



MAKANA

MUNICIPALITY | EASTERN CAPE

MASIPALA WASEMPUMAKOLONI

MUNISIPALITEIT | OOS-KAAP

...a great place to be

Makana Local Municipality
Intervention Final Report

April 2015

Prepared by Pam Yako on behalf of Zenande Leadership Consulting

Table of Contents

1. BACKGROUND AND TERMS OF REFERENCE	4
2. INITIAL ASSESSMENT REPORT	4
3.1 ORGANISATIONAL STRUCTURE AND HUMAN RESOURCES MATTERS	5
3.2 GOVERNANCE	8
3.3 TECHNICAL SERVICES	9
3.4 PUBLIC SAFETY AND COMMUNITY SERVICES	10
3.5 INFORMATION COMMUNICATION AND TECHNOLOGY	10
3.6 SUPPLY CHAIN MANAGEMENT	11
3.7 LOCAL ECONOMIC DEVELOPMENT, INTEGRATED DEVELOPMENT PLAN AND PUBLIC PARTICIPATION	11
3.8 INTERNAL AUDIT AND RISK MANAGEMENT	12
3.9 BUDGET AND TREASURY OFFICE	12
3.10 AUDIT OUTCOMES	13
3.11 MUNICIPAL POWERS AND FUNCTIONS, SERVICE DELIVERY AND INFRASTRUCTURE	13
3.12 FINANCIAL CHALLENGES	14
3.13 KEY ISSUES FROM HANDOVER REPORT	18
4 INTERVENTION PLAN (INFRASTRUCTURE, CORPORATE SERVICES AND FINANCES)	20
5 AREAS OF WORK OF THE ADMINISTRATOR	23
5.1 IDP REVIEW	23
5.2 LOCAL LABOUR FORUM (LLF) AND OTHER LABOUR MATTERS	24
5.3 FINALISATION OF SDBIP	25
5.4 FINALISATION OF THE KABUSO REPORT	25
5.5 FINANCIAL RECOVERY PLAN	25
5.6 INTERNAL AUDIT AND RISK MANAGEMENT	26
5.7 SERVICE DELIVERY SUMMIT	28
5.8 IMPROVING INFRASTRUCTURE EXPENDITURE	29
5.9 ENSURE COMPLIANCE	30
5.10 FINALISE PERFORMANCE AGREEMENTS OF SENIOR MANAGERS	31
5.11 LITIGATION AND LABOUR RELATIONS	31
5.12 FILLING OF THE MM POST AND THE CFO POSITION	32
5.12 PREPARATION OF INTERVENTION PROJECTS	32
5.13 ENGAGING CREDITORS	33
5.14 MEETING WITH ALL MANAGERS	34
5.12 THE MEETING WITH UNEMPLOYMENT PEOPLE’S MOVEMENT	34
5.16 DEVELOPING A DELEGATIONS FRAMEWORK	35
5.17 DEVELOPMENT OF A FRAUD PREVENTION PLAN	35
5.18 NCOP OVERSIGHT VISIT	35
5.19 PREPARATION FOR THE WATER AND SANITATION INDABA	35
5.20 MEETING WITH STAKEHOLDERS	36

6 ROLE OF SALGA, DISTRICT MUNICIPALITY, PROVINCIAL & NATIONAL GOVERNMENT. 36

7 AREAS FOR FURTHER ATTENTION 38

1. BACKGROUND AND TERMS OF REFERENCE

Makana Local Municipality Council appealed to the MEC for Local Government and Traditional Affairs to invoke section 139(1)(b) of the Constitution in favor of the municipality, thus referred to as an intervention. The resolution by the municipal council to seek intervention by the Eastern Cape Provincial Executive Council (EXCO) in the affairs of Makana local municipality was taken on the 28th August 2014. EXCO acceded to the request on the 10th September 2014, subsequently an administrator, Pam Yako, seconded by Zenande Leadership Consulting was appointed to assume and fulfill executive obligations on behalf of Provincial EXCO. The intervention by the administrator commenced on the 06 October 2014.

