

Budget and Treasury Office

Strategic Session one





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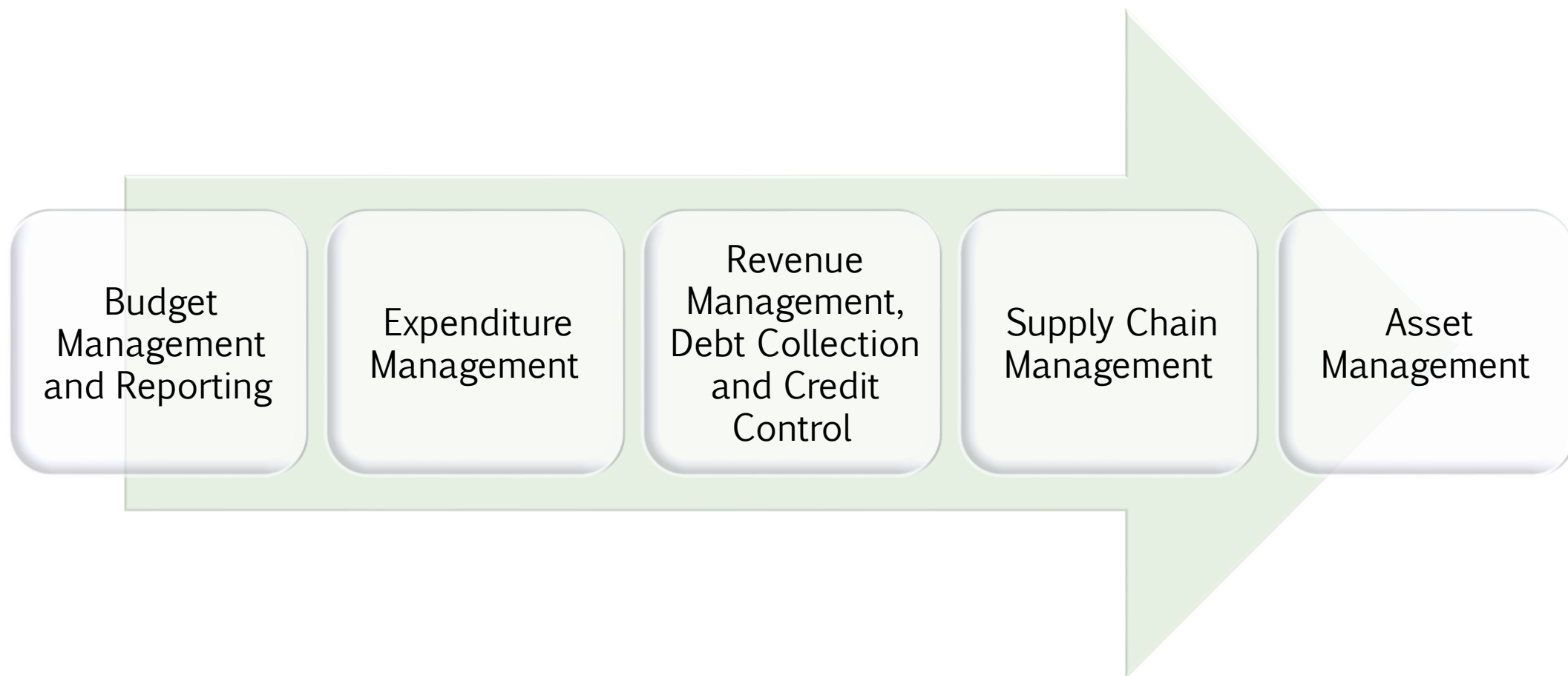


MANDATE OF THE DEPARTMENT

The MFMA states that the mandate of finance is to secure sound and sustainable management of the fiscal and financial affairs of the municipality by ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities: the management of their revenues, expenditures, assets and liabilities and the handling of their financial dealings; budgetary and financial planning processes and the co-ordination of those processes with the processes of organs of state in other spheres of government: borrowing; the handling of financial problems in municipalities; supply chain management: and other financial matters



FUNCTIONS OF THE DEPARTMENT





DEPARTMENTAL

ANALYSIS

The revenue section requires an enabling structure to effectively execute its functions. Its staff compliment is 38 and there are two sub-sections which when properly structured can give the required results with each manned by a manager and this means that dividing this section into two, namely Billing and Valuation Roll Section as well as Credit Control and Revenue Collection Section will benefit the municipality in ensuring sufficient management of the two section, if sub-divided.

