

FINANCIAL RECOVERY PLAN: STATUS QUO ASSESSMENT

Prepared for the

CITY OF MATLOSANA LOCAL MUNICIPALITY

2023



national treasury

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National Treasury
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provincial treasury

Department:
Provincial Treasury
North West Provincial Government
REPUBLIC OF SOUTH AFRICA

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EXECUTIVE SUMMARY

The City of Matlosana Local Municipality is part of Dr Kenneth Kaunda District Municipality. The City of Matlosana Local Municipality (previously City Council of Klerksdorp) is a Category B municipality situated within the Dr Kenneth Kaunda District in the Northwest Province. It is one of the three municipalities that make up the district, accounting for a third of its geographical area.

The City of Matlosana includes Klerksdorp, Jouberton, Alabama, Orkney, Kanana, Stilfontein, Khuma, Tigane and Hartbeesfontein and is the largest of all towns in the North West province. The main economic sectors are distributed as follows, mining, manufacturing, agriculture, services, construction and transport.

The municipality has been approving and implementing unfunded budget for the past five years and unable to spend conditional grants allocated to municipality which are either stopped or returned to National Revenue fund due to inadequate performance and poor spending. This is a cause for concern as the municipality is struggling with ageing infrastructure with no plans to repair/ replace such infrastructure. Furthermore, the Municipality is also struggling with cashflow which resulted in nonpayment of bulk purchases creditors within 30 days. This is further exasperated by non-implementation of the approved debt and credit control policy resulting in high debtors' book and the low collection rate. The municipality has one of the highest unauthorised, irregular, fruitless and wasteful expenditure (UIFW) balances in the province, and efforts to investigate the matters according to section 32 of the MFMA has not been successfully performed due non-compliance with legislation and lack of implementation of consequence management.

The City of Matlosana requested the Provincial Treasury to assist with the development of the voluntary financial recovery plan aimed to address the financial crisis through Council resolution No 2022.88/ 2022. It is against this background that the North West Provincial Treasury is providing support in line with Section 154 of the Constitution. The Financial Recovery Plan will be prepared by the Provincial Treasury in line with the requirements of Section 142 of the MFMA which be used as an instrument to secure the Municipality's ability to meet its obligations to provide basic services and its financial commitments, as well as to place the Municipality in a sound and sustainable financial condition.

In this regard, the Provincial Treasury will provide the required support to:

- Determine the reasons for the crisis in the financial affairs.
- Assess the municipality's financial state.
- Prepare an appropriate recovery plan for the municipality in line with Section 137 of the MFMA.

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- Recommend appropriate changes to the municipality's budget and revenue-raising measures that will give effect to the recovery plan; and
- Submit these to the MEC for Finance in the province.

The Status Quo Assessment Report will be used by the Provincial Treasury to prepare the Financial Recovery Plan.

PROCESS FOLLOWED

The process followed to develop this Status Quo Assessment Report entailed the following key steps:

a) Desktop Analysis

The Project Team conducted an initial assessment and information analysis based on all available information pertaining to the four (4) pillars (governance, institutional capability, financial management and service delivery) as well as other corroborative information.

Based on the initial assessment and information analysis, the Project Team made preliminary findings in respect of the identified focus areas in each pillar.

b) Consultation with Municipal Officials

There were consultation meetings with various officials of the municipality in order to obtain further information based on inputs obtained from the desktop assessment as well as to discuss other matters that required contextual clarity from the municipality.

c) Work stream Meetings

The work stream meetings were held over two (2) sessions, 1st and 28th June 2023, with municipal officials and other stakeholders to obtain an update on the current status of affairs at the municipality. The information obtained from the discussions at the work stream meetings has been incorporated into the Draft Status Quo Report.

1. KEY ISSUES IDENTIFIED

KEY CHALLENGES WITHIN THE CITY OF MATLOSANA LOCAL MUNICIPALITY

1.1 Pillar 1- Governance

Council and various council committees are in place including the mayoral committee, MPAC, audit committee and risk management committee which are fully constituted and meet according to the MSA and the institutional calendar. The disciplinary board is properly constituted however the board has not been functional.

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However, the effectiveness of the governance oversight roles does not seem to be yielding positive results. Non-compliance with legislation remains a concern in moving the municipality towards achieving the desired audit outcomes and requires urgent attention from the accounting officer. Various repeat findings were identified relating to the quality of financial statements submitted, expenditure management, and non-compliance to supply chain management (SCM) prescripts. This manifests from the following issues covered in the report.

- UIF&W is increasing on an annual basis at the Municipality, as a result of non-compliance with supply chain management processes and legislation in the Municipality.
- Acts of financial and other misconduct are not investigated and dealt with effectively by Council Committee's and Management alike.
- Inadequate control environment (AG management report 2023) which led to material irregularities on the following:
 - The accounting officer did not take all reasonable steps to ensure that payments for bulk electricity of R 252 million and Water R 70 million purchases were made within 30 days of receiving the relevant invoice or statement, contrary to section 65(2)(e) of the MFMA. Non-payment of creditors ESKOM and MIDVAAL within 30 days, resulting in interest being charged.
 - The municipality has a market where fresh produce are sold on a daily basis and market dues are payable to the municipality at an agreed percentage of the total turnover. All money due to the municipality for the sales at the fresh produce market were not collected, which is in contravention with section 65(2)(f) of the MFMA, Money owed to the municipality by the fresh produce from 2017-2018 was not collected, resulting in a financial loss. In 2021/22, AG raised the issues of revenue loss still incurred by municipality as results of unreconciled difference between municipality revenue system and bank account relating to fresh produce market system.
- Inadequate contract management resulting from an SCM process not being followed and high contingent liabilities.
- Understaffed risk management unit
- Lack of evidence for the review of the By-Laws by the council.
- Ineffective audit committee and internal audit's role as an assurance provider was compromised by management's inability to adequately address and react to internal audit's findings and recommendations as well as non-compliance with laws and regulations.
- The ICT department is not fully capacitated to address ICT infrastructure challenges and support. The IT Governance and IT Strategic plan is not in place and there is no Disaster Recovery Plan as well as an Off-Site Back Up for the Fresh Produce Market system.

- The report on compliance with mSCOA regulations and implementation indicates that the Municipality has not fully complied with mSCOA regulations. Asset Management module is not functional (Asset register not yet integrated on the system) and supply chain management modules is partially used.

1.2 Pillar 2 - Institutional

The municipality's organisational structure was approved in April 2017. The Municipality has an approved organogram with seven (7) senior manager positions. There are critical vacant positions of the Director of Corporate Services, Technical Services, Community Services and Economic Development which still needs to be filled.

Key issues identified in relation to the institutional arrangement are as follows:

- The Municipality has a number of vacancies in critical decision-making positions and experienced delays in filling these critical positions. Four (4) senior managers are in acting capacity.
- No pronouncement on the Operating Model
- Lack of implementation of the Consequence Management Framework leading to ineffective performance management and lack of accountability.
- The municipality is operating on an old organisational structure. The organisational structure was last approved in April 2017, and management is in the process of reviewing the organisational structure which is still to be approved by the Council. The review of the structure is aimed at meeting the current service delivery challenges, and also incorporate the new Municipal Staff Regulations which came into effect in 2022.
- The Performance Management system is currently partially applicable to senior management and not cascaded to lower-level employees.
- There are serious concerns over staff discipline, integrity and accountability which emanates from the lack of an ethical culture within the organization.
- HR policies are in place but not fully implemented, as a result, overtime is inadequately managed.

1.3 Pillar 3 - Financial Management

The Municipality has been operating on an unfunded budget for the past five (5) successive years. Major creditors include Midvaal and Eskom R1.2 billion and R1.6 billion respectively as at 31 March 2023 due to low collection rate and high distribution loss. The revenue management value chain is still a challenge in the municipality due to among others the following: -

- Tariffs which are not cost-reflective,
- Delays by post office in the delivery of monthly statements of accounts to customers including follow up on the returned mails by post office; and
- Implementation of credit control and debt collection policy.
- Municipality struggling to collect in areas supplied electricity by Eskom of Khuma, Kanana and Tigane and No go areas of Jouberton, Orkney and Albama.
- Completeness of the revenue base due to inaccuracy between financial system and the municipal valuation roll.

Management also does not have an adequate risk strategy that addresses identified risks in supply chain management. The root cause of the lack of effective prevention and detection is due to management not exercising oversight responsibility regarding supply chain processes, compliance, and related internal controls regarding the awarding of tenders and quotations.

Key issues identified in relation to the financial management are as follows:

Budget status: The municipality adopted an unfunded budget for the past 5 years including the current financial year (2023/2024)

- Grant management: Under spending/under-utilisation of grants resulting in the stopping of grants and rejection of roll-over applications.
- The municipality is spending an average of 3.3% on repairs and maintenance which is below the norm of 8% resulting in the deterioration of assets and impairment losses.
- Revenue: High consumer debtors (73 days average) with 85% of debtors sitting in the range of 120 days due to non-implementation of debt collection and credit control policy and older and low collection rate of average 65%.
- Cost-reflective tariffs: Tariffs that are currently being charged are not cost reflective.
- Supply chain management compliance and value for money procurement: Non-compliance with the SCM policy resulting in high Unauthorised, Irregular, Fruitless & Wasteful (UIFW) and lack of inadequate consequence management.
- Creditor management: It takes an average of 417 days for the municipality to settle its creditors which is above the norm of 30 days. The municipality owes major creditors Midvaal and Eskom R1.2 billion and R1.6 billion respectively as at 31 March 2023.
- Over reliance on consultants: Inadequate capacity in the Finance function due to key critical posts being vacant.

1.4 Pillar 4 - Service delivery

The municipality has no master plans in place pointing to lack of technical governance indicating a deficiency in technical oversight and a lack of accountability. The absence of repairs and maintenance has led to disruptions in delivering services to consumers.

The challenges for Service delivery within the Municipality are:

- High water (58% - 2022/23) and electricity distribution losses (38% - 2022/23).
- Inconsistent supply of electricity as a result of illegal connections, aged infrastructure.
- Inconsistent water provision as a result of vandalised infrastructure, meter tampering, dilapidated and lack of maintenance of water infrastructure. Informal settlements are also facing challenges in being supplied with reliable water provision.
- The technical department is characterised by lack of fleet/aged fleet to attend to service delivery.
- Ageing road infrastructure with lack of plans to repair/ replace - the municipal roads not being maintained. Inadequate road conditions also further impact on service delivery and local economic development negatively.
- Municipality has outsourced 55% of refuse removal collection (municipality has eight trucks, while 10 refuse trucks are outsourced).
- Inadequate performing projects that are key to service delivery due to inadequate planning which results in inadequate spending of conditional grants.
- Inadequate water-waste Sanitation Services (sewerage)- The City's scores (44%) according to the Green Drop score which is, categorised in the yellow band which means very inadequate performance and needs targeted turn-around interventions. The City is currently not able to perform corrective maintenance hence the performance is steadily declining annually.

2. PROJECT BACKGROUND

2.1 STATUTORY AND LEGISLATIVE CONTEXT

The North West Provincial Treasury has provided support to the City of Matlosana Municipality through section 154 of the constitution, wherein the national government and provincial governments, by legislative and other measures, must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions. The Financial Recovery Plan will be prepared by the Provincial Treasury in line with the requirements of Section 142 of the MFMA which be used as an instrument to secure the Municipality's ability to meet its obligations to provide basic services and its financial commitments, as well as to place the Municipality in a sound and sustainable financial condition.

In this regard, the Provincial Treasury is providing the required support to:

- Determine the reasons for the crisis in the financial affairs.
- Assess the municipality's financial state.
- Prepare an appropriate recovery plan for the municipality in line with Section 142 of the MFMA.
- Recommend appropriate changes to the municipality's budget and revenue-raising measures that will give effect to the recovery plan; and
- Submit these to the MEC for Finance in the province.

Provincial Treasury MFRS is responsible for the preparation of the voluntary financial recovery plan (FRP), which considers the reasons for the financial crisis and an assessment of the municipality's financial status (status quo assessment).

The Provincial Treasury has appointed a service provider to conduct a diagnostic assessment in order to determine the reasons for the financial crisis in the City of Matlosana Municipality. The Status Quo Assessment Reports will be used by the Provincial Treasury MFRS Unit to prepare the FRP.

2.2 APPROACH AND METHODOLOGY OF THE STATUS QUO ASSESSMENT

The status quo assessment was conducted using a combination of document review and analysis as well as consultations with relevant stakeholders. The following stakeholders were engaged at various stages during the preparation of the status quo assessment report of the municipality NW Provincial Treasury, NW CoGTA, MISA, National Treasury, SALGA and other sector departments. Inputs from the stakeholders were incorporated into the status quo report.

The following table indicates the stakeholders engaged:

Date	Purpose	Stakeholders
01 June 2023	Conducted work stream (Financial Management and Service Delivery) working sessions to determine the state of affairs, root cause and the extent of the failures.	NWPT, Municipality, CoGTA, MISA, National Treasury, SALGA, ESKOM
28 June 2023	Conducted work stream (Governance and Institution) working sessions to determine the state of affairs, root cause and the extent of the failures.	NWPT, Municipality, CoGTA, MISA, National Treasury, SALGA
06 July 2023	Work stream meetings with Municipal Officials	NWPT, Municipality
26 July 2023	Review of the draft Status Quo Assessment report.	NWPT

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2.3 RISK ASSOCIATED WITH THE IMPLEMENTATION OF THE FINANCIAL RECOVERY PLAN

The financial recovery plan proposes changes pertaining to governance, administration, financial discipline as well as human resources capacity and skills. The successful implementation of the financial recovery plan is dependent on the effective mitigation of the following risks that have been identified. It should be borne in mind that the identified list of risks is not exhaustive as additional risks may arise which will necessitate timeous implementation of risk mitigation strategies.

It is proposed that a thorough risk assessment process that includes risk mitigation strategies, risk ownership, risk treatment action plans be developed by the Provincial Intervention Team.

The risks and mitigation measures associated with the Status Quo Assessment are summarised as follows:

	Risk	Further Actions
Governance	Resistance from the community and stakeholders	<ul style="list-style-type: none"> • To change the status quo of the Municipality, it is essential to obtain full support and commitment from the community. • Culture change will be key to ensure basic activities like service and rates payment can be done. • Certain aspects of the plan, such as budget reductions, increased tariffs, or the implementation of rigorous revenue collection measures, may encounter resistance from the community and consumers.
	Failure to implement internal controls	<ul style="list-style-type: none"> • Failure to implement the required internal controls that will safeguard the operations of the Municipality within the confines of the policies.
	Litigations due to SCM challenges	<ul style="list-style-type: none"> • Legal Challenge to the implementation of the FRP

	Risk	Further Actions
Finance/Budget/Controls	Continuation of inadequate enforcement of consequence management	<ul style="list-style-type: none"> Any efforts to implement the FRP shall require fidelity to the rules, regulations, targets and policies set to achieve the recovery. To the extent that officers face no consequences for actions committed or omitted that are detrimental to achievement of the plan, then the success of the entire FRP is at risk.
	Behavioural issues on the part of customers	<ul style="list-style-type: none"> Sections of the community served by the municipality's services may not be willing to pay for services regularly and promptly. Such behavioural issues pose a risk to enforcement of revenue collection, at least in the short to medium term as the municipality strives to demonstrate consistent service delivery that is worthy of the trust and reciprocal civic responsibility of the customers it serves.
Institutional	Increase in unethical behaviour at all levels at the municipality	<ul style="list-style-type: none"> Due to lack of an effective and inadequate consequences management framework unethical behaviour increases, ill-discipline increases, and quality of work worsens. The municipality will suffer an increase in financial losses and non-compliance increases.
Service delivery	Continued interruption of key Municipal activities by external groups	<ul style="list-style-type: none"> Within the City there are informal groups that are colluding and performing activities such as Gangsterism and interfering with municipal activities.

	Risk	Further Actions
		<ul style="list-style-type: none"> The continued theft and vandalism of Municipality property negatively affects the performance and ability of the Municipality to provide services. Without swift inter-governmental intervention these organized groups can derail the activities of the FRP.

2.4 OVERVIEW OF DEMOGRAPHICS AND ECONOMY OF CITY OF MATLOSANA LOCAL MUNICIPALITY

Geographic Profile

The City of Matlosana is situated approximately 164 South West of Johannesburg, on the N12 highway and covers about 3 625km². It is one of Council's strategic objectives to promote forthcoming initiatives from the N12 Treasure Corridor, to ensure local economic development and industrialization for Klerksdorp.

The municipality was classified as a Category B Municipality by the Municipal Demarcation Board, in terms of section 4 of the Local Government Municipal Structures Act, 1998.

The City of Matlosana is part of the Dr Kenneth Kaunda District Municipality in the North West Province. It was called Klerksdorp Municipality, and the name was officially changed to the City of Matlosana on the 1st of July 2005.

The City of Matlosana includes Klerksdorp, Jouberton, Alabama, Orkney, Kanana, Stilfontein, Khuma, Tigane and Hartbeesfontein and is the largest of all towns in the North West Province.



The second largest town is Potchefstroom, which is located adjacent to the Municipality about 50km to the northeast of Klerksdorp. The area has strong physical and socio- economic linkages and economic interactions with Gauteng, as well as other main towns like Potchefstroom, Rustenburg, Welkom, Ventersdorp, and Ottosdal.

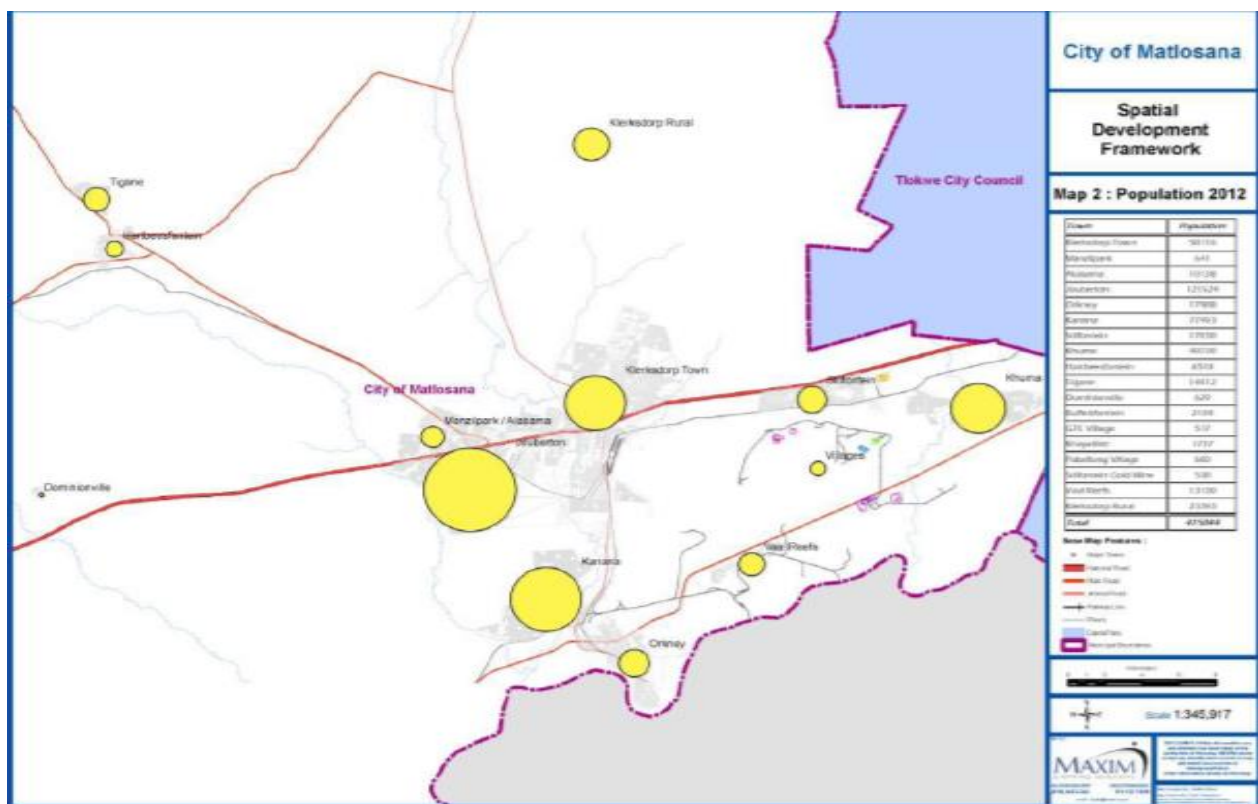
Demographic Profile

According to estimates based on the population growth rate of SA Statistics (1.04%) and the Matlosana Socio- Economic Report, the City of Matlosana has a total population of 438 486 people, of whom 103 407 (92%) are urbanised and 35 079 (8%) are rural. (Mining villages form part of the urban areas). The largest population concentrations are in Jouberton (31%), Kanana, Khuma and Tigane, which represent 67% of the total urban population. The City of Matlosana has a population density of 123 persons per km² people of which 92% are urbanised and 8% rural.

The population distribution is indicated on **Map 1**. Population growth and household growth has declined over time. This can be ascribed to the fact that the local economy has become less dependent on the mining sector with the tertiary sectors growing in the long term.

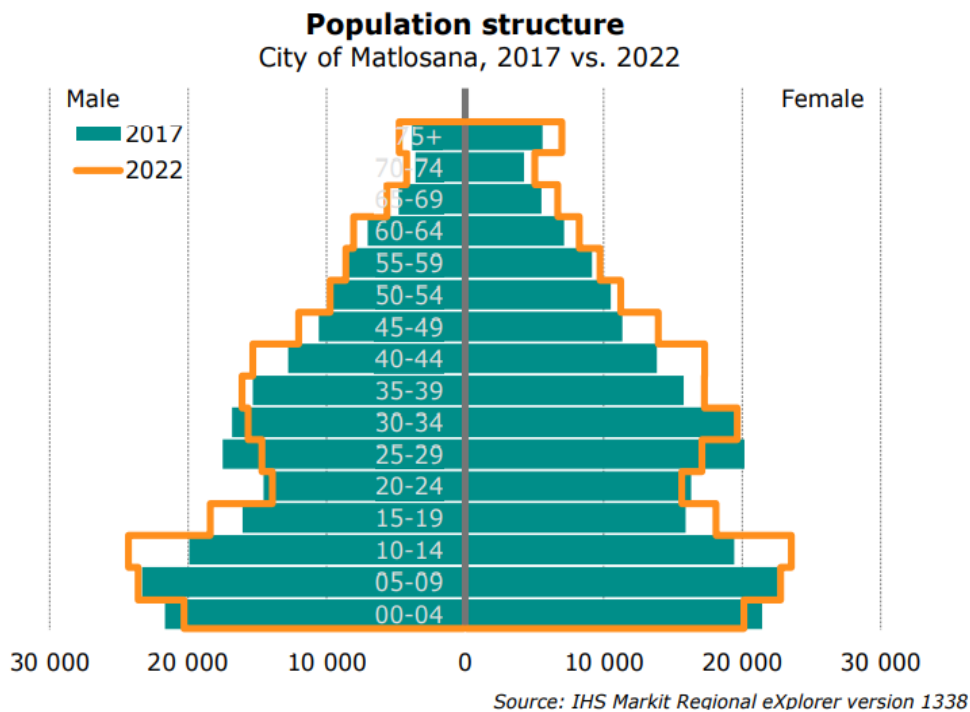
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MAP 1: POPULATION DISTRIBUTION



The population projection of City of Matlosana Local Municipality shows an estimated average annual growth rate of 1.1% between 2017 and 2022. The average annual growth rate in the population over the projection period for Dr Kenneth Kaunda District Municipality, North-West Province and South Africa is 1.2%, 1.3% and 1.3% respectively. The North-West Province is estimated to have an average growth rate of 1.3% which is very similar to that of the City of Matlosana Local Municipality. South Africa as a whole is estimated to have an average annual growth rate of 1.3% which is very similar to that of City of Matlosana's projected growth rate.

