Lack of leadership oversight, guidance, and management accountability.</p> <p>Inadequately resourced SCM function</p> <p>Non-compliance with SCM policy and no consequence management</p> <p>Not having a fully established and functional Disciplinary Board</p>	<p>Development and approval of disciplinary board Terms of Reference</p> <p>Functional Disciplinary Board to deal with UIF&W established.</p> <p>Consider the use of shared district municipality Disciplinary Board to expedite the issues of investigation and disciplinaries.</p> <p>Capacitation of the SCM function with the necessary skilled and experienced staff</p> <p>Institute consequence management measures to take care of repeated non-compliance to internal policies and budget guidelines.</p> <p>A forensic report by Cogta to be finalized and recommendation of report to be implemented.</p>	<p>AGSA management report 2020/21</p> <p>AFS 2019/20 2020/21 2021/22</p> <p>Workstream meetings</p>
<p>Audit action plans (internal and external)</p>	<p>There was only an external audit action plan. The action plan did not include internal audit findings.</p>	<p>Internal audit not capacitated to follow-up on issues of outstanding findings.</p> <p>Audit outcome were as follows for the previous financial years:</p>	<p>Audit not finalized within the legislated deadlines of November.</p> <p>Insufficient monitoring of internal controls which results in slow progress.</p>	<p>Capacitate the finance function to ensure that audits are finalized within the legislated deadlines of November.</p>	<p>Audit action plan 2021/22</p> <p>AGSA management report 2020/21 2021/22</p>

Status Quo Assessment Report for Tokologo Local Municipality

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	<p>Audit action plan for 2021/22 financial year only prepared late in March 2023.</p> <p>AGSA management report highlights a number of repeat findings.</p>	<ul style="list-style-type: none"> • 2021/22 Disclaimer • 2020/21 Qualified • 2019/20 Qualified • 2018/19 Qualified <p>The municipality has regressed further in 2021/22</p>		<p>Capacitation of the internal audit function to make regular follow-up on implementation of audit findings.</p> <p>Establishment of the fully functional audit committee to do oversight on audit action plan and internal audit.</p> <p>Monthly audit steering committee to monitor the progress on implementation.</p> <p>Introduction of performance management measures to instil culture of accountability.</p>	
Risk Management	<p>Risk management committee not functioning effectively. Risk Management Committee meetings not taking place.</p> <p>According to AGSA management report, the municipality did not conduct a risk assessment as required by the MFMA for 2022/23</p>	<p>Chairperson of the committee resigned in last quarter of 2021/22 financial year and has not been replaced as yet.</p> <p>Position of head of risk (risk manager) is vacant.</p> <p>Risk management policies and strategy not yet approved.</p> <p>2022/23 RM strategic documents not yet approved.</p>	<p>Risk management capacity and awareness</p> <p>Lack of capacity within the risk management unit (all three posts vacant)</p>	<p>Appointment of Risk Management Committee Chair</p> <p>Appointment of risk manager</p> <p>Risk management awareness workshops to be done to capacitate TLM managers.</p> <p>Submission and approval of risk policy and strategy</p>	<p>Annual report 2020/21</p> <p>AGSA management report 2020/21</p> <p>Risk Management report Q4 2021/22</p> <p>Approved staff establishment 2022/23</p>
Records Management	During their audit for	Lack of proper and effective	Lack of records	Development of records	AGSA

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>2020/21, AGSA requested many documents for the audit which could not be provided, and this led to a Qualified audit opinion.</p> <p>GoGTA is currently assisting the municipality with the development of policies, systems, controls and setting up of structures for records management</p>	<p>records management systems which hampers the accountability as primary principle/pillar of Governance.</p> <p>During the audit of 2021/22 the municipality received a Disclaimer of audit opinion due to the unavailability of records/documents</p>	<p>management polices and awareness of importance of records management.</p> <p>Post for records manager is vacant.</p>	<p>management policies and procedures</p> <p>Awareness is done of the importance of records management.</p> <p>Appointment of records manager posts</p> <p>GoGHSTA to assist municipality with records management policies and system of internal control</p>	<p>management report 2020/21 2021/22</p> <p>Approved staff establishment 2022/23</p>
<p>Annual Financial Statement (AFS) as part of accountability</p>	<ul style="list-style-type: none"> The municipality has failed to submit the AFS to AGSA within the legislated time of August of each year. The municipality has failed to submit accurate AFS and received qualification as AGSA reported that the AFS were subject to material adjustments. Disclaimer of audit opinion for the municipality for the 2021/22 financial year 	<p>Non submission of AFS on time and inaccurate AFS prepared</p>	<p>Lack of capacity within the finance function</p> <p>Lack of consequence management</p>	<p>Review of the finance function capacity (both quantity and quality)</p> <p>Development of capacity development plans based on the gaps identified above.</p> <p>Internal audit and audit committee to review the AFS before submission to the AGSA for audit</p>	<p>AGSA management report 2020/21 2021/22</p> <p>AGSA audit reports 2020/21 2021/22</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
<p>Internal Audit and Audit Committee performance and appointment</p>	<p>Audit committee appointed but is not approved or ratified by Council.</p> <p>The audit committee did not advise the council and the accounting officer on matters relating to Financial controls, effective governance, compliance with MFMA and Dora, and performance management, furthermore, they could not advise the council and the accounting officer on 2 quarters as 2 quarterly reports of internal audit, accuracy and reliability of financial reporting and risk management was not submitted to the audit committee for recommendations.</p>	<ul style="list-style-type: none"> • Audit committee not properly appointed. • No evidence of audit committee performing its duties in terms of Section 166 (2) of MFMA • No evidence Audit committee functioning effectively. 		<p>Appointment of audit committee members to be ratified by Council.</p> <p>Audit committee agenda to include all duties of committee per section 166 (2) of MFMA.</p> <p>Audit committee to meet regularly or quarterly.</p>	<p>AGSA management report 2020/21 2021/22</p>
	<p>Internal audit has backlogs of audit that they have not performed, and they also do not have adequate capacity. There is no sufficient coverage of the risk identified by internal audit.</p> <p>According to AGSA report, the Internal audit function did not provide the audit committee with 4 quarterly reports on performance management. There was no evidence of internal audit and progress reports prepared as this</p>	<ul style="list-style-type: none"> • Internal audit not achieving its expected performance. • There was no evidence of internal audit reports. 	<p>Lack of capacity within the internal audit function</p> <p>Lack of audit committee to maintain oversight of internal audit functions</p>	<ul style="list-style-type: none"> • Appointment of fully functional audit committee to conduct oversight on the internal audit functions. • Assessment of the internal audit function quality assurance and effectiveness • Drafting of the strategy or roadmaps to address gaps identified above. • Consider the appointment of share 	<p>Annual report 2019/20</p> <p>Management report 2020/21 and 2021/22</p>

Status Quo Assessment Report for Tokologo Local Municipality

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	<p>could not be provided with the information requested.</p> <p>Internal audit effectiveness due to the issue of quality assurance and improvement programs</p>			<p>model of internal audit function with District.</p>	
<p>ICT Governance</p>	<p>Municipality struggling with issues of MsCoa due to the issue of systems and software.</p> <p>Budget uploaded on the system not the same as approved budget by Council.</p> <p>ICT governance and steering committee not in place</p>	<ul style="list-style-type: none"> • There is no ICT Steering committee. • Municipality systems were switched off by the service provider due to the non payment by the municipality 	<p>Lack of adequate oversight role by Audit Committee on ICT governance</p> <p>Capacity issues and non-implementation of Municipal systems.</p>	<ul style="list-style-type: none"> • Drafting of the terms of reference for the ICT steering committee • Establishment of the ICT steering committee • ICT governance reports should be a standing item on the Audit committee meetings 	<p>Workstream meetings</p>

2.2 INSTITUTIONAL/ ORGANISATIONAL/ HUMAN RESOURCES

Organizational Structure and Operational Model

Tokologo Local Municipality (TLM) has a Council that was elected effective November 2021 for a five-year term that is responsible for the provision of oversight roles over the municipality's operations. The council has a new organisational structure that was developed and approved in May 2022, however there is no implementation plan that was developed for this structure. The municipality is not adequately capacitated on the human resource side. This includes the post of MM.

The current approved structure is not yet costed to determine if the municipality can afford to advertise and/or fill all vacant posts. The municipality needs to cost the Organisational Structure to determine its financial impact on the municipality and to consider if it is affordable given TLM's financial constraints prior to its implementation. The recruitment plan should be developed after this process which will guide the filling of critical funded posts.

Employee costs

In the FY 2021/2022 the employee related costs were 43% as compared to 31% for the prior year against the total operating expenditure. This percentage is skewed due to the odd negative debt impairment of R72 m which has resulted in less expenditure. If this was discounted the 2021/22 percentage would be 29%. The norm is between 25% – 40%.

