



# **KANNALAND MUNICIPALITY FINANCIAL RECOVERY PLAN**

Prepared in terms of section 139(5) of the Constitution of the Republic of South Africa, 1996 ("the Constitution") read with sections 139(1) and 141 to 142  
Local Government: Municipal Finance Management Act (56 of 2003)

## Table of Contents

1.	EXECUTIVE SUMMARY	3
2.	KEY STRATEGIES IN THE FINANCIAL RECOVERY PLAN	6
3.	KEY DELIVERABLES UNDER FINANCIAL MANAGEMENT	9
4.	ROLES AND RESPONSIBILITIES	16
5.	IMPLEMENTATION OF THE FINANCIAL RECOVERY PROGRAMME	16
6.	RISKS ASSOCIATED WITH THE IMPLEMENTATION	17
7.	MONITORING AND REPORTING	18
8.	CONDITIONS SET BY NATIONAL AND PROVINCIAL TREASURY	19
9.	CONCLUSION	19

### **ANNEXURES:**

	ANNEXURE A: DETAILED IMPLEMENTATION PLAN	20
	ANNEXURE B: MANDATORY LIMITS AND BUDGET PARAMETERS	33
	ANNEXURE C: COSTING THE RECOVERY PLAN	36
	ANNEXURE D: SUMMARY OF COST	44

# 1. EXECUTIVE SUMMARY

## Introduction

Kannaland Local Municipality is a Category B Municipality situated in the Western Cape Province, 325 kilometres from Cape Town.

The municipality covers an area of 4 758 square kilometres in the Little Karoo, stretching from the Swartberg in the north to the Langeberg in the south, and from the Anysberg in the west to the Gamkaberg in the east. It is drained by the Groot River and the Gourits River. It abuts on the Laingsburg and Prince Albert municipalities to the north, the Oudtshoorn Municipality to the east, the Hessequa Municipality to the south and the Swellendam and Langeberg Municipalities to the west.

According to the 2011 census the municipality has a population of 24 767 people in 6 212 households. Of this population, 84.6 per cent describe themselves as "Coloured", 9.9 per cent as "White", and 4.7 per cent as "Black African". The first language of 95.4 per cent of the population is Afrikaans, while 2.5 per cent speak English.

The largest town and also the location of the municipal headquarters is Ladismith, which as of 2011 has a population of 7 127. Ladismith is at the foot of the Swartberg Mountains, as is Zoar (population 4 659) and Calitzdorp (population 4 284) to the east. Vanwyksdorp (population 833) is further south in the valley of the Groot River.

A council resolution was taken at a special meeting of the Kannaland Municipal Council held on Friday 2 December 2016, requesting the Western Cape Provincial Executive to intervene in the Municipality in accordance with the requirements of section 139(5) of the Constitution, read with the relevant provisions of the MFMA. The intervention was necessitated by the consistent failures of the Municipal Council over a prolonged period of time to fulfil its executive obligations. At the commencement of the intervention, Council will retain its executive and legislative authority.

## Background

The Kannaland Municipality has been experiencing financial difficulties for the past 10 to 11 years. In the said time there were two attempts with a financial recovery plan that did not achieve the laid out goals. The failed attempt's reason may vary from poor management involvement to the political instability within Kannaland. The following factors have collectively added to the financial difficulties currently experienced by the municipality:

- Municipality has been plagued by political instability and a struggle for power and political control over the municipality. Various political vacancies, an

unstable coalition coupled with various floor crossings have added to the destabilisation of the municipality.

- An exodus of discouraged management staff has left the municipality leaderless and without direction this as a result of incorrect political and administrative decisions and that has left the municipality in an institutional as well as administrative crisis.
- Staff members were appointed on an ad hoc basis with a total disregard for appropriate Human Resource processes being followed, jeopardising employer-employee relationships and adding to the unaffordability of staffing costs.
- A revision of the organisational structure has not been done for a prolonged period adding to the woes of the human resource dilemma.
- A lack of restraint in budget management controls has resulted in misappropriation of budget and other resources and little linkage between the budgeted and actual spending could be found.
- The municipal budget for the 2016/17 financial year was found to be fundamentally flawed in respect of the principles applied in the compilation thereof which negated the strive towards financial sustainability to the extent that the municipality currently finds itself in severe financial distress as the budget was not cash funded, neither credible, nor did it support the principles of financial sustainability and viability. It was evident that certain revenue streams were unlikely to be realised and material adjustment will have to be done. These findings were also highlighted by Provincial Treasury when the budget was assessed in terms of section 23 of the MFMA.
- Systems, policies and procedures in respect for an array of corporate, institutional and administrative functions have not been designed nor have been put in place to ensure adequate corporate governance required to ensure a healthy organisation.
- A lack of oversight, risk management and control coupled with leadership inefficiencies have created opportunity for misappropriation of funds which resulted to non-value for money spending and excessive occurrences of irregular, fruitless and wasteful and unauthorised expenditure.
- The municipality received a disclaimer of opinion from the Auditor-General for the 2015/16 financial year, further emphasising that the financial affairs of the municipality were not in order.
- Financial mismanagement has resulted in the municipality finding itself in a dismal financial position with creditors inundating the municipality with demands for payment of long outstanding creditors.

- The Eskom bulk services account remained unpaid for a certain period during 2016 which caused a debt of R12 million to accrue nearly causing the disconnection of the electricity supply to the town.
- Debt collection and credit control failed to the extent that non-payment for services became the norm, further adding to the depletion of funds and reserves.
- The tariff structure applied by the municipality has not been cost-reflective thereby under recovering on the cost of service rendering and allowing infrastructure to deteriorate.
- Conditional grants were misappropriated and were absorbed in operations resulting in unauthorised expenditure of grant receipts.
- A lack of restraint in all categories of expenditure has resulted in many instances of non-value for money spending and the conclusion of contracts with service providers that left the municipality financially vulnerable and exposed to litigation to the extent that creditors are reluctant to do business with the municipality due to the fear of late or non-payment of accounts.
- Excessive spending on litigation has added to the depletion of funds at a huge cost to service delivery to the extent that service delivery, in many instances, has grounded to a halt.
- The socio-economic profile of the municipality, high levels of unemployment and a high percentage of indigent customers have placed a further strain on municipal resources and the ability to function as a going concern.
- Lack of long term financial planning and intelligent financial decision making has cost the municipality dearly and brought it to the brink of bankruptcy.
- The community and stakeholders of the municipality have lost trust in the municipality.
- The municipality has fallen behind with the implementation of the Municipal Standard Chart of Accounts reform and needs to catch up to ensure compliance with the legislative requirement in this regard.
- The majority of the community for two of the four towns, Vanwyks dorp and Zoar, consists out of indigents making debt recovery very difficult.
- Full and part time employees lack the required skill set to perform their duties as set out in their contracts.