CHART 1. POPULATION PYRAMID - CITY OF MATLOSANA LOCAL MUNICIPALITY, 2017 VS. 2022 [PERCENTAGE]



- The population pyramid reflects a projected change in the structure of the population from 2017 and 2022. The differences can be explained as follows:
- In 2017, there is a significantly larger share of young working age people between 20 and 34 (24.7%), compared to what is estimated in 2022 (21.5%). This age category of young working age population will decrease over time.
- The fertility rate in 2022 is estimated to be slightly higher compared to that experienced in 2017.
- The share of children between the ages of 0 to 14 years is projected to be slightly smaller (30.0%) in 2022 when compared to 2017 (30.2%).
- In 2017, the female population for the 20 to 34 years' age group amounts to 13.2% of the total female population while the male population group for the same age amounts to 11.5% of the total male population. In 2022, the male working age population at 9.9% does not exceed that of the female working age population at 11.7%, although both are at a lower level compared to 2017.

Gross Domestic Product by Region (GDP-R)

The Gross Domestic Product (GDP), an important indicator of economic performance, is used to compare economies and economic states.

Definition: Gross Domestic Product by Region (GDP-R) represents the value of all goods and services produced within a region, over a period of one year, plus taxes and minus subsidies.

GDP-R can be measured using either current or constant prices, where the current prices measure the economy in actual Rand, and constant prices measures the economy by removing the effect of inflation, and therefore captures the real growth in volumes, as if prices were fixed in a given base year.

TABLE 1. GROSS DOMESTIC PRODUCT (GDP) - CITY OF MATLOSANA, DR KENNETH KAUNDA, NORTH-WEST AND NATIONAL TOTAL, 2007-2017 [R BILLIONS, CURRENT PRICES]

	City of Matlosana	Dr Kenneth Kaunda	North-West	National Total	City of Matlosana as % of district municipality	City of Matlosana as % of province	City of Matlosana as % of national
2007	18.7	29.9	120.7	2,109.5	62.5%	15.5%	0.89%
2008	20.5	33.0	138.9	2,369.1	62.2%	14.8%	0.87%
2009	21.4	34.5	147.9	2,507.7	61.9%	14.5%	0.85%
2010	22.9	37.5	164.5	2,748.0	61.0%	13.9%	0.83%
2011	26.4	43.1	185.8	3,023.7	61.3%	14.2%	0.87%
2012	27.5	45.5	191.0	3,253.9	60.6%	14.4%	0.85%
2013	30.3	50.4	222.2	3,540.0	60.1%	13.6%	0.86%
2014	30.1	51.1	226.5	3,805.3	59.0%	13.3%	0.79%
2015	32.0	54.8	243.0	4,051.4	58.5%	13.2%	0.79%
2016	33.5	57.7	255.9	4,350.3	58.0%	13.1%	0.77%
2017	33.7	59.3	275.2	4,651.8	56.9%	12.3%	0.72%

Source: IHS Markit Regional eXplorer version 1338

The City of Matlosana Local Municipality had a total GDP of R 33.7 billion and in terms of total contribution towards Dr Kenneth Kaunda District Municipality the City of Matlosana Local Municipality ranked highest relative to all the regional economies to total Dr Kenneth Kaunda District Municipality GDP. This ranking in terms of size compared to other regions of the City of Matlosana remained the same since 2007. In terms of its share, it was in 2017 (56.9%) significantly smaller compared to what it was in 2007 (62.5%). For the period 2007 to 2017, the average annual growth rate of -2.6% of City of Matlosana was the lowest relative to its peers in terms of growth in constant 2010 prices.

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Socio-economic status

SOCIO ECONOMIC STATUS						
Year	Housing Backlog as proportion of current demand	Un-employment Rate	Proportion of Households with no Income	Proportion of Population in Low-skilled Employment	HIV/AIDS Prevalence	Illiterate people older than 14 years
2019/20	21%	24%	26%	52%	20%	44%
2020/21	22%	25%	27%	55%	18%	42%
2021/22	22%	33%	16%	55%	18%	41%

Since the early 1990s but more specifically since 2001, mining activities have downscaled drastically. This downscaling also leads to nearly 80% of the original workforce in 1996 being retrenched by 2016. The declining mining industry has resulted in the number of people living in poverty in the City of Matlosana almost doubling between 2000 and 2021. Currently, the N12 Treasure Route puts Klerksdorp in the centre of new developments. Towards the west of the N12, developments comprise residential development, retail nodes and mixed land usages. This is where the Rio Tusk Casino and Shell garage (future truck inn) was developed as well as a Tower Mall who opened at the end of 2013. Towards the east of this corridor the new Matlosana Mall opened at the end of 2014. This development has also affected the decentralisation of business into the Northern suburbs of Klerksdorp and business activities along the N12. Population and household growth have slightly increased over time. The average annual population growth between 2011 and 2021 was 1.04% and the average annual household growth between 1996 and 2020 was 3.46%. The household growth has increased over time. Population growth showed a slower increase and was at 0.35% in 2021.

3. STATUS QUO ASSESSMENT

The objective of the assessment is to determine the status quo and the root causes of the financial crisis. The outcome of the assessment must be measured against existing legislation, best practice benchmarks and targets or standards provided for in the MFMA Circulars. The findings of the status quo assessment will be used to prepare and appropriate recovery plan. The status quo assessment entails detailed analysis and reviews conducted against the four (4) pillars, i.e., Governance, Institutional, Financial Management and Service Delivery, to identify the main root causes behind the financial crisis. This process will identify the specific issues which must be resolved as they have an impact on the financial sustainability, service delivery and general well-being and quality of life of the communities that the municipality serves.

3.1 GOVERNANCE

Governance Overview

Governance Model

Council: The Municipal Council is composed of 77 councillors, 39 ward councillors and 38 proportional representations (PR), the councillors are deployed to serve on the various committees. The Executive Mayor, Speaker and committee structures are in place. The Municipal council sits according to the approved institutional calendar for council and committee meetings. The ward committees held at least 4 meetings during the year. There are information and report flow between Council, Administration and Stakeholders. The key issues below were identified:

- The municipal councillors are owing the Municipality an amount of R1 521 255 million in arrears as at 30 June 2023 of which R1 431 130 is owed more than 90 days.
- The municipality has one of the highest unauthorised, irregular, fruitless and wasteful expenditure (UIFW) balances in the province, and efforts to investigate the matters according to section 32 of the MFMA has not been successfully performed.
- Non-compliance with legislation remains a concern in moving the municipality towards achieving the desired audit outcomes and requires urgent attention from the accounting officer. Various repeat findings were identified relating to the quality of financial statements submitted, expenditure management, and non-compliance to supply chain management (SCM) prescripts.

Exco: The committee consists of 10 council members and all members have portfolios assigned. The members meet on a regular basis and reports tabled.

Municipal Public Accounts Committee (MPAC): The committee consists of 12 Council members, which meets the basis in line with the approved institutional calendar and also provides oversight on the Annual Report of 2020/21 and 2021/22. MPAC tabled its oversight on the Annual Report with findings and recommendations.

Risk Management Committee: The structure comprises an independent external Chairperson and top management. The Council approved the Risk Committee Charter, Risk Registers and Risk Management Implementation Plan for 2022/23. The Risk Committee met 4 times during the 2021/22 financial period. However, the Auditor General reported that financial and SCM/procurement risks were not adequately addressed by the fraud prevention plan, risk management strategy and risk assessment policy as evidenced by the repetitive audit findings and increase in Unauthorised, Irregular, Fruitless and Wasteful Expenditure.

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The AG also raised that the root cause of the lack of effective prevention and detection is due to management not exercising oversight responsibility regarding supply chain processes, compliance and related internal controls regarding the awarding of tenders and quotations.

Audit Committee: It was noted that the Audit Committee is fully constituted. However the effectiveness of the audit committee and internal audit's role as an assurance provider was compromised by management's inability to adequately address and react to internal audit's findings and recommendations as well as non-compliance with laws and regulations.

Powers and functions

The Municipal Council performed its functions of, passing by-laws, provided basic services such as water, electricity, sanitation and waste management. However, Council has been approving unfunded budgets for the past 5 years resulting in the municipality being unable to meet its short-term obligations towards Eskom and Midvaal.

Contract Management

The contract management committee has been established, but not functional. Contract management is in place which was developed by the Provincial treasury for the use by all Local Municipalities within the province. The inefficiencies noted from the contract management were irregular appointments, contract register in place, but not being updated and monitored.

UIF&W and consequence management

The unauthorised, irregular, fruitless and wasteful is escalating with no investigations performed and consequence management implemented. Furthermore, the AGSA has issue material irregularities on the Fresh Produce due to the municipality incurring financial losses of R43 343 273 from 2017 to 2021, R3 149 521 in 2022 and further losses of R3 314 944 were incurred in 2023. The Municipal Disciplinary Board is not functional, and cases are not referred to the disciplinary board. In 2023 the AGSA reported the pollution of water resource not treated at Orkney Waste Water Treatment as material irregularity.

UIF&W	2022/23	2021/22	2020/21
Unauthorised expenditure	R4 503 259 011	R4 133 642 424	R3 176 530 653
Irregular expenditure	R2 999 371 522	R3 966 427 579	R3 665 341 389
Fruitless & Wasteful expenditure	R432 111 833	R198 427 423	R85 506 270

The Audit Action Plan

The Municipality has developed an action plan that is monitored and reported internally and to stakeholders including the North West Provincial Treasury. However, AG raised various repeat findings relating to the quality of financial statements submitted, expenditure management, and non-compliance to supply chain management (SCM) prescripts.

Information and Communications Technology (ICT)

The Information and Communication Technology Unit is critical to efficient and effective running of the municipality as it ensures compliance, availability, continuity, integrity and security of the municipality's data, hardware, software and network architecture. The ICT unit is staffed with 4 employees including ICT Manager however the following key issues were identified with regards to ICT governance:

- IT Governance and IT Strategic plan not in place
- Audit findings not adequately addressed resulting in repeat findings.
- Outdated ICT infrastructure due to budget constraints

Immovable Property Management

The municipality has a high number of cases of vandalism of infrastructure assets and theft which results in high security costs. The AGSA reported that during a physical verification and site visit at the James Motlatsi Stadium the facility was significantly vandalised and destroyed. This is caused by insufficient security measures at municipal facilities, MPAC recommended that an assessment should be performed, and remedial action taken to safeguard assets of the municipality.

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

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Governance Model (council and committees)	<p>A code of conduct for councillors is in place, signed by councillors as acknowledgement of receipt.</p> <p>Councillors annually signs declarations of interests.</p> <p>The Municipal councillors owe R 1 521 255 as at 30 June 2023 of which R 1 431 130 is owed more than 90 days.</p>	<p>Non-compliance with the MSA due to debt owed by Council Members amounting to R1,5 million as at 30 June 2023.</p> <p>Some councillors and staff members are not paying the municipality timely for service charges thereby cultivating the culture of non-payment within the community and loss of revenue to the municipality.</p>	<p>Councillors failing to uphold the Councillors Code of Conduct General Conduct provisions which stipulate that a councillor must at all times act in the best interest of the municipality.</p> <p>Inaction by the Human Resources Department to immediately deduct monies owed by staff on municipal accounts once the three months threshold has been breached as per the council Code.</p>	<p>The Accounting Officer must immediately Implement debt collection policies and the Municipal Systems Act Schedule 2 provision (10) which states that, "A staff member of a municipality may not be in arrears to the municipality for rates and service charges for a period longer than 3 months.</p> <p>The Accounting Officer must recover funds owed on accounts that are overdue for three months through the payroll, clearing all accounts within 12 months.</p>	<p>Annual Report 2021/2022 audited 2022/23 AFS additional disclosure</p> <p>Provincial Treasury Mid-term budget and performance Assessment on the City of Matlosana (slide 6).</p> <p>2021/22 AGSA Final Management Report and Audit Report.</p> <p>Debtors Age Analysis Report Sec 71</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
				Include a separate agenda in council meetings to remind councillors owing the municipality to settle their dues.	
	<p>Municipal Public Accounts Committee (MPAC):</p> <p>The MPAC committee is in place and sat 33 times to monitor the performance and financial situation of the municipality. However, the Unauthorised, Irregular, Fruitless and Wasteful expenditure is escalating.</p> <p>Unauthorised Expenditure: 2022/23: R4 503 259 011</p>	The committee did not ensure that all the cases of UIFW are investigated to determine if losses were suffered by the municipality for recovery of write offs.	<p>Inadequate oversight of</p> <p>Lack of consequence management</p>	<p>Implementation of Consequence Management, UIFW must be referred to MPAC for investigation and disciplinary board for financial misconduct.</p> <p>Capacitate MPAC to enhance efficiencies, responsiveness, accountability, and corporate governance best practices.</p> <p>Implementation of Section 32 of the MFMA and Circular 68.</p>	<p>Annual Report 2021/2022 audited AFS additional disclosure Pg 451</p> <p>MPAC Oversight Report 2021/22</p> <p>Provincial Treasury Mid-term budget and performance Assessment on the City of Matlosana (slide 6).</p> <p>2021/22 AGSA Final Management Report and Audit Report.</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>2021/22: R4 133 642 424 2020/21: R3 176 530 653</p> <p>Irregular Expenditure: 2022/23: R2 999 371 522 2021/22: R3 966 427 579 2020/21: R3 665 341 389</p> <p>Fruitless & Wasteful expenditure: 2022/23: R432 384 410 2021/22: R198 427 423 2020/21: R85 506 270</p>				
	<p>Risk Management Committee:</p> <p>The municipality has a deficiency in internal controls creating a weak internal control environment. The audit committee is of the</p>	<p>The fraud prevention plan, risk management strategy and risk assessment policy is ineffective.</p>	<p>Inadequate expertise and capacity to provide strategic and operational leadership on risk matters.</p>	<p>Municipality to facilitate training and workshop on risk management.</p> <p>Review the fraud prevention plan, risk management strategy and risk assessment</p>	<p>Annual Report 2021/2022 audited AFS additional disclosure Pg 451</p> <p>Provincial Treasury Mid-term budget and performance Assessment on the</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>opinion that municipality's risk management appears to be ineffective although the municipality did implement a comprehensive risk management strategy and related policies.</p> <p>The Auditor General reported that financial and SCM/procurement risks were not adequately addressed by the fraud prevention plan, risk management strategy and risk assessment policy as evidenced by the repetitive audit findings and increase in Unauthorised, Irregular, Fruitless and Wasteful Expenditure.</p>	Repeat audit findings on risk management weaknesses.	Recommendations by internal audit are not adequately implemented.	<p>policy to address the financial and SCM/Procurement risks identified.</p> <p>The North West Provincial Treasury should assist the Municipality Internal Audit with the design and the implementation of the Risk Management Plan.</p>	<p>City of Matlosana (slide 6).</p> <p>2021/22 AGSA Final Management Report and Audit Report.</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>Audit Committee:</p> <p>The following findings were raised on the audit committee per in the AG Report</p> <p>Ineffective audit committee and internal audit's role as an assurance provider was compromised by management's inability to adequately address and react to internal audit's findings and recommendations as well as non-compliance with laws and regulations.</p>	<p>Audit committee recommendation not fully implemented by management including non-compliance with laws and regulations compromising the effectiveness of the Audit Committee and the role of internal audit as assurance providers.</p>	<p>Inadequate monitoring and evaluation of the work of the audit committee by Council.</p>	<p>The Council of the municipality should ensure that the audit committee complies with best practices and the MFMA requirements.</p> <p>The Audit Committee should schedule engagements which align with Council meetings and oversight committees to discuss, report and advise Council on governance and all matters affecting the efficient and effective running of the municipality.</p>	<p>Annual Report 2021/2022 audited AFS additional disclosure Pg 451</p> <p>Provincial Treasury Mid-term budget and performance Assessment on the City of Matlosana (slide 6).</p> <p>2021/22 AGSA Final Management Report and Audit Report.</p>
System of Delegations	<p>The municipality has a system of delegations which is not fully compliant with the Municipal Systems Act.</p>	<p>Delays in reviewing the system of delegations which impacts its relevance in line with changes in the provisions of Municipal Systems Act.</p>	<p>Council Abdicating the responsibility of developing and maintaining a system of delegation as per</p>	<p>Review and approve the system of delegations in line with the Municipal Systems Act.</p>	<p>System of delegation</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
		The system of delegation was not reviewed when the current council's start of term of office, and when the current MM was appointed.	Systems Act sec 59. Council's failure to abide by the MFMA Circular 73 which stipulates A municipality must periodically review its system of delegations for validity and completeness and specific responsibility must be assigned to an official to manage, maintain and monitor delegations in the municipality. A municipality's delegations must be aligned to measurable objectives and the organisational structure.		

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	The existing system of delegations incorporates role clarification between the political office bearers, Senior Managers, and the Accounting Officer; however, it does not cascade to all lower levels below Senior Managers reporting to the Municipal Manager. In addition, it does not cover the delegations of the Legal Department. There is no delegations register in place.	The municipality's system of delegations does not cover positions below the senior managers. No delegations register in place	Accounting Officer abdicating responsibility in sec MFMA sec 79 for ensuring that an appropriate system of delegations is developed to maximise administrative and operational efficiency and provide adequate checks and balances in the municipality's	Update the system of delegations to cover all positions below senior managers. Accounting officer to oversee the development and implementation of a delegations register. Accounting Officer to review delegations register monthly.	Annual Report 2021/2022 IDP 2022/2023
Contract Management	No Contract Management Framework Contract Management Committee established but not effective. No Contracts Management Policy in place.	Contracts Management register provides no evidence of tracking of contracts performance. Non-compliance with Supply Chain Management policies and regulations resulting in escalation of Unauthorised,	Non implementation of the National Treasury and Provincial Treasury Contract Management Framework	The contract management committee to sit quarterly or monthly to monitor the implementation of contract management in line with section 116 of MFMA.	Annual Report 2021/2022 2021/22 AGSA Audit Report and Management Report

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>A contract register is in place and updated regularly.</p> <p>Contracts filing is currently decentralised and manual documents are kept</p> <p>The municipality does not monitor the performance of contractors, service providers or consultants.</p>	<p>Irregular, Fruitless and Wasteful Expenditure</p> <p>Lack of contract performance measures</p>	<p>Lack of oversight regarding contract performance management, compliance and internal controls</p> <p>Contract management committee not sitting and monitoring the implementation of the contracts in line with section 116 of MFMA</p>	<p>The municipality to developed and approve the contract management framework</p>	<p>2020/21 & 2021/22 MPAC Oversight Reports</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Litigations contingent liabilities	<p>The municipality has a legal services department to advise them and handle the legal cases. The legal services report to the Director: Corporate Support. (Corporate Legal Services Organogram).</p> <p>In the Annual Report/Annual Financial Statements (AFS) the municipality reported litigations against the municipality amounting to R607 million in 2022 and R620 million in 2021. The litigation has slightly reduced from the previous financial period however the claimable amount is still high exposing the municipality to financial risk should the plaintiffs succeed in the litigation.</p>	<p>Litigation against the municipality mainly caused by contractual issues resulting in high risk of financial exposure should the claimants win their cases against the municipality.</p> <p>There is no litigation reduction strategy in place.</p>	<p>Inadequate contract management and performance monitoring of service providers.</p> <p>Lack of litigation strategy and lack of Litigation Management, therefore inadequate leadership on management of legal issues</p>	<p>Develop, approve, and implement the Litigation Strategy and Litigation Reduction Plan</p> <p>Develop, approve, and implement systems of internal controls on litigation management. Perform a cost benefit analysis before pursuing a legal case.</p> <p>The Contract Management Committee that has been established consists of all Directors, legal and SCM officials. The committee is mandated to monitor the performance of service providers as the service level agreement. The Committee should</p>	<p>Annual Report 2021-22 Pg 145</p> <p>Annual Financial Statements 2021-22</p> <p>Corporate Legal Services Organogram</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>The top five (5) of the litigations totalling R531 750 653 (85%) of total litigation relate to service level agreement (SLA) termination disputes and loss of income. The contingent liabilities increased from 2022 amounting to R692 073 695 in 2023 financial period.</p> <p>The municipality is currently under debt relief of Eskom according to circular no.124, the conditions set out restrict the municipality from defaulting on Eskom monthly obligations. Furthermore, the municipality is not meeting its monthly obligations towards Midvaal.</p>	Failure to comply with debt relief conditions as per circular no.124, resulting in the re-attachment Bank account by Court Order (Eskom)	Non-compliance with legislation to pay debt within 30 days	<p>report on its mandate and performance to Council.</p> <p>The Contract Management Committee should sit on a regular basis to review contracts and the clauses and processes of dealing with non-performance of service providers.</p> <p>The Contract Management Committee should ensure that the contract management module on the core system is implemented and fully utilized to mitigate risk of contractual disputes.</p> <p>A legal assessment on reasonable prospects of success on all pending litigations</p>	

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Focus Area	Brief analysis	diagnostic	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
					<p>should be conducted to limit financial risk exposure.</p> <p>The municipality should ensure that the conditions of the debt relief are fully met and must on a monthly basis submit a report to the National Treasury and relevant Provincial Treasury reporting on its compliance with the conditions for Municipal Debt Relief by no later than 10 working days after the end of each month to ensure the relief does not lapse due to non-compliance with any of the conditions set out</p>	

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
UIF&W and Consequence Management	<p>The municipality's unauthorised, irregular, fruitless and wasteful expenditure is escalating annually.</p> <p>The municipality disclosed UIFW in the AFS amounting to:</p> <p>Unauthorised Expenditure:</p> <p>2022/23: R4 503 259 011</p> <p>2021/22: R4 133 462 424</p> <p>2020/21: R3 176 530 653</p> <p>The municipality disclosed in the 2021/22 that the significant increase of unauthorised expenditure in 2022 was caused by impairment on consumer debtors and bulk purchases. It was also noted that the opening balance would be dealt with in line with the MFMA however no</p>	<p>Rising levels of UIF & W</p> <p>Consequence management not implemented.</p>	<p>UIF&W not investigated by MPAC and lack of accountability to ensure efficient and effective use of municipal resources.</p> <p>Culture of accountability not adequately enforced in the municipality.</p>	<p>All the Oversight Committees should coordinate recommendations and findings including those from the AGSA and Council should implement the resolutions. MPAC should investigate all UIF&W findings in line with s32 of the MFMA.</p> <p>The Municipal Disciplinary Board must be capacitated in line with the Financial Misconduct Regulations to investigate any allegations of financial misconduct.</p> <p>Council should implement the recommendations of</p>	<p>Annual Report 2021-22 Pg 448</p> <p>Annual Financial Statements 2021-22 & 2022-23</p> <p>AGSA Audit Report and Management Report City of Matlosana 2021-22 & 2022-23</p> <p>MPAC Oversight Report 2020/21 & 2021/22 (UIF + W) Expenditure Policy 2019/2020 Pg 2 PT Assessment Mid-Term City of Matlosana (slide 22).</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>criminal or disciplinary steps have been taken.</p> <p>Irregular Expenditure: 2022/23: R2 999 371 522 2021/22: R3 966 427 579 2020/21: R3 665 341 389</p> <p>The municipality disclosed in the 2021/22 AFS that no disciplinary action has been taken as investigations are in progress.</p> <p>MPAC Oversight reported noted the repeat findings in irregular expenditure. The committee referred the matters to the Municipal Disciplinary Board for Financial Misconduct and recommended that irregular expenditure be treated in line with s32 of the MFMA.</p> <p>Fruitless & Wasteful expenditure:</p>			the Audit Committee to develop and implement consequence management framework.	