The Municipality had initially been provided support in terms of Section 154 of the Constitution and this meant amongst others, the secondment of the Acting Municipal Officer and the Acting Chief Financial Officer by the provincial departments of COGTA and Planning and Treasury respectively. Informed by the reports of the Section 154 and other reports like the Auditor General reports the MEC for Local Government and Traditional affairs compiled terms of reference for the administrator.

The TOR included responsibilities of Head of Administration and associated supervision, facilitation of the appointment of the Municipal Manager and Chief Financial Officer; assisting with addressing the finance, corporate services and service delivery challenges facing Makana, supply chain management, litigation challenges and the development of the financial recovery plan.

Further issues of attention were and concern were addressed through the monthly Steering Committee including the request by the Minister to ask that the Administrator be given more powers.

2. INITIAL ASSESSMENT REPORT

The administrator was further expected to conduct an assessment of the municipality and compile a recovery plan, which was meant to amongst other things, identify key intervention priority areas and support required.

In the beginning of the process National Treasury, COGTA-EC, Provincial Planning and Treasury and National COGTA conducted a workshop to help develop a financial recovery plan. The workshop was held on the 15th and 16th of October 2014 and included the abovementioned departments; SALGA, and officials of the municipality. The purpose of the workshop was to primarily, establish the key issues and challenges facing the municipality

and develop a recovery plan to address these. A **status quo assessment** was eventually developed at the beginning of December 2014 and it amongst others, identified the following main challenges:

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

In addition the **status quo assessment** identified specific issues that were affecting the municipality's ability to deliver on its mandate and these included the following areas:

3.1 Organisational structure and human resources matters

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

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

There are **no clear and specific job descriptions for the developed new structure (for the positions that were filled as phase one of the implementation of the organizational structure)**. It has also been noted that the job descriptions within the municipality have not been updated and a job evaluation process has not been conducted. This matter had to be urgently addressed to ensure competency profiles are aligned with specific job descriptions. The Makana Local Municipality does also not have a job evaluation unit and job evaluations and job content assessments are done at a district level.

It had been noted that there is ineffective utilization of existing personnel and also inappropriate placement of staff. The municipality needs to carry out a comprehensive audit for all incumbents to assess whether the posts are filled with suitably qualified individuals and to address identified gaps. The municipality should also prioritise training of employees taking into consideration its current financial status and the functionality of the training committee should be improved.

According to the 2011/12 Annual Report, there are eight hundred and twenty three (823) approved positions in the organizational structure and according to the confirmation of employment list submitted by the municipality for the month ending October 2014, six hundred and twelve (612) of these positions are filled, resulting in two hundred and eleven (211) positions being vacant.

This effectively gives a twenty six (26) % vacancy rate within the municipality. This is reflected in the table below:

Details	Number	% of Total
Total Number of Approved Positions	823	-
Number of Filled Positions	612	74%
Number of Vacant Positions	211	26%

Information analyzed reveals that there are significant vacancies still existing at management and senior management level within the municipality e.g. the critical posts of Municipal Manager (MM), Chief Financial Officer (CFO), Director Local Economic Development and Planning and Manager Human Resources remain vacant. The municipality should prioritise the filling of relevant critical vacant positions. The municipality should also prioritise the appointment of engineers and technicians who are key for service delivery as well as a legal advisor position, which will be key to drive legislative compliance. There should be a clearly articulated process plan on the filling of critical posts and appointments should be concluded before the end of March 2015. The municipality must ensure that these positions are funded in respect of 2014/15-adjustment budget.

Staff retention, development and support is also a major issue that needs to be given utmost care across the municipal departments, with examples being noted in the Budget and Treasury Office and Technical Services where it has been noted that the average period of an employee staying within a position is two (2) years. The municipality faces **ongoing challenges in retaining key technical skills such as town planners, water operators and electricians amongst other positions, which have ultimately led to capacity**

issues, resulting in backlogs in the specific areas of work where vacancies exist. The municipality will thus need to consider introducing innovative ways to retain new employees as well as retaining existing talent and skills in the municipality.

The annual Auditor-General audit identified that not all salaried employees and wage earners selected for testing could be physically verified. Hence, the human resources function would need to ensure that **there is a headcount of all employees that are on the payroll of the municipality** to eliminate any discrepancies that may exist within the payroll.