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

The Financial Recovery Plan is prepared as a result of a provincial intervention referred to in section 139(5) of constitution read together with section 139(1) and 141 to 142 of the Municipal Finance Management Act (MFMA).

The recovery plan is part of the National and Provincial spheres of Governments' intervention strategy to place Kannaland on a sustainable footing which will result in an effective and efficient organisation that is financially stable and provide services to the community on a sustainable basis.

The Kannaland Municipality is facing significant fiscal and service delivery difficulties, which undermine the effective and efficient performance of its functions and mandate. More importantly these difficulties are becoming increasingly severe and unless focussed action is undertaken to address the underlying causes, Kannaland Municipality will find it increasingly difficult to perform its mandate.

Key components identified as priority are:

- Review the current budgeting strategy and process as well as expenditure and management systems to ensure efficient and effective service delivery in line with Kannaland Municipality priorities.
- Review revenue management systems to maximise revenue generation possibilities and improve revenue performance.
- Review cash and debt management strategies and practices.
- Review internal controls and delegations regarding financial management.
- Implementing asset management through an integrated infrastructure and asset management plan.
- Review governance practices in the Supply Chain Management practices and implement proper controls and risk management practices.
- Conduct organisational redesign, compile all job descriptions and have job evaluations done and appropriate capacitation of BTO with skilled personnel.
- Review IT infrastructure and implement Accounting, Budget and Reporting Reforms (mSCOA etc.).
- Review all short term and long term liabilities as well as contingent liabilities and schedule the repayment of debt.

## **2. KEY STRATEGIES IN THE FINANCIAL RECOVERY PLAN**

### **Introduction**

The Kannaland Municipality is facing significant fiscal and service delivery difficulties, which undermine the effective and efficient performance of its functions and mandate. More importantly these difficulties are becoming increasingly severe and unless focussed action is undertaken to address the underlying causes, Kannaland Municipality will find it increasingly difficult to perform its mandate.

The key strategic areas that will be addressed in the financial recovery plan **are Strategic Leadership, Institutional Stabilisation and Transformation, Financial Management and Focused Sustainable Service Delivery.**

The financial recovery plan cannot be implemented in isolation of the other strategic areas namely Strategic Leadership, Institutional Stabilisation and transformation and Focused Service delivery. These other strategic areas are will be supported and addressed by National and Provincial Local Government Departments.

The financial recovery plan which is supported by National and Provincial Treasury Departments will mainly focus on the **Financial Management** aspects and also provide Financial and Human resources support in the form of Technical Advisors and expert knowledge of Local Government Finances.

The Plan will also include mandatory parameters which will bind the Municipality in the preparation of future Budgets until the Long Term Financial plan is adopted by the Council or amended in terms of section 144 of the Municipal Finance Management Act (Act 56 of 2003).

### **Strategic Leadership, Institutional Stabilisation and transformation**

The political and administrative leadership of Kannaland Municipality need to be positioned to manage competing demands for limited resources in a fair equitable and efficient manner.

#### **Key components of this strategic area must be to:**

- Maintain high standards of integrity, improving staff morale and enhancing community perception of the Municipality through more rapid decision-making.
- Improve communication in Kannaland Municipality of the Vision, strategy and programmes both internally and externally, to improve staff morale and manage expectations of the community.
- Draft and update all municipal policies, strategies and operational plans.
- Ensure that municipal activities, rules and procedures are consistent with relevant policies, legislations and by-laws.
- Conduct organisational review in order to ensure that the organogram is aligned to the Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) which is efficient, affordable and sustainable.

### **Focused and Sustainable Service delivery**

The delivery of municipal services in electricity, water, sanitation, refuse, roads and storm water is a key function of the Kannaland Municipality. Kannaland Municipality faces significant service delivery challenges, including the roll out of services to rural

areas and under serviced households, ensuring adequate maintenance of assets occur, controlling the rising unit costs of service delivery, addressing future bulk supply shortages and ensuring adequate investment in economic infrastructure.

These challenges are made more difficult by high expectations from communities, decaying infrastructure, limited organisational capacity and resources.

**Key components of this strategic area are to:**

- Review service delivery strategies and service levels. This includes seeking opportunities to service delivery partnerships and developing delivery plan and charter.
- Draft master plans in respect of all infrastructure related activities and update where current plans are found to be outdated.
- Review existing maintenance and replacement practices to reduce unit costs and ensure longer term returns on existing infrastructure.
- Develop a service delivery strategy for rural areas and for decaying or underserved urban areas.
- Ensure sufficient infrastructure and bulk services capacity is available to create an environment conducive for development and economic growth.
- Focus on Town Planning and Spatial Development.

**Financial Management**

Kannaland Municipality has a duty to improve financial management across expenditure, revenue, assets, supply chain, debt and financial reporting streams to determine the most effective way of solving its financial problems.

The principal strategic objective of the Financial Recovery Plan is to identify key priority areas and to set out specific intervention projects which will address the financial problems identified.

**Key components of this strategic area are to:**

- Review the current budgeting strategy and process as well as expenditure and management systems to ensure efficient and effective service delivery in line with Kannaland Municipality priorities.
- Review revenue management systems to maximise revenue generation possibilities and improve revenue performance.
- Review cash and debt management strategies and practices
- Review internal controls and delegations regarding financial management.

- Implementing asset management through an integrated infrastructure and asset management plan.
- Review governance practices in the Supply Chain Management practices and implement proper controls and risk management practices.
- Conduct organisational redesign for the BTO office, compile all job descriptions and have job evaluations done and appropriate capacitation of BTO with skilled personnel.
- Review IT infrastructure and implement Accounting, Budget and Reporting Reforms.
- Review all short term and long term liabilities as well as contingent liabilities and schedule the repayment of debt.

### **3. KEY DELIVERABLES UNDER FINANCIAL MANAGEMENT**

In order ensure stability and remedy the poor financial practices within the municipality the following strategic projects will be addressed in the short, medium and long term. Short term projects will be for a period from December 2016 to June 2017, medium term from July 2017 to June 2018 and long term from July 2018 to June 2019.

#### **Programme 1: Budgeting and Expenditure Management**

##### **Key Deliverable Project:**

Review budget and expenditure management systems to ensure efficient and effective service delivery in line with Kannaland Municipality priorities.

##### **Activities:**

- Prepare and implement 2016/17 Adjustment Budget.
- Prepare and table 2017/18 MTREF Budget.
- Developing a Long Term Financial Plan (10 - 15 years which will link to the Vision 2030 Strategy of the Municipality). The Long term financial plan will be split into three phases being 1 – 5 years, 6 – 10 years and 11 – 15 years. The plan includes the following:
  - Predicting future municipal revenue
  - Estimating future operational expenditure
  - Determining future capital demand:
    - Asset replacement expenditure
    - New capital investment

- Determining a funding model for future capital investment
- Perform financial modelling inclusive of
  - Liquidity and ratio management
  - Recommendations to attain financial results
- Implement creditors' payment policy and perform creditor classification.
- Institutionalise pre-determined creditors payment dates and implement expenditure and creditors management.