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>2022/23: R432 111 833 2021/22: R198 727 423 2020/21: R85 506 270</p> <p>The municipality disclosed in the 2021/22 AFS that no disciplinary action has been taken as the interest expense incurred on ESKOM, Midvaal, SARS and AGSA are resulting from cash flow constraints.</p> <p>Material Irregularity (MI) The AGSA reported the following material irregularities:</p> <p>Fresh Market dues not collected resulting in financial losses of R43 323 273 from 2017 to 2021, R3 149 521 2022 and further losses of R3 314 944 were incurred in 2023.</p>	<p>The financial losses suffered by the municipality from the Fresh Produce Market have not been recovered from the implicated officials.</p> <p>The lack of maintenance of the Water Treatment plant is causing harm to the environment and the community.</p>	<p>Pending legal action to attach the pension funds of the implicated officials.</p> <p>Lack of oversight</p>	<p>Assessment to be performed of the maximum amount that the municipality can claim from the pension should the legal action succeed. Council to provide oversight on the pending matter and ensure that the municipality recovers the financial losses incurred in full.</p>	

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	In 2023 the AGSA reported the pollution of water resource not treated at Orkney Waste Water Treatment as material irregularity.			A comprehensive assessment of the condition of the treatment plant should be performed. The maintenance plan should be devised and implemented in with budget.	
Audit action plans (internal and external)	The AG noted that the action plan was developed but was not fully implemented and monitored (Management Report City of Matlosana 30 June 2022).	<p>Repeat findings on the quality of the financial statements and non-compliance with laws and regulations in respect of SCM and payments within 30 days</p> <p>Three (3) Material Irregularities issued by the AGSA has not been addressed by the municipality</p>	<p>Lack of appropriate coordination on the implementation of audit action plan and inadequate monitoring oversight by Council and all oversight committees to prevent the re-occurrence of repeat findings.</p> <p>Lack of consequence management</p>	A comprehensive action plan should be compiled, incorporating all the findings from external audit, internal audit, oversight committees. The progress on the action plan should be reported to Council and Oversight Committees regularly and action taken should the recommendations not be implemented.	<p>Post Audit Action Plan (PAAP) - 2021/2022.</p> <p>PT Assessment Mid-Term City of Matlosana</p> <p>Post Audit Action Plan (PAAP) - 2021/2022</p>

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				<p>Consequence management should be implemented where responsible municipal officials do not address findings per the agreed due date.</p> <p>The municipality should compile an action plan for the Material Irregularities</p>	Management Report City of Matlosana 30 June 2022 by AGSA
Information and Communications Technology	<p>As noted in the Annual Report, the ICT unit is faced by funding challenges resulting in the municipality not dealing with slow network speeds and inadequate integration between applications.</p> <p>The AGSA raised the following findings on ICT:</p>	<p>IT Governance and IT Strategic plan not in place</p> <p>Outdated ICT infrastructure</p>	<p>Inadequate oversight by council to ensure that ICT policies and frameworks are in place.</p> <p>Council not exercising oversight on the IT/Data security</p>	<p>An ICT committee has been established and combined with mSCOA committee. A clear mandate for ICT should be established that has a term of reference aligned to the needs of the municipality with regards to effective governance.</p>	<p>City of Matlosana Management Report by AGSA 2011-22 & 2022-23</p> <p>Workstream Meeting 7th July 2023</p>

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<ul style="list-style-type: none"> ●IT Unit not well capacitated to address infrastructure challenges and support. ●Lack of formal ICT Change management policy or procedures. ●No off-site backup of financial information is in place for the Fresh Produce market system. ●Inadequate ICT general and application controls. (User access management policy). Section 63(1) (a) of the MFMA states that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including 	Audit findings relating to ICT not adequately addressed.	<p>and integrity.</p> <p>Inadequate financial resources allocated for needed ICT.</p> <p>Lack consequence management</p>	<p>Council should provide oversight and ensure that ICT Governance and IT Strategic plans and all relevant ICT policies developed, updated, and reviewed.</p> <p>Council should prioritise ICT in the IDP and budget. Municipality to assess human resource capacity needs for ICT.</p> <p>Implement consequence management for failure to implement the recommendations from audit findings</p>	

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	the safeguarding and the maintenance.				
Immovable Property Management	<p>Section 63(1) (a) of the MFMA states that the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance.</p> <p>It was noted during an AG physical verification and site visit at the James Motlatsi Stadium that the facility was significantly vandalised and destroyed.</p>	The assets of the municipality are subjected to high levels of vandalism and theft resulting in financial losses.	The acts of vandalism and theft by organised groups are beyond the capacity of the municipality's security measures.	An intergovernmental engagement should be facilitated, and a plan should be crafted and funded to assist the municipality to safeguard the assets	<p>Annual Report 2011/22</p> <p>MPAC Oversight Report 2021/22</p> <p>Audit Report 2021/22 issued by AGSA.</p> <p>Risk Assessment Report 2022/2023</p> <p>Detailed management report Pg 105</p>
Powers and Functions	The municipality performs the following unfunded mandates:	Increase in operational expenditure.	Lack of a clear mandate between the municipality and stakeholders	Conduct cost benefit analysis (operational expenditure vs revenue collected)	Annual Report 2021/2022 Pg7, Pg 318

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<ul style="list-style-type: none"> Health services (Nurses) Libraries Disaster Management services Vehicle testing Vehicle licencing and driver's license <p>The Municipality is not able to meet its short obligations towards Eskom (electricity) and Midvaal (water) amounting to R1.6 billion and R1.2 billion respectively as at 31 March 2023</p>	<p>The municipality does not have adequate funding to perform all its functions.</p> <p>The lack of the SLAs could potentially result in unforeseen costs as the cost implications are not clearly defined.</p> <p>Inability to meet it's financial obligations towards provision of the water and electricity</p>	Unfunded budgets	<p>MLM needs to structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community.</p> <p>Redesign and negotiate mandate agreements.</p> <p>Negotiate with the District Municipality for them to be part of mandates for Disaster management.</p>	IDP 2022/2023 Pg 119 Municipal budget
By-Laws	Spatial planning and Land use management by-law last updated 2016	Illegal occupation and unauthorised buildings;	Ineffective enforcement of land use by-law	Review and approved Spatial planning and Land use management by-law and enforce land use regulations; implement penalties and sanctions on	SPLUMA By-law

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
				structures without approved building plans in the formal areas.	
	Waste Management	Land pollution, hence, land waste. Contamination of water bodies	Ineffective enforcement of by-laws; no effective sanctions for non-compliance	Develop and implement waste management by-law' enforce waste disposal site compliance, initiate waste recycling activities. For all out-dated By-laws the municipality should undertake an audit on the status of all Council By-laws, and source funding or the promulgation of new by-laws	2024 IDP

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3.2 INSTITUTIONAL ARRANGEMENT

Institutional Overview

The operating model was not aligned to the execution of the Municipality's mandate and there were significant challenges with filling vacancies in critical decision-making positions which hamper service delivery. The municipality organisational structure was approved in April 2017 and management was in the process of reviewing the organisational structure which was still to be approved by the Council and must be aligned to the new Municipal Staff Regulations which came into effect in 2022.

Key issues identified in relation to the institutional arrangement are as follows:

- The Municipality has a number of vacancies in critical decision-making positions and experienced delays in filling these critical positions. Four (4) senior managers were acting in their roles.
- Lack of implementation of the Consequence Management Framework leading to ineffective performance management and lack of accountability.
- Performance Management is currently implemented for senior management and not cascaded to lower-level employees.

HR Strategy: The Integrated Human Resource Management Strategy (IHRMS) was developed and approved. However, it highlights the challenges that need to be addressed from a human capital perspective. It has gaps on the Key Performance Actions (KPA) and budgeting, which are key strategic factors.

Records Management: An approved Record Management Policy is in place, however the approved file Management Plan was not submitted.

Verification of all employees and qualifications against the payroll: Verification of employees was not done quarterly. Verification of staff qualifications was not conducted.

Staff discipline and Disciplinary Board: The Disciplinary Board was not effective.

Key HR Policies: Key policies were updated and reviewed in the last financial year. The following policies were identified as not updated: Abuse Policy, Incapacity, Ill Health and Injury Policy, Harassment Policy, Alcohol and Drug Policy.

Skills & competencies: An Annual Skills Audit has not been performed for all directorates.

Employee cost: The municipality's employee cost is within the National Treasury norms of 25%-40%.

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In the financial year 2021/2022 the employee related costs were 15% as compared to 17% for the prior year against the total operating expenditure.

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

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Operating model	<p>The operating model was not aligned to the execution of the Municipality's mandate and there were significant challenges with vacancies in critical positions.</p> <p>The City of Matlosana has the following directorates to assist in the</p>	<p>The municipality's administrative structure has faced some challenges in the past and current, in relation to filling critical positions, retaining skilled officials in their posts, this has contributed to the municipality not being able to fulfil its core functions internally without outsourcing some of the functions.</p>	<p>Inadequate performance of the Municipality.</p> <p>Inadequate service delivery at the Municipality</p>	<p>Review the municipal operating model in line with the Municipal Staff Regulations.</p> <p>Identify and prioritize the recruitment of critical vacant such as section 56 managers as recommended by COGTA.</p>	<p>District Development Model</p> <p>2021/22 Annual Report</p> <p>Organisational Structure</p> <p>Management Report</p> <p>Various Municipality Policies</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>operations of the municipality:</p> <ol style="list-style-type: none"> 1. Budget & Treasury 2. Corporate Support 3. Community Development 4. Public Safety 5. Technical & Infrastructure 6. Planning & Human Settlements 7. Local Economic Development 				Northwest Provincial Treasury 2022/23 Mid Term Budget Assessment.

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Organizational structure	<p>The organisational structure was approved on 21 April 2017. 7 directorates (excluding MM office) and a total of 2 540 were approved. 26% of the positions were vacant (664 vacant).</p> <p>8 out 45 senior management positions (level 1-3) were vacant, whereas 27 out of 123 highly skilled supervisory</p>	<p>Outdated organisational structure with levels of vacancies.</p>	<p>Ineffective recruitment planning and execution.</p> <p>Ineffective oversight by the Council.</p>	<p>Review organisational structure in compliance with the Municipal Staff Regulations and the strategic objectives of the municipality. Council to approve the organisational structure.</p> <p>Ensure adequate budgeting to support the organisational structure.</p> <p>Review and evaluate all job descriptions.</p>	<p>2021 Annual Report pg. 265-9</p> <p>Management Report.</p> <p>Directorate Organograms</p> <p>Recruitment Policy</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>positions were vacant. Almost 7% of the vacancies were at supervisory to senior management levels.</p> <p>Five directors occupied roles in acting capacity. Corporate Support, Community Development, Technical & Infrastructure, Public Safety, and Local Economic Development.</p>			<p>Improve on the recruitment processes.</p> <p>Conduct staff verification regularly</p> <p>Improve monitoring, evaluation, and execution of the human resource strategy.</p>	Resignations 2022-23 pg 4/42

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Employee cost	In the Annual Audited Report (2021/2022), the employee costs were 15% of OPEX and budgeted employee costs were 18% of OPEX. It should also be noted that the municipality has a high level of vacant positions in senior management position, and if filled will result in an increase in employee costs,	Employee costs are currently 15% of the operating expenditure. The low % could point to a high level of critical vacancies especially in senior management position and general understaffing.	Critical Vacant positions. General understaffing.	Conduct a staff complement evaluation against organisational needs as per the revised Organisational Structure. Given the liquidity position of the Municipality, it will be recommended for the Municipality to control its payroll budget and plan for the acquisition of skills in line with cashflow improvements.	Annual Report 2021/2022 Labour Progress Report – April 2023 (Unsigned) Code of Conduct Disciplinary Procedure Collective Agreement. Annual Report pg. 274

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	thereby increasing the percentage of employee costs to OPEX.				
Management of Overtime	The overtime incurred for the 2022 Financial year is R61 809 667 (2021: R R55 990 580) which is excessive. There is a 10% increase in the overtime costs in the 2022 financial year as compared to 2021 financial year. Furthermore, overtime reported	Excessive Overtime	<p>Lack of internal controls to monitor overtime.</p> <p>Inadequate management of overtime claims resulting in high employee costs</p> <p>Ageing infrastructure resulting in increased breakdown of infrastructure.</p>	<p>Regular review and enforcement overtime policy in line with the Basic Conditions of Employment Act.</p> <p>Perform an audit of the overtime.</p> <p>Review the Standard Operating Procedures in approving overtime</p>	<p>Annual Report</p> <p>AGSA Audit Report</p> <p>Annual Financial Statements 2021, 2022 and 2023</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	in 2023 financial year sits at R69 475 476 resulting in a further 12,4% increase compared to 2022 financial period.				
Labour relations (Staff discipline and Disciplinary Board)	Several misconduct incidents recorded relating to financial misconduct - including dishonesty, fraud, and theft. Challenges in appointing Presiding Officers and Prosecutors.	Ineffective disciplinary processes. Inefficient enforcement of labour relations policies and delays in execution.	Limited capacity of initiators and Presiding Officers on disciplinary matters. Delays in Consequence Management.	Empower and train s56, managers and supervisors to be utilised initiators and Presiding Officers. Utilise officials from other government departments, municipalities and or SALGA databases to conduct disciplinary	Annual Report Labour Progress Report – April 2023 (Unsigned) Code of Conduct

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>Disciplinary Board:</p> <p>The Disciplinary Board was approved by the Council on 29 November 2022 in terms of the Financial Misconduct Regulations.</p> <p>The appointment letters were dated 8 February 2023. The resolution was approved on 29 November 2022 - CC 202/2022. Management was</p>	<p>The terms of reference of the Disciplinary Board has not been finalised</p>	<p>Ineffective oversight by the Council.</p>	<p>cases on behalf of the municipality.</p> <p>The Municipal Disciplinary Board must be capacitated in line with the Financial Misconduct Regulations to investigate any allegations of financial misconduct. Consult with COGTA regarding training plans for the Disciplinary Board.</p>	<p>Disciplinary Procedure Collective Agreement.</p> <p>Annual Report pg. 274</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>in the process of finalising the Disciplinary Board Terms of Reference.</p> <p>Disciplinary actions were taken against 10 employees after investigations were done. 2 were dismissed, 3 resigned, 3 received written warnings and 2 cases remain open.</p>				

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Skills & competencies	<p>An Annual Skills Audit was not fully conducted. The following two directorates - Technical & Infrastructure and Community Development conducted the audits.</p> <p>The municipality underspent on its skills development budget, utilising only 57% of the budget (R1.260</p>	<p>Failure to conduct skills audits.</p> <p>Reliance on consultants and service providers, especially in the Budget and Treasury Office (BTO),.</p> <p>Skills and competencies are not in line with municipal needs.</p>	<p>Lack of requisite skills to perform key and core functions.</p> <p>Incapability of management to perform their functions and duties.</p> <p>Lack of training and appointment of staff with appropriate skills</p>	<p>Ensure that all affected employees (BTO/SCM) and managers are assisted to meet the minimum competency levels as required by the regulations.</p> <p>Conduct an enterprise-wide skills audit using the Department of Cooperative Governance Gap Skills tool.</p> <p>Conduct a verification of qualifications of all the employees.</p>	<p>Annual Report pg. 157, 269, 276, 277</p> <p>Works Skills Plan</p> <p>Detail Findings of the Management Report pg. 84</p> <p>Training and Development Policy</p> <p>Works Skills Plan</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>million of R2.212 million).</p> <p>The annual Workplace Skills Plan (WSP) is in place, but not fully implemented.</p>			<p>Conduct training and review the municipal training needs on an ongoing basis.</p> <p>Ensure adequate funding for the skills development and WSP implementation budgets.</p> <p>Empower and equip the training committee.</p> <p>Improve performance management systems.</p>	

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Performance Management	The performance management framework was in place.	Performance was not cascaded down to other staff levels below the s56/57 managers (top-down implementation and reviews).	<p>Ineffective implementation of performance management systems across the board.</p> <p>Failure to implement an effective performance management system.</p> <p>Lack of employee engagement.</p>	<p>Improve performance planning, implementation, and reporting.</p> <p>Appoint S.56 senior managers permanently.</p> <p>Develop a remediation plan to deal with the performance gaps.</p> <p>Implement consequence management for inadequate performance and non-compliance.</p>	<p>Performance Management Framework 2022, pg. 3</p> <p>Retention of Staff Policy</p> <p>Annual Report (2021/22), pg. 247</p> <p>Details to Findings to Management Report.</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
				<p>Cascade the performance management system to all staff below s56/57 managers (bottom-up approach).</p> <p>Ensure each employee has signed a job description with KPA & KPIs.</p>	<p>Performance Management Policy 2022 (confirm validity – sign off)</p> <p>Human Resource Plan</p> <p>Details to Findings to Management Report.</p>
Consequence Management	Misconduct cases were not being effectively managed and consequence	<p>Lack of accountability.</p> <p>Lack of consequence management in the municipality impacts service delivery and municipal finance management.</p>	<p>Inadequate leadership</p> <p>MPAC is not investigating all cases of UIFW and the</p>	Improve the culture of accountability.	Annual Report 2021/22 pg. 6, 7, 259, 261,

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>Management was not implemented. The Disciplinary Board was not effective.</p> <p>For example, unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality were not referred to the Disciplinary Board as required by section 32(a) and (b) of the MFMA.</p>		Disciplinary Board not being functional.	<p>Draft the Disciplinary Board Terms of Reference.</p> <p>Conduct workshops to explain the Code of Conduct for all staff and Councillors.</p> <p>Improve on monitoring of processes and all cases of misconduct to be reported.</p> <p>Ensure compliance with the regulations.</p>	Management Report

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
				Draft, get approval and implement the Consequence Management Framework as recommended.	
Key HR Policies	<p>The following policies were reviewed and were updated during the previous financial year:</p> <ol style="list-style-type: none"> 1. Code of Conduct 2. Recruitment Selection & 	<p>Inadequate Human Resource Planning.</p> <p>Ineffective policy drafting and monitoring.</p> <p>Ineffective policy governance and failure to adhere to a calendar of activities relating to policy reviews and updates.</p>	<p>Non-Compliance with laws and regulations.</p> <p>Ineffective policy drafting, review, and monitoring.</p> <p>Delays in appointing substantive leadership to oversee the governance of the municipality.</p>	<p>Conduct an audit on the status of all municipality policies on a yearly basis.</p> <p>Review on an annual basis all the HR policies.</p>	<p>Retention of Staff Policy</p> <p>Code of Conduct</p> <p>Disciplinary Procedure Collective Agreement</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>Appointment Policy</p> <p>3. Retirement Policy</p> <p>4. Training & Development Policy</p> <p>5. Leave Policy</p> <p>6. Overtime Policy</p> <p>7. Harassment Policy</p> <p>8. Alcohol & Drug Abuse Policy</p> <p>9. Incapacity, Ill Health & Injury Policy</p> <p>10. HIV Policy</p>		<p>Ineffective governance.</p> <p>Inadequate skills capacity</p>	<p>Ensure the procedure. manuals are in place to provide guidance on operational matters.</p> <p>Ensure when drafting policies, accountability provisions are included in the policies.</p> <p>Ensure workshops are conducted to explain the Code of Conduct.</p>	<p>Recruitment Policy</p> <p>Government Notice No. 45181- Local Government Municipal Staff Regulations.</p> <p>Recruitment Memo</p> <p>Recruitment Plan dated 12.04.2023.</p> <p>2021/22 Annual Report pg. 268</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	However, in some instances there were gaps in reviewing the policies annually as required, for example the Skills Development Policy and the Recruitment Policy.				
HR Strategy	The Integrated Human Resource Strategy (IHRMS) was in place and was approved.	Lack of strategic KPAs and budgets creates difficulties in setting targets, monitoring, performance reviews, and control.	Inadequate skills to define performance targets and budget planning. Ineffective performance management system.	Continuously review the IHRMS. Provide adequate training and upskilling.	Integrated Human Resource Management Strategy (IHRMS) pg. 11 & 13.

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	The strategy had gaps on budgets and KPAs.	Inadequate human capital due to high vacancies to support the strategy.	Unfilled positions.	<p>Define the KPA and allocate a budget.</p> <p>Improve strategy performance review processes.</p> <p>Ensure the right skills are employed by the Municipality.</p> <p>Always align the HR strategy with the IDP.</p>	<p>Integrated Human Resource Management Strategy (IHRMS) pg. 41 - 49</p> <p>Integrated Development Plan (IDP) 2019/20</p>
Physical Verification of staff and qualifications	Employee headcount was not being conducted.	Failure to conduct employee verification.	Inadequate human resources practices.	Conduct quarterly employee verification.	Audit Report 201/21

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	Qualifications verifications were not conducted at all employee levels.	The employees' qualifications are not verified to determine their validity.	Inadequate internal control systems.	Implement an attendance register either an electronic or manual register. Qualifications verifications must not be restricted to S56 and 57 employees only. All municipality employees' qualifications must be verified.	Management Report
Records Management	The Records Management Policy was last approved on 25 November 2014 by	No approved file management plan	Failure to review policies on an annual basis.	Review and update the record management policy annually.	Annual Report 2021/22 - pg. 269

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>Council and reviewed in 2022.</p> <p>Policy in compliance with the compliance record clause 2.2 of the Records and Archives Act, reviewed when necessary or on a need arises.</p>			Develop an approved file plan.	

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3.3 FINANCIAL MANAGEMENT

Financial Management Overview

The City of Matlosana is faced with severe going concern problems. The municipality has been operating on an unfunded budget for the past 5 years including the 2023/24 financial period. The municipality is unfunded with R2.7 billion for the 2023/24 financial period after all the municipality's liabilities are considered. The municipality revenue value chain is characterised by the following:

- Incompleteness of revenue base of the due to difference between valuation roll and financial system,
- Incorrect/ estimated meter reading due to damaged/faulty meters and restriction in some / no go areas,
- Distribution losses of water and electricity,
- Setting of tariffs that are not cost reflective,
- Failure to fully implement credit and debt collection policy resulting in culture of non-payment by customer.
- The debtors balance of the municipality is R7.5 billion as of 28 February 2023, relatedly, businesses owe the municipality R629 million, and government owe 112 million.

Furthermore, the municipality is not able to meet financial obligations as the creditors balance amounts to R2,17 billion as at 31 March 2023. The major creditors are Eskom and Midvaal Water sitting at R1,6 and R1,2 billion respectively. It takes the municipality at least 459 days to settle a creditor account due to cash flow problems.

The Municipality is still to address the weak internal control environment, non-compliance to policies and procedures especially the SCM laws and regulations resulting in escalating unauthorised, irregular, fruitless and wasteful expenditure.

The assessment performed by the Provincial Treasury of the 2023/24 Tabled Budget on the 3rd of May proposed that the municipality must develop and monitor the implementation of prudent fiscal measures to ensure that the Municipal budget be eventually funded, and expenditure prioritised to provide sustainable quality basic services to the communities. The Provincial Treasury proposed that budget can eventually be funded if the Municipality ensures that:

- a) existing revenue sources are protected and optimised
- b) revenue collection is enhanced

Given the cash flow challenges there is general lack of creditor management as evidenced by City of Matlosana Local Municipality failure to pay creditors within 30 days and defaulting on payment arrangements made. A review of the financial position of the municipality reflected the following:

- Creditors as of 31 March 2023 is R2.17 billion.
- 85% of the debtors sit in the range 120-Older category.
- The municipality current ratio for the past 5 years has been below the recommended ratio.
- This reflects the fact that the municipality is generally not paying the creditors' as they fall due.