There is also only one cashier with one vacant cashier position not filled.



SWOT ANALYSIS

Strengths (internal environment)	Weaknesses (internal environment)
<ul style="list-style-type: none">• Ability to prepare and submit MSCOA compliant reports;• Reconciliations prepared monthly;• Changing of old prepaid meters to prepaid smart electricity to reduce illegal connections;• Reconciled Bank Recon against cash received;• Committed staff;• Updated indigent register(annually);• Ability to improve on Audit Opinion from previous years.	<ul style="list-style-type: none">• Decentralised credit control function;• Unfavourable audit opinion;• Inability to pay creditors within 30 days;• Illegal connections on water and electricity;• Non availability of water and electricity meters to replace faulty meters;• Unfunded budget;• Annual Financial Statements not prepared inhouse;• Inability to send printed statements to consumers through the post office;• Over-reliance on external service providers.• Non-compliance with circular 124 (Inability to pay the full Eskom Current Account).• Cash flow challenges – Financial health suffers.



SWOT ANALYSIS

Opportunities (external Environment)	Threats (external Environment)
<ul style="list-style-type: none">• Assistance from Provincial treasury on audit matters;• Funding for pilot projects by National Treasury (smart prepaid electricity meters);• Programmes by National Treasury on the determination of cost reflective tariffs and formulation of bulk contribution tariffs	<ul style="list-style-type: none">• Ever-changing GRAP standards;• Change in MSCOA versions;• Unemployment (increase in number of indigent beneficiaries);• Cable theft on municipal and Eskom infrastructure.• Increasing Eskom Debt.



TURNAROUND STRATEGY

All managers in other departments to participate in the updating of audit action plan, monitoring and any other reports required to be populated by the budget and treasury office.

Consider the submission of certain budget reports to section 80 and mayoral committee only, due to the month-end closure procedures.

Departments need to properly plan and participate in the budget preparation sessions and invoices must be submitted timeously.

Installation of prepaid electricity smart meters to reduce number of faulty meters and electricity losses through illegal connections;

Correct alignment of consumer accounts and meters number to ensure effective blocking of non paying consumers;

Centralisation of the credit control functionality to the main office to ensure accountability of clerks on their contribution on revenue collected;



TURNAROUND STRATEGY

Implementation of correct tariffs to be charged on rental rooms, guest houses and other accommodation related entities(residential 1, residential 2 (< 5 rooms), residential 3 (>5 rooms) and residential 4 (Guesthouses);

Review Credit Control and Debt Management policy to cover the period in which faulty and illegal connections should be replaced and the average charge of electricity used during the period the meters was faulty; (Backdating the electricity consumption charges).

Implementation of the Cost of Supply study to ensure that the electricity charges are cost reflective and the 18% under billing as per Cost of supply Study is corrected.

Remote reading of meters.

The system to verify the calibration of conventional electricity meters.



PROPOSED PROJECTS

Project Name	Strategic Objective	Proposed Project	Budget allocation	Source of Funding
Replacement of meters	Replacement of faulty Prepaid Electricity and Water Meters	Water and Electricity Meters	R 2,000,000	Own Revenue
Compilation of Annual Financial Statements	The compilation and review of Annual Financial Statements free of material misstatements. Transfer of skills	Compilation of Annual Financial Statements	R 3,500,000	Co- funded
Compilation Asset Register	Compilation of GRAP Compliant Asset Register and transfer of skills.	Compilation Asset Register	R 2,000,000	Co-funded
Municipal Insurance	Insurance of Municipal Assets	Municipal Insurance	R 3,500,000	Own Revenue