The municipality needs to urgently cost the approved structure before filling the posts and to ensure that the municipality remain within the norm of 25 -40%

Labour Relations

Though there is a post for Labour relations personnel on the approved structure for 2022/23, there is currently no appointed employee handling labour relations issues. A Local Labour Forum exists though its not functional as it does not meet regularly. Due to this, key HR policies and activities has not been finalised/approved.

Skills and competencies

No skills Audit to determine the minimum competency level has been performed by the municipality. No verification of qualification has been done by the municipality. The municipality is therefore currently unaware of the skills gap that it has.

Staff Discipline and Disciplinary Board

The municipality does not have an established and institutionalised Disciplinary Board. Though the committee exist in paper it has not presided any matters of discipline, hence it remains. Due to this the UIF&W has increased from 2018/19 to 2021/22 with no evidence of consequence management taken.

Performance Management

The municipality have an adopted Performance Management Framework/Policy which has been approved by Council. Performance reviews are performed for senior managers but not cascaded to all municipal employees. It should be noted that the municipality anticipates cascading performance evaluations to employees below s56/57 effective from 1 July 2023 to comply with the municipal staff regulations. Currently the council has not done anything to prepare for the implementation of the performance management system.

Consequence Management

No financial misconduct board in place and the municipality does not have instituted systems of internal controls relating to financial misconduct.

Key HR Policies

Most of the municipality's HR policies were last reviewed and approved in 2017 which affects their relevance given changes in the regulatory environment. Employees were not workshopped on policies and SOPs. It should be noted that the municipality is currently reviewing its policies for council approval. This indicates that there is lack of management oversight and lack of accountability to ensure that policies are reviewed timely. It is recommended that management should fast-track the review processes for timeous council approval.

HR Strategy

The municipality has a draft HR Strategy. It is currently being reviewed for council approval. The municipality needs to engage with the LLF urgently so that it can finalise the strategy.

Physical verification of staff and qualifications

No physical staff verifications have been done by the municipality and the risk therefore exist of ghost workers being paid. The municipality has not conducted verification of the qualification of all the employees. It is recommended that staff and qualifications verifications should be performed to all the employees and in addition the municipality should perform background checks.

Records Management

Records management is currently non-existent at the municipality. The unit is catered for as per the approved organisational structure though all posts are vacant. AGSA has for the past two year's experienced non submission of documentation requested for audit.

Key Issues Identified:

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
<p>Operating model and organizational structure</p>	<p>The 2022/23 Organizational Structure is approved by council, and it's aligned to the current model of the municipality however the structure is not yet costed</p>	<p>There are lots of critical key vacancies on the approved organisational structure for 2022/23. The municipality is not adequately capacitated on the human resource side. This includes the post of MM.</p> <p>The Structure is not yet costed to determine if the municipality can afford to advertise and/or fill all vacant posts.</p> <p>The municipality did not develop an implementation plan for the structure.</p> <p>The municipality has not yet finalised the job evaluations and description with regards to the approved structure</p>	<p>The structure was not costed to determine its financial impact post implementation.</p> <p>Lack of capacity in developing implementation plans</p>	<p>Cost the Organisational Structure to determine its financial impact on the municipality and to consider if it is affordable given TLM's financial constraints prior to its implementation.</p> <p>Prioritise critical posts and develop recruitment plan based on the vacant post that are budgeted for and that are most critical to fill first to improve municipal key decision making strategies.</p> <p>Finalise the job evaluation and job descriptions and have this approved.</p> <p>Progress on the implementation should be reported to Council.</p>	<p>2022/23 Staff establishment</p> <p>Engagement with management</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
<p>Employee cost</p>	<p>In the FY 2021/2022 the employee related costs were 43% as compared to 31% for the prior year against the total operating expenditure.</p> <p>This percentage is skewed due to the odd negative debt impairment of R72 m which has resulted in less expenditure. If this were discounted the 2021/22 percentage would be 29%.</p> <p>The norm is between 25% – 40%.</p>	<p>The salary bill is exclusive of the critical positions that are yet to be filled and the municipality is so small and financially stressed such that it can only between 30% to 35% on employee related costs.</p> <p>The Structure is not yet costed to determine if the municipality can afford to advertise and/or fill all vacant posts.</p>	<p>Critical Vacant positions.</p> <p>Management incapacity</p> <p>Lack of capacity in developing implementation plans for approved the structure.</p>	<p>Cost the approved Organisational Structure to determine its financial impact on the municipality employee ratios.</p> <p>Budget for salaries to be based on above process and affordability.</p>	<p>Management input</p> <p>2022/23 Staff establishment</p> <p>AFS 2021/22</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Labour relations	Though there is a post for Labour relations personnel on the approved structure for 2022/23, there currently no employees handling labour relations issues.	<p>There is no resource employee in the institution to prevent unnecessary labour disputes.</p> <p>The LLF is not meeting regularly (this has been reported under governance section)</p>	Lack of capacity and resources to establish a fully functional Labour Relations Unit.	<p>Appointment of qualified and competent staff dedicated to labour relations issues.</p> <p>LLF committee to meet regularly based on approved annual workplan.</p> <p>Training of staff on LLF activities</p>	Engagement with management
Skills & competencies	<p>The Skills audit was conducted every financial year for the purpose of completing the workplace skills plan (WSP).</p> <p>Skills audit to determine the minimum competency level (MFMP) was not conducted.</p>	Skills Audit has not been Performed by the municipality.	<p>Capacity constraints</p> <p>Lack of accountability</p>	<p>Conduct a skills audit using Department of Cooperative Governance Gap Skills tool.</p> <p>Conduct verification of qualifications of all the employees.</p>	<p>WSP 2022/23 plan</p> <p>Engagement with management</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Staff discipline and Disciplinary Board	A Disciplinary Board has been established but to date it has not had any matters to deal with.	<p>Lack of internal capacity on management of discipline as the disciplinary board is not yet functional though established.</p> <p>Due to lack of staff discipline it has resulted in UIF&W increase from 2018/19 to 2021/22 as no consequence management taken are taken against staff.</p>	Lack of capacity	<p>Build internal capacity to deal with management of discipline.</p> <p>Fully establish the Disciplinary Board as a governance structure to deal with consequence management.</p> <p>Consequence management to be taken for the UIF&W</p>	Engagement with management
Performance Management	<p>Performance Management System (PMS) is being implemented only at senior management level, though not optimally.</p> <p>PMS policy is in place and adopted by Council.</p> <p>There is a Performance Management Unit within the Staff Establishment, and a PMS Manager and PMS Officer were appointed.</p>	Performance management is only implemented at senior management level. The challenge is cascading PMS to lower levels of the workforce.	<p>Lack of accountability</p> <p>Lack of Employee Engagement</p>	<p>Training of senior managers; LLF members and the entire staff on PMS</p> <p>Cascade performance management to all employees.</p> <p>Implement consequence management for non-performance</p>	Workstream meetings

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Consequence Management	<p>A Disciplinary Board is established though it is not yet functional.</p> <p>According to management a Policy on consequences management was developed, it only has to be reviewed and approved.</p> <p>There was no evidence to confirm management assertions that there is a policy on consequence management</p>	No internal systems of internal controls to address disciplinary matters.	Lack of capacitation on consequence management	<p>Capacitation through training and development to ensure efficiency and effectiveness on consequence management controls.</p> <p>Fully establish the Disciplinary Board to provide governance oversight on matters of discipline</p>	Workstream meetings
Key HR Policies	There is a HR Policy Manual containing all the human resources policies and procedures of the Municipality	The Policy Manual was last reviewed/updated in 2017. There has not been any review of this policies since 2017	LLF does not convene regularly to deal with issues such as the review of the HR Policy manual and other issues.	<p>Review the HR Policies</p> <p>Engagement of reviewed policies with LLF</p> <p>Approval of policies by Council</p>	HR policies
HR Strategy	Draft HR Strategy is in existence but its not yet approved by Council	No approved HR strategy to steer recruitment processes and other key human resource activities	No LLF meeting	<p>Finalization of draft HR strategy</p> <p>Consultation with LLF on draft HR strategy</p> <p>Approval of HR strategy by Council</p>	Engagement with management

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Physical Verification of staff and qualifications	<p>Staff physical verification has not been conducted annually.</p> <p>Qualifications are also verified during recruitment for new employee but for old employees this has not been done.</p>	<p>Municipality risks paying for ghost employees as to employee verifications has been done.</p>	<p>Lack of capacity and management oversight.</p>	<p>Engagement with LLF for buy in to conduct staff verification.</p> <p>Physical verification of employees annually</p> <p>Employee qualifications to be verified</p>	<p>Engagement with management</p>
Records Management	<p>Municipality currently does not have a records management unit.</p> <p>There was a Unit within the Staff Establishment with three (3) positions. Records Manager, Records Officer, and Register Clerk.</p>	<p>Only one position of registry was filled per the approved structure of 2022/23.</p> <p>GoGHSTA is currently assisting the municipality with the development of policies, systems, controls and setting up of structures for records management.</p> <p>AGSA audit for 2020/21 and 2021/22 highlighted repeated findings of information and records that could not be provided by management</p>	<p>Inadequate staffing</p>	<p>Development of records management policies and procedures</p> <p>Awareness done of the importance of records management.</p> <p>Appointment of records manager posts</p> <p>GoGHSTA to assist the municipality in developing the records management unit and related controls</p>	<p>2022/23 Staff establishment</p> <p>AGSA Management report 2020/21 2021/22</p>

2.3 FINANCIAL MANAGEMENT

Budget Management (Funding Status, Policies, etc.)