## Programme 2: Revenue Management

Focus on Revenue Management Value Chain

<b>Revenue Planning</b>	<ul style="list-style-type: none"> <li>● Forecast on expected revenue to be based on realistic rates and services based on past performance trends and economic realities.</li> </ul>
<b>Customer Database Management</b>	<ul style="list-style-type: none"> <li>● Ensure accurate and reliable billing and customer/consumer data.</li> <li>● Administrative and political engagements with customers.</li> </ul>
<b>Tariff Setting</b>	<ul style="list-style-type: none"> <li>● It is a pivotal and strategic part of the compilation of any budget. Public participation, taking into account economic realities</li> </ul>
<b>Billing</b>	<ul style="list-style-type: none"> <li>● Billing system must correctly reflect all billing data and customer data</li> <li>● Accurate invoice must be issued on time to the relevant customer</li> <li>● Billing records must be routinely reconciled to the source of the billing data and customer data</li> </ul>
<b>Revenue Collection</b>	<ul style="list-style-type: none"> <li>● Collection of all revenue owed to the municipality by customers/consumers</li> </ul>
<b>Metering &amp; Loss Management</b>	<ul style="list-style-type: none"> <li>● Water and electricity meter numbers must be recorded correctly and linked to the corresponding property on the billing system</li> <li>● Water and electricity meters must be read with regularity and accuracy</li> <li>● Ensure monitoring and management of consumption &amp; reduce water and electricity losses</li> </ul>
<b>Indigent Management System</b>	<ul style="list-style-type: none"> <li>● System used to manage Indigent Register</li> <li>● Periodic review of indigent register</li> <li>● Data cleansing</li> </ul>
<b>Credit Control</b>	<ul style="list-style-type: none"> <li>● Minimising risk from bad debts by restricting consumers who cannot afford</li> </ul>

### **Key Deliverable Project:**

Review revenue management systems to maximise revenue generation possibilities and improve revenue performance.

### **Activities:**

- Draft and implement a revenue enhancement strategy and plan to improve revenue value chain by:
  - Performing a complete meter audit of metered services;
  - Performing a physical verification of all services and service connection points.
  - Performing debtor data analysis and cleansing.
  - Performing a complete indigent verification process.
  - Conducting on-site water demand management and loss control.
  - Analysing electricity losses and draft a loss control program.
  - Engage in meter replacement program.
  - Apply cost-reflective tariff modelling.
  - Reviewing, analysing and performing benchmarking of user tariffs to the industry norm.
- Enforce credit control and debt collection policy through:
  - Appropriate revenue collection systems that are aligned to the Municipal Systems Act and the revenue management and debt collection policies of the municipality;
  - Accurate calculations and timeous reporting of revenue due and outstanding debtors on a monthly basis, thereby enabling appropriate monitoring and oversight of debt collection practices and timely action with regards to debt impairment; and
  - Allocating sufficient staff/capacity to proactively drive the revenue management and debt collection functions and policies, in order to intensify revenue collections.
- Perform a provisional Revenue enhancement Assessment.
- Execute revenue enhancement programme.

### **Programme 3: Customer Care**

#### **Key Deliverable Project:**

Enhance levels of customer care, increase responsiveness to consumer billing and other queries.

#### **Activities:**

- Improve community access points
- Engage in a customer satisfaction survey
- Implement a customer service call centre
- Set benchmarks for activities relating to complaints
- Set service level standards for customer responses

### **Programme 4: Cash and Liability Management**

#### **Key Deliverable Project:**

Review cash and debt management strategies and practices. Review all liabilities current and non-current and devise a strategy to meet obligations in a timely manner in accordance with legislative requirements.

#### **Activities:**

- Implement cash flow monitoring.
- Design and implement an effective grant management and monitoring system to ensure that conditional grants are only used for their intended purposes.
- Daily management of cash-flow with weekly reporting.
- Perform monthly bank reconciliations.
- Review long-term debt and restructure where economic benefits can be attained.
- Set cash flow targets for the MTREF.
- Review and calculate short term liabilities.
- Review and calculate long term liabilities.
- Review and disclose all contingent liabilities.
- Engage with creditors to discuss/agree repayment plans/arrangements.
- Draft repayment plans for liabilities and enter into arrangements with creditors.

- Monitor that repayments are being made according to the agreed repayment plans.

## **Programme 5: Financial Controls**

### **Key Deliverable Project:**

Review internal controls and delegations regarding financial management.

### **Activities:**

- Draft an Audit action plan to address 2015/16 audit findings.
- Implement 2015/16 Audit Plan (OPCAR).
  - Correct prior year errors and compile audit evidence file.
  - Review monthly progress on corrected errors.
  - Implement safeguards to mitigate errors going forward.
- Perform Risk analysis of municipality and implement risk management system.
- Revise and implement internal systems of control to mitigate financial risks identified.
- Review all policies, budget and non-budget related, and amend where necessary.
- Workshop all policies with related staff.
- Review and amend all job descriptions.
- Review archiving and record keeping.
- Staffing of Budget and Treasury Office organogram with suitably qualified and experienced staff.
- Capacitating and skills development of finance department staff.
- Implement internal controls to mitigate financial risks

## **Programme 6: Asset Management**

### **Key Deliverable Project:**

Implementing asset management through an integrated infrastructure and asset management plan.

### **Activities:**

- Review and update the Asset Register.

- Perform assessment of the useful lives of all infrastructure assets by performing a conditional assessment and ensure that a GIS reference exists for all infrastructure assets.
- Unbundle the completed infrastructure projects for 2016/17.
- Establish a complete Work-in-Progress (WIP) register.
- Draft Review and implement an Asset Procedure Manual.
- Draft asset maintenance plans for all major asset categories.
- Perform a municipal strategic asset assessment programme.
- Update master plans for all Infrastructure assets.
- Perform a land audit to identify all municipal assets.
- Perform performance assessment of all municipal properties.
- Draft a municipal asset management strategy inclusive of a performance and disposal framework.

### **Programme 7: Supply Chain Management**

#### **Key Deliverable Project:**

Review governance practices in the Supply Chain practices and implement proper controls and risk management practices.

#### **Activities:**

- Review SCM Delegations.
- Implement electronic Contract Management system.
- Review Supply Chain Management Policy.
- Review Supply Management Chain Structure.
- Workshop all policies with related staff
- Develop and centralise online Procurement and Record Management System with a document checklist for each bid.
- Organise training for all Bid Committees.

### **Programme 8: Strategic Leadership, Institutional Stabilisation and Transformation**

#### **Key Deliverable Project:**

Stability in council, fill management vacancies, conduct organizational redesign, compile all job descriptions and have job evaluations done.