Budget Assumptions

Below are the assumptions used by the municipality as assessed by the North West Provincial Government:

2022/23 MTREF BUDGET ASSUMPTIONS			
Description	2023/24	2024/25	2025/26
Property rates	6%		
Service charges - electricity revenue	18.63%		
Service charges - water revenue	8%		
Service charges - sanitation revenue	5.3%		
Service charges - refuse revenue	5.3%		
Employee related cost increase	5%	4.9%	4.7%

- Electricity tariff is proposed to increase by 18.6% for the 2023/24 MTREF and the municipality proposed to increase basic charge on electricity by 6%.
- Property rates tariffs is proposed to increase by 6% in the 2023/24 financial year above the CPI projections of 5.3%.
- Water tariff projection is 8% on sliding scale while basic charge will increase by 5.9% and Refuse and sanitation projection is at 5.3% in alignment with the CPI projection.

Summary of the 2023/24 MTREF Budget

Overview of the budget for the 2023/2024 - 2025/2026 BUDGET

NW403 City Of Matlosana - Table A1 Budget Summary										
Description	2019/20	2020/21	2021/22	Current Year 2022/23				2023/24 Medium Term Revenue & Expenditure Framework		
R thousands	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year	Budget Year +1	Budget Year +2
Financial Performance										
Property rates	334 343	425 503	451 441	507 345	532 836	532 836	424 518	561 076	588 569	616 232
Service charges	1636 099	1766 526	1901 216	2 308 170	2 205 332	2 205 332	1816 629	2 305 667	2 477 997	2 616 488
Investment revenue	16 545	8 060	10 685	9 270	9 270	9 270	14 884	9 761	10 239	10 720
Transfer and subsidies - Operational	443 368	530 448	511 231	561 824	559 978	559 978	548 867	616 921	668 887	721 546
Other own revenue	419 051	869 728	821 241	633 244	684 977	684 977	599 980	721 131	755 650	788 913
Total Revenue (excluding capital transfers and contributions)	2 849 406	3 600 265	3 695 815	4 019 854	3 992 393	3 992 393	3 404 878	4 214 556	4 501 342	4 753 899
Employee costs	642 949	711 929	686 188	744 037	742 862	742 862	702 923	785 821	824 354	867 936
Remuneration of councillors	34 575	36 496	34 189	39 456	39 456	39 456	36 912	41 586	43 832	46 199
Depreciation and amortisation	411 946	417 553	383 480	440 000	440 000	440 000	272 329	440 000	440 000	440 000
Interest	79 009	74 477	117 080	10 123	10 123	10 123	12 115	10 711	11 235	11 764
Inventory consumed and bulk purchases	723 508	788 646	912 766	1573 049	1573 049	1573 049	405 483	1550 025	1570 769	1596 308
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-
Other expenditure	1241 664	1627 125	1877 514	1448 865	1528 193	1528 193	1086 886	1364 177	1430 269	1500 404
Total Expenditure	3 133 651	3 656 226	4 011 218	4 255 531	4 333 683	4 333 683	2 505 747	4 192 321	4 320 459	4 462 611
Surplus(Deficit)	(284 245)	(55 960)	(315 403)	(235 677)	(341 291)	(341 291)	899 131	22 235	180 883	291 288
Transfers and subsidies - capital (monetary)	123 785	189 551	156 811	169 918	145 403	145 403	75 291	191 469	189 116	190 215
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-
Surplus(Deficit) after capital transfers & contributions	(160 460)	133 590	(158 592)	(65 759)	(195 888)	(195 888)	974 421	213 704	369 999	481 504
Share of Surplus/Deficit attributable to	-	-	-	-	-	-	-	-	-	-
Surplus(Deficit) for the year	(160 460)	133 590	(158 592)	(65 759)	(195 888)	(195 888)	974 421	213 704	369 999	481 504
Capital expenditure & funds sources										
Capital expenditure	97 881	191 473	152 541	217 038	205 436	205 436	91 509	231 469	189 116	190 215
Transfers recognised - capital	92 721	184 304	145 097	169 918	145 403	145 403	69 928	191 469	189 116	190 215
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	5 160	7 169	7 444	47 120	60 034	60 034	21 581	40 000	-	-
Total sources of capital funds	97 881	191 473	152 541	217 038	205 436	205 436	91 509	231 469	189 116	190 215
Financial position										
Total current assets	894 372	1133 933	1866 240	1314 681	1377 234	1377 234	2 610 629	474 072	1306 970	1561 392
Total non current assets	4 958 906	5 390 070	5 565 160	5 066 938	5 055 337	5 055 337	5 384 119	4 119 658	3 802 271	3 839 502
Total current liabilities	2 259 045	2 827 375	4 033 788	1831 731	2 362 598	2 362 598	4 122 880	230 387	646 165	809 548
Total non current liabilities	83 274	48 848	42 018	81 274	81 274	81 274	32 249	81 274	81 274	82 087
Community wealth/Equity	4 091 272	4 103 042	3 686 458	4 167 993	4 037 864	4 037 864	4 197 896	4 390 838	4 532 867	4 686 001
Cash flows										
Net cash from (used) operating	1706 919	1870 686	2 152 140	59 754	59 754	59 754	1830 596	218 461	346 320	433 184
Net cash from (used) investing	-	(140 342)	(152 541)	(217 005)	(217 038)	(217 038)	(82 935)	(231 469)	(189 116)	(190 216)
Net cash from (used) financing	(2 839)	-	-	1500	1500	1500	-	(2 300)	(2 300)	125
Cash/cash equivalents at the year end	1651 660	1593 957	1804 197	155 104	155 072	155 072	1747 661	197 692	352 596	595 689
Cash backing/surplus reconciliation										
Cash and investments available	(136 386)	(195 402)	224 921	398 392	398 392	398 392	193 157	197 692	680 940	912 641
Application of cash and investments	926 179	1136 796	1980 213	930 933	1435 143	1435 143	1251 362	(438 739)	(335 173)	(204 032)
Balance - surplus (shortfall)	(1062 566)	(1332 198)	(1755 292)	(532 541)	(1036 751)	(1036 751)	(1058 205)	636 431	1016 113	1116 672
Asset management										
Asset register summary (w/DV)	4 958 906	5 390 070	5 565 160	5 066 906	5 055 304	5 055 304		4 119 625	3 802 238	3 839 469
Depreciation	411 946	417 553	383 480	440 000	440 000	440 000		440 000	440 000	440 000
Renewal and Upgrading of Existing Assets	6 253	22 368	19 161	16 130	19 833	19 833		30 944	40 152	40 873
Repairs and Maintenance	141 223	125 569	115 619	223 989	262 504	262 504		291 378	304 765	-
Free services										
Cost of Free Basic Services provided	129 407	123 888	174 701	204 237	204 237	204 237		194 798	205 756	215 882
Revenue cost of free services provided	93 314	131 391	142 242	93 004	93 004	93 004		97 933	102 732	107 560
Households below minimum service level										
Water:	-	-	-	-	-	-		-	-	-
Sanitation/sewerage:	5	5	5	5	5	5		5	5	5
Energy:	168	180	180	20	20	20		20	20	21

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The City of Matlosana Local Municipality SQ Assessment Template

Assessment of 2023/24 budget

NW405 - Tlokwe-Ventersdorp		Table A4 Budgeted Financial Performance (revenue and expenditure)					CURRENT YEAR				MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK					
Description		2019/20	2020/21	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2023/24	2023/24	2024/25	2024/25	2025/26	2025/26	
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Treasury Calculation	Full Year Forecast	Pre-audit outcome	Budget Year +0	Treasury Calculation	Budget Year +1	Treasury Calculation	Budget Year +2	Treasury Calculation	
Revenue																
Exchange Revenue																
Service charges - Electricity	782,325	854,446	957,447	1,127,210	1,084,563	1,084,563	1,084,563	808,356	1,100,940	1,100,940	1,202,573	1,202,573	1,266,309	1,266,309		
Service charges - Water	603,946	653,812	650,602	783,676	743,676	743,676	743,676	685,594	787,552	787,552	834,018	834,018	883,225	883,225		
Service charges - Waste Water Management	112,787	118,205	125,356	173,864	153,673	153,673	153,673	130,119	162,319	162,319	171,453	171,453	181,103	181,103		
Service charges - Waste Management	137,040	140,063	167,812	223,421	223,421	223,421	223,421	179,747	254,856	254,856	269,953	269,953	285,851	285,851		
Sale of Goods and Rendering of Services	5,458	7,246	6,384	8,360	8,610	8,610	8,610	6,174	8,971	8,971	9,463	9,463	9,463	9,463		
Agency services	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Interest earned from Receivables	322,034	383,189	461,282	467,848	530,914	530,914	530,914	502,428	558,181	558,181	586,446	586,446	614,009	614,009		
Interest earned from Current and Non Current Assets	16,545	8,060	10,685	9,270	9,270	9,270	9,270	13,627	9,761	9,761	10,239	10,239	10,720	10,720		
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Rent on Land	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Rental from Fixed Assets	13,747	365,557	251,709	8,105	8,833	8,833	8,833	7,521	9,300	9,300	9,756	9,756	10,215	10,215		
Licence and permits	6,146	8,749	7,871	9,965	8,899	8,899	8,899	6,845	8,909	8,909	9,346	9,346	9,785	9,785		
Operational Revenue	32,743	46,412	42,360	87,769	70,669	70,669	70,669	34,586	77,620	77,620	79,609	79,609	81,611	81,611		
Non-Exchange Revenue																
Property rates	334,343	425,503	451,441	507,345	532,836	532,836	532,836	424,518	561,076	561,076	588,569	588,569	616,232	616,232		
Surcharges and Taxes	-	-	-	229	229	229	229	53	241	241	253	253	264	264		
Fines, penalties and forfeits	8,099	24,737	7,356	4,523	4,523	4,523	4,523	2,828	3,104	3,104	3,189	3,189	3,278	3,278		
Licences or permits	203	479	152	419	300	300	300	240	50	50	150	150	150	150		
Transfer and subsidies - Operational	443,368	530,448	511,231	561,824	561,978	561,978	561,978	548,019	616,921	616,921	668,887	668,887	721,546	721,546		
Interest	30,442	40,881	43,424	46,027	52,000	52,000	52,000	35,741	54,756	54,756	57,439	57,439	60,139	60,139		
Fuel Levy	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Operational Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Gains on disposal of Assets	-	(9,489)	(2,164)	-	-	-	-	-	-	-	-	-	-	-		
Other Gains	180	1,967	2,865	-	-	-	-	11	-	-	-	-	-	-		
Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Revenue (excluding capital transfers and contributions)	2,849,406	3,600,265	3,695,615	4,019,854	3,994,393	3,994,393	3,994,393	3,386,407	4,214,556	4,214,556	4,501,342	4,501,342	4,753,899	4,753,899		
Expenditure																
Employee related costs	642,949	711,929	686,188	744,037	742,907	742,907	742,907	644,099	785,821	785,821	824,354	824,354	867,936	867,936		
Remuneration of councillors	34,575	36,496	34,189	39,456	39,456	39,456	39,456	33,890	41,586	41,586	43,832	43,832	46,199	46,199		
Bulk purchases - electricity	691,073	746,597	874,375	1,088,924	1,088,924	1,088,924	1,088,924	345,898	1,109,287	1,109,287	1,130,030	1,130,030	1,151,162	1,151,162		
Inventory consumed	413,066	435,870	501,063	170,122	515,263	515,263	515,263	399,973	536,125	536,125	578,422	578,422	609,467	609,467		
Debt impairment	11,573	(4,252)	18,030	-	230,000	1,276,428	-	-	579,349	1,209,988	619,313	1,282,088	652,544	1,348,714		
Depreciation and amortisation	411,946	417,553	383,480	440,000	440,000	440,000	440,000	272,329	440,000	440,000	440,000	440,000	440,000	440,000		
Interest	79,009	74,477	117,080	10,123	10,123	10,123	10,123	1,131	10,711	10,711	11,235	11,235	11,764	11,764		
Contracted services	234,969	250,964	335,867	435,466	463,857	463,857	463,857	251,181	465,092	465,092	470,759	470,759	493,070	493,070		
Transfers and subsidies	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Irrecoverable debts written off	835,012	1,149,480	1,284,786	788,344	-	-	788,344	591,888	-	-	-	-	-	-		
Operational costs	143,700	211,237	216,986	225,054	277,926	277,926	277,926	210,842	319,737	319,737	340,197	340,197	354,790	354,790		
Losses on disposal of Assets	16,111	12,257	19,270	-	-	-	-	-	-	-	-	-	-	-		
Other Losses	300	7,440	2,575	-	-	-	-	-	-	-	-	-	-	-		
Total Expenditure	3,514,282	4,050,048	4,473,890	3,941,528	4,366,801	4,854,885	4,366,801	2,751,231	4,287,708	4,918,348	4,458,143	5,120,918	4,626,932	5,323,102		
Surplus/(Deficit)	(664,876)	(449,782)	(778,075)	78,326	(372,409)	(860,493)	(372,409)	635,176	(73,152)	(703,792)	43,200	(619,575)	126,967	(569,203)		
Transfers and subsidies - capital (monetary allocations)	123,785	189,551	156,811	169,918	169,918	171,612	169,918	66,187	191,469	191,469	189,116	189,116	190,215	190,215		
Transfers and subsidies - capital (in-kind)	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Surplus/(Deficit) after capital transfers and contributions	(541,091)	(260,232)	(621,264)	248,244	(202,491)	(688,881)	(202,491)	701,362	118,317	(512,323)	232,316	(430,459)	317,182	(378,988)		
Income Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Surplus/(Deficit) after income tax	(541,091)	(260,232)	(621,264)	248,244	(202,491)	(688,881)	(202,491)	701,362	118,317	(512,323)	232,316	(430,459)	317,182	(378,988)		
Share of Surplus/Deficit attributable to Joint Venture	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Share of Surplus/Deficit attributable to Minorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Surplus/(Deficit) attributable to municipality	(541,091)	(260,232)	(621,264)	248,244	(202,491)	(688,881)	(202,491)	701,362	118,317	(512,323)	232,316	(430,459)	317,182	(378,988)		
Share of Surplus/Deficit attributable to Associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Intercompany/Parent subsidiary transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Surplus/(Deficit) for the year	(541,091)	(260,232)	(621,264)	248,244	(202,491)	(688,881)	(202,491)	701,362	118,317	(512,323)	232,316	(430,459)	317,182	(378,988)		

Accumulated Surplus Reconciliation

NW405 - Tlokwe-Ventersdorp		Table A8 Cash backed reserves/accumulated surplus reconciliation					CURRENT YEAR				MEDIUM TERM REVENUE & EXPENDITURE FRAMEWORK					
Description	2019/20	2020/21	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2023/24	2024/25	2024/25	2025/26	2025/26		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Treasury Calculation	Full Year Forecast	Pre-audit outcome	Budget Year +0	Treasury Calculation	Budget Year +1	Treasury Calculation	Budget Year +2	Treasury Calculation		
R thousand																
Cash and investments available																
Cash/cash equivalents at the year end	2,026,307	2,027,301	2,249,323	155,039	3,409,786	5,525	3,409,786	1,973,282	197,692	(310,452)	415,760	(504,291)	506,558	(647,406)		
Other current investments > 90 days	(2,162,693)	(2,222,703)	(2,024,402)	243,353	243,321	0	243,321	(1,538,890)	-	(0)	265,181	(0)	406,083	(0)		
Non current assets - Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Cash and investments available:	(136,386)	(195,402)	224,921	398,392	3,653,107	5,525	3,653,107	434,392	197,692	(310,452)	680,940	(504,291)	912,641	(647,406)		
Application of cash and investments																
Unspent conditional transfers	43,668	42,709	23,273	41,953	41,953	14,322	41,953	107,162	93,816	14,322	46,907	14,322	46,798	14,322		
Unspent borrowing	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Statutory requirements	(194,661)	(182,654)	(206,843)	(195,040)	(195,040)	95,537	(195,040)	55,071	(195,040)	187,762	(195,040)	285,900	(196,991)	389,230		
Other working capital requirements	80,140	353,804	1,532,838	631,998	5,990,872	2,324,830	5,990,872	27,304	(532,555)	2,239,696	(382,081)	2,165,863	(250,830)	2,088,696		
Other provisions	495,371	533,021	563,482	557,371	557,371	19,178	557,371	563,664	572,371	19,178	587,371	19,178	593,244	19,178		
Long term investments committed	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Reserves to be backed by cash/investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Application of cash and investments:	424,518	746,880	1,912,749	1,036,281	6,395,155	2,453,867	6,395,155	643,058	(61,409)	2,460,958	57,157	2,485,263	192,222	2,511,426		
Surplus/(shortfall)	(560,905)	(942,282)	(1,687,828)	(637,889)	(2,742,049)	(2,742,049)	(2,742,049)	(208,667)	239,100	(2,771,411)	623,783	(2,989,553)	720,419	(3,158,832)		

As is characteristic of the previous budget cycles, the municipality has budgeted for an operating deficit. This is partly because of the inability of the municipality to generate revenue adequate to meet its running costs and expenditure. The municipality 's budget has been unfunded for the prior 5 years including 2023/24. The budget is unfunded as the operating revenue is less than operating expenditure and the reserves are not cash backed. More detail regarding the growth rates, other budget parameters for revenue and inability to contain costs will be discussed below as the root causes of the unfunded budget.

The key highlights of the budget above are:

1. Operating Revenue

- Revenue is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.
- Therefore, any funds which do not increase the net assets base of the Municipality cannot be classified and recognised as revenue.
- Section 18(1)(a) of the MFMA states that an annual budget may only be funded from realistically anticipated revenues to be collected.
- For a projected revenue collection to be deemed realistic the Municipality must take into account the projected revenue for the current year based on collection levels to date as well as actual revenue collected in previous financial years
- The municipality's total operating revenue projected an amount of R4.2 billion, which is an increase of 5.5% when compared to the 2022/23 adjusted budget, Operating revenue further projected an average increase of 6.2% for the outer years.

2. Expenditure

- Section 18(1)(a) of the MFMA states that an annual budget may only be funded from realistically anticipated revenues to be collected.
- Funding the budget basically means "funding the expenditure".
- Funding the expenditure in essence means that the Municipality will realistically project revenue that it anticipates collecting during the budget year.
- The implication of the above is that budgeted expenditure cannot exceed budgeted revenue because budgeted expenditure can only be to the maximum of the realistically budgeted revenue.
- It then follows that, a budget wherein expenditure exceeds anticipated revenue is not compliant with provisions of Section 18(1)(a) of the MFMA, and such budget is **UNFUNDED**.

3. Key observations of 2023/24 budget

- Cash closing balance projected an unfavorable amount of R310 million, which is the balance from the cash flow for the 2023/24 financial year.
- Total financial obligations and commitments amounts to R2.4 billion, which comprises of unspent conditional grants, creditors and statutory requirements (VAT receivable), Working capital requirements (debtors less creditors) and other provisions.
- An unfavorable cash balance of R310 million with financial commitments of R2.4 billion results in a shortfall of R2.7 billion.

Summary of historical financial performance

An analysis of key ratios using the past financial information from Annual Financial Statements for the period under review (2020/21 to 2021/22) gave an indication of areas that need attention to improve financial sustainability. These areas include liquidity management, debtors' management, expenditure management and the details are discussed in paragraph below. In addition, understanding these indicators can be used by the municipality to manage its finances better and improve its medium- and long-term financial plan and ultimately improve services delivery.

These indicators are contained in MFMA Circular No. 71, and it is critical that any future revenue and expenditure plans be compared against the norms provided in Circular 71 as these will inform whether Matlosana Local municipality is following a medium to long term sustainability path in its developmental decisions.

Below is a summary of the key observations made in the ratio analysis which was conducted on the period spanning 2020/21 to 2021/22. Section below provides a detailed analysis of key ratios and a discussion of each ratio on an individual basis as well as implications that arise when related ratios are considered in parallel.

1. Financial position

- a. Asset management/utilisation: The amount of investment in capital expenditure is below the norms of 10% to 20% of total expenditure, the amount of spending on maintenance falls significantly below the prescribed norm of no less than 8%. Ultimately, low maintenance is likely to lead to assets that are unable to deliver their intended economic benefits and consequently lead to high impairments.
- b. Debtors' management: In 2021/22 average debtor days stood at 73 days and collections rates fell to 44%. It is evident that debtor management has been below expectancy and prescribed norms.

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- c. Liquidity management: The municipality's liquidity is severely constrained as evidenced by a current ratio that averaged below 0.5x against a prescribed norm of 1.5x to 2x.
- d. Liability management: The municipality primarily utilises grant and own revenue to invest in its capital projects. This indicates the municipality has very low debt carrying capacity in that its financial position does not allow it to borrow money to supplement its budget funding.
- e. Sustainability: Matlosana local municipality has no significant cash-backed reserves.

2. Financial performance:

- a. Efficiency: In the period under review, all years have observed a net operating deficit in excess of 5%.
- b. Distribution losses: Electricity and Water distribution losses are particularly concerning averaging 36% and 46.5% over the period which is a pointer towards significant operational inefficiencies and revenue losses.
- c. Revenue management: The growth of revenue (excluding capital grants) has averaged 20% in the period under review which is higher than the set norm of 5%. However, the conversion of these revenues to cash (collectability of debtors) calls into question the real impact of this revenue growth.
- d. Expenditure management: Irregular, Fruitless and Wasteful and Unauthorized Expenditure has remained at greater than 8% of total expenditure in all years under review. This is a cause for concern given that it points to very inadequate expenditure management and control measures.

Drawing from the analysis of historical and future budgets as well as the actual performance for the period under review (2019/20 to 2023/24), the key financial challenges faced by the municipality are:

- 1. Significant cash flow problems
- 2. Inadequate collection of outstanding debtors
- 3. The inability to meet financial obligations to an extent that payables cannot be paid.
- 4. Inadequate internal controls and lack of standard operating procedures in financial management
- 5. Extremely high contingent liabilities/ligations
- 6. Over commitment, inadequate expenditure management.
- 7. Cash coverage is still sitting at below acceptable norms of 1-3 months as calculated.

Key issues identified in relation to the financial management are as follows:

1. Funded budget status: The municipality adopted an unfunded budget for the past 5 years including the current financial period (2023/24).
2. Budget-related policies: Sub-optimal budget outcomes are attributable to inadequate and/or entirely lacking application of the stated policies i.e., non-adherence to laws and regulations
3. Revenue Management Value Chain/ revenue raising measures: The revenue management value chain is performing inadequately at all stages including non-cost-reflective tariffs, high distribution losses, billing and revenue collection
4. Cost-reflective tariffs: Tariffs that are currently being charged do not fully reflect the costs incurred for the provision of their corresponding services
5. Supply chain management compliance and value for money procurement: Non-compliance with the SCM policy is a major contributing factor the high UIF& W observed in the municipality
6. Cost containment and realistic cash flow management: Non-compliance to cost containment measures and inadequate monitoring has led to the initiative not having the desired impact
7. Creditor management: Inadequate realisation of cash as a result of inadequate collection of revenues ultimately put cashflow under pressure and lead to inability to meet short term obligations as and when they arise
8. Grant management: Weaknesses in the implementation of SCM policy and poor planning have led to under spending of grants
9. mSCOA implementation: Though mSCOA has been implemented, the municipality is not fully compliant in relation to timely reporting, functionality of modules and the operation of the mSCOA steering committee
10. Financial reporting: Inadequate capacity in the Finance function resulting in over reliance on consultants thereby compromising the overall quality of financial reporting
11. Finance/ Technical interface: The lack of standard operating procedures between Finance and technical functions has led to inadequate coordination of efforts in service delivery
12. Asset management: Investment in maintenance thereof appears to be very low and, if left unresolved, is likely to lead to significant asset impairments in the future coupled with further deterioration in service delivery.