Tokologo Local Municipality (TLM) has been operating an unfunded budget for the past 4 years. Per analysis of the Annual Budget 2021/22, it indicates that the municipality has forecasted budget deficit of R26.9 million. The forecast for 2022/23 and 2023/24 indicates that the municipality will make surpluses. This is in contrast with the reality on the ground as the municipality has a very low collection rates of revenue and this is not factored/incorporated on the budget (i.e., the debt impairment: Average revenue collections for past three financial years was 21%. Budgeted collection rates based for 2021/22 budget below was about 75%). Finance charges budget is very low which is in contrast with the high debt the municipality have (i.e., Eskom R208 million and Department of Water and Sanitation R62 million).

There are also inconsistent increase and decreases in revenue projections for 2022/23, 2023/24 and 2024/25 below which is very unlikely.

The credibility of the budget prepared for the municipality is therefore concerning.

Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2018/19	2019/20	2020/21	Current Year 2021/22				2022/23 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2022/23	Budget Year +1 2023/24	Budget Year +2 2024/25
Revenue By Source											
Property rates	2	-	-	7,322	10,372	10,372	10,372	10,372	8,088	9,881	12,773
Service charges - electricity revenue	2	-	-	13,974	12,729	12,729	12,729	15,549	10,729	17,167	27,467
Service charges - water revenue	2	-	-	2,812	2,582	2,582	2,582	3,913	1,132	1,811	2,897
Service charges - sanitation revenue	2	-	-	17,617	15,418	15,418	15,418	21,616	15,614	24,983	39,973
Service charges - refuse revenue	2	-	-	11,564	10,190	10,190	10,190	10,190	10,141	16,226	25,962
Rental of facilities and equipment		-	-	346	477	477	477	477	280	448	716
Interest earned - external investments		-	-	801	184	184	184	184	-	233	247
Interest earned - outstanding debtors		-	-	18,869	19,534	19,534	19,534	19,534	18,634	29,814	47,702
Dividends received		-	-	-	-	-	-	-	-	-	-
Fines, penalties, and forfeits		-	-	-	1	1	1	1	50	80	128
Licences and permits		-	-	-	-	-	-	-	-	-	-
Agency services		-	-	-	-	-	-	-	-	-	-
Transfers and subsidies		-	-	47,229	63,683	63,683	63,683	63,683	75,922	110,582	166,133
Other revenue	2	-	-	(4,978)	613	913	913	913	772	1,236	1,977
Gains		-	-	-	-	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		-	-	115,557	135,783	136,083	136,083	146,432	141,362	212,459	325,976
Expenditure By Type											
Employee related costs	2	-	-	49,315	61,061	61,011	61,011	61,011	65,062	67,215	67,215

Status Quo Assessment Report for Tokologo Local Municipality

Remuneration of councillors		-	-	2,961	3,131	3,131	3,131	3,131	5,863	5,863	5,863
Debt impairment	3	-	-	-	17,740	17,740	17,740	17,740	6,558	6,951	7,369
Depreciation & asset impairment	2	-	-	-	2,339	2,339	2,339	2,339	2,339	2,339	2,339
Finance charges		-	-	4,672	1,000	2,054	2,054	2,054	1,000	1,055	1,113
Bulk purchases - electricity	2	-	-	31,000	10,000	8,638	8,638	8,638	30,700	32,389	34,170
Inventory consumed	8	-	-	4,853	6,531	6,426	6,426	6,426	1,320	1,373	1,444
Contracted services		-	-	44,976	21,060	44,773	44,773	44,773	14,192	14,845	15,528
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-
Other expenditure	4, 5	-	-	12,460	12,702	16,958	16,958	16,958	12,320	12,901	13,172
Losses		-	-	-	-	-	-	-	-	-	-
Total Expenditure		-	-	150,237	135,564	163,070	163,070	163,070	139,355	144,932	148,213
Surplus/(Deficit)		-	-	(34,680)	220	(26,986)	(26,986)	(16,638)	2,008	67,528	177,763

Revenue management

There are poor revenue and debtors' management systems of internal controls.

Municipality collection rate has been below the 95% norm as depicted by the table below:

No#	Year	Percentage Collected
1	2019/20	32%
2	2020/21	17%
3	2021/22	08%
	Average Collected	21%

The municipality has been receiving disclaimer of audit opinion from AGSA for revenue (both service charges and property rates and consequently their receivables from this) for the past two years (2020/21 and 2021/22). The billing of revenue is therefore not credible and reliable.

Farmers are disputing their billing and has as a result boycotted the payment of municipal rates and taxes.

The municipality needs to urgently embark on a data cleansing and revenue enhancement project to ensure that their revenue data is credible and optimise the revenue generation. This will also enable them to have accurate and reliable billing information.

Cost-reflective tariffs

TLM has not performed the cost of supply studies and as such their tariffs are not cost reflective, resulting in it losing significant revenue from service charges.

Supply chain management compliance and value for money procurement

There are high levels of UIF&W expenditure. These high balances are pointing towards SCM deficiencies and increased fruitless and wasteful expenditure due to increased finance costs from outstanding creditors. The SCM unit is not adequately capacitated to be able to perform the duties of the SCM unit including ensuring that there is compliance to SCM regulations.

Expenditure and Creditor management

Tokologo Local Municipality has long outstanding creditors with payment periods of 384 days and 456 days for 2020/21 and 2021/22 respectively, way above the 30 days norm. As of 31 March 2023, the municipality had unpaid creditors of Eskom: R208 million, Water and Sanitation: R62 million and Pension R8 million which are in the 90 + days category. The municipality needs to enter into debt restructuring for these high creditors. They need to apply for Eskom debt relief in terms of MFMA circular 124 so that their previous debt can be written off provided they keep the current debt serviced.

Grant management

Per analysis of the cash reserves, the bank balance was R919 793 as at 30 June 2022, which is not sufficient to cover the unspent conditional grants of R3 859 227 during the same period. This indicates that the municipality has not been utilising grant funds for their purpose. This is concerning as these breaches of conditions might result in grants being withheld causing deep financial crisis at the municipality.

This indicates that TLM is dependent on grant funding.

mSCOA implementation

Tokologo Local Municipality in preparing its budget for 2021/22 did not use the Mscoa charts and segments. MsCoa not fully implemented as the module for Payroll and Asset Management module are yet to be implemented.

Preparation of AFS

Tokologo Local Municipality has been submitting the annual financial statements for the previous financial years (2019/2020, 2020/2021 and 2021/22) late, resulting in noncompliance with section 126(1)(a) of the Municipal Finance Management Act 56 of 2003 (MFMA).

Furthermore, the following ratios indicates that MLM is experiencing severe liquidity challenges:

Current Ratio

The current ratio was at 0.74:1 (2020/21) and 1.08:1 (2019/20). The ratio is below the norm of 1.5 - 2:1. This is an indication that current liabilities exceed current assets, highlighting insufficient cash to meet short-term financial obligations. The municipality must therefore increase its current assets to appropriately cover current liabilities.

Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants)

Cost coverage ratio is critical at -2 months for 2021/22 against a 1–3-month norm. This indicates that the Municipality's ability to meet its obligations to provide basic services and honour its financial commitments is severely compromised. TLM is unable to sustain itself and to meet its obligation to provide basic services and meet its financial commitments.

Cash and Cash Equivalent

The cash and cash equivalent balance has been positive across financial years 2020/21 and 2021/22; however, it is not sufficient to pay creditors in arrears and refund unspent conditional grant. This indicates that the municipality is under financial distress.