### **Activities:**

- Review the organizational structure and placement of staff
- Ensure political stability post Local Government Elections
- Fill critical vacancies – Municipal Manager, HOD's and key management staff
- Review all organizational policies processes and procedures
- Appoint the Chief Financial Officer
- Staffing of Budget and Treasury Office organogram with suitably qualified and experienced staff
- Capacitating and skills development of finance department staff

### **Programme 9: Accounting, IT and data management**

#### **Key Deliverable Project:**

Review IT infrastructure and implement Accounting and Budget Reforms.

#### **Activities:**

- Review IT infrastructure and develop and implement infrastructure replacement policy.
- Establish and institutionalise an IT Steering committee.
- Establish mSCOA Steering Committee and implement reforms.
- Review all computer based programs and implement management monitoring and support systems.
- Employ Acting CFO

### **Programme 10: Liability management**

#### **Key Deliverable Project:**

Review all liabilities current and non-current and devise a strategy to meet obligations in a timely manner in accordance with legislative requirements.

- Review and calculate short term liabilities
- Review and calculate long term liabilities
- Review and disclose all contingent liabilities
- Engage with creditors to discuss/agree repayment plans/arrangements

- Draft repayment plans for liabilities and enter into arrangements with creditors

#### 4. ROLES AND RESPONSIBILITIES

The following roles and responsibilities are identified to ensure successful implementation of the Financial Recovery Plan (FRP):

**Figure 1: Roles and responsibilities**



#### 5. IMPLEMENTATION OF THE FINANCIAL RECOVERY PROGRAMME

The Financial Recovery Plan will be part of an inclusive approach in dealing with the intervention initiated by Provincial, National Government departments and other related stakeholders. Strategic areas as stipulated above will have clear roles and responsibilities with specific timeframes for completion.

The various Financial Management deliverables and or programmes/projects are detailed in **Annexure A** attached.

The Acting Chief Financial Officer will be responsible for the implementation of the financial recovery plan reporting to the Acting Municipal Manager, MEC for Finance (Provincial Treasury) and National Treasury on the progress made with each identified project.

The Acting CFO will be assisted by an appointed Project Manager who will be responsible for the monitoring of the day to day activities of the programmes.

The implementation of this financial recovery plan will be restricted to mandatory spending limits, revenue targets and budgetary parameters, as required in terms of section 142(2)(a) of the MFMA (Act 56 of 2003) which will bind the Municipality for the 2017/18 MTREF budget, are set out in **Annexure B**. These limits will remain enforceable on the approval by the MEC for Finance and may be amended in terms of section 144 of the MFMA (Act 56 of 2003) on the acceptance by the Council of the Long Term Financial Plan.

## **6. RISKS ASSOCIATED WITH THE IMPLEMENTATION**

The successful implementation of the financial recovery plan has certain risks associated with the outcome which proposes significant changes, particularly with regard to service delivery functions, financial administration, budgeting, financial discipline and governance.

There will be a need to regularly identify, monitor risks identified to ensure that as additional risks arise, timely mitigation strategies can be adopted and instituted.

The risks that have been **currently** identified are:

- The establishment of political stability within the Council.
- Non-implementation of Previous Plans.
- The finalisation of permanent appointment of section 56/7 employees and filling of other critical vacancies within the municipality.
- Labour relation aspects associated with the review of the organisational structure.
- Lack of credible financial data in order to complete credible budgets.
- The current delay in the implementation of mSCOA and whether legal time frames can be adhered to.
- Support of the Supply Chain Management section to be prioritised to avoid the continued, unauthorised and irregular expenditure practices.
- The ability of the Municipality to fund some of the intervention programmes.
- The cash flow situation is hampering the recovery process in ensuring sustainability and the probability exists that the recovery could take 5 years for the Municipality to be sustainable.

## **7. MONITORING AND REPORTING**

All decisions regarding implementation of the Financial Recovery Plan will be undertaken by the Acting Municipal Manager together with council. It should be noted that this Financial Recovery Plan includes medium to long-term activities that may go beyond the term of the Acting Municipal Manager. The responsibility for updating the Plan rests with the Council, Acting Municipal Manager, and Acting Chief Financial Officer in consultation with the Provincial Treasury and the relevant stakeholders.

The newly appointed Municipal Manager must ensure continuity and sustainability when the intervention ends, must also continue with the implementation of this plan, until such time as all aspects of the plan have been fully implemented.

The monitoring and reporting on the progress made in implementing the Financial Recovery Plan will be undertaken by the Office of the Municipal Manager together with Council. Reports on the implementation of the Financial Recovery Plan must be submitted the Provincial Treasury and the Provincial Department of Local Government on a monthly basis.

The Council, Acting Municipal Manager, National and Provincial Departments and other related stakeholders must take corrective action when activities in the Financial Recovery Plan are not achieved.

## 8. CONDITIONS SET BY NATIONAL AND PROVINCIAL TREASURY

- Should the Municipality delay or fail to implement the Plan the National Government as well as Provincial Government will consider alternative intervention measures, including an intervention in terms of section 150 of the MFMA.
- The Plan will need to be continuously modified as and when more accurate and up to date information is obtained, where identified strategies need to be updated, and when risks and implementation barriers have not been anticipated.
- Cooperate with the National Treasury and Provincial Treasury as they facilitate a holistic financial turnaround strategy aimed at redressing perpetuating cash flow challenges in the municipality. The strategy includes deploying financial management capacity to the municipality.
- Cooperate with the National Department of Cooperative Governance and Provincial Department of Local Government in strengthening and promoting good governance at the Municipality;
- Linked to the above conditions, the municipality must undertake to fast-track appointment of all key vacant positions; and
- Provide the Minister of Finance with monthly progress reports on the matters raised.

## 9. CONCLUSION

This report clearly identifies the fact, that a holistic approach is required in order for the successful outcome of the intervention. This **will ensure** Kannaland Municipality is placed on a sustainable footing, resulting in an effective and efficient organisation that is financially stable and can provide services to the community on a sustainable basis.

Considering the current dismal financial position, the success of the recovery plan will be highly dependent on the availability of resources to fund the intended interventions which the municipality must also co-fund but the municipality will rely on assistance from the Provincial, National departments and other related Stakeholders in this regard.