Conclusion: Overall State of Finance

The persistent financial challenges faced by Matlosana Local Municipality are due to operations and administrative inefficiencies, inadequate financial management, inadequate planning, and lack of accountability, amongst others.

The implementation of corrective measures by the municipality in addressing identified weaknesses is critical to assist the municipality to improve its level of financial management maturity from developmental to control levels whereby financial management systems, processes and procedures are functional and able to support the organisation.

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

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Funded Budget Status	<p>The municipality's Budget has been unfunded for the last 5 years.</p> <p>The municipality is unfunded with R1.4 billion after all the municipality's liabilities are considered.</p> <p>The municipality applied for roll over of R8.9 million for 2021/22 of which R7.2 million was rejected.</p> <p>Adjustment budget adopted by the council was unfunded.</p> <p>The municipality budgeted for the following cash shortfalls (confirmed by PT budget assessments and schedule A8):</p>	<p>The revenue baseline of the municipality is insufficient to cover the operating costs.</p> <p>A budgeted deficit of R65.8 million exists for the 2022/23 financial year on the financial performance.</p> <p>Expenditure increases on a yearly basis indicating the municipality is using incremental budgeting; with no needs analysis being performed.</p>	<p>Ineffective planning and budgetary control measures</p> <p>The municipality budgets beyond its means and does not apply Budgetary guidelines provided by National Treasury</p> <p>Inadequate revenue management with inability to collect revenue due and implement debt collection policies.</p>	<p>Develop a credible Budget funding plan with clear activities and goals.</p> <p>The municipality must complete tariff tool provided by the National Treasury to develop the cost reflective tariffs.</p> <p>Implement stringent cost containment measures with consequent management.</p> <p>Zero based budgeting of expenditure based on needs assessment.</p>	<p>Approved Budget</p> <p>2022-2023 MTREF budget assessment report</p> <p>2019.20 Annual report</p> <p>2022 Audited AFS</p> <p>F7 – Executive summary</p> <p>F4 – Financial plan</p>

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>2021/22: R (886 791)</p> <p>2022/23: R (1 032 786)</p> <p>The low collection rates of only 44% for 2022/21 (2020/21: 52%) bears testimony to the fact that low collection rates and probability is not considered in the budgeting processes.</p> <p>Therefore, revenue projections are done without taking into consideration past collection performance.</p>	<p>Overspending on budget for other operating expenses is an indication of possible under-budgeting and inadequate budget implementation management.</p> <p>In addition, there is inadequate provision made for repairs and maintenance expenditure and consequently inadequate maintenance of infrastructure leads to deterioration of service delivery.</p> <p>Inability to pay long outstanding creditors.</p>	<p>Submissions of budgets that are not credible for which expenses are not realistically expected to be covered by the expected revenue.</p> <p>Budgeted expenditure is below the amount that would realistically be incurred.</p> <p>Because the municipality is cash strapped, it would budget for the minimum possible other operating expenses.</p>	<p>Consideration of ways to improve revenue:</p> <p>Increase tariffs for non-core services such as parking.</p> <p>Renovation of Municipal buildings to rent them out.</p> <p>Line-item analysis revenue losses for the purpose of review of tariffs</p> <p>Implementation of credit control measures.</p> <p>Implement financial controls to prevent unauthorised expenditure.</p>	

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	As per the review of budget vs actual expenditure, there was overspending of R514 877 895 for other operating expenses in the 2022 financial year.	Low collection rates and negative cash flows		<p>The estimation of revenue should be based on the past performance and realistic supportable assumptions regarding growth and actual collection rates.</p> <p>Track the expenses not in accordance with the budget and the votes for the past three years, establish a statistical relation with other elements of financials and revise the budget parameters for the expenses using the historical audited expenses, with inflation adjustment, as a base for forecasting.</p>	

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Focus Area	Brief diagnostic analysis	Problem/ issues	Key	Root Causes	Strategy to solve	Source of Information
	<p>Notably, the following were underspends.</p> <ol style="list-style-type: none"> 1. Employee related costs- R47 227 043 2. Repairs and maintenance R99 948 156. 3. Contracted services - R13 168 319. 4. Bulk purchase - R65 219 447. 	Underspending of budget.		<p>The municipality submitted an unfunded budget where anticipated revenue does not cover expenses.</p> <p>Because the municipality is cash strapped, it would budget for the minimum possible expenses.</p> <p>The municipality has vacant positions which results in underspending on employee costs.</p>	<p>The estimation of revenue should be based on the past performance and realistic supportable assumptions regarding growth and actual collection rates.</p> <p>Council to approve and monitor the implementation of the procurement plan</p> <p>Use the realistic (accounting for all expected expenditure) prior year expenditure into consideration in preparing budgets.</p>	<p>2021/22 Audited Financial Statements</p> <p>Analysis of key Financial Ratios.</p>

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Budget parameters	Capital performance for the past 2 years (2020/21 to 2021/22) is as follows: 2020/21: 77% 2021/22: 80%	Budget underutilisation	Underspending on capital programmes is attributed to instability that has been prevalent at the municipality for years which leads to delays in SCM processes and consequently service delivery disruptions. Lack of consequence management.	Training of SCM staff on SCM regulations. Consequence management should be strengthened where SCM staff do not procure on time for invalid reasons. Lead times should be made part of KPIs for SCM staff.	Analysis of key Financial Ratios Re-computations
	As per recalculation of proportion of capital projects internally funded, it was found that the past three years 2020/21 to 2021/23), the municipality is overly reliant on grant funding for implementing capital projects.	The municipality is overly depended on grant funding for financing capital funding.	Low revenue and cash generating ability of the municipality.	<i>Refer to strategies for monitoring collection rates in the section.</i>	Analysis of key Financial Ratios. Re-computations

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	The municipality has financed 100% of its capital expenditure using grant funding.		This means the municipality is not able to pay for both operating and capital expenditure without assistance from the Grants, thus throwing significant doubt on the sustainability of the operating model.		2021/222 and 2022/23 Financial Statements
	<p>Revenue: Service charges had a budget utilisation at 93%.</p> <p>The following unbilled consumption levels on distribution losses as per the AFS.</p> <p>Unbilled Consumption:</p> <p>Sale of electricity- 224 393 020 units (38%)</p> <p>Sale of Water- 18 655 012 units (51%)</p>	Service charges have a low budget utilisation (overbudgeting)	<p>Setting revenue targets that are not realistic.</p> <p>Unbilled consumption</p>	<p>Projected revenue should consider the low historical and future collection rates and use a probabilistic method of projecting for revenue,</p> <p>Reduce distribution losses.</p>	<p>2021/22 Audited Financial Statements.</p> <p>The 2021/22 MTREF</p>

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	<p>Other significant underutilisation of budget relating to revenue are as follows:</p> <p>License and permits - 83% and</p> <p>Property rates - 93%</p> <p>Commission received - 86%</p>	low budget utilisation (overbudgeting)	Setting revenue targets that are not realistic.	Projected revenue should consider the low historical and future collection rates and use a probabilistic method of projecting for revenue.	2021/22 Audited Financial Statements.						
	<p>Budget utilisation for the rest of the revenue categories show an underbudget as follows:</p> <table><tr><td>Component</td><td>Budget Utilisation</td></tr><tr><td>Market Dues</td><td>104%</td></tr><tr><td>Rental of facilities and equipment</td><td>107%</td></tr></table>	Component	Budget Utilisation	Market Dues	104%	Rental of facilities and equipment	107%	Revenue underbudgeted	Setting revenue targets that are not realistic.	Projected revenue should consider the low historical and future collection rates and use a probabilistic method of projecting for revenue,	2021/22 Audited Financial Statements.
Component	Budget Utilisation										
Market Dues	104%										
Rental of facilities and equipment	107%										

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	Connections and disconnections	112%					
	Rental income	102%					
	Discount received	271%					
	Other income	100%					
	Interest received	103%					
	Donations received	83150%					
	Government grants & subsidies	101%					
	Fines, penalties, and forfeits	145%					

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	The summary of budget utilisation for expenses is presented below:		Unrealistic budgeting.		The municipality has vacant positions which results in underspending on employee costs.	Use the realistic (accounting for all expected expenditure) prior year expenditure into consideration in preparing budgets	2021/22 Audited Financial Statements.
	Component	Budget Utilisation	Insufficient provision for non-cash items (Impairment, fair value, Inventory losses, loss on disposal of assets and liabilities and debtor impairment provision).		The municipality did not budget for non-cash items		
	Personnel	93%					
	Remuneration of councillors	92%					
	Depreciation and amortisation	91%					
	Impairment loss	Not budgeted					
	Finance costs	1624%					
	Lease rentals on operating lease	182%					
	Debt impairment	172%					
	Collection costs	Not budgeted					

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	Repairs and maintenance 67%					
	Bulk purchases 95%					
	Contracted services 89%					
	General expenses 104%					
	Loss on disposal of assets and liabilities Not budgeted					
	Fair value adjustments Not budgeted					
	Actuarial gains/loss Not budgeted					

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	<p>Inventory losses/ write downs Not budgeted</p> <p>Notably, non-cash items are not budgeted.</p>					
Budget related policies (finance and human resources)	The existing budget policies are not fully adhered to, leading to high incidence of non-compliance evidenced by high UIF&W expenditure.	Lack of implementation of existing budget policies and monitoring thereof.		Viewed against the budget-related policies that are in existence, the root cause of sub-optimal budget outcomes is attributable to inadequate and/or entirely lacking application of the stated policies.	<p>Implement the existing budget policy fully.</p> <p>Policies to be updated/reviewed annually and approved by Council together with the annual budget, after having been processed by the policy review committee.</p> <p>Policies to be submitted to relevant committees for consideration and ultimate submission</p>	<p>Budget Policy</p> <p>Virement Policy</p> <p>Funding Policy</p> <p>Credit Control and Debt Collection Policy</p> <p>Overtime Policy</p> <p>Cost Containment Policy</p>

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					and approval by Council.	
Debtor Management and Revenue Management Value Chain/ revenue raising measures.	Distribution, supply, and metering of services: Sub-optimal infrastructure is causing revenue loss (dysfunctional meters, aging distribution infrastructure). Inability to repair and replace meters by the Technical Department. High technical and non-technical distribution losses due to old infrastructure and illegal connections. Revenue collection and debtor management: The debtor's days are too high, coupled with low collection rates.	There are delays in the replacement of meters hindering billing. Illegal connections and meter tampering Culture of non-payment by consumers, businesses, and organs of state		Due to insufficient tools of trade and human capital capacity constraints to replace the meters. Lack of control and enforcement of by-laws over illegal connections Some consumer areas pose challenges where complete credit control	Technical department to perform a meter audit and identify faulty meters and in line with budget capacitate technical department to replace meters (Collaboration between technical and finance/SCM required) Implement Municipal By-Laws and accelerate the installation of anti-meter tampering equipment.	Annual Report 2021/22 IDP Section Reports 71

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	<p>The municipality is owed R7.5 billion as of 28 February 2023. Relatedly, businesses owe the municipality R629 million, and the government owe 112 million.</p> <p>Culture of non - payment by consumers.</p>	<p>Inefficient and ineffective internal controls.</p> <p>Disruptions on implementation of credit control.</p>		<p>implementation may not be feasible.</p> <p>State organs failing to adhere to payment agreements and delayed disbursements leading to arrears and defaults.</p> <p>Credit control not being fully implemented.</p>	<p>Obtain a list of all customers whom the Municipality cannot access yet they can afford to pay (such as farmers and customers in affluent areas) and install smart meters (This group is a priority for the smart meter project).</p> <p>Furthermore, execute the actions outlined in the Municipal by-laws and credit control policy.</p> <p>The municipality have already started roadshows to raise awareness to the communities about paying for services. The City has also started to implement a cut-off of electricity</p>	

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				<p>for consumers and businesses.</p> <p>Engage community Liaison Officers and local councillors to engage the “no go areas” so that billing can be affected. Relatedly, the basic services should be available and functional in these areas so that people become open for engagement.</p> <p>The above interventions should be continuously monitored, progress reported regularly, and financial impact quantified to determine if the interventions are yielding results.</p>	

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					<p>For Organs of State, the Provincial Treasury intervention is required to ensure that the defaulting organs of state honour the payment arrangements.</p> <p>Linking every household to a meter and every month extract an exception report showing usage for the month and investigate non-running meters.</p> <p>Fast-tracking the process of registering established townships that are not yet registered and the formalization of informal settlements and</p>	

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					<p>continuous evaluation and monitoring of newly formed informal settlements with the aim of increasing our revenue base.</p> <p>Perform an exercise of Customer categorisation between those that can pay and those that are indigent to establish the true revenue base.</p> <p>Write off bad debts as per the approved credit control and debt collection policy. This will assist with determining the cash backed part of the accounts receivable part of accumulated surplus.</p>	

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					<p>Hand over the debtor's book to debt collectors using a performance-based agreement that is traceable and measurable.</p> <p>Metering (verification, auditing, and consistent reading of meters).</p> <p>Credit Control (debt collection actions of top 100 debtors).</p> <p>Stratify debtors into different buckets based on the expected recoverability.</p> <p>Development of key customer engagements</p>	

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					<p>(quarterly) and relationship building.</p> <p>Implement and update standard operating procedures for debtors and training of internal staff.</p> <p>Identification and valuing of municipal properties for leasing purposes.</p> <p>Engage PT to assist with the collection of amounts owed by state organs.</p> <p>Engage businesses to agree on payment arrangements.</p>	
Customer care and data accuracy	The municipality has a customer care policy however the policy seems not to be fully adhered to	High debtors' book because of inadequate collection		Approved policy not fully enforced and high unemployment rate affected by households.	Ensure the debt collection policy is being fully implemented.	F9 - Customer Care credit control and debt collection policy

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	<p>due to high debtors' books.</p> <p>The policy states that amounts owed by officials and councillors will be deducted from their earnings however according to the audited annual financial statements councillors were owing R1.6 million and in arrears for more than 90 days at the end of the year June 2023.</p>	<p>Inadequate collection resulting in an unfunded budget.</p> <p>Management not adhering to the policy contributing to the high debtor's book recover the debt owed by Municipal Councillors.</p>	<p>Senior management not adhering to the policy and laws to recover the debt owed by Municipal Councillors</p> <p>Lack of interface between town planning and finance which resulting in financial system not updated.</p>	<p>Implementation of the Debt Relief Incentive Programme</p> <p>Appointment of Debt Collection service provider to improve debt collection by handing over accounts that are long overdue.</p> <p>Management should implement the debt collection policy of the City and laws on debt owed by Municipal Councillors.</p> <p>The municipality to investigated the difference identified between the financial system and</p>	<p>2022/23 Financial Plan Progress City of Matlosana</p> <p>Municipal debt relief application</p>

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		municipal debt relief program	Changes on the valuation roll not updated on the system. Lack of quarterly reconciliation of valuation	valuation roll and update the system Municipality to conduct data cleansing and update the system accordingly	
Cost-reflective tariffs	<p>Tariffs are not cost-reflective, compounded by the low collection rates, this results in inadequate financial performance of corresponding trading services.</p> <p>The tariff is structured as follows: Property rates/Sewer/Refuse - Inflation Water - Midvaal increases. Electricity - NERSA</p> <p>For electricity these tariffs are not likely to be cost reflective as Eskom's tariff</p>	<p>The tariffs of the Municipality are not cost reflective.</p> <p>An adequate provision for repairs and maintenance appears to be lacking.</p>	<p>Municipality is not applying the National Tariff Tool.</p> <p>Inadequate cost containment and the inadequate prioritisation of critical costs such as repairs and maintenance.</p>	<p>The municipality should use the tariff tool provided by National Treasury and also develop the phasing strategy between 3 to 5 years to implementation cost reflective tariff as per the findings of the tariff tool.</p> <p>Provincial Treasury should provide the Municipality with workshop/hand holding session on how to apply the NT</p>	F11 - Tariff Policy Annual Municipal Budget Benchmark Engagement 2023/24 financial year

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	<p>increases are usually in excess of CPI.</p> <p>Eskom will effect the following tariff increase for Local authority for the period 1 July 2022 - 30 June 2023 of 8.61%. The municipality will increase the tariffs for the 2022/23 MTREF period as follows: Electricity 7.47% in the 2022/23- year, CPI of 4.4% and 4.5% for the year 2023/2024 and 2024/25 years, respectively, these tariffs are way outstripped by the Eskom tariff growth.</p> <p>We cannot determine whether the Municipality is able to recover the costs of supplying services due to low collection rates.</p>				Tariff Tool for cost reflective tariffs.	

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Indigent Management	The municipality has an indigent policy. The municipality set a target of approving 25 000 households for basic services, however only 22 886 were reportedly approved.	<p>The set targets for indigents not met.</p> <p>Slow registration of indigents</p> <p>Subsidy on basic services not allocated to the indigent households</p>	<p>Consumers not registering for indigent due to inadequate indigent processes and lack of resources to verify indigent status of the applicants / beneficiaries.</p> <p>Communities are unresponsive.</p>	<p>The municipality has already started an initiative of visiting the areas on an adhoc basis instead of applicants commuting to the municipality. Additional initiatives by the municipality such as using SASSA pay points as outreach should be implemented, monitored and reported on a regular basis.</p> <p>The municipality should use communication/media platforms to drive awareness and ensure that qualifying households are approved in line with</p>	<p>F10 - Indigent relief policy</p> <p>F6 - Revenue enhancement strategy</p> <p>2021/22 Annual Report</p>

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				<p>the policies of the municipalities.</p> <p>The municipality should implement mitigating factors outlined in the Revenue enhancement strategy: “To dispatch staff to the various wards to work hand in hand onsite with councillors and ward committees in order to increase the number from 28000-45000”</p>	
Supply chain management compliance and value for money procurement	<p>The SCM unit is partially centrally with some of the functions performed by user departments.</p> <p>The SCM unit is not adequately resourced in terms of human resources.</p>	<p>The SCM unit is not centralised.</p> <p>Delays in the SCM processes on the appointment of service providers / suppliers</p>	<p>The SCM unit is not sufficiently resourced.</p> <p>Discrepancies in the procurement value chain as a result of inadequate quality</p>	<p>Management should ensure that the SCM unit is fully centralised and adequately resourced to improve the effective</p>	<p>2021/22 Audit Report</p> <p>2021/22 Annual Report Management Report of Matlosana City</p>

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	<p>Non-compliance with SCM laws and regulations resulting in high levels of Unauthorised, Irregular, Fruitless and Wasteful expenditure.</p> <p>Contract management committee has been established and consists of all Directors, legal and SCM officials. The Mandate is to monitor the performance of the service providers as per the contract. Contract Management Module not yet implemented/utilised in the core system.</p> <p>Delay in the procurement process of goods and services.</p>	<p>Lack of suppliers' performance monitoring and evaluation, and contract management</p> <p>The AGSA reported that some of the goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of SCM regulation 17(1)(a) and (c). Similar non-compliance was also reported in the prior year.</p>	<p>assurance by both the SCM unit and user departments</p> <p>The SCM structure is not fully capacitated and the SCM Module in the Financial System is underutilised.</p> <p>The lack of effective prevention and detection is due to management not exercising oversight responsibility regarding supply chain processes, compliance and related internal controls regarding the awarding of tenders and quotations.</p>	<p>and efficient running of the unit.</p> <p>In-line with the mSCOA Roadmap implement and monitor the full utilisation of the SCM module.</p> <p>Management should exercise oversight and implement consequence management.</p> <p>Council to monitor the implementation of approved procurement plan</p>	<p>2021/22 Annual Report</p> <p>SCM Implementation Reports</p>

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	Inadequate planning and implementation of Procurement Plans	Splitting of orders to avoid following SCM regulations. SCM Repeat audit findings as reported by the Auditor General (audit report and detailed management report) and Internal Audit are not addressed.	Non/delay implementation of approved procurement plan Lack of consequence management		
Cost containment and realistic cash flow management	The Municipality developed a financial plan in response to the unfunded budget. The financial plan envisages to increase revenue collection and realise cost savings through implementation of cost containment measures. Although cost Containment Policy and	There is no progress or slow progress in the targeted revenue activities such as additional customers, stands to be billed in the identified areas with estimated revenue inflow of R23 million	Lack of monitoring and oversight on the implementing the financial plan by council. Delays in the appointment of debt collection service provider	Management should report on the actual revenue generated and cost saving realised for all the target activities/areas outlined in the financial plan. Council to monitor the implementation	Cost containment Policy F4 Financial Plan NWPT 2022/23 Financial Plan Progress - 15 November 2022

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	<p>Water Loss reduction policy are in place, there is no evidence of active implementation and impact of the above policies.</p> <p>Additionally, Given the current ratio of 0.48 (2020/21; 0.33) The municipality is not able to pay its short-term obligations as they fall due.</p> <p>Refer to ratio analysis below for cash flow management aspects relating to liquidity, grant dependency and cash generating ability.</p>	<p>Debt collection insufficient compared to the set target, reported figure of R34 million collected compared to the target of R427 million from business and R80 million from government.</p> <p>There is no indication if the cost saving measures of R3 million were realised from the wet fuel.</p> <p>The Municipality only budgeted R15 million for the repairs and maintenance for transport however it estimated inflow of R100 million.</p>	<p>Inadequate reporting on progress of financial plan</p> <p>Improper budgeting and financial planning</p> <p>Inadequate progress reporting on financial plan</p> <p>Not having the cash to invest in infrastructure to monitor water received vis-à-vis bulk water meters.</p>	<p>of the financial plan on monthly basis</p> <p>Management should implement measures to ensure that the financial plan as approved by Council is fully implemented with realistic targets which must be achieved.</p>	<p>City of Matlosana 2022/23 Financial Plan Progress - 15 November 2022</p> <p>Analysis of Ratios</p>

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	The municipality does not have a tool to monitor the water supplied by Midvaal. This means that the City might be paying for goods not delivered.	The municipality identified travelling and subsistence as cost cutting measures with no progress reported. Not monitoring strategy and parameters for water loss reduction.		Invest in the infrastructure for monitoring water received, after a quantitative evaluation of a lease vs buy, where applicable.	
Financial control environment	The AGSA reported repeated findings in the Audit Reporting depicting the vulnerability of the internal control environment. The Audit Committee oversight and internal audit findings and recommendation are not adequately addressed. The policies and procedures particularly on	The Audit Actions Plans are not adequately implemented and monitored. There were material misstatements identified in the AFS not detected by the internal control systems. Inadequate disciplines in place	There is a lack of consequence management. The overreliance on the consultants for preparation of AFS. The lack of monthly disciplines, such as preparation of reconciliation.	mSCOA Committee should ensure that the financial management system is adequately and optimally used to strengthen the internal control environment. The management should ensure that all the reconciliations are	2021/22 Audit Report 2021/22 Annual Report Management Report of Matlosana City