Key Issues Identified:

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
<p>Funded Budget Status</p>	<p>Preparation and submission of budget with deficits (unfunded budgets): 2019/20: R19 million 2021/22: R35 million 2022/23: R38 million 2023/24: R41 million</p>	<p>Preparation of a budget that is not funded (unrealistic budget)</p> <p>Inadequate collection of revenue. Average revenue collections for the past three financial years were 21%. The collection rates for 2021/22 was Budgeted at 75%</p> <p>High outstanding Eskom Account</p> <p>High outstanding water account</p> <p>There was no evidence of approved funding plan in place (the current funding plan is in draft)</p>	<p>No budget steering committee to coordinate and ensure that the budget prepared is funded.</p> <p>Unrealistic projected revenue collection rates</p> <p>Understatement of debt impairment</p> <p>Unrealistic cashflow projections.</p>	<p>Prepare budgets in accordance with S18(a) which stipulates that budget can only be funded through realistic projected revenue to be collected.</p> <p>Apply zero-based budgeting for both operational and capital expenditure.</p> <p>Implement interventions to improve the accuracy of billing and collections.</p> <p>Conduct a data cleansing and revenue enhancement to optimize revenue billing and collections rates.</p> <p>Update the indigent register so that revenue estimates are based on recoverable rates. Tariffs calculations factor in the indigent</p> <p>Council to approve only a funded adjustment budget for the 2023/24 financial period.</p> <p>Funding plan to be approved</p>	<p>FS182 TLM 2021/22 2022/23 MTREF Final Budget Analysis</p> <p>Budget for 2021/22</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>Unrealistic revenue budget estimates were made. The average ratio for the municipality debtor's collection was 21%</p> <p>Townships in Dealesvile and Herzog vile are Eskom supplied areas which makes it difficult to conduct credit control. Fifty-seven percent of municipal accounts are in areas that are supplied electricity by Eskom.</p> <p>Boshof, Seretese and Kariehof are the only municipality supplied areas which accounts to 43% of municipal accounts.</p>	<p>The inadequate revenue collection of revenue due to credit control challenges for areas supplied electricity by Eskom.</p> <p>Farmers have boycotted the rates and taxes payment to the Municipality.</p>	<p>Credit control not implemented for Eskom-supplied areas.</p> <p>Rates boycott by farmers who are not paying rates and taxes</p>	<p>Municipality to engage Eskom to assist with challenges regarding credit control for areas where Eskom supplies electricity.</p> <p>Municipality to engage farmers with a view to convincing them to start paying municipal rates and taxing again.</p> <p>Municipality to enforce strict credit control policy to improve revenue collections</p>	<p>AFS 2021/22</p> <p>Workstream meeting</p>
<p>Budget related policies (finance and human resources)</p>	<p>Municipality have budget related policies. Budget policies for 2023/24 have been submitted to Council for approval</p>	<p>The policies were not adhered to as the municipality has been adopting unfunded budget for the past 4 years.</p> <p>Budget steering committee policy and its TOR is still subject to Council approval.</p> <p>Indigent policy framework which will incorporate the eligibility of people to qualify, which will cover the norms as covered by the new guidelines for indigent policy and assist in coming with accurate register have not been finalized and approved.</p>	<p>No co-ordination of budget preparation process</p> <p>No adherence to budget policies</p>	<p>Consequence management for non-adherence to approved budget policies.</p> <p>Budget steering committee policy and its ToR to be approved.</p> <p>Budget steering committee to oversee budget preparations processes.</p> <p>Indigent policy framework to be reviewed and approved by Council.</p> <p>Finalization of Indigent policy framework and approval of this by</p>	<p>Budget Policies 2023/24</p> <p>Workstream meetings</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
				Council	
<p>Revenue Management Value Chain/ revenue raising measures</p>	<p>Currently the municipality's collection rate is at 21% which is very low.</p> <p>This is very lower than the budgeted collection rates of about 75%</p>	<p>Accuracy of billing data. Accuracy of data between the main and sub-accounts</p> <p>Poor collections of revenue billed.</p> <p>Debt collectors not appointed, and credit control policy not enforced as part of revenue collections.</p>	<p>Lack of capacity at the revenue department (finance function)</p> <p>Inaccurate billing and data leading to non-payment</p>	<p>Implement interventions to improve accuracy of billing and collections.</p> <p>Conduct a data cleansing and revenue enhancement to optimize revenue billing and collections rates.</p> <p>Appointment of debtor's collectors on risk basis (without cost to the municipality and will be paid based on what they have collected</p>	<p>Section 71 reports for December 2022</p> <p>AFS 2021/22</p>
	<p>Proper tariff settings. This municipality has never conducted study to determine if their tariffs are related or aligned to the cost of providing their services</p>	<p>Tariff are done on historical incremental approach without linking to the current costs of offering services.</p> <p>Tariff setting: There is no evidence that the municipality has conducted a tariff study and has consequently been charging non-cost-reflective tariffs.</p>	<p>Lack of understanding on tariff model by the municipality staff.</p>	<p>Conduct tariff optimisation / cost of supply studies to align tariffs charged to the true cost of providing the corresponding services.</p>	<p>Workstream meeting</p>
	<p>Revenue and billing critical vacancies not filled</p>	<p>There is vacancy for the head of budget and revenue. Budget and revenue manager post is</p>	<p>Lack of recruitment plan that will prioritise filling of critical vacant posts.</p>	<p>Development of recruitment plan for all vacancies</p>	<p>Approved staff establishment 2022/23</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
		vacant. Vacancy for debtors' officer (billing and data control Boshof) Vacancy for debtors' officer (billing and data control Dealseville) Also, vacancy for Hertzogville		Appointment and filling of the post of Revenue and budget manager	
Customer care and data accuracy	Customer care and status: The municipality currently does not have a dedicated customer department. They also do not have formal processes and procedures of handling customer complaints and/or queries	Customer care activities not formalized	Lack of capacity and clear outline of responsibilities.	Development of dedicated central email where in customers can send their queries (both manual and electronic process to raise complaints Development of policy/procedure of handling customer queries and complaints	Workstream meeting
	Data accuracy status: Data accuracy is poor as evidenced by, among other observations: <ul style="list-style-type: none"> • Revenue has been disclaimed by AGSA for the past three years. • Revenue figures for prior years are always restated on the annual financial statement. 	Inaccurate data leading to audit qualifications for revenue. Lack of adequate capacity for billing personnel	Vacancy in critical positions within the finance, particularly the revenue Section Inaccurate revenue billing data	<ul style="list-style-type: none"> • Filling of critical vacancy within the finance and revenue section • Data cleansing and updating of revenue of data to be done to ensure that revenue data and its billings are accurate 	AGSA reports 2020/21 2021/22

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Cost-reflective tariffs	<p>The municipality's tariffs are not cost reflective.</p> <p>The tariffs for water and electricity are not cost reflective</p>	<p>According to the AFS for 2020/21 provision for impairment is at 58% of Gross debtors billed.</p> <p>The above coupled with low collection rates of revenue billed suggest that there is no evidence showing that the tariffs were cost reflective, as its on incremental basis</p>	Lack of adequate capacity	<p>Proper cost of supply studies needs to be done so that cost reflective tariffs can be charged.</p> <p>Prepare future budgets based on cost reflective tariffs arising from a proper study done on the cost of supply of services.</p> <p>Improve the revenue collection thereby reducing provision for debt impairment.</p> <p>Improve the finance function capacity.</p>	<p>Section 71 reports for December 2022</p> <p>AFS 30 June 2021</p>
Indigent Management	<p>Indigent application is very low, despite the fact that the municipality has increased the qualifying amount to R5500 for the current year. The municipality has only 1123 applications</p> <p>Completeness and accuracy of indigent register</p>	<p>Lack of adequate capacity to implement indigent policy.</p> <p>There is no evidence that the indigent register has been kept updated on a regular basis</p>	<p>Poor indigent processes including making awareness to residents about application process for indigent.</p> <p>Lack of resources to verify indigent status of the applicants / beneficiaries.</p>	<p>Adherence to provisions of existing indigent policy</p> <p>Awareness campaigns on the application for indigent</p> <p>Appointment of dedicated indigent personnel who updates the indigent register on regular basis.</p> <p>Assignment and training of personnel to carry out and monitor regular updates to the indigent register</p>	Indigent Policy 2022/23