BUSINESS PLAN

› REFER TO ANNEXURE B



ENABLING LEGISLATIONS

The Constitution of the Republic of South Africa

Municipal Finance Management Act

Municipal Systems Act

Municipal Structures Act

Division of Revenue Act

Municipal Property Rates Act

Inter governmental relations

Treasury regulations

MFMA Circulars



CHALLENGES

Decentralised credit control function;

Unfavourable audit opinion (QUALIFIED)

Inability to pay creditors within 30 days;

Illegal connections on water and electricity;

Non availability of water and electricity meters to replace faulty meters;

Unfunded budget;

Annual Financial Statements not prepared inhouse;

Inability to send printed statements to consumers through the post office;

INTERNAL AUDIT

Strategic Session Two





MANDATE AND FUNCTIONS OF THE DEPARTMENT

Internal Audit draws its mandate from the following legislations and regulations:
Section 165 of the Municipal Finance Management Act, No. 56 of 2003 which requires that the Internal Audit Unit of a municipality:

- Prepare a risk-based audit plan and an internal audit program for each financial year;
- Advise the Accounting Officer and report to the Audit and Performance Committee on the implementation of the Internal Audit Plan and matters relating to:-
 - internal audit;
 - internal controls;
 - accounting procedures and practices;
 - risk and risk management;
 - performance management;
 - loss control; and
 - compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and
- Perform such other duties as may be assigned to it by the Accounting Officer.



SWOT ANALYSIS

Strengths (internal environment)	Weaknesses (internal environment)
<ul style="list-style-type: none">• The Internal Audit unit is fully capacitated.• The internal Audit have unrestricted and full access to all functions, records, property and personnel of the Municipality• There are in committee meetings between our Internal Audit unit with Nkangala Internal Audit Unit and Audit and Performance Committee.• Provincial treasury is supporting us on providing Quality Assurance Review of our Internal Audit Unit.	<ul style="list-style-type: none">• Lack of automated system to ensure quality audits are performed efficiently• Lack of adequate ICT Audit Skills.• Lack of adequate fraud investigation audit skills.



SWOT ANALYSIS

Opportunities (external Environment)	Threats (external Environment)
<ul style="list-style-type: none">• Introduction of Quarterly Dashboard reports on the implementation of internal audit findings and Audit Committee Resolutions.• Introduction of the Audit Action Plan implementation progress report to the submitted to council on a quarterly basis.	<ul style="list-style-type: none">• Lack of 100% implementation of Internal Audit and Audit and Performance Committee Recommendations.• Lack of available budget to provide training relevant to the Internal Audit function



DEPARTMENTAL ANALYSIS

The Internal Audit unit is fully capacitated and has unrestricted and full access to all functions, records, property and personnel of the Municipality, however the unit lacks Individuals with specialised skills and experience in the IT environment and fraud investigation.

There is Lack of 100% implementation of Internal Audit, and Audit and Performance Committee Recommendations by management and this leads to AGSA raising findings based on our reports.



TURNAROUND STRATEGY

Introduction of Quarterly Dashboard reports on the implementation of internal audit findings and Audit Committee Resolutions.

Introduction of the Audit Action Plan implementation progress report to be submitted to council on a quarterly basis.

Ensure there is consequence management for the lack of implementation of Internal Audit and Audit Committee recommendations.

Internal Audit officials to undergo courses and training in fraud investigation and IT Audits.

Internal Audit officials to undergo training to ensure deep understanding of applicable laws, regulations, and government policies to ensure audits are relevant and comprehensive.