**MR R STEVENS**  
**ACTING MUNICIPAL MANAGER**  
**KANNALAND MUNICIPALITY**

## ANNEXURE A: DETAILED IMPLEMENTATION PLAN

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
<b>Programme 1: Budgeting and Expenditure Management</b>	Review budgeting process, principles and strategy as well as expenditure management systems to ensure efficient and effective service delivery in line with Kannaland Municipality priorities.	Prepare and implement 2016/17 Adjustment Budget	Finance	February 2017	March 2017	Adjustment budget completed	Not started
		Prepare and table the 2017/18 MTREF Budget	Finance	March 2017	May 2017	Credible MTREF Budget	Not started
		Developing long-term Financial Plan to inform budget and financial operational planning	Finance	March 2017	June 2018	Adopted LTFP	Not started
		Institutionalise pre-determined creditors payment dates and implement expenditure and creditors management.	Finance CFO	January 2017	On-going	Fixed creditors payment dates determined and management of expenditure and creditors	Not started

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
<b>Programme 2: Revenue Management</b>	Review revenue management systems to maximise revenue generation possibilities and improve revenue performance	Draft and implement revenue enhancement strategy and plan to improve revenue value chain.	Finance	July 2017	February 2018	Completed revenue enhancement strategy	Not started
		Perform complete meter audit of metered services	Finance and Engineering	November 2016	December 2016	Completed meter audit and corrections done on FMS	Completed
		Perform a physical verification of all services and service connection points	Engineering and Building control	January 2017	March 2017	Physical verification of service points.	Not started
		Perform debtor data analysis and cleansing	Finance	February 2017	April 2017	Accurate and verified debtor data	Not started
		Perform a complete indigent verification process	Finance	July 2016	February 2017	Completed and verified indigent register	In process
		On site water demand management and loss control	Engineering	Sept 2016	June 2017	Leak free customer installations – Reduced losses	Not started
		Analyse electricity losses and draft a loss control program.	Finance & Engineering	July 2016	September 2017	Completed loss control strategy	Not started
		Engage in meter replacement program.	Finance & Engineering	February 2017	June 2019	All broken meters replaced	Not started
		Implementation of cost	Finance	March	July 2019	Cost reflective tariffs	Not started

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
		reflective tariff modelling and revision of all miscellaneous charges		2017		for all services	yet
		Reviewing, analysing and performing benchmarking of user tariffs to the industry norm	Finance	January 2017	Continuous	Debtors collection rate of 60% currently	Continuous
		Enforce credit control and debt collection policy	Finance	January 2017	Continuous	Debtors collection rate of 60% currently	Continuous
		Implement appropriate revenue collection systems	Acting CFO	January 2017	Continuous	Improved collection rate	Not started yet
		Accurate calculations and timeous reporting of revenue due and outstanding debtors on a monthly basis	Acting CFO, Acting BTO Manager	January 2017	Continuous	Improved revenue forecasting	Not started yet
		Appropriate monitoring and oversight of debt collection practices and timely action with regards to debt impairment	Acting CFO, Acting BTO Manager	January 2017	Continuous	Reduced long outstanding debtors	Not started yet
		Allocate sufficient staff/ capacity to proactively drive the revenue management and debt collection functions and policies to intensify revenue collection.	Acting MM, Acting CFO	March 2017	Continuous	Improved revenue management and debt collection	In process

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
		Perform a provisional Revenue enhancement Assessment	Finance CFO	July 2017	June 2018	Revenue enhancement assessment report	Done
		Draft a and implement revenue enhancement strategy and plan to improve revenue value chain	Finance	July 2018	June 2019	Completed revenue enhancement strategy	Procurement process Started
<b>Programme 3: Customer care services</b>	Enhance levels of customer care, increase responsiveness to consumer billing and other queries.	Improve community access points	Finance Corporate	January 2017	June 2017	Accessible complete service and payment points	In process
		Engage in a customer satisfaction survey	Finance Corporate	July 2017	December 2017	Completed customer survey	Not started
		Implement a customer service call centre	Finance Corporate	November 2017	January 2018	Customer call centre established	Not started
		Set benchmarks for activities relating to complaints	Finance Corporate	November 2016	Continuous	Benchmark document drafted	In Progress
		Set service level standards for customer responses	Finance Corporate	November 2016	August 2017	Service level agreement with communities concluded	In Progress

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
<b>Programme 4:</b> <b>Cash Management and liability</b>	Review cash and debt management strategies and practices. Review all liabilities current and non-current and devise a strategy to meet obligations in a timely manner in accordance with legislative requirements.	Implement cash flow monitoring.	Finance	November 2016	Ongoing	Short term liability position determined and cash flow requirements set for MTREF	In Progress
		Design and implement an effective grant management and monitoring system to ensure that conditional grants are only used for their intended purposes.	Finance	November 2016	May 2017	Attainable cash flow targets set for the MTREF	In process
		Daily management of cash-flow with weekly reporting.	Finance	November 2016	Ongoing	Attainable cash flow targets set for the MTREF	In process
		Perform monthly bank reconciliations.	Finance	November 2016	Ongoing	Credible bank reconciliations	In process

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
		Review long-term debt and restructure where economic benefits can be attained.	Finance	November 2016	Ongoing	Managing creditors to reduce liability	In process
		Set cash flow targets for the MTREF	Finance	November 2016	July 2018	Attainable cash flow targets set for the MTREF	In process
		Review and calculate short term liabilities	Finance	November 2016	February 2017	Short term liability position determined and cash flow requirements set for MTREF	In Progress
		Review and calculate long term liabilities	Finance	November 2016	February 2017	Long term liability position determined and cash flow requirements set for Long term funding requirements	In Progress
		Review and disclose all contingent liabilities	Corporate & Legal	June 2017	31 August 2017	Completed contingent liability register	Not started
		Engage with creditors to discuss repayment plans/arrangements	Acting MM and Acting CFO	November 2016	February 2017	Restructured repayment arrangements	In Process

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
		Draft repayment plans for liabilities and enter into arrangements with creditors	Finance	November 2016	August 2017	Arrangement with all creditors concluded and cash flow requirements determined	Ongoing
		Monitor that repayments are being made according to the agreed repayment plans.	Finance	November 2016	June 2018	Arrangement with all creditors concluded and cash flow requirements determined	Ongoing
		Develop standard operating procedure manuals	Finance	April 2017	June 2017	Standard operating procedures developed and implemented for all finance related activities	Not started
		Review job descriptions on all staff	Finance	February 2017	June 2017	Job descriptions reviewed for all finance staff members	Not started
<b>Programme 5: Financial Controls</b>	Review internal controls and delegations regarding financial management	Draft 2015/2016 Audit Plan (OPCAR)	Finance Western Cape PT	February 2017	March 2017	Audit action plan addressing all audit findings for 2015/2016	Action plan draft in progress
		Implement 2015/2016 Audit Plan (OPCAR)	Finance	April 2017	August 2018	Corrective action implemented for all audit findings of 2015/2016	Not started