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
<p>Supply chain management compliance and value for money procurement</p>	<p>The SCM unit only has one staff member who is an SCM officer.</p> <p>The SCM unit is not adequately capacitated to be able to perform the duties of the SCM unit including ensuring that there is compliance to SCM regulations.</p> <p>Three senior positions on the SCM and Expenditure management unit are vacant.</p> <p>UIF&W have been increasing for the past three years to date</p>	<ul style="list-style-type: none"> Insufficient and/or appropriate documents to support that contract and quotations have been awarded in accordance with regulations. Non-compliance to SCM regulations leading to increasing in UIF&W. Contract performance monitoring and measures not in place No evidence that contract extension or modification were properly approved by the delegated official 	<p>Lack of adequate capacity within the SCM and expenditure management unit</p> <p>Lack of recruitment plan</p>	<p>Capacitation and filling of vacant SCM critical posts</p> <p>Ensure that procurement planning and budget process are synchronized.</p> <p>Circulate the procurement plan to all departments for inputs before the draft budget is tabled by Council.</p> <p>Training of senior staff on supply chain management</p>	<p>AGSA audit reports 2020/21 2021/22</p> <p>AGSA Management report 2020/21 2021/22</p> <p>Approved Staff establishment 2022/23</p>
	<p>Supply Chain management policy is silent on issues of contract management and supplier performance as to how it will be performed and by who</p>	<p>Lack of policy guideline on contract management and supplier performance</p>	<p>Management oversight in including the provision of contract management on the SCM policy</p>	<p>SCM policy to be revised to include issues of contract management and supplier performance.</p> <p>Municipality to engage the provincial treasury to assist with the drafting of policy and procedures for contract management</p>	<p>SCM policy</p>
<p>Cost containment and realistic cash flow management</p>	<p>Cost containment policy in place.</p> <p>However, the issue of implementation and monitoring of</p>	<p>Cost containment policy not monitored for implementation and adherence</p>	<p>Non-compliance to cost containment policy.</p>	<p>Strict implementation of the cost containment policy including adherence to</p>	<p>Workstream meeting</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	costs containment is not yet happening.			consequence management for instances and/or individuals who fail to comply with the policy.	
	Significant spending on non-essential costs including consulting and professional fees.	<p>Though there has been noticeable decrease in spending from previous to current year, the municipality is still spending a sizeable amount on the below items:</p> <ul style="list-style-type: none"> • Consulting and professional services: 2020/21 R 31.9 million and 2021/22 R30 million • Finance (interest) costs for outstanding Trade and Other Payables: 2020/21 R 9.2 million and 2021/22 R10.4 million 	Lack of capacity in critical areas of the municipality	<p>Staffing of requisite roles with the Finance function in order to build up capacity to execute the cost containment policy.</p> <p>Strict implementation of the cost containment policy including adherence to consequence management for instances and/or individuals who fail to comply with the policy.</p>	AFS 2020/21 2021/22
Financial control environment	<p>Weak control environment leading to the following items being qualified by AGSA:</p> <ul style="list-style-type: none"> • Property, plant, and equipment • Payables from exchange • Commitments • General expenses • Receivables from exchange • Service charge • Property rates 	<p>Municipality has regressed further from the Qualified Audit opinion to a disclaimer of audit outcome.</p> <p>Weak financial control environment</p>	Weakness in the implementation of internal controls in respect of financial management and financial reporting.	<p>Capacitation of Finance function to enable strengthening of financial controls.</p> <p>Train staff on strict implementation of existing controls to strengthen the internal control environment.</p>	AGSA audit report 2020/21 2021/22

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Debt restructuring	<p>The municipality is owing Eskom, water, and pension funds (which are key creditors in service delivery), with these amounts due for a period of over 90 days.</p> <ul style="list-style-type: none"> • Eskom R208 million – March 2023 • Dept of Water and Sanitation R62 million – November 2023 • Pension fund – R8 million March 2023 • Auditor General – R9.9 million March 2023 	<p>Municipality is unable to pay its service providers when its due</p> <p>The municipality currently as debt/payment arrangement with AGSA.</p> <p>The municipality has taken Eskom to court because of the disputes of amount billed</p>	<ul style="list-style-type: none"> • Poor Cash flow management • Poor collection of revenue 	<p>Municipality to consider undertaking the process of debt restructuring as part of financial recovery measures.</p> <p>Municipality to consider application of debt relief under circular 124 of MFAM which provide for writing off of old debt for Eskom provided current and future debt is paid on time.</p> <p>Municipality to resolve its dispute with Eskom outside of court processes</p>	<p>Section 71 reports December 2022</p>
Creditor management	<p>The municipality is significantly outside the recommended norm for creditor payments.</p>	<p>Inability to pay creditors within 30 days of receipt of invoice. The municipality is significantly outside the recommended norm for creditor payments highlighting high levels of cashflow risk and an inability to meet its short-term obligations as and when they arise:</p> <p>2019/20 FY - 371 days 2020/21 FY - 384 days 2021/22 FY - 456 days</p>	<ul style="list-style-type: none"> • Poor Cash flow management • Poor collection of revenue 	<p>Improve cash flow levels through revenue enhancement strategies (see discussion of collection strategies under revenue management value chain focus area</p> <p>Engage creditors for the debt restructuring and repayment terms to address cash flow challenges</p>	<p>AFS 2020/21 2021/22</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Grant management	Poor controls over grants management	<p>According to AGSA management report, grants were not spent according to the applicable grant framework.</p> <p>Per 2021/22 AFS: Cash and Cash equivalent was R919 000, and Unspent Condition grant creditor was R3.8 million. This indicates the following:</p> <ul style="list-style-type: none"> • Unspent grants not ringfenced and cash-backed • Conditional grants not used for their intended purpose 	<p>Lack of controls over grant funding proceeds</p> <p>No ringfencing of grant fund account not linked to primary bank account</p>	Strict implementation of grant management procedures to ensure use for their intended purpose	<p>AGSA management report 2020/21</p> <p>AFS 2021/22</p>
mSCOA implementation	In preparing its budget for 2021/22 TLM did NOT use the mSCOA chart and segments	<p>Non-compliance with Mscoa implementation guideline</p> <p>MsCoa not fully implemented. The following still needs to be implemented:</p> <ul style="list-style-type: none"> • Payroll • Asset Management module 	<ul style="list-style-type: none"> • Finance function capacity • Lack of adequate training 	Capacitation of the finance function and Training of Mscoa implementation	FS182 TLM 2021/22 MTREF Final Budget analysis
Financial reporting	Inability to provide various financial reports and documents for review and audit as requested by AGSA led to the municipality obtaining a Disclaimer of Audit opinion.	Numerous documents requested by the AGSA for audit could not be provided by the municipality.	<p>Inadequate capacity in the Finance function due to key roles being vacant.</p> <p>No records</p>	<p>Capacitation of the finance function</p> <p>Implementation of the records management controls and procedures</p>	Audit report 2020/21 2021/22

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
			management policies and control measures	Consequence management for non-performance	
Preparation of AFS	<p>Municipality regressed further from the Qualified audit opinion to Disclaimer of audit opinion.</p> <p>For the past two financial years the municipality has been failing to submit the financial statement before the legislated date of submission</p>	Financial muscle for sourcing skills of preparation of financial statements or funds for the development of internal capacity	Inadequate capacity in the Finance function due to key roles being vacant.	<p>Obtain financial assistance for the preparation of Annual financial statements or development of internal capacity</p> <p>Develop skills transfer strategy with regards to consultant preparing financial statement</p>	AGSA audit and management report 2020/21 2021/22

Analysis of key Financial Ratios

Ratio	Ratio for 2019/20	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Asset Management Utilization				
<p>Capital Expenditure to Total Expenditure – indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services.</p> <p>The norm is 10% - 20%.</p>	20%	29%	37%	<p>Level of expenditure is above the norm and should therefore be progressively reduced to ensure the municipality is able to maintain its assets from the operating expenditure. The municipality is however commended to be investing on capital projects than spending all the moneys on salaries and allowances.</p>
<p>Repairs and Maintenance to Property, Plant and Equipment and Investment Property – measures the level of repairs and maintenance to ensure adequate repairs and maintenance to prevent breakdowns and interruptions to services delivery.</p> <p>The norm is 8%.</p>	2%	2%	1%	<p>Spending is low and the infrastructure assets will therefore deteriorate faster than required. R&M spend has to be increased</p> <p>Municipality budgeted R4.1 million for repairs and maintenance. That is 0.5% as a percentage of PPE. For 2021/22 budget</p>
Debtors Management				
<p>Annual Collection Rate - indicates the level of payments as a percentage of revenue billed on credit.</p> <p>The norm is 95%.</p>	32%	17%	8%	<p>Unsustainable, needs major drive. It is worrying that the ratio is decreasing year after year without showing any sign of improvement. The ratio is not sustainable as it is far below the norm and therefore requires an aggressive drive on the implementation of credit control and debt collection policy.</p>

Status Quo Assessment Report for Tokologo Local Municipality

Ratio	Ratio for 2019/20	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
<p>Bad Debts Written-off as % of the Bad Debt Provision</p> <p>The Ratio compares the value of Bad Debts Written-off on Consumer Debtors to Bad Debts Provided for Consumer Debtors to ensure that the Provision for Bad Debts is sufficient. The norm is 100%.</p>	0%	0%	0%	<p>The municipality is not providing for bad debts, and there is therefore a need to revise the debt book line by line to ensure realistic provision of bad debts.</p> <p>There is an odd negative debtors impairment</p>
<p>Debtors Management Net Debtors Days – indicates the average number of days taken for debtors to pay their accounts.</p> <p>The norm is 30 days.</p>	1140 days	2157 days	2121 days	<p>Significant drain on cashflow. The municipality would be forced to borrow from Banks or other creditors e.g., Eskom and Water Board and this is not healthy as the ratio is far outside the norm.</p>
Liquidity Management				
<p>Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants)</p> <p>The Ratio indicates the Municipality's or Municipal Entity's ability to meet at least its monthly fixed operating commitments from cash and short-term investment without collecting any additional revenue.</p> <p>The norm is 1-3 months</p>	0 month	3 months	-2 months	<p>Unacceptable position for all the other years except 2020/21. Clearly there is no buffer to accept any shocks to the environment. Cost containment has to be stringently enforced.</p>