DEPARTMENTAL BUSINESS PLAN

Municipal KPA		KPA 4						
One Plan Transformation Area		Good governance and Public Participation						
2019-24 MTSF Priority		Priority 4: Good governance and Public Participation						
Municipal Priority		Good governance and Public Participation						
Strategic objective		To add value to the operations of the municipality in relation to technological systems, internal control, risk management and governance processes						
Impact statement:				MTSF Target:				
Outcome	Outcome indicator	Baseline	5 year IDP target	ANNUAL IMPLEMENTATION				
				2022/23 Outputs	2023/24 Outputs	2024/25 Outputs	2025/26 Outputs	2026/27 Outputs
Good governance and Public Participation	Internal Audit Plan approved by the Audit Committee	An Internal Audit Plan was approved by the Audit Committee	1 x Internal Audit Plan approved by 30 th June 2024	1	1	1	1	1
	Internal Audit Charter approved by the Audit Committee	Internal Audit Charter was approved by the Audit Committee	1 x Internal Audit Charter approved by 30 th June 2024	1	1	1	1	1
	Internal Audit Methodology approved by the Audit Committee	Internal Audit Methodology was approved by the Audit Committee	1 x Internal Audit Methodology approved by 30 th June 2024	1	1	1	1	1
	Combined Assurance Framework approved by the Audit Committee	Combined Assurance Framework approved by the Audit Committee	1 x Combined Assurance Framework approved by 30 th June 2024	1	1	1	1	1
	Number of audits conducted and submitted to the Municipal Manager	11 audits conducted	11 x Audits to be conducted by 30 th June 2024	11	12	12	12	12
	Number of Internal Audit quarterly progress reports submitted to the Audit Committee	4 progress reports were submitted to the Audit Committee	4 x Internal Audit quarterly progress reports submitted by 30 th of June 2024	4	4	4	4	4



ENABLING LEGISLATIONS

Municipal Finance Management Act,

Treasury Regulations Section

International Standards for the Professional Practice of Internal Auditing (SPPIA)

King IV Report



ENABLING LEGISLATIONS

Municipal Finance Management Act,

Treasury Regulations Section

International Standards for the Professional Practice of Internal Auditing (SPPIA)