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	<p>SCM were not adequately implemented.</p> <p>The Fresh Produce Market is not adequately protected against financial losses</p>	<p>to ensure adherence to the SCM policies and regulations.</p> <p>The Fresh Produce Market is losing revenue</p>	<p>There is a lack of consequence management.</p> <p>There is a lack of oversight to protect the revenue stream.</p> <p>The bank recon of the Fresh Produce Market is prepared annually, there was loss of revenue reported.</p>	<p>performed at least on a monthly basis and reviewed accordingly.</p> <p>The unauthorised, irregular, fruitless and wasteful expenditure incurred by the municipality must be investigated and necessary action taken.</p>	
Debt Management / Debt restructuring	<p>The municipality has a loan with the Development Bank of South Africa at 14%, the balance as at 30 June 2023 was R9.4 million. The loan book is reducing compared to the previous year and no new loans have been taken by the Municipality.</p>	<p>None identified.</p> <p>The municipality has defaulted on the payment arrangements of Eskom and Midvaal.</p>	<p>None</p> <p>Low collection and high level of losses from electricity and water distribution resulting in challenges</p>	<p>The municipality should continue to meet its loan obligations.</p> <p>The Municipality should renegotiate the payment plan with Midvaal and ensure that the</p>	<p>2021/22 Annual Report City of Matlosana</p> <p>Debt Relief Item Final</p>

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	The major creditors are Eskom and Midvaal Water sitting at R1,6 and R1,2 billion respectively.			<p>with cashflow management.</p> <p>Inadequate revenue management with inability to collect revenue due and implement debt collection policies.</p>	<p>billing from Midvaal is accurate.</p> <p>The Municipality applied to the National Treasury for debt relief on Eskom debt in line with MFMA Circular no.124. The conditions of the relief have been explicitly noted by the National Treasury. The municipality should ensure that the conditions of the debt relief are fully met and must monthly submit a report to the National Treasury and relevant Provincial Treasury reporting on its compliance with the conditions for Municipal Debt</p>	

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					Relief by no later than 10 working days after the end of each month to ensure the debt relief does not lapse due to non-compliance with any of the conditions set out including monthly payment of Eskom account.	
Creditor management	<p>The Municipality is unable to meet its monthly financial obligations to its creditors. As at 28 February 2023, the outstanding creditors amounted to R3,049 billion.</p> <p>The major creditors are Eskom and Midvaal Water sitting at R1,6 and R1,2 billion respectively.</p>	<p>The municipality is not able to generate sufficient revenue and cash to cover its monthly expenses.</p> <p>The Municipality is incurring interest on unpaid creditors resulting in fruitless and Wasteful expenditure.</p> <p>Inability to pay creditors within 30</p>		<p>Inadequate revenue management with inability to collect revenue due and implement debt collection policies.</p> <p>Inadequate realisation of cash because of inadequate collection of revenues ultimately put cashflow under</p>	<p>Municipality should improve cash flow levels through ensuring that the Revenue Enhancement Strategy is implemented.</p> <p>Municipality should engage its creditors and enter realistic payment plans.</p>	<p>Revenue Enhancement Strategy</p> <p>Management Report City of Matlosana 201-22</p>

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	It takes the municipality at least 459 days to settle a creditor account.	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.	pressure and lead to inability to meet short term obligations as and when they arise.	Municipality should review its current contracts and determine if the services cannot be serviced internally and cancel those not needed without resulting in legal action taken against the municipality.	
Grant management	<p>There were findings identified by the Auditor General in terms of spending and evaluation of performance funded by the grant.</p> <p>For the selected project the timeliness, budget spending compliance with SCM processes and recording of transactions in the financial statements were tested. There was</p>	<p>The grant management spending does not comply with the SCM regulations.</p> <p>There was irregular expenditure identified.</p> <p>Unspent conditional grants of R236.9 million reported in</p>	<p>There's lack of consequence management for not following SCM processes</p> <p>The occurrence of irregular expenditure is not investigated, and action taken on the results.</p>	<p>The municipality should review its SCM processes and ensure that the SCM business processes in line with MFMA Circular 80 are implemented to strengthen the internal control environment.</p> <p>The mSCOA Committee should</p>	<p>Management Report City of Matlosana 201-22</p> <p>NWPT City of Matlosana Local Municipality Mid-Year Performance Assessment – 23 February 2023</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>irregular expenditure identified.</p> <p>The Provincial Treasury noted that in the Mid Term Assessment the underspending on capital budgets as well as the stopping of some of the grants due to slow spending was noted below on 30 June 2023</p> <ul style="list-style-type: none"> • MIG R21.3 million out of total allocation of R68 million • INEP R4.4 million out of total allocation of R24.6 million • WSIG R5.7 million out of total allocation of R6.9 million • EEDSM R2 540 out of total allocation of R2.9 million • NDPG R8.0 million out of total allocation of R12.9 million 	<p>the last 5 years, the lowest being 2021/22</p> <p>Municipality applied for roll over in 2022 financial year amounting to R165 million and only R107 million was approved while 58 million reverted to the National Fiscus</p>	<p>Inadequate planning and challenges with implementation of capital budget</p>	<p>review the grant management module and determine whether the functionalities are sufficient to ensure compliance with the SCM policies and regulations.</p> <p>Management should implement consequence management for delays in procurement process for capital project funded by conditional grants.</p>	<p>2023 Financial Statements</p>

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Focus Area	Brief diagnostic analysis	Problem/ issues	Key	Root Causes	Strategy to solve	Source of Information
	According to the assessment by Provincial Treasury, Municipality have unspent conditional grants of R236,9 million in the last 5 years					
mSCOA implementation	<p>The mSCOA Steering Committee has been established.</p> <p>There is no mSCOA roadmap in place to ensure that requirements and regulations of MFMA Circular 80 are fully implemented.</p> <p>The City has not fully adopted some of the core modules such as Inventory, Asset Management & SCM Module</p>	<p>The MSCOA Steering Committee Meeting is not effective to ensure that challenges raised are addressed or escalated to the relevant parties.</p> <p>The Financial Management System is not optimally used to derive maximum value, improve internal control environment, and</p>		<p>The lack of seamless integration between the core system and the third-party systems and mSCOA Committee</p> <p>There's a gap in terms of mSCOA knowledge by municipal officials evidenced by the findings raised by the PT.</p>	<p>The municipality resuscitated the mSCOA steering committee meeting and ICT steering combined. The mSCOA Steering Committee should be scheduled on a regular basis, the Provincial Treasury and the Service Provider should be invited to meetings to ensure that Roadmap is driven efficiently.</p> <p>A comprehensive mSCOA functionality assessment of the</p>	<p>NWPT City of Matlosana Local Municipality Mid-Year Performance Assessment – 23 February 2023</p> <p>2023-24 Benchmark Engagement Presentation Framework Matlosana</p>

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	Although the Municipality is submitting the data strings, the municipality has challenges with accurately transacting using mSCOA segments	<p>address compliance matters.</p> <p>The Provincial Treasury is not invited to the mSCOA meetings and minutes of meetings are not shared thus missing the experience and oversight rendered by the PT.</p> <p>The recurring findings issued by the Provincial Treasury are not addressed to ensure that data strings are credible.</p>		<p>system should be carried out to determine which modules are fully functional and the level of usage by the municipal officials.</p> <p>The municipality to develop mSCOA Roadmap which clearly defines how they will identify and address the discrepancies identified in terms of the adoption and usage of the system.</p> <p>A hand holding or workshop on mSCOA should be arranged to address the gaps</p>	
Financial reporting	The Municipality submitted the data strings populated from the system and	The Municipality relies on the System Vendor correct	The mSCOA committee is not functionally effectively	The municipality should craft and design a plan and	Management Report City of

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	<p>uploaded on the NT portal however there are still challenges with the accuracy of the Cash flow and balance sheet on the A&B Schedule.</p> <p>The monthly C schedules are submitted by the municipality however they do not often populate correctly.</p> <p>Modules of the financial system that are not fully functional / integrated compromise overall quality of financial reporting e.g., the accounts payable module is not fully functional.</p>	<p>inaccuracies identified, the delay in resolution impedes on the reporting deadlines.</p> <p>The municipal officials are experiencing challenges with mSCOA knowledge.</p> <p>The Financial Management System is not optimally used to derive maximum value, improve internal control environment, and address compliance matters.</p>	to deal with reporting matters and any other mSCOA related challenges	<p>implement a plan to capacitate municipal officials (skills transfer) and fill in vacancies to prepare financial statements and reduce the reliance the consultants.</p> <p>A handholding session or workshop on mSCOA should be arranged to address the gaps.</p> <p>The mSCOA Committee should convene regularly and address all the challenges raised.</p>	<p>Matlosana 201-22</p> <p>mSCOA compliance report regulations and implementation</p>
Preparation of AFS	The Municipality received an unqualified audit opinion for the 2021/23 financial period subsequent to the	The Municipality is reliant on the consultants for the preparation of AFS.	Vacancies in the budget and reporting department thus impending on the	Capacitation of the BTO with appropriate experience and skills levels to	2021-22 AGSA Management Report

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>correction of material misstatements identified.</p> <p>Management does not timeously and adequately review the Annual Financial Statements to ensure that the financial statements are free from material errors and non - compliance.</p> <p>The audit findings raised by internal and external audit are not adequately addressed and regularly followed up to curb repeat findings and strengthen the internal control environment.</p>	<p>Management does not adequately prepare for monthly periods, year-end and AFS preparation.</p> <p>The post audit action plan is not regularly, timeously, and adequately addressed.</p>	<p>facilitation of skills transfer.</p> <p>Monthly reconciliations are not regularly prepared and reviewed as prescribed therefore errors are not identified and rectified timeously.</p> <p>Post audit action plan is not adequately integrated into the daily and monthly operations of the municipality.</p>	<p>prepare financial statements in-house.</p> <p>The management should submit interim financial statements to the Audit Committee and Provincial Treasure with a clear view of the resolution of the audit findings implemented and corrected in the Interim AFS against the Post Action Audit Plan to ensure that management and Audit Committee is able to perform reviews and ensure that post audit findings are addressed timeously and adequately.</p>	

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ issues	Key	Root Causes	Strategy to solve	Source of Information
					The successful implementation of post audit action plan should be explicitly stated in the Performance	
Finance/ Technical interface	<p>There is no interface between technical including town planning and finance for disconnection of service during implementation of credit and debt collection policy , replacement of broken/non-functional meters, changes in properties affecting valuation roll and financial system, monitoring of monthly prepaid electricity purchases, distribution losses, etc</p> <p>The municipality is experiencing challenges of aged infrastructure and lack of funding to replace</p>	<p>Revenue losses due to faulty meters not timeously replaced.</p> <p>Increasing distribution losses due to illegal connections and tempering of meters</p> <p>Inadequate budgeting for maintenance and replacement of infrastructure crucial to service delivery</p> <p>Unavailability of repair and maintenance materials in store</p>		<p>Capacity constraints in the technical department resulting in meters that are faulty not replaced timeously.</p> <p>Illegal connection issues not addressed.</p> <p>Ineffective planning and budgetary control measures for repairs and maintenance of assets key to revenue generation and billing</p> <p>Non-Adherence to Procurement plans</p>	<p>Establish a Revenue Protection Committee consisting of Senior Management and municipal officials from technical and finance departments to address matters affecting the revenue billing and collection as a result of infrastructure related challenges.</p> <p>Review the conditions and provisions of MIG funding to determine if provision is made for funds to be used towards repairs and</p>	2021/22 Annual Report City of Matlosana

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	<p>and maintenance infrastructure and fleet.</p> <p>The municipality is also experiencing challenges of illegal connections and metering tempering</p>				<p>maintenance of key assets used for revenue generation.</p> <p>Develop standard operating procedures for interface/ linkage between finance and technical services</p>	

3.3.1 Analysis of key Financial Ratios - Assessment Report (Key Financial Indicators)

Ratio	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>Total Capital Expenditure / Total Expenditure (Total Operating Expenditure + Capital Expenditure) × 100</p>	4.7%	3.9%	This reflects lower spending by the municipality in infrastructure. Both the lower level of spending and budget underutilisation hold potential risks to service delivery.

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
The norm is 10% - 20%.			
Impairment of PPE and Investment Property and Intangible Assets (Carrying Value) Property, Plant and Equipment + Investment Property + Intangible Assets Impairment/ (Total Property, Plant and Equipment + Investment Property + Intangible Assets) x 100 The norm is 0%	0%	0%	The norm is 0%. Metric is normal at 0% in 2021/22 and 2020/21. Therefore, there appears to be a lower risk to service delivery due to excessive impairment of assets (impairment can be regarded in this case as a misjudgement of the economic benefits expected to be derived from an asset.
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.	2.7%	3.9%	The municipality only spends about 3.9% (below the norm) on repairs and maintenance of existing infrastructure; the low spending may result in the conditions of the assets further deteriorating resulting in significant impairment losses.

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
The norm is 8%.			
Annual Collection Rate - indicates the level of payments as a percentage of revenue billed on credit. The norm is 95%.	52%	44%	<p>The collection rate for the Municipality is fluctuating and was at its lowest in the 2021/22 financial period at 44%. The calculated collection rate for 2021/22 which is well below the norm is signifying an indication that revenue collection of the municipality requires urgent attention and corrective measures should be implemented. According to the Mid-Term Assessment of Provincial Treasury the Municipality seems to be focused more on writing off the debt than on debt collection strategies.</p>
Bad Debts Written-off as % of the Bad Debt Provision 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.	Ratio not provided	3%	<p>This is because of the municipality providing for bad debts each year and not writing off bad debts.</p> <p>Compared to the norm, the ratio of 0% is unrealistic and not consistent with the low collection rates</p> <p>This is an indication of non-adherence to the debts write off policy.</p>

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The City of Matlosana Local Municipality SQ Assessment Template

Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
The norm is 100%.			
Debtors Management Net Debtors Days – indicates the average number of days taken for debtors to pay their accounts. The norm is 30 days.	79 days	73 days	<p>The net debtor's days is 73 days above norm in 2021/22(2020/21: 79 days) This indicates that the Municipality is exposed to significant cash flow risk.</p> <p>The municipality is experiencing challenges in the collection of outstanding debtors. The municipality's ability to collect from debtors is inadequate as reflected by a low collection rate of 44% in 2021/22.</p> <p>A significant amount of potential cash is tied up in consumer debtors and the municipality must improve its revenue and cash flow management. This can be achieved by fully implementing the collection policy.</p>
Liquidity Management			
Cash/ Cost Coverage Ratio (Excluding Unspent Conditional Grants)	1 month	1 month	The municipality has managed to maintain the ratio above the recommended 1 month. This indicates that

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
<p>The Ratio indicates the - Municipality 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>			<p>the Municipality will be able to meet its monthly fixed operating commitments from cash and short-term investments for about a month, without collecting any additional revenue.</p>
<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>	0.48	0.33	<p>The municipality for the past five (5) years has not attained the recommended rate. This indicates that the Municipality will not be able to pay its debt as they fall due. Given that the collection rate of the municipality is also very inadequate. This puts the Municipality in a greater risk of not being able to service their short-term debt from it's own funds.</p>
Liability Management			

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
<p>Capital Cost (Interest Paid and Redemption) as a % of Total Operating Expenditure – indicates the cost required to service the borrowing. It assesses the borrowing or payment obligation expressed as a percentage of total operating expenditure.</p> <p>The norm is 6% - 8%</p>	Ratio not provided	0%	<p>The ratios for both years are below norm indicating that the Municipality has the capacity to take on additional financing from borrowing to invest in infrastructure projects or it could relate to cash flow problems where it is unable to access borrowed funds, or the funding decisions of the municipality impacts these levels.</p> <p>However, given the low cash generating ability and the 2 loans the municipality has with DBSA and Redefine of R36 975 258 as at 30 June 2022, the municipality does not have capacity to take on more debt.</p>
<p>Debt (Total Borrowings)/ Revenue - indicates the extent of total borrowings in relation to total operating revenue.</p> <p>The purpose of the ratio is to provide assurance that sufficient revenue will be generated to repay liabilities. Alternatively stated, the ratio indicates the affordability of the total borrowings.</p> <p>The norm is 45%.</p>	1%	1%	<p>The ratio is less than 45% for both years implying that the Municipality still has capacity to take increase funding from borrowings,</p> <p>However, given the low cash generating ability and the 2 loans the municipality has with DBSA and Redefine of R36 975 258 as at 30 June 2022, the municipality does not have capacity to take on more debt.</p>

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Efficiency			
Net Operating Surplus Margin – measures the net surplus or deficit as a percentage of revenue. The norm is > 0%	Ratio not provided	-6%	<p>Municipalities should at least recover operational costs for the trading services being delivered.</p> <p>The ratios for both years are less than 0% implying that the municipality is operating at a deficit. Measures must be implemented to address this situation to ensure sustainable service delivery. The accurate costing of services linked to cost-reflective tariffs will be required.</p> <p>In a case of an operating deficit, it is critical to ascertain the extent to which the accounting policy, i.e., revaluation method has impacted on the calculations to avoid any distortions in interpretation of the outcome. Refer to Circular 58 section 4.3 regarding revaluation in terms of GRAP 17 and treatment of depreciation and GRAP 24.</p> <p>The net operating deficit is confirming the high level of reliance that the municipality places on National Government support to sustain service delivery.</p>

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Electricity Distribution Losses (%) 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. The norm is 7% - 10%	34%	38%	The distribution losses are high as they are above the norm and this could be attributable to the internal usage not being accounted for, illegal connections, unbilled consumption, and incorrect allocation of electricity to invalid indigents.
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. The norm is 15% - 30%.	42%	51%	The distribution losses are high as they are at the higher end of the norm and this could be attributable to the internal usage not being accounted for, illegal connections, unbilled consumption, and lack of monitoring of water supplied
Revenue Management			

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Revenue Growth (%) – measures the growth in revenue year on year. The norm is at the rate of CPI	Ratio not provided	20%	Both the nominal growth rates for 2021/22 and 2020/21 are above the average CPI for the RSA of 6%.
Revenue Growth (%) - Excluding Capital Grants Measures the growth in revenue excluding capital grants year on year. The norm is > 5%.	Ratio not provided	19%	
Expenditure Management			
Creditors Payment Period This ratio indicates the average number of days taken for trade creditors to be paid. The norm is 30 days.	389 days	446 days	The ratio is significantly above the norm of 30 days for both 2020/21 and 2020/22 and 446 days and 389 days respectively. The municipality is not able to settle creditors within normal credit terms, this is an indication that the Municipality is experiencing cash flow problems.
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.	Ratio not provided	8%	The norm is 0% Since the ratios for both 2020/21 and 2021/22 are above 0%, all UIF&W should be investigated.

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
The norm is 0%.			Recurrence of UIF&W shows the failure of adherence to Supply Chain Policy in relation to UIF&W
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. The norm is 25% - 40%.	18%	16%	The ratio refers to the employee cost of the municipality in relation to the total operating expenditure, the ratio of 16% (2020/21:18%) shows the spending on remuneration is below the norm. This may be attributed to the high vacancy rate in the municipality.
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%.	Ratio not provided	2%	

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
Budget Implementation			
Capital Budget Implementation Indicator - Measures the extent to which Budgeted Capital Expenditure has been spent during the financial year, under review. The norm is 95% to 100%	Ratio not provided	80%	For the two years under review, the municipality is 100% reliant on grant funding given that it cannot afford to finance capital expenditure from internally generated funds. Although other metrics indicate that the municipality can potentially apply for debt, it does not have capacity to service debt given the lack of cash generating ability and reliance on funding from National Government
Operating Expenditure Budget Implementation Indicator The norm is 95% to 100%	Ratio not provided	117%	The 2021/22, overspending may indicate inaccurate budgeting or inadequate financial management, although the magnitude is not significant. This is an acceptable deficiency in budgeting processes and monitoring control in respect of budget control.
Operating Revenue Budget Implementation Indicator The norm is 95% to 100%	Ratio not provided	101%	A ratio of 101% year on year points towards inaccurate budgeting and is not an indicator of cash generation due to the low collection rate.
Billed Revenue Budget Implementation Indicator - Measures the extent of Actual	Ratio not provided	87%	

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Ratio	Ratio for 2020/21	Ratio for 2021/22	INTERPRETATION
<p>Service Charges and Property Rates Revenue received in relation to Budgeted Service Charges and Property Rates Revenue during the financial year, under review.</p> <p>The norm is 95% to 100%</p>			

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3.4 SERVICE DELIVERY

Service Delivery Overview

The City of Matlosana, a category B municipality, is responsible for service delivery. The municipality is experiencing numerous challenges in terms of offering adequate levels of service delivery. The service delivery shortcomings have been highlighted in the municipality's annual report, IDP, SDBIP, and infrastructure masterplans. The municipality has no infrastructure master plans in place pointing to lack of technical governance indicating a deficiency in technical oversight and a lack of accountability. Inadequate provision of repairs and maintenance has led to disruptions in delivering services to consumers. The disaffection with service delivery is shown by low collection rates.

The service delivery key challenges are multifaceted and include:

Inadequate infrastructure development to meet the population growth demand, renewal of the ageing infrastructure and lack of adequate repairs and maintenance provisions. Lack of adequate funding has led to the municipality being unable to upgrade the existing infrastructure to meet the current and future demand. This ultimately resulted in the following:

- Inconsistent electricity supply, aging infrastructure, as well as non-functioning street and traffic lights.
- Inconsistent water provision and aging infrastructure due to inadequate maintenance, infrastructure operating above design capacity (water treatment plants and pumps).
- Aged sewer systems due to lack of maintenance resulting in spillage, untreated or partially treated effluent is discharged to rivers.
- Inadequate waste collection services both in formal and informal settlements.
- Inadequate road conditions (potholes) due to inadequate road maintenance and in fact have left the roads to be classified as in "Dire" state.
- No operational maintenance, master plans and asset management plans.
- Inadequate project management of existing service delivery related projects.

The municipality relies on government grants to implement capital projects. Inability to augment grant funding can further be attributed to adoption of unfunded budget for the past five years. The municipality has not fully spent 100% of its capital budget in last five years, with 2019/20 recording the lowest spending of 61%.

National Treasury has also stopped the following grants in 2023.

- MIG R11 million out of total allocation of R100.2 million
- WSIG R4.515 million out of total allocation of R15.7 million
- EEDSM R2 million out of total allocation of R5.5 million
- NDPG R9 million out of total allocation of R30 million

Further than that, the municipality will be returning R14.6 million to the National Revenue Fund in 2023/24 for Energy Efficiency and Demand Side Management (EEDSM) of R1.6 million, Municipal Infrastructure Grant (MIG) of R1.2 million, Financial Management Grant (FMG) of R104 thousand, Neighbourhood Development Partnership Grant (NDPG) of R6 million, Expanded Public Works Programme (EPWP) of R30 thousand and Water Services Infrastructure Grant (WSIG) of R5.8 million due to the municipality not fully utilizing the grant allocated in 2022/23 financial year.

Water Provision

Access to sufficient, safe water is a basic right enshrined by South Africa's Constitution. The Water Services Act (Act 108 of 1997) places the responsibility for provision of water services to Local Government, while the oversight and monitoring duties are delegated to Provincial and National Government.

The City of Matlosana is a Water Services Authority. The Water Services Act, Act 108 of 1997, section 5(4) states that in emergency situations, a Water Services Authority (WSA) must take reasonable steps to provide basic water supply to any person within its area of jurisdiction and may do so at the cost of the authority. To contribute to the enhanced quality of life and prosperity of all the people in the City of Matlosana by providing better quality water services through a well-established and maintained infrastructure to comply with the Constitutional obligations of the Republic of South Africa.

The municipality has one drinking water supply system and Midvaal water is their Water Services Provider. A low-risk rating was achieved for the supply system and the Regulator commends the WSA and WSP for that achievement. During the 2021-2022 financial year the Municipality has been supplied with an average of 102 Ml/day. The City of Matlosana is then responsible for the distribution of water to the consumer through its water infrastructural network which includes piping system, pump-stations, and reservoirs. Other activities that the City of Matlosana does is:

- Test and replacement of water-meters.
- Water quality testing and post water treatment quality maintenance.
- On-going assistance to ensure that new developments are expedited, and water infrastructure is installed in accordance with standards and specifications of the municipality.
- Analysis of all aspects of the existing water supply system to pro-actively identify worn out infrastructure and problematic areas.
- Continuous management and control to ensure the optimum ability of the water supply infrastructure.
- Arrangement is being done to boost the disinfection of water to improve quality up to the consumer point.
- Render sustainable bulk water service by supplying adequate water of good quality on a continuous basis and at a reasonable cost to the consumer.
- Provide, operate, and maintain the distribution system to meet the needs of all customers and reduce water losses.