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
		Perform risk assessment and implement a risk management system	Risk Management	May 2017	September 2017	Risk management system implemented	Not started
		Revise and implement internal controls to mitigate financial risks	Finance & Risk Management	February 2017	June 2018	All internal controls reviewed and implemented	Not started
		Review all policies, budget and non-budget related, and amend where necessary.	All	March 2017	May 2017	Updated Policies	Not started
		Workshop all policies with related staff.	All	May 2017	July 2017	Policies work shopped	Not started
		Review job descriptions.	All	February 2017	July 2017	Update JD's with new Organogram.	Not started
		Review archiving and record keeping.	All	February 2017	July 2017	Ensure safe guarding of documentation.	Not started
		Staffing of Budget and Treasury Office organogram with suitably qualified and experienced staff.	Finance	February 2017	July 2017	Capacitate staff to perform daily tasks relating to the relative departments.	Not started
		Capacitating and skills development of finance department staff.	Finance	February 2017	July 2017	Fully capacitated and trained staff to work independent from consultants.	Not started
		Implement internal controls to mitigate financial risks	Finance & Risk Management	March 2017	December 2017	All internal controls reviewed and implemented	Not Started

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
<b>Programme 6: Asset Management</b>	Implementing asset management through an integrated infrastructure and asset management plan.	Review and update Asset Register.	All	April 2017	August 2017	Updated FAR.	Not started
		Perform assessment of the useful lives of all infrastructure assets by performing a conditional assessment and ensure that a GIS reference exists for all infrastructure assets.	Engineering	April 2017	July 2017	FAR with reviewed useful lives	Not started
		Unbundle the completed infrastructure projects for 2016/2017	Finance	April 2017	July 2017	Unbundled infrastructure transferred from WIP to PPE	Not started
		Establish a complete Work-in-Progress (WIP) register.	Finance	April 2017	August 2017	Unbundled infrastructure transferred from WIP to PPE	Not started
		Draft review and implement Asset Procedure Manual	All	April 2017	March 2017	Asset procedure manual drafted and implemented in all departments	Not started
		Draft asset maintenance plans for all asset categories	All	April 2017	December 2017	Asset maintenance plans drafted	Not started
		Perform a municipal strategic asset assessment programme.	All	April 2017	July 2017	Assets identified, performance assessed and	Started with assistance of NT expert

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
						management programme drafted.	
		Update master plans for all infrastructure assets.	All	April 2017	June 2018	Master plans updated for all infrastructure services.	Not started
		Perform a land audit to identify all municipal assets.	All	January 2017	June 2017	Municipal land audit completed and register updated	In Process
		Perform performance assessment of all municipal properties.	All	April 2017	June 2018	Asset management strategy and disposal framework drafted	Not started
		Draft a municipal asset management strategy inclusive of a performance and disposal framework.	All	April 2017	June 2017	Asset management strategy and disposal framework drafted	Not started
<b>Programme 7: Supply Chain Management</b>	Implementing asset management through an integrated infrastructure and asset management plan. Review governance practices in the Supply Chain practices and implement proper	Review SCM Delegations	CFO	November 2016	January 2017	System of delegations approved	In Process
		Organise training for all Bid Committees	Finance	April 2017	May 2017	Trained Bid committees	Not started
		Implement electronic Contract Management system	All	Jan 2017	June 2017	Electronic contract management system implemented	Not started
		Review Supply chain Management Policy	Finance	November 2016	February 2017	Reviewed policy to ensure that it is in line with SCM	In Process

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
	controls and risk management practices.					Regulations.	
		Review Supply Management Chain Structure	Finance	November 2016	February 2017	Reviewed functional organisational structure for SCM	In Process
		Workshop all policies with related staff	Finance	March 2017	May 2017	Workshopped policies	In Process
		Develop and centralise online Procurement and Record Management System for all procurement	Finance	November 2016	February 2017	Electronic SCM system implemented	Not started
<b>Programme 8: Institutional stabilisation</b>	Stability in council, fill management vacancies, conduct organisational redesign, compile all job descriptions and have job evaluations done	Review the Organisational structure and place staff in accordance with newly approved organogram.	Acting MM	December 2016	May 2017	Right fit approved organogram	In process
		Ensure political stability post Local Government Elections	Administrator	August 2016	August 2017	Functional council	In process
		Fill critical vacancies - Municipal Manager, Chief Financial Officer, HODs and key management staff	Acting MM and Acting CFO	June 2017	September 2017	Key management positions filled	Not started
		Capacitating and development of finance department staff	Finance	June 2017	July 2018	Fully capacitated and trained staff to work independent from consultants	Not started
		Review all HR and organisational policies	Corporate services	June 2017	June 2018	Employee handbook developed	Not started

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
		processes and procedures				containing all HR policies, procedures and processes	
<b>Programme 9: Accounting IT and Data Management</b>	Review IT infrastructure and implement Accounting and Budget Reforms	Review IT infrastructure and develop and implement infrastructure replacement policy	Corporate services	July 2017	July 2019	IT infrastructure replacement policy developed	Not started
		Establish and institutionalise an IT Steering committee.	All	February 2017	Continuous	IT Steering committee established and operational	Not started
		Establish mSCOA Steering Committee and implement reforms.	Finance with All	January 2017	June 2018	mSCOA Implemented successfully	In process
		Review all computer hardware and software and implement management reporting system	All	January 2017	June 2017	IT management reporting system implemented	Not started
		Employ Acting CFO	Finance	October 2016	April 2017	To create stability within the department	In Process
<b>Programme 10: Liability Management</b>	Review all liabilities current and non-current and devise a strategy to meet obligations in a timely manner in	Review and calculate short term liabilities	Finance	February 2017	August 2017	Short term liability position determined and cash flow requirements set for MTREF	Not started
		Review and calculate long	Finance	February	August 2017	Long term liability	Not started

Priority Area	Key Deliverable Project	Activities	Responsible Department	Start date (S,M,L)	End date	Outcome	Status
	accordance with legislative requirements.	term liabilities		2017		position determined and cash flow requirements set for Long term funding requirements	
		Review and disclose all contingent liabilities	Corporate & Legal	June 2017	August 2017	Completed contingent liability register	Not started
		Engage with creditors to discuss repayment plans/arrangements	Acting MM and Acting CFO	November 2016	August 2017	Restructured repayment arrangements	In Process
		Draft repayment plans for liabilities and enter into arrangements with creditors	Finance	November 2016	August 2017	Arrangement with all creditors concluded and cash flow requirements determined	Ongoing