King IV Report

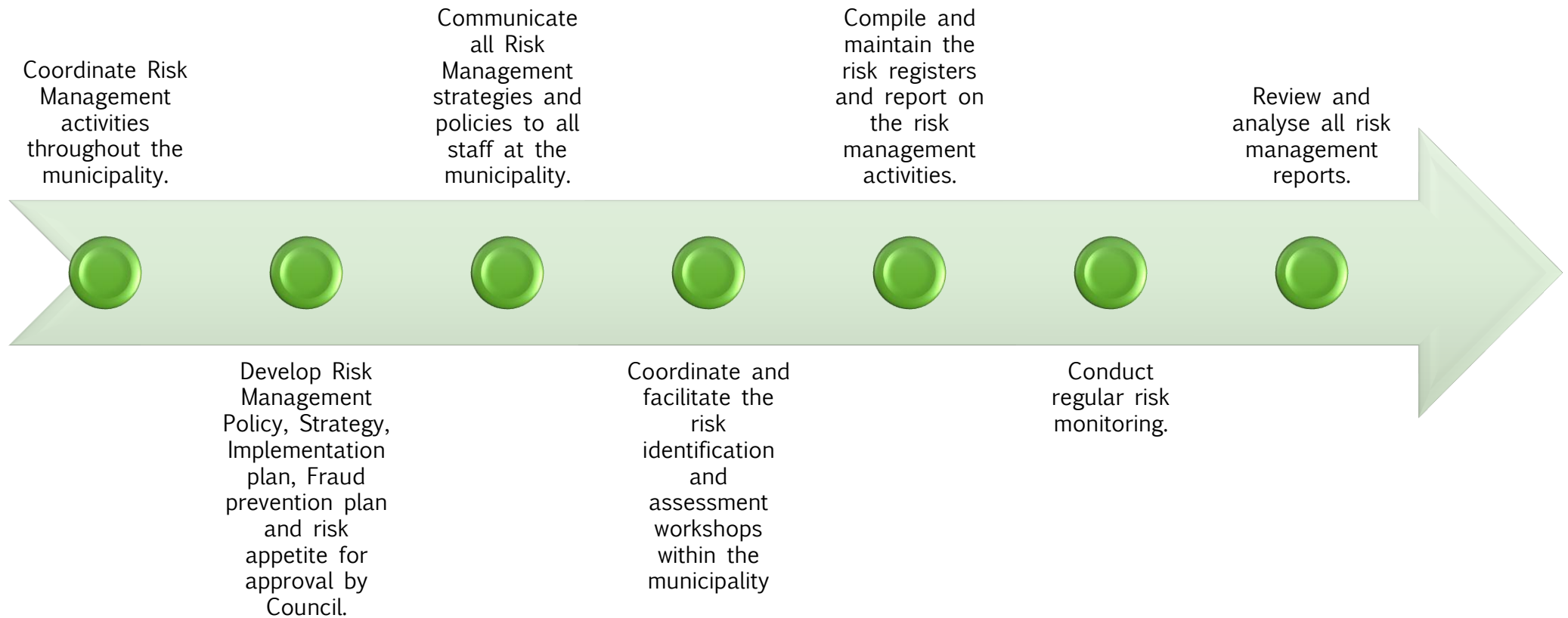
RISK MANAGEMENT

Strategic Session Three





MANDATE AND FUNCTIONS OF THE DEPARTMENT





SWOT ANALYSIS

Strengths (internal environment)	Weaknesses (internal environment)
<ul style="list-style-type: none">• Full implementation of the Risk Management Plan.• Reviewed all Risk Management Policies, Strategies before the start of the financial year.• Successfully held mandatory Risk Management committee meetings.• No issues that were raise by Auditor General.• E-risk System is fully functional.	<ul style="list-style-type: none">•Inadequate trainings for Risk Management staff•Shortage of staff•Inadequate implementation of risk mitigating measures•Late submission of POE and reports.•Late finalisation of Risk Assessment and Identification workshops
Opportunities (external Environment)	Threats (external Environment)
<ul style="list-style-type: none">• There is still room for improvement in implementing the mitigation measures.	<ul style="list-style-type: none">• Inadequate cascading of risk management to all levels of the municipality.• Inadequate physical risk management awareness's to other units of the municipality.



DEPARTMENTAL ANALYSIS

Risk Management Unit experienced difficulties in developing and finalizing the risk register of the municipality in time

The unit will strive to invite role players in time by utilizing all the resources in place to ensure that the municipality develops a credible risk register.

The municipality now has functional Risk Management Unit, Risk Management Committee in place and work transparently with all stakeholders in all municipal processes.

Over the past 6 consecutive audits by Auditor General, the Risk Management Unit has had no audit findings.

All enabling documents have been reviewed and approved annually.



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TURNAROUND STRATEGY

Reporting on all risk registers will be done on a monthly basis and an assessment on the impact of the mitigated actions will be conducted quarterly.

A schedule of dates for the Risk assessment and identification workshops will be developed and circulated to all role players in time for them to prepare.

All Risk assessment and identification workshops will be conducted at the beginning of the 3rd quarter and concluded by 30 June 2025.

A schedule of dates of risk monitoring reports submission, risk committee meetings will be circulated at the beginning of the new financial year.



TURNAROUND STRATEGY

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DEPARTMENTAL BUSINESS PLAN

DEPARTMENTAL BUSINESS PLAN						
PRIORITY AREA	KPI	KPI INDICATOR		ANNUAL BUDGET	ANNUAL BASELINE	ANNUAL TARGET 2024/2025
		OUTCOME	IMPACT			
MTSF PRIORITY : SRTATEGIC OBJECTIVE: : To add value to the operations of the municipality in relation to technological systems, internal control, risk management and governance processes. KEY PERFORMANCE AREA: GOOD GOVERNANCE AND PUBLIC PARTICIPATION						
Priority Area 19: Risk Management					Risk manageme nt Charter 2024/25 was approved by Council	1 x Risk Manage ment Charter approved by 30 June 2025



ENABLING LEGISLATIONS

MFMA Section 62 and Section 95

Treasury Regulations Section 3.2.1

Public Sector Risk Management Framework

King IV Report

COSO Framework



PROGRESS ON PAST LEKGOTLA RESOLUTION

› REFER TO ANNEXURE A



RECOMMENDATIONS

- › That, the Revenue section's organisation structure be reviewed and divided into two;
- › That, the Debt Collection and Credit Control Section be centralised;
- › That, the Debt Collection and Credit Control Policy be reviewed to allow blocking after the 7th of each month.