Status Quo Assessment Report for Tokologo Local Municipality

Ratio	Ratio for 2019/20	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
<p>Current Ratio - 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 i.e., insufficient cash to meet financial obligations.</p> <p>The norm is 1.5 - 2:1.</p>	0,35	0,74	1,08	Even though the ratio is improving year after year, it remains unsustainable. Debtors must be collected, and Credit control debt collection policies must be implemented
Efficiency				
<p>Net Operating Surplus Margin – measures the net surplus or deficit as a percentage of revenue.</p> <p>The norm is > 0%</p>	-4%	-18%	46%	<p>The ratio was far below in the first 2 years but ultimately increased in the year 2022.</p> <p>There is an odd negative debtor's impairment of R72 million which has resulted in this odd performance which appears to be good. If this is discounted the performance will be negative/red</p>
Distribution Losses				
<p>Electricity Distribution Losses (%)</p> <p>The purpose is to measure the percentage loss of potential revenue from Electricity Services through electricity units purchased and generated but not sold because of losses incurred.</p> <p>The norm is 7% - 10%</p>	N/A	N/A	N/A	It is very concerning that the municipality appears to have no capacity to make a determination in this regard. Too much electricity distribution losses mean spending more money on avoidable items.

Status Quo Assessment Report for Tokologo Local Municipality

Ratio	Ratio for 2019/20	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
<p>Water Distribution Losses (Percentage) The purpose of this ratio is to determine the percentage loss of potential revenue from water service through kilolitres of water purchased but not sold because of losses.</p> <p>The norm is 15% - 30%.</p>	N/A	N/A	N/A	It is very concerning that the municipality appears to have no capacity to make a determination in this regard. Too much water distribution losses means spending more money on avoidable items.
Revenue Management				
<p>Revenue Growth (%) – measures the growth in revenue year on year.</p> <p>The norm is at the rate of CPI</p>	3,53	13,51	23,9	Acceptable positive trend.
<p>Revenue Growth (%) - Excluding Capital Grants Measures the growth in revenue excluding capital grants year on year.</p> <p>The norm is > 5%.</p>	11,19	9,25	23,9	Acceptable positive trend.
Expenditure Management				
<p>Creditors Payment Period This ratio indicates the average number of days taken for trade creditors to be paid.</p> <p>The norm is 30 days.</p>	371 days	384 days	456 days	The municipality is currently in financial distress and is unable to meet its short-term liabilities for the past 3 fiscal years. Eskom arrangement must be made.

Status Quo Assessment Report for Tokologo Local Municipality

Ratio	Ratio for 2019/20	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
<p>Irregular, Fruitless and Wasteful and Unauthorized Expenditure to Total Expenditure – this ratio measures the extent of irregular, fruitless and wasteful and unauthorized expenditure to total expenditure.</p> <p>The norm is 0%.</p>	202%	385%	394%	Unacceptable levels of UIFWE indicate breakdown of controls and lack of discipline in following rules. Disciplinary actions must be implemented against anyone breaking the rules.
<p>Remuneration (Councillor Remuneration and Employee Related Costs) as % of Total Operating Expenditure - Indicates the extent to which expenditure is applied to the payment of personnel.</p> <p>The norm is 25% - 40%.</p>	20%	31%	47%	<p>Norm exceeded expenditure base to be expanded from revenue growth. This area requires immediate and urgent attention. Review of powers & functions and delegation framework is urgently required.</p> <p>Risk of employee dissatisfaction if CPI agreed increases are not implemented, which could result in deterioration of service delivery and protest action by business and society.</p>
<p>Contracted Services as a % of Total Operating Expenditure - indicates the extent to which the municipalities resources are committed towards contracted services to perform Municipal related functions. The norm is 2%-5%.</p>	7%	0%	0%	Accounting for contracted services should be improved to allow for the correct determination of ratios
Budget Implementation				
<p>Capital Budget Implementation Indicator</p> <p>The norm is 95% to 100%</p>	N/A	N/A	N/A	

Status Quo Assessment Report for Tokologo Local Municipality

Ratio	Ratio for 2019/20	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Operating Expenditure Budget Implementation Indicator The norm is 95% to 100%	29%	30%	52%	The municipality could not spend on budgeted operating expenditure, and this compromises service delivery to the people
Operating Revenue Budget Implementation Indicator The norm is 95% to 100%	109%	60%	82%	The ratios indicate lack of capacity to execute, inefficiencies in billing and credit control
Billed Revenue Budget Implementation Indicator The norm is 95% to 100%	129%	44%	80%	Revenue collections needs to be enhanced. Indicates lack of capacity / knowledge to execute and inefficiencies in billing and credit control

2.4 SERVICE DELIVERY

General Powers and Functions

In terms of Section 156 of the Constitution of the Republic of South Africa, 1996, Tokologo Local Municipality (TLM) is a category B municipality that has executive and legislative authority to administer Local Government Matters listed in Part B of Schedule 4 and Part B of Schedule 5 and any other matter assigned to it by national or provincial legislation.

The table on the below provides a list functions and powers that might be undertaken by a local municipality in addition to those specified in the Constitution.

Powers & Functions	Performed (Yes/No)
Disaster management (*)	Yes
Gas reticulation Housing (**)	Yes (but not currently performed)
Integrated development planning	Yes
Libraries and museums (other than provincial libraries and museums)	Yes
Nature conservation Tourism promotion (at local level only)	Yes
Engineering and infrastructure installation	Yes

The following specific powers and functions are applicable to infrastructure related services in respect of Tokologo LM:

A. Core functions

- Electricity supply
- Roads and Stormwater
- Municipal roads
- Water provision
- Sanitation services
- Refuse removal (land fill sites).
- Parks, cemetery and human settlement and allocation of sites.
- Town planning and plan approval.
- Lease of municipalities property (municipal farmlands and properties)

B. Non - Core functions

- Libraries
- Licensing

The Technical Services Department and Community Services Department are responsible for basic service

delivery and infrastructure investment in the Municipality. Cash flow problems impacted negatively on service delivery.

Services Delivery Overview

Basic services rendered and backlogs:

Service Provided	2021/22
Number of registered indigents	1 114 (source: IDP page 113)
Total number of households in municipal areas	9831 (source: IDP page 22)
Number of households provided with water	8164 (source IDP page 21)
Number of households provided with electricity	8298 (source: IDP page 20)
Number of households provided with sanitation	9283 (source: IDP page 22)
Number of households provided with refuse removal	4816 (source: IDP page 22)

Infrastructure Asset Management

The Auditor General's management report indicated that the municipality was not GRAP 17 compliant. The municipality did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information. Contrary to GRAP 17 requirements, it was identified that infrastructure projects which have been completed were included in the municipality's Work In Progress register. Infrastructure assets could not be physically verified due to the asset descriptions contained in the immovable asset register being incomplete.

It is important to have collaboration between the service delivery and finance department.

Water Services

Tokologo Local Municipality relies on underground water for its daily water supply. The Municipality also has water treatment works to treat water from the Vaal River near Riverton.

Tokologo LM has three drinking water supply systems (Boshof (2Ml/day), Dealesville (2Ml/day) and Hertzogville(5Ml/day)) and all three systems achieved critical-risk ratings. This was largely as a result of the municipality not submitting information to the Regulator. All three systems achieved lowest scores on operational capacity (Criteria B) as no information was presented to the Regulator.

On drinking water quality compliance, the municipality did not upload any information indicating that there may be no water quality monitoring. This presents a serious health risk to the consumers supplied by the municipality and should be addressed urgently. The municipality also did not provide any information for criteria D and E, this has resulted in the three systems achieving the lowest scores under these criteria.

The Regulator is concerned about drinking water management in the municipality and encourages the WSA to urgently implement the following recommendations to ensure delivery of safe drinking water for all consumers:

- A and B: Installation and calibration of flow meters to verify operational capacity. Flow information should then be presented to the Regulator.
- C: Development and implementation of SANS 241: 2015 aligned drinking water quality monitoring programmes and submission of subsequent results to the Regulator.
- D: Appointment of suitably qualified staff (process controllers, supervisors, and maintenance teams) as per regulations requirements. Existing process controllers should be subjected to relevant training to improve their classification.
- E: Development of a Water Safety Plan as per SANS 241: 2015 and WHO guidelines including risk assessment of the entire supply system, water quality evaluation based on full SANS 241: 2015 analysis of raw and final water, development of risk-based monitoring programmes, and implementation of mitigating measures to address all medium and high risks.

The municipality has not accounted for water losses. The municipality has an outstanding liability of over R60m for water services. The municipality is currently spending less than 1% on repairs and maintenance.