Due to the nature and extent of the issues identified relating to human resources at Makana, it is evident that there is a need for a human resource policy and procedure review to be conducted, which will ensure that the human resources function has all the required policies and procedures and that these policies have the appropriate template and application amongst other elements required in terms of the standard human resources policies.

The human resource policies and procedures review should identify all relevant **policies and procedures that need to be developed or refined** for the municipality and to ensure that the human resource function is fully functional, effective and supportive of the service delivery imperatives of the municipality.

It is noted that the municipality **does not have an approved performance management system (PMS)** in place despite there being evidence of an extract of a council resolution approving a policy on performance management, which contained timelines and structures including roles and responsibilities. PMS is not implemented in the municipality. **Performance evaluation has been targeted at senior management and has not been implemented for the past two years.** There is a **lack of consequence for poor performance and transgression of policies and procedures within the municipality.** This has created a culture of non-performance, which has a negative impact on service delivery, financial management and the audit opinions received by the Municipality. The implementation of PMS should be cascaded to the entire staff establishment with consequence for poor or non-performance.

It has also been noted that senior managers within the municipality took up employment without employment contracts being in place. **There is no evidence that suggests that reports were submitted to the municipal council on employment contracts of the senior managers reporting to the Municipal Manager.** The performance agreements of these incumbents are also not available publicly. Hence, there is a need for a performance contracting process to ensure that senior managers reporting to the Municipal Manager all have performance agreements for the financial year 2014/15.

The leave management system within the municipality needs to be addressed. There is no adequate system of control over leave management and it has been noted that employees' leave is not captured timeously onto the system. Attendance registers and leave forms within the municipality are also not being adequately maintained, and which should also be addressed through the policy review and ensure that all leave issues are dealt with accordingly. Overall record keeping and document management within the municipality needs to be addressed.

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

There is an extended collective agreement in place effective from 1 April 2011 until 31 March 2016 that provides guidelines on the conditions of service for the Eastern Cape Division of the SALGBC. Makana Municipality has established a functional Local Labour Forum (LLF), however, over the past few months the labour relations function has not been sound.

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

- The labour relations functions and responsibilities are not adequately attended to because the labour relations officer also serves as the legal advisor, and the position of the legal advisor is vacant; and
- The non-functioning of the LLF occurs partly as a result of constant labour protests and non-adherence to the schedule of dates for meetings. The latter occurs as a result of other official commitments.

3.2 Governance

The area of governance and oversight within Makana must be strengthened for improved decision-making and service delivery. The governance model of the municipality, in particular the political component needs to be reviewed, refined and fully implemented to speed up decision-making and to separate the political and administrative arrangements at the municipality. The review of the system of delegations mentioned earlier should also address the political component of the municipality.

There is a need to introduce mechanisms to address the current status of continuous postponement of Council and Committee meetings in order to speed up decision-making. The implementation of a code of conduct for councillors is critical. **It is also critical to address the inadequacy of the minutes as well as delay in the availability and**

distribution of minutes of Council and the Portfolio Committees to expedite implementation thereof. Provision of inadequate personnel for administrative support services should be addressed. **There is also a need for an improvement in Council resolutions being tracked, monitored and the implementation thereof.**

The Audit Committee of Council is not functional, it has only two members and the last meeting was held in October 2013. There is a need for an improvement in the effectiveness of the Audit Committee of Council to ensure compliance with section 166 of the MFMA. The Council of the municipality should urgently address this matter.

3.3 Technical services

- There is a shortage of technical skills in the municipality such as engineers and technicians who are key for service delivery as well vehicles, equipment and machinery;
- Organizational arrangements are not fully aligned to functions;
- By-laws have not been updated and this impacts negatively on enforcement and service delivery;
- There are no master plans as well as replacement and management plans, an inadequate assets register, planning is fragmented and concentrates on short term instead of long term matters and inadequate meters which compromise sustainable service delivery implementation;
- Upgrading, rehabilitating, refurbishing and operation and maintenance of basic services infrastructure pertaining to electricity, water and sanitation. These includes transmission lines, sub-stations and transformers, bulk water rising mains, water treatment works, replacement of valves, replacement of water meters, re-instatement of existing boreholes in rural areas, sewer reticulation, sewer pump stations and waste water treatment works;
- Under-performance of existing infrastructure, caused by ageing assets and poor repairs and maintenance;
- Service delivery negatively impacted by slow supply chain management procurement. In addition, supply chain management delays resulting in fruitless, wasteful, irregular and unauthorized expenditure;
- Tariffs and service charges are not cost reflective;
- Land availability challenges to implement projects; and
- Not planning for growth and as a result demand exceeds supply especially in respect of water and electricity supply.