Blue Drop Assessment- City of Matlosana

Whilst the Blue Drop assessment focuses on the entire value chain (source, pumping, treatment, reticulation network) of the drinking water business within the municipal (or other) water services business, the Blue Drop Risk Rating (BDRR) assessment focuses on critical risk areas within water services provision. The latter approach is a form of risk-based regulation which allows the municipality to identify and prioritise the critical risk areas within its drinking water process and to take corrective measures to abate these. Risk analysis is used by the Department of Water and Sanitation (DWS) to identify, quantify and manage the corresponding risks according to their potential impact on human health and to ensure a prioritised and targeted regulation of high-risk municipalities.

The Blue Drop score reflects the status of the complete water business over a period of 12 months based on full Blue Drop assessment, whereas the BDRR focuses on specific risk indicators at a specific moment in time (i.e., snapshot view), or a more prolonged period in time (i.e. BD 12 month period).

- Is a concise and focussed benchmarking exercise which extracts some of the key risk areas that would individually and collectively, give a snapshot view of the status of water quality.
- Is an indicator of progress or digress' which can be run efficiently and accurately, annually or at any given time, without having to go through a comprehensive assessment process.
- Allows the Water Services Authority (WSA) to identify, quantify and manage the risks associated with drinking water services provision thereby empowering them to take relevant strategic management and operational decisions to support and improve sustainable water services provision.

City of Matlosana Municipal BDRR Score: 41.4%

Assessment Areas	City of Matlosana
BULK / WSP	Midvaal Water
A: Total Design Capacity (Ml/d)	320.00
B: % Operational Capacity in terms of design	40%
C1a: % Microbiological Compliance	98.3%
C1b: % Microbiological Monitoring Compliance	88.6%
C2a: % Chemical Compliance	96.3%
C2b: % Chemical Monitoring Compliance	91.2%
D: % Technical Skills	100%
E: % Water Safety Plan Status	81.82%
%BDRR/BDRR max	41.4%

Source: Blue Drop Report 2022

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Under criteria A and B, the WSA is operating well within the design capacity, indicating that there is no immediate threat of not meeting water demand. Furthermore, the supply system has process controllers, supervisors and maintenance teams that are adequately aligned to the Regulation requirements. The supply system achieved excellent microbiological and good chemical compliance. Furthermore, microbiological monitoring and chemical monitoring programmes are adequately aligned to SANS 241:2015 requirements.

This indicates that the water supplied from this system may not present serious health and aesthetic risks to the consumers. A good score was achieved under Water Safety Planning, indicating that the WSA and WSP are adequately implementing a Water Safety Planning process including adoption of risk-based water quality monitoring and implementation of control measures for high and medium-risks as prescribed in the SANS 241:2015 AND WHO guidelines. Overall, the regulator commended the WSA and WSP for the low BDRR achieved and encouraged them to continue with good drinking water quality management practices.

However, in addition to the City of Matlosana favourable water quality ratings, the municipality faces several challenges in its water supply:

- High level of water losses of about 51%. This level of water loss means that the negative financial impact to the Municipality is +/- R198 million per annum.
- The department has a high vacancy rate (19%) of employees that directly affects delivery of water.
- Lack of motor vehicles to attend to water disruptions.
- Delays in the procurement of services and materials for maintenance
- Inadequate planning and budgeting for maintenance
- High electrical cable theft impeding sustainable water supply to the communities.
- Uncontrollable overtime.
- Illegal connections
- Intermittent supply of water to informal settlements

3.4.1 Sanitation

The Constitution of South Africa assigns the responsibility for the provision of water services to Local Government, while oversight and performance monitoring duties are assigned to the Provincial and National Government. The primary environmental responsibility of municipalities regarding wastewater discharge is to ensure that its discharge into the sewerage system is effectively regulated and that the sewerage system / infrastructure is designed, operated and maintained in a manner to ensure that the wastewater does not have an impact on the receiving environment once discharged. Wastewater treatment and disposal is regulated by the National Water Act (NWA), 1998 (Act No. 36 of 1998) and the National Environmental Management Waste Act (NEMWA), 2008 (Act No. 59 of 2008). The NWA is required to be read with the Water Services Act (WSA), 1997 (Act No. 108 of 1997), which is the primary legal instrument relating to accessibility and power of water services (which include drinking water and sanitation services). In terms of the WSA, the responsibility for ensuring access to water services lies with water services authorities (municipalities) and it is the responsibility of water services authorities (through water services providers) to ensure access to both water supply services and sanitation services. Ultimately, Wastewater Treatment is to ensure that it is performed effectively and that an acceptable quality of treated water is produced for better effluent discharge.

The NWA, section 36 requires that Wastewater Treatment Works obtain a Water Use License (WUL) to operate legally, whilst the quality of the effluent comply with authorized disposal limits. Where obvious pollution or non-compliance with effluent quality disposal limits, the National Environmental Management Act (NEMA), 1998 (Act No. 107 of 1998), section 28 is particular on the duty of care and remediation of environmental damage and reads “(1) Every person who causes, has caused or may cause significant pollution or degradation of the environment must take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring, or, in so far as such harm to the environment is authorized by law or cannot reasonably be avoided or stopped, to minimize and rectify such pollution or degradation of the environment.”

The need for wastewater treatment and reuse is also clearly capture in the Sustainable Development Goals (SDGs) under SDG 6, which aims to ensure availability and sustainable management of water and sanitation for all. The goal has a specific target addressing wastewater management, which states, “By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally”.

The City of Matlosana has four wastewater treatment plants in the areas listed below, over and above the 4 WWTW, the city has 23 sewerage pump stations all around the city that the City is responsible for managing.

- Klerksdorp,
- Orkney,
- Hartebeesfontein
- Stilfontein

Green Drop Assessment- City of Matlosana

Since its inception in 2008, the Green Drop regulation programme sought to identify and develop the core competencies that, if strengthened, would gradually and sustainably improve the standard of wastewater management in South Africa. The intention was to align the minimum requirements and best practice as a new Green Drop standard to raise the bar for wastewater management. The programme is therefore not based on the results of a limited number of random samples but evaluates the entire wastewater management services over a one-year audit period. The Green Drop process is recognised as an international best practice and has received both local and international accolade. It is based on a consultative audit process that seeks to empower those responsible for wastewater management to deliver according to the set standards. It is also a transparent process, with clearly defined criteria that is geared to protect consumers from potentially unsustainable and unsafe services, as well as protecting the country's water resources. The Green Drop audit criteria are designed to complement the efforts of other government and stakeholder programmes. They provide essential information to inform planning by sectoral partners, with the shared objective of achieving functional wastewater systems in the short term and excellence in wastewater management in the longer term. The Green Drop audit process is intended to inspire a path that brings about sustainable compliant wastewater services through competent people, disciplined thought, and collective action which can be measured and reported to South African citizens every year.

The Green Drop Wastewater Services Audit measures and compares the results of the performance of Water Service Institutions, and subsequently rewards (or penalises) the institution based on evidence of excellence (or failures) when measured against the defined standards. Benchmarks are used to help WSIs to identify gaps between their standard and industry norms. The report is designed to give comparative analysis and diagnostics to assist WSIs to focus on specific areas for improvement. Awareness of this performance is intended to hold WSIs to account, with pressure from consumers, media, politicians, business, and NGOs. Each Green Drop audit cycle is marked by incremental change in the audit criteria, guided by the status and priorities of wastewater sector. It is therefore important for WSIs to note that merely maintaining the previous cycle's Green Drop evidence and performance will not warrant the same Green Drop score.

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Whilst the Green Drop assessment focuses on the entire value chain (sewer collector, pumping, treatment, discharge) of the wastewater business within the municipalities (or other WSIs), the Cumulative Risk assessment focuses on the wastewater treatment function specifically. The latter approach allows the Regulator to have a database of the risk status and indicators for each treatment system in South Africa. As a 'sister' programme to Green Drop audits, risk-based regulation allows a WSI to identify and prioritise the critical risk areas within its wastewater treatment process and to take corrective measures to mitigate these. Risk analysis is done annually via the full Green Drop audit process, as well as in the alternate years via the Green Drop Progress Assessment (PAT) assessment. The results are published in the biennial Green Drop Report, as well as the Green Drop Progress (PAT) Report every alternate year. The Department of Water and Sanitation integrates risk analysis as part of the audit process with the aim of quantifying, prioritising, and managing the risks to ensure targeted regulation of high-risk municipalities. The Wastewater Risk Abatement Plan (W2RAP) is the tool whereby risks are identified and corrected, following a similar process of the reputed Water Safety Plan (WSP). A W2RAP guideline is available to assist users (Water Research Commission, WRC TT 489/11).

The City's scores (44%) according to the green drop score which is, categorised in the yellow band which means Very inadequate performance and needs targeted turnaround interventions. The City has 22 sanitation pump-stations and 4 waste treatment plants, as well as 5 bulk water points and 3 water pump-stations to maintain. Two of the waste treatment plants at Hartbeesfontein and Klerksdorp respectively are performing at 70% efficiency whereas the other 2 plants in Stilfontein and Orkney are performing at 50%. The water facilities are performing at an overall 60% as for the 2021/22 financial year. The City is currently not able to perform corrective maintenance hence the performance is steadily declining annually (**Source: Green Drop Report 2022**).

3.4.2 Electricity

The City of Matlosana has two licensed distributors of electricity providing electricity within its jurisdiction, namely Eskom and the City of Matlosana municipality. Eskom provides electricity to township households in Kanana, Khuma, Tigane and private farms, whilst the City of Matlosana provides electricity to the towns of Klerksdorp, Orkney, Stilfontein and Hartbeesfontein, as well as the townships of Jouberton, Alabama and Manzilpark. Provision of basic electricity at household level stands at 92%, with a backlog within rural and recently established urban low-income areas. The percentage of households in urban areas provided with electricity in formal and informal stands at 92% whereas percentage of households in rural areas provided with electricity stands at 8%, the remaining percentage of the households not provided with electricity in both rural and urban areas are provided with free basic alternative energy in a form of liquefied paraffin.

The City suffers from High Electricity Losses of about 38% and have been increasing year on year (2022-2023) on an average of 4%. Over and above the high losses the City owes its biggest creditor Eskom in excess of 1.6 billion Rands.

3.4.3 Human Settlement

The aim of this section is to accelerate housing delivery through efficient and effective human settlement management and quality service delivery as well as through integrated and collective sustainable human settlements programmes. The priority remains that of eradicating the remaining informal settlements and introduces a rental strategy as an alternative to address housing backlogs. The City of Matlosana is suffering from the proliferation of informal settlements and urban sprawl. Lack of adequate planning, servicing of planned land and shortage of resources is delaying the provision of safe housing. Although the city has made strides by purchasing strategic land in certain areas for housing, the magnitude of the land still falls far short of what is required. Availability of key land closer to development nodes is also proving to be a challenge.

3.4.4 Roads and Stormwater

The City of Matlosana is responsible for the road and stormwater infrastructure. The process for the determination of the state of road network which was done through the Dr Kenneth Kaunda District Municipality through the RRMMS programme report which clearly indicate that City of Matlosana's road network need proper and urgent rehabilitation and reseal to sustain the durability of roads. The report also noted that the network improvement programmes should be implemented as a matter of urgency given the bad state of the roads and priority and importance of the infrastructure for economic development and it also states that this requires a special type of skill and equipment to carry out the work properly. The City is not putting enough resources through its budget to maintain these roads and its evident that specialist skills that are required within the department to plan and perform maintenance tasks are in short supply. Without proper rehabilitation and resealing of surfaced roads major defects such as potholes, crocodile cracks, rutting will continue to be seen. The City has to make sure that all these roads are properly maintained.

3.4.5 Security Services

Theft of assets and vandalism of key infrastructure is affecting the ability of the city to provide service to its people. The Municipality needs to revamp and update its security policy as a matter of urgency to ensure the policy is able to safeguard the city's assets. These key challenges are being associated with Zama-Zama's within the City. An immediate solution needs to be sought after; this may entail seeking intervention from other spheres of Government to bring back order to the City.

3.4.6 Fleet management

The fleet Management division of the municipality is decentralised, and the Municipal fleet is being abused. The department lacks key leadership which is evidenced by the lack of senior personnel such as a fleet manager. The organogram is outdated and is in desperate need of restructuring. The City needs to relook into the condition of its vehicles and make an assessment whether to keep or sell some of the fleet as they are attributing to very high and abnormal fleet maintenance costs. In the past financial year, it was noted that the City has a fleet of 584 on its books however 445 of this fleet is older than 10 years and working vehicles constitute 50% of the required operational fleet. The City does not have a fleet maintenance and replacement policy though a draft policy has been submitted for approval. Urgent intervention is needed within the Technical Department regarding the availability and maintenance of the fleet, as vehicles or fleet affect all operations within the City, to ensure uninterrupted service delivery.

Key Issues Identified

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Spatial Development Framework (SDF) + Masterplans	The City of Matlosana has no master plans such as Infrastructure Asset Management Master Plan, Water and Sanitation Master Plan, Water Service Delivery Master Plan, Water Conservation and Water Demand Management Master Plan, Fleet Management Master Plan, Roads and Stormwater Master Plan, Integrated	Loss of Revenue Riots and Protests Quality of Service	Inadequate planning Lack of performance management system Non implementation of guidelines and legislation Instability in leadership positions and delay in appointments of key positions	Develop Bulk Infrastructure Master Plans Fill vacant positions with personnel with correct qualifications and seek assistance from other SOEs such as DBSA and MISA to develop master plans. Implement guidelines and legislation. Employ technical experts to assist with the formulation of	SDF 2021 Annual Report 2021-2022 SDF 2021 (Page 87) Annual Report 2021-2022

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	Waste Management Master Plan.		Shortage of skilled resources to develop masterplans.	the master plans and maintenance thereof. Target date for completion September 2024 – Water Master Plan.	
Loss control water	As a Water Service Authority (WSA), the City of Matlosana is obligated to provide its consumers with sustainable, reliable, cost-effective, and high-quality water services. Yet, it faces challenges, including substantial material water losses, which are on the rise due to	<p>Loss of revenue due to high water losses of about 58%</p> <p>Incorrect calculation of the water losses</p> <p>Internal usage not correctly adjusted in</p>	<p>There is no effective strategy in place to reduce water loss.</p> <p>High Levels of vandalism of infrastructure</p> <p>Ageing infrastructure.</p>	<p>Investigate the elements of the Water losses and develop an effective Strategy to address high water losses.</p> <p>Develop a security plan and Strategy with aid of other spheres of government (Provincial SAPS) to protect municipal water infrastructure.</p>	<p>AG Management Report 2021-2022 (Note 33 AFS)</p> <p>Annual Report 2021-2022</p> <p>Strategic Framework for Water Services (2003)</p>

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	<p>the absence of a strategic plan to reduce the losses.</p> <p>The Water losses in units were 18 655 012 in 2022 representing 51% of water billed by WSP. In 2023 financial year the water losses in units have increase to 22 746 405 representing 58% of water billed by WSP. The acceptable norm is 30%.</p> <p>The auditor general raised concern over the high levels of distribution losses.</p>	<p>the water loss calculation.</p> <p>Losses incurred by unmetered municipality buildings due to lack of metering and unrepaired leaks.</p>	<p>Inadequate number of motor vehicles to attend to burst pipes.</p> <p>Inadequate trade Equipment (tools to resolve faults and burst pipes etc).</p> <p>A notable 19% staff vacancy rate with critical resource gaps, especially the lack of qualified personnel for asset assessments and third-party engineer and contractor oversight</p>	<p>perform conditional assessment of infrastructure and budget for repairs and replacement.</p> <p>Purchase required tools of trade and plan for maintenance thereof.</p> <p>Resource the department with critical resources to carry out key activities as per developed maintenance plan.</p>	Working sessions with Technical Department

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The City of Matlosana Local Municipality SQ Assessment Template

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	The Municipality is also using the services of water tankers as a temporary measure to assist the communities affected by unreliable water supply, this water consumption is not measured including informal settlement and farming Settlements.		Unavailability of correct data to calculate real water losses.		
		Lack of a Water Services Development Plan (WSDP)	The municipality has no Water Service Development Plan (WSDP) as part of its IDP.	Develop Water Services Development Plan (WSDP) and align to the IDP.	
		Billing issues as the water billed is far less than the water provided. Municipality using estimates reading for billing of water.	Lack of monitoring and control of water supplied from WSP. Non-Working Meters + Stuck meters (Faulty meters).	Install measures to verify meter readings from WSP. Meter audits to be performed.	

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		Water tankering not accounted for /measured.	Inadequate planning and budgeting. Water being supplied to informal settlements and rural areas being tapped from non-metered sources such as fire hydrants hence not accounted for.	Departmental budget to be aligned with requirements. All water supplied to formal and informal settlements to be billed and recorded	
		Water meters not being accounted for correctly	Theft of water meters. Insufficient water meters in stores to install/ replace faulty meters.	Explore usage of smart meters to account for water loss/ use in real time. correct planning within stores department to ensure meter meters are in supply	

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Loss control - Electricity Technical Losses	In Matlosana, there are two licensed electricity distributors: Eskom and the Matlosana municipality. The city is experiencing an increase in electricity losses, averaging 4% increase annually from 2019 to 2022. As of 2023 the losses are sitting at 38%. The Municipality does not have an effective strategy in place to address these losses. The energy regulator mandates that energy losses must not	Loss of revenue due to high Electricity Losses of about 38% which are above the norm required by the regulator.	<p>No Electricity Loss reduction strategy in place</p> <p>Ageing infrastructure</p> <p>Limited funding to maintain and improve the existing infrastructure.</p> <p>Saturated and overloaded infrastructure.</p> <p>High level of vandalism</p> <p>Theft of copper cables at substations, public lighting, water and sanitation facilities.</p>	<p>Develop an effective strategy for reducing electricity loss.</p> <p>Develop an electricity infrastructure maintenance plan.</p> <p>Improve budgeting and planning methodology.</p>	<p>Annual Report 2021-2022.</p> <p>Directorate: Technical & Infrastructure Service Delivery Plan.</p>

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The City of Matlosana Local Municipality SQ Assessment Template

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	exceed 15%, divided into 5% technical and 10% non-technical losses.		Non-availability of repair materials. Aged fleet to respond to network failures within minimum standard time frames.		
		Accuracy and consistency of meter readings as municipality is billing based on estimates.	Old and damaged meters.	conduct a meter audit within the municipality.	
Bulk Meters-Water	The municipality has check meters but does not have zonal meters including designated metered fire hydrants for filling	Lack of systematic monitoring of readings and active management to identify where losses are being incurred.	Lack of leadership to drive monitoring processes. Lack of Technology to assist in the monitoring	Technical Director to initiate processes and institute monitoring systems.	Annual Report 2021-2022. Management Report.

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	of water tankering truck and City does not have the capability to accurately monitor the volumes of purchased water. Nevertheless, a successful endeavour to install bulk meters, pressure-reducing valves, and the related infrastructure has been successfully carried out. This project has been executed in all 39 wards, as detailed in the Annual Report.		of water flow and consumption. Lack of internal controls.	Internal audit to assist with development of monitoring procedures.	SDF 2021.

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The City of Matlosana Local Municipality SQ Assessment Template

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Non-technical losses due to meter tampering, illegal connections	Owing to the expansion of households and businesses, there has been an increased demand for water and electricity in these areas, prompting some residents to resort to illegal connections. The Municipality currently lacks an effective strategy to curb these illegal connections, resulting in high electricity loss rate.	<p>Illegal connections of Electricity and Water</p> <p>Loss of revenue due to high non-technical losses.</p>	<p>Lack of consequence management of perpetrators due.</p> <p>Lack of educating the public about the implications of meter tampering and illegal connections.</p> <p>No Strategy in place to reduce non-technical losses</p>	<p>Review by-laws to further enforce consequence management to offenders.</p> <p>Create Consumer education programs about issues caused by illegal connections and meter tampering.</p> <p>Develop a strategy to intervene on non-technical losses.</p> <p>Municipality to perform increase routine, frequent inspections to identify illegal connections.</p>	

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
		Lack of meters in stores to replace faulty meters.	No active management to monitor internal controls in departments.	Planned to purchase of meters and effective management thereof. Purchasing of smart meters and associated anti tampering systems. Consequence management to department personnel.	2022-2027 IDP Annual Report 2021-2022. Management Report 2021-2022
Unmetered consumption	The municipality has noticed that several municipal buildings lack meters or where there are meters they are not functioning.	Loss of revenue through non metered consumption in Municipal buildings.	Lack of meters in stock	MM took a proactive position and instructed the technical department to install meters in all Municipal buildings.	Annual Report 2021- 2022

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	Originally, the plan was to install or repair these meters by the end of the 2022 fiscal year. Unfortunately, none of the 40 identified municipal buildings had their meters installed, fixed, or replaced as planned.			Appropriate budget and planning from SCM in procurement	2020/21 Audited Annual Financial Statements
		Inability to identify billing issues on individual accounts.	Lack of adequate system training and support.	System providers to train revenue personnel in order for employees to be able to identify problems and resolve.	2021/22 Audited Annual Financial Statements
	Furthermore, the Municipality is failing to bill certain consumers. Despite replacing 2052 reported stuck meters, the city's progress in resolving	Departmental Silos' between the BTO office and Technical Department.	Lack of interdepartmental collaboration. Financial constraints experienced by the City Lack of funds. Lack of consequence management.	Create a joint task force between BTO and technical department to address unmetered consumption in the Municipality. To ensure budgets are funded and can be implemented through	

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	meter-related issues has been sluggish, leading to ongoing revenue losses.	No meters in Stores to replace faulty meters		accurate and correct planning	
'SMART' technologies	<p>SMART technologies are not being utilised and implemented in the Municipality.</p> <p>Not using smart meters can result in inefficiencies, billing inaccuracies, and missed opportunities for better resource</p>	<p>Introduce smart/prepaid meters hence the municipality is losing revenue due to unreachable meters in certain areas.</p> <p>Introduce anti tempering meters.</p>	Improve capacity within the technical department.	<p>Fast track implementation of SMART technologies/prepaid meters.</p> <p>Create joint taskforce between administration and Political office to address issues of no go areas,</p> <p>Conduct meter audits</p>	2022 – 2027 IDP 2021/22 Audited Annual Financial Statements

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	management and customer engagement.			<p>Collaborate with other SOEs such as Eskom to assist on meter installation.</p> <p>SUM Spectrum Utilities to assist with rollout with smart meters.</p> <p>Different type of meters, specialised meters, can't be read using normal handheld devices.</p>	
		Inaccurate Billing	<p>Reliability of current meter readings.</p> <p>Lack of appropriate smart infrastructure</p>	<p>Introducing smart/ prepaid meters to eradicate billing discrepancies and disputes.</p> <p>Effective planning and budgeting</p>	

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
Fleet Management	The municipality fleet comprises 584 vehicles, but 445 of these are over 10 years old. As of the end of 2022, only 50% of the fleet is operational. The fleet management system within the municipality is decentralized, leading to issues of fleet misuse. Notably, there is no fleet manager or support staff in the current organizational structure. The municipality has no	Not enough fleet to service municipality needs. There is no comprehensive report of all assets with their condition assessment.	Lack of Funding to procure a new fleet due to cashflow constraints.	Plan and budget accordingly to purchase new fleet. Municipality to apply to procure service delivery vehicles through the Transversal tender for service delivery vehicles from NT. Incorporate the vehicle replacement plan under Fleet management strategy plan. An assessment in every department should be done based on a need basis. Conditional Assessment on all vehicles to be conducted.	2021/22 AG Management Report 2021/22 Annual Financial Statements 2020/21 SDBIP 2022-2027 IDP 2022/2023 Procurement Plan.