Sanitation Services

Key Performance Area	Unit	Boshof	Dealesville	Hertzogville
Green Drop Score (2021)		32%	46%	43%
2013 Green Drop Score		23%	25%	25%
2011 Green Drop Score		0%	0%	0%
2009 Green Drop Score		0%	0%	0%
Design Capacity	ML/d	2.0	0.76	2.0
Capacity Utilisation (%)		76%	NI	NI
Resource Discharged into		No discharge	No discharge	No discharge
Wastewater Risk Rating (CRR% of CRR_{max})		Boshof	Dealesville	Hertzogville
CRR (2021)	%	29.4%	47.1%	41.2%
CRR (2013)	%	100.0%	82.4%	82.4%
CRR (2011)	%	100.0%	100.0%	100.0%

1. Pumpstation dysfunctional
2. Sludge build-up in the system
3. Flow metering absent
4. No constructed discharge point for tankers and night soil

Electricity Supply

The municipality is not accounting for electricity losses. The municipality has an outstanding liability of over R200 million due and payable to Eskom. A task team from both the municipality and the appointed service provider (MAFUMU) has been established to do a physical walk through of all properties within the areas that the municipality supply with electricity. Should there be any illegal connections, the municipality intend to charge a flat rate to consumers who have been bridged by the municipality and charge fines to consumers who are found to have bridged the meter illegally.

The municipality is conducting regular inspections, auditing, testing, and monitoring of the metering installations of electricity consumers as they constitute the majority of revenue generating sales. The municipality claims that all meters are monitored through deviation reports on a monthly basis to ensure that billing is done accurately. The municipality is attempting to improve on the monthly reading of own usage meters to be able to correctly account for own usage. Meters also need to be installed or replaced at municipal facilities as a matter of urgency.

According to the municipality, the current electricity prepaid system is working effectively. All broken meters and bypassed meters have been replaced as well as coupon meters have been replaced by prepaid meters. The municipality has installed new prepaid meters with advanced technology. Municipality have also implemented an arrears collection on all customers that owe on their municipal services, business customers owing over 90 days and wishes to purchase pre-paid electricity token, a **20%** of the tendered amount is deducted and be allocated towards municipal service.

Key Issues Identified:

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
<p>Infrastructure Asset Management</p>	<p>Poor asset management, lack of revenue collection, asset register not GRAP compliant resulting in a poor audit finding.</p>	<p>Alignment of asset management policy and practise.</p> <p>Poor adherence to MFMA and GRAP 17</p> <p>The municipality significantly underspent the budget for capital expenditure and repairs and maintenance of infrastructure assets.</p> <p>The primary root cause of this was that cash resources were not available to fund these critical components of service delivery.</p> <p>This underspending had a direct negative, impact on service delivery as new projects could not be implemented, and infrastructure assets could not be maintained.</p> <p>The municipality did not appropriately account for property, plant, and equipment in accordance with SA Standard of GRAP 17, Property, plant, and equipment. Items of property, plant and equipment acquired.</p>	<p>Infrastructure asset management capacity is inadequate.</p>	<p>The municipality needs to mobilize funding to get assistance in doing asset management activities to enable the municipality to be GRAP compliant.</p> <p>This would also assist the municipality to generate maintenance plans for infrastructure.</p> <p>Development of standard operating procedures for maintenance of assets as it relates to the asset register.</p> <p>The municipality needs to have an infrastructure loss control strategy to manage vandalism and theft of equipment.</p> <p>The municipality must approach DBSA with a view of participating in the Asset Care Program.</p>	<p>AG Management Report – 2020/21</p>
<p>Potable Water and Bulk Water Supply</p>	<p>Non-revenue water – Audit Finding not stated (June 2022) Total water losses – Audit Finding not stated (June 2022)</p>	<p>Increase in burst pipes per day.</p>	<p>Poor network maintenance because of inadequate staff,</p>	<p>Funding and implementation of the Water Service Delivery Plan. Raise and budget for pressure management and leak repairs as part of</p>	<p>IDP AFS 2020/2021 Blue Drop Report</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
	<p>The municipality offers Free Basic Water of 6kl.</p> <p>There is inadequate credit control on both indigents and normal clients.</p> <p>Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.</p> <p>The municipality has not calculated its burst frequency which bursts/100km of pipeline/annum (norm 13 bursts/100km of pipeline/year).</p> <p>The is no information available on the municipalities Water Conservation and Demand Management plans and minimum night flows have been quantified.</p> <p>The Municipality is also buying borehole water from a nearby farm at an amount of R19 000 monthly.</p>	<p>Municipality unable to respond to all bursts due to sometimes unavailability of spares.</p> <p>Dilapidated and failing bulk water and sanitation infrastructure.</p> <p>Inadequate fleet</p> <p>Insufficient funding allocation for operations and maintenance</p> <p>High distribution losses for water (unaccounted)</p> <p>Vandalism of infrastructure</p> <p>Reactive maintenance for Illegal connections.</p> <p>The municipal staff does not have adequate PPE.</p>	<p>fleet, material, and equipment.</p> <p>Inadequate water sources. Inadequate credit control.</p> <p>Tokologo LM is responsible for one drinking water supply system and the system achieved a critical-risk rating.</p> <p>The WSA does not conduct drinking water quality monitoring, and this did not only impact on the score achieved for the Blue Drop certification but also presents a serious health risk to the consumers as the quality of water supplied from this system cannot be confirmed or guaranteed.</p> <p>A Water Safety Planning process has not been adopted and implemented,</p>	<p>water conservation and water demand management strategy.</p> <p>Areas with the highest water use must be prioritised for metering and credit control.</p> <p>The municipality need to ensure that there is adequate repairs and maintenance stock to enable maintenance to be conducted by maintenance teams.</p> <p>The project planning unit must be assisted to increase business planning capacity to solicit funding for replacing aged infrastructure.</p> <p>The municipality needs to do long-term contracting for store items.</p> <p>Classification and linking of applicable WTW supply system in Tokologo on IRIS.</p> <p>Operational flow data should then be submitted to the Regulator.</p> <p>Flow measuring devices must be installed to comply with regulatory requirements and to be able to confirm billing (check metering) from Dept of Water and Sanitation.</p> <p>Development and implementation of microbiological and chemical monitoring programmes with sufficient samples and adequate frequency based on population size as outlined in SANS 241:2015. Subsequent water quality</p>	

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
			<p>indicating that risk assessment and full SANS 241:2015 analysis and risk mitigation has not been conducted.</p>	<p>results should then be submitted to the Regulator through IRIS.</p> <p>Appointment of suitably qualified staff and/or training of existing staff (supervisors, process controllers and maintenance teams) to ensure adequate alignment to set criteria.</p> <p>Supervisors and process controllers should then be classified on IRIS.</p> <p>Development and implementation of Water Safety Plan as per SANS 241:2015 and WHO guidelines including risk assessment of entire supply system, development of risk-based monitoring programmes and implementation of mitigating measures to address all medium and high-risks.</p> <p>Apply for Water Use Licenses for affluent discharge.</p> <p>To Reduce Non-Revenue Water and Real Water Losses to 20% and 15% respectively.</p> <p>Unmetered connections must be metered.</p> <p>All standpipes must be metered.</p> <p>All municipal consumption must be accurately metered.</p> <p>Meters must be read regularly, and billing done.</p> <p>War on Leaks Program – consumers</p>	