## ANNEXURE B: MANDATORY LIMITS AND BUDGET PARAMETERS

FUNCTIONAL AREA	ACTIVITY	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019	COMMENTS
Budget Management	<ol style="list-style-type: none"> <li>1. Tariff Setting:- <ul style="list-style-type: none"> <li>Electricity</li> <li>Water</li> <li>Refuse</li> <li>Sanitation</li> <li>Rates</li> <li>Miscellaneous Tariffs</li> </ul> </li> <li>2. Revenue Collection</li> <li>3. Expenditure Targets: <ul style="list-style-type: none"> <li>Salaries &amp; Wages</li> <li>Maintenance</li> <li>Other Expenditure (Increase)</li> <li>Capital Grants spending</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>+2%</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI</li> </ul> <ul style="list-style-type: none"> <li>95%</li> </ul> <ul style="list-style-type: none"> <li>34%</li> <li>2% of budget expenditure</li> <li>CPI</li> <li>100%</li> </ul>	<ul style="list-style-type: none"> <li>+2%</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI</li> </ul> <ul style="list-style-type: none"> <li>95%</li> </ul> <ul style="list-style-type: none"> <li>33%</li> <li>4% of budget expenditure</li> <li>CPI</li> <li>100%</li> </ul>	<ul style="list-style-type: none"> <li>+2%</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI + 4</li> <li>CPI</li> </ul> <ul style="list-style-type: none"> <li>95%</li> </ul> <ul style="list-style-type: none"> <li>32%</li> <li>6% of budget expenditure</li> <li>CPI</li> <li>100%</li> </ul>	<p>NERSA Guideline plus 2%</p> <p>These are the minimum tariff increases</p> <p>Revenue neutral on implementation of new Valuation Roll plus CPI + 4</p> <p>% of total expenditure</p>
Asset Management/ Utilisation	<ol style="list-style-type: none"> <li>1. Capital Expenditure to Total Expenditure</li> <li>2. Repairs and Maintenance as a % of total expenditure budget</li> </ol>	<ul style="list-style-type: none"> <li>7% - 10%</li> <li>2.75%</li> </ul>	<ul style="list-style-type: none"> <li>10% - 15%</li> <li>4%</li> </ul>	<ul style="list-style-type: none"> <li>15% - 20%</li> <li>6%</li> </ul>	
Debtors Management	<ol style="list-style-type: none"> <li>1. Collection Rate</li> <li>2. Bad debts Written-Off as % of Provision for Bad Debt</li> <li>3. Net Debtors Days</li> </ol>	<ul style="list-style-type: none"> <li>95%</li> <li>100%</li> <li>60 days</li> </ul>	<ul style="list-style-type: none"> <li>95%</li> <li>100%</li> <li>55 days</li> </ul>	<ul style="list-style-type: none"> <li>95%</li> <li>100%</li> <li>50 days</li> </ul>	

FUNCTIONAL AREA	ACTIVITY	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019	COMMENTS
Liquidity Management	1. Cash/ Cost Coverage Ratio (Excl. Unspent Conditional Grants) 2. Current Ratio	1 – 3 months .5 – 1	1 – 3 months .8 – :1	1 – 3 months 1. – 1.25	
Liability Management	1. Capital Cost (Interest paid and Redemption) as a % of Total Operating Expenditure 2. Debt (Total Borrowings)/Revenue	3% - 4% 13%-15%	3% - 4% 13% - 15%	4% - 5% 15% - 17.5%	
Expenditure Management	1. Creditors Payment Period (Trade Creditors) 2. Contracted Services % of Total Operating Expenditure	60 days 5% - 6%	48 days 4% - 5%	30 days 3% - 4%	Any valid payment due older than 30 days must have an agreement with supplier as to the terms of payment
Budget Implementation	1. Capital Expenditure Budget Implementation Indicator 2. Operating Expenditure Budget Implementation Indicator 3. Operating Revenue Budget Implementation Indicator 4. Service Charges and Property Rates Revenue Budget Implementation Indicator	95% - 100% 90% - 95% 95% - 98% 95% - 98%	95% - 100% 95% - 96% 98% - 99% 98% - 99%	95% - 100% 96% - 98% 98% - 100% 98% - 100%	

FUNCTIONAL AREA	ACTIVITY	BUDGET 2016/2017	BUDGET 2017/2018	BUDGET 2018/2019	COMMENTS
Distribution Losses	1. Electricity Distribution Losses (Percentage)	7% - 10%	6% - 10%	6% - 9%	
	2. Water Distribution Losses (Percentage)	10% - 15%	10% - 12.5%	8% - 12%	
Sustainability	1. Level of Cash Backed Reserves (Capital Replacement)	5%	5%	10%	

DRAFT

## ANNEXURE C: COSTING THE RECOVERY PLAN

Priority Area	Key Deliverable Project	Activities	Cost Estimate	Proposed Funding Source
<b>Programme 1:</b> <b>Budgeting and Expenditure Management</b>	Review budgeting process, principles and strategy as well as expenditure management systems to ensure efficient and effective service delivery in line with Kannaland Municipality priorities.	Prepare and implement 2016/17 Adjustment Budget	147,000.00	Provincial Financial Management assistance
		Prepare and table the 2017/18 MTREF Budget	88,200.00	Provincial Financial Management assistance
		Developing long-term Financial Plan to inform budget and financial operational planning	400,000.00	Provincial Financial Management assistance
		Institutionalise pre-determined creditors payment dates and implement expenditure and creditors management.	0.00	Internal

Priority Area	Key Deliverable Project	Activities	Cost Estimate	Proposed Funding Source
<b>Programme 2: Revenue Management</b>	Review revenue management systems to maximise revenue generation possibilities and improve revenue performance	Draft and implement revenue enhancement strategy and plan to improve revenue value chain.	0.00	Internal
		Perform complete meter audit of metered services.	0.00	Internal
		Perform a physical verification of all services and service connection points.	0.00	Internal
		Perform debtor data analysis and cleansing	0.00	Internal
		Perform a complete indigent verification process	0.00	Internal
		On site water demand management and loss control	0.00	Internal
		Analyse electricity losses and draft a loss control programme	0.00	Internal
		Engage in meter replacement programme	200,000.00	Provincial Management support (PT & DLG)
		Implementation of cost reflective tariff modelling and revision of all miscellaneous charges	0.00	Internal
		Reviewing, analysing and performing benchmarking of user tariffs to the industry norm	0.00	Internal
		Enforce credit control and debt collection policy	0.00	Internal
		Implement appropriate revenue	0.00	Internal

Priority Area	Key Deliverable Project	Activities	Cost Estimate	Proposed Funding Source
		collection systems		
		Accurate calculations and timeous reporting of revenue due and outstanding debtors on a monthly basis	0.00	Internal
		Appropriate monitoring and oversight of debt collection practices and timely action with regards to debt impairment	0.00	Internal
		Allocate sufficient staff/capacity to proactively drive the revenue management and debt collection functions and policies to intensify revenue collection.	0.00	Internal
		Perform a provisional Revenue enhancement Assessment.	0.00	Internal
		Execute revenue enhancement programme.	500,000.00	Provincial Management support (PT & DLG)
<b>Programme 3:</b>	Enhance levels of customer care, increase responsiveness to consumer billing and other queries	Improve community access points	0.00	Internal
<b>Customer care services</b>		Engage in a customer satisfaction survey	0.00	Internal
		Implement a customer service call centre	0.00	Internal
		Set benchmarks for activities relating to complaints	0.00	Internal
		Set service level standards for customer responses	0.00	Internal