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	approved policy on fleet management.			Conduct a cost benefit analysis whether to sell fleet and buy new fleet, also do a lease vs buy analysis,	
		Aging fleet downtime leads to high maintenance costs, impacting critical service vehicles and departmental performance.	Inadequate maintenance of the fleet over time	Create a fleet maintenance plan. Employ Fleet Manager to lead the department.	
Mechanical Services + Wastewater	The city's mechanical workshops handle maintenance services for pumps, motors,	High operating cost of pumps and associated machinery.	Ageing infrastructure	Municipality to prioritise budget for infrastructure maintenance/ replacement	AG Management Report 2021-2022

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The City of Matlosana Local Municipality SQ Assessment Template

Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
	<p>mechanical screens, aerators, clarifiers, gearboxes, fitting, and welding.</p> <p>The city is responsible for maintaining 22 sanitation pump stations, 4 waste treatment plants, 5 bulk water points, and 3 water pump stations.</p> <p>Two waste treatment plants, Hartbeesfontein and Klerksdorp, operate</p>	<p>High machine failure due to foreign items being processed in the sewer systems.</p>	<p>Lack of programs to educate the public what a sewer system can and cannot take.</p>	<p>Customer awareness campaigns and education programs, political office to assist.</p> <p>Establish grassroots educational initiatives that can be disseminated to schools for the purpose of educating children. This approach has demonstrated effectiveness, as it empowers children to subsequently educate their parents within the home environment</p>	<p>Annual Report 2021- 2022</p> <p>Infrastructure Service Delivery Plan.</p>
		Lack of adequate security.	Theft and Vandalization	Create a budget for replacements.	

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	<p>at 40% efficiency, while the plants in Stilfontein and Orkney are at 50% due to theft and vandalization.</p> <p>Overall, the water facilities achieved a 60% performance rate in the 2021/22 financial year.</p> <p>The Municipality currently lacks the capacity for corrective maintenance, resulting in a gradual decline in</p>	<p>The Orkney site (infrastructure) and site (treatment) operations are again assessed as critical (two years running).</p>	<p>Lack of Funding to procure adequate security due to cashflow constraints.</p>	<p>MM to lead a rehabilitation team.</p> <p>Internal security deployment and capacitation.</p> <p>Infrastructure maintenance plan to be developed.</p>	
		<p>Vacancies noted in key lower-level personnel that perform activities such as maintenance. Vacancy rate 23%.</p>	<p>Lack of funding to fulfil the vacant positions due to cashflow constraints.</p>	<p>Skills assessment to be done in the department to note gaps in skills.</p> <p>Active recruitment of people with the required skills and competency levels</p>	
		<p>Vandalism of infrastructure at Orkney and Stilfontein.</p>	<p>Lack of effective asset safeguarding measures at Orkney and Stilfontein.</p>	<p>Municipal Security services with aid of SAPS and other necessary Government security departments need to</p>	

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	performance each year.			<p>create asset safeguarding measures.</p> <p>By-laws need to be amended and enforced to culprits of vandalism and theft.</p>	
		<p>The four wastewater treatment facilities are registered but have no licenses/ licenses expired.</p> <p>Wastewater treatment works are not adhering to the legislative requirements to prevent pollution.</p>	<p>Management oversight in legislative compliance issues.</p>	<p>Special committee needs to be created urgently involving the Accounting Officer to ensure the Municipality complies with the legislature.</p>	

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Focus Area	Brief diagnostic analysis	Problem/ Key issues	Root Causes	Strategy to solve	Source of Information
		Repair and Maintenance is required urgently as effluent quality is compromised and is being discharged into the Schoonspruit and Vaal River.	Improper treatment processes happening. Lack of Funding to upgrade and repair facility + purchase of vehicles/tractors.	Municipality to appoint specialists to deal with effluent issues and create solutions. Solution to involve WSA and utilise experts from the Department.	
		Only 1 out of 3 Modules of the treatment plant is operational. (Module 2 working- Module 1 and 3 not operational).	Inadequate management and maintenance of facilities.	Accelerate the process of restoring the remaining two modules.	
		Untreated wastewater both within and outside the site boundaries is	Inadequate management and maintenance of facilities.	Develop a maintenance plan and site facility management plan.	

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		impacting the local environment and poses a potential public health risk to nearby communities relying on local water sources. Similar issues observed in Orkney are also present in Stilfontein. A sanctioned Sanitation Infrastructure Maintenance Policy is currently lacking.	Lack of internal controls		
Housing Delivery	The City of Matlosana suffers from an increase in informal	The housing waiting list, totalling approximately 38,500, represents a	Inadequate Contract management in delivery of housing	MM to intervene on administrative bottlenecks	IDP 2021

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	<p>settlements and urban sprawl.</p> <p>The Housing unit of the City is limited to a facilitation role to ensure that the state subsidised houses (RDP) are built through various housing programmes as outlined in the National Housing Policy.</p> <p>The city has an existing program for upgrading informal</p>	backlog in housing demand at a rate of 22%.			IDP 2022-2027
		High vacancies within the housing department. In 2021-2022 financial year vacancy rate sitting at 22%. – to remove and confirm the vacancy number.	The slow progress in filling crucial vacancies within municipal departments, including town planning, results in capacity constraints and hinders the execution of essential activities	Skills assessment to be done in the department to note gaps in skills based on revised and approved organogram.	2021/22 Annual Financial Statements
		Delays in approvals of orders/ variation orders.	Lack of collaboration between the housing department, various stakeholders and municipal departments.	Ensure project budgeting and costing is prepared adequately. Contract management to be enforced.	2021/22 AGSA Management Report Housing Sector Plan 2012

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	<p>settlements, but it requires more vigilant monitoring and accelerated progress. An audit should be carried out on the current programs to identify and address the factors causing delays in the completion of housing projects.</p> <p>Municipality avails the land only not their function to construct.</p>	Incorrect/ price escalations issues on material	Lack of contract management – to remove.		
		Underspending of budget (-23%) in the last financial year.	<p>Inadequate budget planning and contract management.</p> <p>Lack of compliance with SCM regulations</p>	Contract management to be enforced, to unlock funds that need to be spent.	
	The municipality should offer weekly waste removal	High vacancies within the waste management	Inadequate planning and active management.	restructure the department organogram and employ	AG management report 2021- 2022

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Waste and Refuse Removal	services in residential areas and daily services to businesses and hospitals. However, the city frequently faces challenges in delivering waste management services to both formal and informal settlements due to capacity limitations.	department, vacancy rate is at 35% and vacancies noted in key personnel such as fleet controllers and waste collection supervisors,		according to skill levels and requirement	Annual Report 2021-2022
		High levels of waste in open spaces and residential suburbs due to illegal dumping sites. Not enough specialized waste management vehicles to service all areas	Not enough specialized waste management vehicles to service all areas. Inadequate turnaround times from the Municipal workshop to repair broken vehicles. By-laws not being implemented	To provide adequate repair and maintenance budget for plant To employ skilled labour to repair vehicles. By-laws to be reviewed and implemented	

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		Inadequate budgeting as variance from original budget sitting at 31%	Inadequate asset management practices, hence inadequate maintenance, and asset replacement.	Municipality to provide budget for repair maintenance of infrastructure assets.	
Asset Management	The municipality has an Asset Management Unit capacitated by a Chief accountant, accountant and a clerk. The municipality does not have in-house experts to perform asset management.	The municipality does not have an asset management plan.	Capacity constraints to create one	Develop and implement asset management plan fill in key positions with the appropriate skill level	2020/21 AGSA Management Report
		mSCOA Asset Management module is not functional in the Municipality	The asset register is created out of the system by third parties and maintained by the service provider	Train staff on the implementation of the mSCOA (assets Module) Employ qualified and competent employees to maintain the register.	Annual Report 2021-2022 IDP 2021

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	The municipality utilises External Consultants for support on GRAP 16 and GRAP 17.	Municipality does not have Infrastructure Management master plans.	Lack of key personnel with appropriate skills to put together plans	Create Infrastructure Management master plans.	Working sessions with Technical Department
Planning and Building Control	The Municipality has completed the Implementation of SPLUMA (Spatial Planning Land Use Management Act, 2013 (Act No. 16 of 2013) - Ensure compliance and mitigation of risks	Slow progress in the formalisation of informal settlements.	Inadequate departmental planning.	Ensure that Planning is coordinated and aligned with SDF.	AG Management Report.
		The compliance with bylaws is not monitored and enforced.	Lack of consequence management	Staff to be trained on monitoring by law compliance.	Annual Report 2021-2022. HSP 2021

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	<p>emanating from illegal land use activities.</p> <p>The City has identified and categorized eight informal settlements with preliminary desktop studies, funded by HDA (Pfukani Kusile). Despite these achievements, the city faces challenges such as sprawling development beyond the approved urban edge and land invasions in areas like Jagspruit</p>	Land invasion and mushrooming of informal settlements.	Slow servicing of established townships	fast-track the process to ensure houses can be built.	
		Illegal buildings and construction.	<p>Slow progress in the adoption of new bylaws. New bylaws to be tabled in council at the end of July 2023.</p> <p>Lack of enforcement of bylaws.</p>	Council to review and adopt new bylaws to ensure that the instruments can be used effectively and aid revenue collection.	

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	(Sunnyside), encroaching on public open spaces and institutional stands in Tigane, Stilfontein, Khuma, and Kanana. The Planning and Building department also experience issues related to inadequate planning and control.				
Capital Projects and Grant Funded Projects (PMU and	Within the PMU and other grant funded projects there are signs of inadequate contract performance mainly caused by	Lack of contract management leading to non or slow delivery of projects.	Lack of capacity through skilled personnel. Lack of consequence management.	Capacitate PMU in order to be able to improve administration and management of projects.	Annual Report 2021-2022.

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performance)	<p>inadequate contract management. This results in non-compliance with MFMA section 116(2)(c)(ii).</p> <p>Examples can be noted:</p> <p>NDPG- Construction progress on the Jouberton Taxi Rank Project cannot be reconciled to the lapsed time. The construction works are behind.</p>	Lack of evaluation and planning of projects	Lack of capacity in department with appropriate skills	<p>Improve planning of grant projects and implementation in order to unlock further grants such as Infrastructure skills development grants.</p> <p>skills audit of current personnel in order to see the required technical skills in the department.</p>	<p>AG Management Report 2012-2022.</p> <p>Conditional Grants Progress Report April 2023</p>
		Lack of coherent strategy to minimise irregular expenditure.	The internal audit plan does not include capital projects for audit purposes.	internal audit department to be capacitated to assist with project monitoring	
		Lack of continuous management of grant register.	Lack of Internal controls with regards to performance management	Internal Audit department to be used effectively within PMU to assist with controls on projects.	

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	<p>Extension of National Fresh Produce Market is behind due to contractor related problems.</p> <p>WSIG- Refurbishment of the Jouberton Reservoir is also delayed and problems are reported to be on inadequate contractor performance.</p> <p>Inadequate planning is also contributing to inadequate performance in contracts as this can</p>			Provide training in grant conditions and guidelines.	

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	<p>be shown in the Refurbishment of Electrical and Mechanical Equipment in Water pump stations in KOSH, where contractor has failed to progress in maintaining the pumps because shutdown of water is required for contractor to work has not been approved by the Municipality.</p> <p>There is underutilization of funds within both</p>				

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	grant-funded and internally funded municipal projects.				
Occupational Health Care	Occupational Health Nursing (OHN) is a specialised field that provides for and delivers health and safety programmes and services to workers and worker populations in their places of employment. Key KPIs within the department include health promotion; injury on duty	Old vehicles having too many breakdowns, hindering the health promotions and home visits.	Inadequate planning to ensure fleet is maintained and replaced timeously.	Develop appropriate budgets and maintenance plans	Annual Report 2021-2022.
		Administrative issues such as PAYDAY e.g. COIDA sick leave days are calculated separately from the normal sick leave, thus making it difficult for the unit to	System related problem	Management to organise meetings with system providers to resolve such issues and train relevant staff	

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	administration; medical surveillance of employees. Although the department has managed to assist employees and their family members there are key challenges that need to be addressed to ensure a more effective department and will further their reach to the public.	capture, as the PAYDAY does not cater for such days, which is still not effective due to logistical problems identified.			
		Inadequate staffing policy and high vacancy rates. Staffing issues as the department is understaffed, staff members not replaced after retirement or long sick leave.	Inadequate planning and human resource management	revise organogram and employ more key personnel such as nurses to carry out functions in the department.	

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		Shortages of medication.	Lack of budget and inadequate planning due to cashflow constraints.	Municipality to create a budget to procure some key medication to reduce over reliance on the Department of Health.	
Cemeteries	The City of Matlosana is responsible for managing and maintaining 26 cemeteries with a surface footprint of ± 545 hectares. The management includes the	Aging equipment such as TLBs used for grave digging. Renting plant equipment to carry out essential tasks, thereby exhausting the available budget.	Lack of financial resources to procure new equipment.	Budget for replacement of fleet + apply for grants. Develop a plan to maintain the fleet.	Annual Report 2021-2022

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	administration of burials, as well as the operational aspects dealing with the preparation of graves and cemetery maintenance. The department is facing numerous operational challenges. These inhibit the ability to render affordable burial sites and maintaining them	No road infrastructure in some graveyards for ease of movement of vehicles.	Lack of road infrastructure for ease of movement.	Intervention required by management to create a plan to rectify current problems, collaborate with other departments for fleet sharing	
		High vacancy rate of staff in department- 13%.	Inadequate resource planning to capacitate the department.	Hire staff to ensure smooth functioning of the department.	
Parks + Nature	The Parks and Development section aims to manage and develop a pleasing,	No fleet to move around the city.	Inadequate planning to procure more fleet due to cashflow constraints.	Budget for replacement of fleet and purchase of vehicles.	Annual Report 2021-2022

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Reserve + Aerodrome	aesthetic and effective environment to aid in the well-being of the residents in our community. However, with these core targets, the department also has key challenges in improving the surrounding environment within the community and urban spaces with regard to greening, beautification of Matlosana open spaces, conservation and protection of biodiversity areas;	Lack of resources to render better services to the community. No tools such as bush cutters and chainsaws.	Inadequate budgeting and tools maintenance	Incorporate budget for replacement of tool and devise a system of better management of movable tools.	
		Low number of parks in townships	Lack of budget to develop parks in townships.	To ensure appropriate budgets are created for parks and budget for maintenance thereafter.	
		Deforestation of biodiversity.	Lack of awareness to the public with regards to effects of deforestation.	Create awareness programs in the city. Plant more trees.	

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	and promotion of greening and conservation awareness and preservation of biodiversity to create a sustainable environment.				

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Faan Meintjies Reserve	This Environmental Education Centre in the nature Reserve has not been functional in the last four years.	High employee vacancy rate- 24%. City is incurring more expenditure than the revenue generated and not maximising profit.	Inadequate planning to spearhead the development of the Reserve and maximise profit.	<p>More collaboration with DEA both provincially and nationally to improve environmental programs within the nature reserve.</p> <p>Engage environmentalists/consultants to formulate a strategy to run the nature reserve better.</p> <p>Employ key employees that can aid the reserve better, and hence reduce vacancy rate as cash flows in the municipality improve.</p> <p>Relook Organogram to resolve key areas of interest.</p>	

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				Formulate strategy/ plan to increase operational revenue, in order to try make the park self-sufficient.	
Museums	The City has a vast array of artefacts that are in its possession that account for a part of the country's	Theft of fence, museum items and building fittings	Lack of security personnel to guard sites.	Municipal security services to station security at all key sites To create better maintenance Budgets	Museum Business Plan 2022/2023

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	<p>history. Museums can be good tourist attractions within cities and hence can be a good source of income over and above preserving our heritage. However, because of illegal mining, lack of security, and inadequate maintenance at some sites, many valuable historical items are getting damaged, vandalized, and stolen.</p>	<p>Low maintenance budgets</p> <p>Slow expenditure of grants</p>	<p>Inadequate planning and budget allocation of resources</p> <p>No Appointment of senior management for stability and continuously driving the sections plans. (acting Personnel)</p> <p>Slow SCM processes delaying expenditure of grants.</p>	<p>Create closer relationships with other government departments to unlock further assistance in promoting museums and maintaining the historical assets.</p> <p>Cost benefit analysis and asses revenue vs operational costs and how to maximising revenue</p>	

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Traffic and Security	TRAFFIC: The traffic section is responsible for creating a safe road environment and reducing road traffic violations. The department was also tasked with collection of outstanding fines and investigating road traffic related matters. Another important aspect is enforcing the road traffic Act and Municipal By-laws.	High employee vacancy rate in department- 33%	Not enough traffic personnel to carry out key services.	The municipality needs to recruit more qualified traffic officers.	Annual Report 2012-2022. AG Management Report 2021-2022
		Lack of officer training	Inadequate planning with regards to personnel improvement programs due to cashflow constraints.	Initiate internal training programs for officers	
		Low revenue collection for outstanding fines.	Lack of coordination between traffic department and revenue department	Municipality needs to perform regular roadblocks to increase traffic fine collections.	
		Inadequate record management for traffic fines hence results in revenue losses.	Management did not implement proper record keeping in a timely manner to ensure that complete,	Municipality needs to improve on record management and improve the accounting for fines.	

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		Over reliance on consultants hence no oversight by management on key issues such as ensuring the traffic fine register is complete.	relevant and accurate information is kept.	Fines are an important revenue generator. Acquire more traffic equipment such as speed guns and install cameras to catch offenders and aid revenue collection	
Fire + Disaster Management	<u>FIRE:</u> The scope of responsibilities within the fire services in the City of Matlosana has evolved to include rescue, dangerous goods, as well as dealing with emerging threats which includes terrorism	There are not enough fire engines in areas such as Stilfontein and Khuma. Lack of tools of trade such as protective fire equipment for the firemen.	Lack of budget to purchase enough fire trucks due to inadequate funding. Inadequate planning for equipment and maintenance thereof.	Budget for the procurement of more essential fleet Budget for the procurement of essential tool of trades.	IDP 2022- 2027 Annual Report 2021-2022

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	<p>and responding to natural and anthropogenic disastrous incidents.</p> <p><u>Disaster Management</u> is a unit within the Fire and Rescue Division. The Department is currently initiating processes to establish a fully equipped and resourced Municipal Disaster Management Centre, as per the provision of the Disaster</p>	<p>Inadequate response times to incidences in townships.</p> <p>High vacancy rates 25%</p> <p>Sinkholes not being addressed.</p>	<p>Slow response time due to lack of resources e.g Stilfontein fire department is closed response time is long.</p> <p>Inadequate funds to close off sinkholes as it is costly.</p> <p>Lack of budget to assess and rehabilitate concerns such as sinkholes.</p>	<p>Liaise with other key departments such as roads to ensure service can be delivered efficiently by planning and working together.</p> <p>Revised organogram must be reviewed and adopted and implemented.</p>	

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	<p>Management Act (Act 57 of 2002). Currently there are two officials appointed at the unit as Disaster Officers, but a proposed organogram was submitted to Council for approval, in order to build the required capacity in the unit. The unit focuses on preventative measures in the form of CBDRAs (Community Based Disaster Risk Assessments) and makes recommendations to</p>			<p>include budget for assessment and rehabilitation</p> <p>Educating people around and issues relating to disaster management.</p>	

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	<p>relevant stakeholders and institutions.</p> <p>The unit also coordinates and liaises with the relevant sections in an attempt to assist the community in all wards of the Municipality.</p> <p>The unit assists with response, recovery and relief processes during emergencies of disaster incidents within the municipal area.</p>				

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	The department fails to provide key services in time as they have a number of problems that need to be addressed in order to be able to provide key service.				
Sports and Recreation	This section is in charge of creating a positive attitude in the community towards sports and recreation. The section is also responsible for maintenance of municipal sport and recreation facilities as	High vacancy rate in the section- 38%. Lack of adequate maintenance and security of sports grounds.	Vandalism and theft of the sports grounds. Inadequate maintenance of the sports facilities.	Employ relevant employees as per revised organisational structure and cash flow availability. improve maintenance budget. Cost Benefit Analysis to be conducted to identify the	Annual Report 2021-2022. IDP 2022-2027

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	<p>well as the use of them. The section manages 23 sport facilities and 5 swimming pools.</p> <p>Although the section has a number of key assets under its custodianship, the section is failing to maintain and promote sporting events in the city. The city has regressed in key indicators over the last 3 years.</p>		Inadequate security to safeguard the sports facilities.	<p>costs of security vs the fees earned.</p> <p>Incorporate more recreational facilities and complexes in budgets.</p>	

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Roads and Stormwater	<p>The Municipality has approximately 1400 km of surfaced road and 840 gravel roads. Potholes in the municipality remain a challenge due to limited resources required to maintain the road network.</p> <p>The section also has high unemployment that affects the ability to provide key functions such as maintenance of roads.</p>	<p>High vacancy rate 28%- affecting functionality to address maintenance of roads.</p> <p>Limited resources for maintenance and other activities.</p> <p>Inadequate road conditions which affect service delivery (refuse removal)</p> <p>Unmaintained road network</p>	<p>Lack of maintenance budget to maintain existing infrastructure.</p> <p>Lack of developed maintenance plan to assist in routine maintenance.</p> <p>Inadequate maintenance of stormwater drains.</p>	<p>Qualified and experienced personnel to be employed to ensure technical expertise are available for the section.</p> <p>Attend to reported potholes, stormwater drainage.</p> <p>Findings of the RRMMS must be taken into account in creating capital budget and maintenance budgets.</p> <p>Clean reported blocked drains.</p>	<p>IDP 2022-2027</p> <p>Annual Report 2021- 2022</p> <p>AG Management Report 2021-2022</p>

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	A network improvement program was prepared through Dr KK District Municipality (RRMMS) and this report indicates that the roads in the municipality are in dire state.	<p>Increase in maintenance of fleet due to inadequate condition of roads.</p> <p>Storm water drain blockages.</p> <p>Potholes remain a challenge as the road network is aging as well.</p>		The inputs of RRMMS must be considered in the master plans to be developed.	

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CONCLUSION

Based on a desktop analysis and interviews with municipal officials, the evaluation of the current situation has exposed several critical issues within the municipality. These issues include the absence of effective consequence management, instances of inadequate employee conduct, and a culture of non-payment among debtors, as well as problematic community conduct (including "no-go areas" and illegal mining activities known as "Zama-Zamas"). These factors have significantly contributed to the municipality's current state.

Within each of the four fundamental pillars (Governance, Institutional, Financial Management, and Service Delivery), the assessment indicates a severe financial crisis plaguing the municipality. It is evident that the City of Matlosana has consistently fallen short in delivering essential services and has struggled to meet its financial commitments, relying heavily on government grants for its day-to-day operations.

To address these challenges, this report will serve as the foundation for the development of a discretionary Financial Recovery Plan (FRP). The success of this FRP will hinge on several key factors, including the commitment of the municipality's leadership (both political and administrative), the establishment of stability, validation by stakeholders, active participation, robust monitoring mechanisms, and the formulation of a clear strategic direction. These elements will be instrumental in steering the municipality towards improved financial sustainability and a reduced dependency on government grants.

We would like to thank every stakeholder who has contributed and facilitated the execution of this status quo assessment.

THE END