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
				<p>not billed and consumers with flat rate billing agreements.</p> <p>Undertake data cleansing and field verification.</p> <p>Metering all fire connections</p> <p>Use flow limiters for identified customers on specified quotas.</p> <p>Investigate zero consumption customers.</p> <p>Update billing system to ensure all removed meters are also removed on the billing system.</p> <p>The municipality must buy or expropriate the areas where water is being extracted at a high cost due to billing from a private landowner. A cost benefit analysis must be undertaken on the quantity of water extracted.</p>	
<p>Sanitation Services (Waterborne and VIP)</p>	<p>The Municipality has performed well based on the assessment in the Green Drop Report by obtaining a low-risk rating of 32,9% (2022). 100% of plants (3 of 3) in low-risk position. The municipality was also assessed on its two pumping stations. The municipality did not have flow balances to track wastewater pathway from consumer to treatment plant.</p>	<ol style="list-style-type: none"> 1. The municipality achieved a score of 32,9% for level of risk that a municipality poses in respect of its wastewater treatment facility. This was a good score for Wastewater Treatment Facilities. 2. There is a build-up of sludge in the system. 3. No constructed discharge point for tankers and night soil. 	<p>Inadequate fleet Insufficient funding allocation for O&M</p> <p>Vandalism of the infrastructure</p> <p>Reactive maintenance approach instead of preventative</p>	<p>Develop and implement the sanitation master plan.</p> <p>Develop and implement the sanitation Infrastructure Maintenance plan.</p> <p>Network Maintenance: 1) Attend to all reported faults and blockages, 2) Address sewage spillages, and 3) Reduce sewer blockages. This may require an awareness campaign with the assistance of the political office.</p> <p>Improve customers services; Attend to customer complaints urgently.</p>	<p>IDP 2017/2022</p> <p>Green Drop Report 2022</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
		4. Pump station and network issues need to be attended to		Provision of additional VIP toilets to reduce the backlog.	
Energy Reticulation and bulk supply	<p>The municipality is currently behind on the Eskom account.</p> <p>The amount that is currently outstanding is R203 million.</p> <p>Electricity losses are above the 7-10% norm and it is not disclosed.</p> <p>The municipality has FBE offering of 60kWh.</p> <p>The municipality is experiencing cable theft.</p> <p>The municipalities electrical equipment is outdated, especially oil type switchgear.</p> <p>The municipality has not indicated a clear strategy to deal future energy security, considering SSEG and the 100MW self-generation potential. Inadequate staff training due to budget constraints.</p>	<p>Distribution Losses, Illegal connections, vandalism including cable theft, poor revenue collection.</p> <p>Due to the lack of financial resources over the past number of years, a backlog in repair and maintenance, as well as refurbishment and network expansion has increased.</p>	<p>Poor network maintenance because of inadequate staff, fleet, material, and equipment.</p> <p>Inadequate credit control.</p>	<p>Develop and implement Electricity Maintenance and Refurbishment plan.</p> <p>Compile and implement the Electricity Loss Management Plan.</p> <p>Urgent maintenance on priority electrical failures. Maintain/repair priority network (ring feeders, pole replacement, servicing transformers).</p> <p>Refurbish / upgrade electrical network according to priority implementation programme.</p> <p>Review SLA with Eskom with the view of implementing NT Circular 124 interventions.</p> <p>Asses if the Eskom/Tokologo SLA adequately addresses all technical, service delivery and financial matters.</p> <p>Source funding for adequate training of staff.</p>	<p>IDP 2017/2022</p> <p>AFS 2019/2020</p>
Roads and Stormwater Network	<p>The municipality still has some roads that need to be paved.</p> <p>Tokologo Municipality has a</p>	<p>Unmaintained gravel roads, rutting, potholes, stormwater drain blockage, vegetation growth on stormwater channels.</p>	<p>Inadequate repairs and maintenance budget, unreliable machinery.</p>	<p>Develop and implement the Roads and Stormwater master plan.</p> <p>Develop and implement the Roads and</p>	<p>IDP 2017/2022</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
	<p>total road network distance of 102 km of which 22,34 km are tarred (paved) and 79.7 km are gravel (unpaved).</p> <p>Inadequate budget for roads maintenance</p>	<p>Poor road conditions also have impact on service delivery in particular the durability of fleet and refuse removal.</p>		<p>Stormwater Maintenance plan, Urgent Road Maintenance.</p> <p>Attend to all reported potholes, stormwater drainage and clean related blocked drains, and urgent maintenance on priority surfaced and gravel roads.</p> <p>Rehabilitate roads as per Maintenance Plan.</p> <p>Management should consider alternative funding arrangements such as public private partnerships or the application for additional grant funding to perform the maintenance of infrastructure.</p>	
<p>Project Management Unit</p>	<p>The municipality is not spending all its allocated grants. Performance in respect of programmes funded by the municipal infrastructure grant was not evaluated, as required by section 12(5) of Dora</p>	<p>The unspent amount of conditional grants increased.</p>	<p>Non-adherence to procurement plan.</p>	<p>Improve administration and unlock the MIG funded projects.</p> <p>Improve capacity and technical skills for execution of projects.</p> <p>Improve planning and implementation for projects.</p> <p>Continuous oversights on the Projects' Scope including reporting on in line with MFMA requirements.</p>	<p>IDP 2017/2022 AFS 2019/2020</p>
<p>Waste Disposal and refuse removal</p>	<p>The municipality has 03 site (Boshof, Dealesville, Hertzogville)</p> <p>There are no Site Licenses listed for Tokologo LM on the http://sawic.environment.gov.za/ website.</p>	<p>Illegal dumping on open spaces.</p> <p>Non-compliance of Waste Disposal Facility. Insufficient and ageing infrastructure.</p> <p>Integrated Waste Management Plan not up to date</p>	<p>Inadequate repairs and maintenance budget.</p>	<p>Update and Implement the Integrated Waste Management Plan</p> <p>Improve condition of maintenance plant and equipment</p> <p>Adhere to legislation to become compliant landfill site operator.</p>	<p>IDP 2017/2022 AFS 2019/2020</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
	<p>The municipality is non-compliance in terms of the National Environmental Management Act 107 of 1998</p>			<p>Review tariffs and policy.</p> <p>Promulgate updated by-laws as required.</p> <p>Collect revenue from users at landfill sites.</p> <p>The municipality must lease compactors where possible.</p> <p>The municipality must develop cost reflective tariffs.</p> <p>Placement of swing drum bins at strategic locations</p>	
<p>Fleet Management</p>	<p>The municipality has registered challenges with regards to the fleet adequacy for implementation of repairs and maintenance within the municipality.</p>	<p>Inadequate fleet for use by the different service delivery sections within the municipality.</p>	<p>Inadequate funding for services.</p>	<p>To introduce a fleet management system to reduce fuel and other operating vehicle related costs.</p> <p>Update fleet management strategy including a vehicle funding and replacement plan.</p>	<p>IDP 2017/2022</p>
<p>Sports and recreational facilities, Community Facilities, and operational buildings</p>	<p>The municipality needs to upgrade sports and recreation facilities and cemeteries.</p> <p>The municipality needs to have cost reflective tariffs for the use of its facilities.</p> <p>Poor revenue collections at municipal facilities</p> <p>The municipality owned Nature Reserve facilities that it has are not optimized revenue collection for.</p>	<p>The municipality needs to know the cost for provision of sports and recreation facilities in the municipality.</p> <p>The municipality needs to ensure correct funding model for provision of such services.</p> <p>Vandalism of perimeter fencing and the tombstones and animals entering the cemeteries and damaging the graves and perimeter fence flowers.</p>	<p>Inadequate funding for services.</p>	<p>Implementation of a cultural and sport tourism strategy (Department of Cultural Affairs and Sports (DCAS).</p> <p>The municipality must consider entering into partnerships with sporting bodies to maintain sports facilities. The Service Level Agreements must contain cost reflective tariffs to the sporting bodies.</p> <p>Introduce a revenue collection mechanics including seasonal tokens for use of recreational facilities</p>	<p>IDP 2017/2022</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
<p>Development and Planning</p>	<p>The following plans/strategies are in place:</p> <p>Spatial Development Framework.</p> <p>The following plans/strategies are not in place:</p> <p>CBD regeneration plan.</p> <p>Urban Networks Strategy.</p> <p>Corridor Development Framework.</p> <p>Lack of land for development.</p> <p>Loss of potential revenue.</p> <p>Slow local economic development.</p>	<p>Lack of funding for CBD priority projects</p> <p>Lack of co-ordination with sector departments in supporting development in identified priority areas.</p>	<p>Poor revenue collection</p>	<p>Enhancing Spatial Planning. Enhancing the location of new housing projects.</p> <p>Supporting Urban Renewal and Inner CBD Regeneration.</p> <p>Streamline the building plans approval process.</p> <p>Set cost reflective building approval tariffs.</p> <p>Address building contraventions and enforce the building bylaws, this includes compliance with zoning status.</p> <p>Capital raising for CBD projects</p>	<p>IDP 2017/2022</p>
<p>Fire Services</p>	<p>Municipality fire services provision alignment with SANS 10090:2003 needs to be confirmed.</p>	<p>Is number of fire engines, firefighters and the total personnel based on risk category in line with SANS10090:2003 requirements.</p>	<p>Inadequate funding for fire services. Inadequate recovery for the availability and provision of the fire service.</p>	<p>Firefighting capacity building grant?</p> <p>Municipality with its stakeholders interact with the District, Provincial and National Structures as a matter of urgency to develop a business plan that address the short comings in the short, medium, and long term.</p>	<p>SANS 10090:2003 IDP 2017/2022</p>

Status Quo Assessment Report for Tokologo Local Municipality

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Causes	Strategy to solve	Source of Information
<p>Municipal Economic Recovery Plan</p>	<p>The municipality is experiencing high numbers of unemployment and has been impacted by Covid-19 disaster management.</p>	<p>Municipality acknowledges that supply chain is a strategic enabler for LED and therefore supports the combined concept of Supply Chain Management and Local Economic Development. The municipality is promoting catalytic projects that would enable economic development.</p>	<p>Covid-19 disaster management protocols.</p>	<p>Support with the development of an LED Strategy as well as support with the establishment of a LED Forum for the municipality.</p> <p>Allocation of at least 30% of work to local entities.</p>	<p>IDP 2017/2022</p>