Priority Area	Key Deliverable Project	Activities	Cost Estimate	Proposed Funding Source
<b>Programme 4:</b> <b>Cash Management and liability</b>	Review cash and debt management strategies and practices. Review all liabilities current and non-current and devise a strategy to meet obligations in a timely manner in accordance with legislative requirements.	Implement cash flow monitoring	0.00	Internal
		Design and implement an effective grant management and monitoring system to ensure that conditional grants are only used for their intended purposes.	0.00	Internal
		Daily management of cash-flow with weekly reporting.	0.00	Internal
		Perform monthly bank reconciliations.	0.00	Internal
		Review long-term debt and restructure where economic benefits can be attained.	0.00	Internal
		Set cash flow targets for the MTREF	0.00	Internal
		Review and calculate short term liabilities	0.00	Internal
		Review and calculate long term liabilities	0.00	Internal
		Review and disclose all contingent liabilities	0.00	Internal
		Engage with creditors to discuss repayment plans/arrangements	0.00	Internal
		Draft repayment plans for liabilities and enter into arrangements with creditors	0.00	Internal
		Monitor that repayments are being	0.00	Internal

Priority Area	Key Deliverable Project	Activities	Cost Estimate	Proposed Funding Source
		made according to the agreed repayment plans.		
		Develop standard operating procedure manuals	0.00	Internal
		Review job descriptions on all staff	0.00	Internal
<b>Programme 5: Financial Controls</b>	Review internal controls and delegations regarding financial management	Draft 2015/2016 Audit Plan (OPCAR)	0.00	Internal & WCPT
		Implement 2015/2016 Audit Plan (OPCAR)	1,157,200.00	Provincial Management support (PT & DLG)
		Perform risk assessment and implement a risk management system	475,000.00	Provincial Management support (PT & DLG)
		Revise and implement internal controls to mitigate financial risks	0.00	Internal
		Review all policies, budget and non-budget related, and amend where necessary	117,600.00	Provincial Management support (PT & DLG)
		Workshop all policies with related staff	29,400.00	Provincial Management support (PT & DLG)
		Review job descriptions on all staff	0.00	Internal
		Review archiving and record keeping	0.00	Internal
		Staffing of Budget and Treasury Office organogram with suitably qualified and experienced staff.	0.00	Internal
		Capacitating and skills development of finance department staff.	0.00	Internal
		Implement internal controls to	125,000.00	Provincial Management support (PT & DLG)

Priority Area	Key Deliverable Project	Activities	Cost Estimate	Proposed Funding Source
		mitigate financial risks		
<b>Programme 6: Asset Management</b>	Implementing asset management through an integrated infrastructure and asset management plan.	Review and update Asset Register	85,500.00	Provincial Management support (PT & DLG)
		Perform assessment of the useful life of all infrastructure assets and GPS reference	73,740.00	Provincial Management support (PT & DLG)
		Unbundle infrastructure for 2016/2017	99,960.00	Provincial Management support (PT & DLG)
		Establish a complete Work-in-Progress (WIP) register.	82,320.00	Provincial Management support (PT & DLG)
		Draft review and implement Asset Procedure Manual	41,160	Provincial Management support (PT & DLG)
		Draft asset maintenance plans for all asset categories	41,160	Provincial Management support (PT & DLG)
		Perform a municipal strategic asset assessment programme	0.00	Internal
		Update master plans for all infrastructure assets	0.00	Internal
		Perform a land audit to identify all municipal assets.	0.00	Internal
		Perform performance assessment of all municipal properties.	0.00	Internal
		Draft a municipal asset management strategy inclusive of a performance and disposal framework	41,160	Internal

Priority Area	Key Deliverable Project	Activities	Cost Estimate	Proposed Funding Source
<b>Programme 7: Supply Chain Management</b>	Review governance practices in the Supply Chain practices and implement proper controls and risk management practices.	Review SCM Delegations	0.00	Internal
		Organise training for all Bid Committees	23,520.00	Provincial Management support (PT & DLG)
		Implement electronic Contract Management system	0.00	Internal
		Review Supply chain Management Policy	0.00	Internal
		Review Supply Management Chain Structure	0.00	Internal
		Workshop all policies with related staff	29,400.00	Provincial Management support (PT & DLG)
		Develop and centralise online Procurement and Record Management System for all procurement	0.00	Internal
<b>Programme 8: Institutional stabilisation</b>	Stability in council, fill management vacancies, conduct organisational redesign, compile all job descriptions and have job evaluations done	Review the Organisational structure and place staff in accordance with newly approved organogram.	372,000.00	Internal
		Ensure political stability post Local Government Elections	0.00	Internal
		Fill critical vacancies - Municipal Manager, Chief Financial Officer, HODs and key management staff	0.00	Internal
		Capacitating and development of finance department staff	0.00	Internal
		Review all HR and organisational	290,000.00	Provincial Management support (PT & DLG)

Priority Area	Key Deliverable Project	Activities	Cost Estimate	Proposed Funding Source
		policies processes and procedures		
<b>Programme 9:</b> <b>Accounting IT and Data Management</b>	Review IT infrastructure and implement Accounting and Budget Reforms	Review IT infrastructure and develop and implement infrastructure replacement policy	3,500,000.00	Internal
		Establish and institutionalise an IT Steering committee	0.00	Internal
		Establish mSCOA Steering Committee and implement reforms	2,500,000.00	Provincial Management support (PT & DLG)
		Review all computer hardware and software and implement management reporting system	0.00	Internal
		Employ Acting CFO	435,000.00	Provincial Management support (PT & DLG)
<b>Programme 10:</b> <b>Liability Management</b>	Review all liabilities current and non-current and devise a strategy to meet obligations in a timely manner in accordance with legislative requirements.	Review and calculate short term liabilities – Creditors system	255,400.00	Provincial Management support (PT & DLG)
		Review and calculate long term liabilities – Creditors system	28,000.00	Provincial Management support (PT & DLG)
		Review and disclose all contingent liabilities	0.00	Internal
		Engage with creditors to discuss repayment plans/arrangements	0.00	Internal
		Draft repayment plans for liabilities and enter into arrangements with creditors	0.00	Internal

## ANNEXURE D: SUMMARY OF COST

Description	Cost Estimate (R)
Programme 1 - Expenditure Management	635,200.00
Programme 2 - Revenue Management	700,000.00
Programme 3 – Customer Care	0.00
Programme 4 - Cash Management and Liability	0.00
Programme 5 - Financial Controls	1,904,200.00
Programme 6 - Asset management	391,260.00
Programme 7 - Supply Chain Management	52,920.00
Programme 8 - Institutional stabilisation	662,000.00
Programme 9 - Accounting, IT and Data Management	6,435,000.00
Programme 10 - Liability management	283,400.00
<b>Total cost to fund the financial recovery plan</b>	<b>11,063,980.00</b>