3.4 Public safety and community services

The Directorate of Public Safety and Community Services is one of the biggest departments within the municipality and is made up of about 40% of the staff employed by the municipality.

The Directorate is responsible for the provision of parks, recreational and sporting facilities; cleansing and environmental health services; library services; environmental management; traffic services; and fire and emergency services.

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

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

3.5 Information communication and technology

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

It is noted that Makana uses the Abakus financial system, which is 25 years old and is not GRAP and SCOA compliant and the municipality should adequately address this matter. The municipality should also adequately address management of consultants, training of staff skills transfer and the backup of the system.

3.6 Supply chain management

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

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

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

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

3.7 Local economic development, integrated development plan and public participation

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

- Postponement of meetings of Council and Mayoral Committees, prolongs the turn-around time for approval of land use applications;
- A need for prioritisation of funds to implement LED projects, land audit and town establishment;
- Lengthy process for the approval of building plans due to the lack of inter-department cooperation;
- Lack of investor confidence in the municipality due to infrastructure related challenges i.e. constant electricity and water outages;
- A need to improve Makana tourism and a review of the service level agreement with Eastern Cape Tourism;
- The LED strategy should be reviewed and refined as well as the investment policy and both should be implemented;
- A need to improve the alignment of the IDP and budget as well as communication to the community;

- The IDP directorate is currently under Corporate Services and this might need to be reviewed and addressed through organizational restructuring;
- The municipality does not have a communication strategy, and the public participation and communication programme/ plan needs improvement;
- Currently the customer care unit resides in different units, e.g. corporate services, Speakers office and there is a need for the integration of Customer care to ensure consistency in implementation; and

The website needs to be revamped to ensure relevant information is placed in compliance with legislation.

3.8 Internal audit and risk management

The municipality has a manager internal audit and the internal audit function has been co-sourced. The internal audit unit has resource challenges and the lack of internal capacity in terms of personnel as well as skills and knowledge of inherent audit requirements is affecting the effectiveness of the internal audit unit.

As mentioned earlier, the Audit Committee is not functional and that affects the work of internal audit. The municipality when addressing internal audit should focus amongst others on the internal audit structure review, skills and gap analysis together with the development program, filling of critical posts and quality assurance and improvement.

A risk management framework is in existence and there is a risk based audit plan but the implementation remains a challenge. In addition, the risk based audit plan needs to be reviewed and updated in light of the current challenges at the municipality. Risk management is not fully embedded in the culture and the internal control process of the municipality. The action plans to mitigate prioritised risks should be included in the risk and action owners performance agreements to ensure implementation.

3.9 Budget and treasury office

The BTO of the municipality is structured in terms of the following units: Revenue Management, Supply Chain Management, Expenditure Management, Asset Management, Budget and Reporting, Administration and Payroll. The Revenue section within the BTO has the highest number of vacant positions followed by the SCM section. The municipality should prioritise the filling of these vacant positions. It is critical to note that there is a need for improvement in all of these functional areas. The challenges facing the budget and treasury of the municipality include:

- Lack of a system of delegations that maximizes the administrative and operational efficiency and provides adequate checks and balances in the municipality financial administration;

- The BTO structure is not aligned to provide the required support to the municipality;
- The vacant position of the Chief Financial Officer has resulted in a lack of accountability and leadership to address all legislative requirements of the BTO, including financial management and accountability things had subsequently improved with the secondment of the provincial official;
- There is a need to increase internal capacity to improve revenue collection;
- There is a need to review and standardize a financial reporting process, framework and system including mapping of financial processes and systems with supporting procedures;
- The functional financial management capacities and capability of the staff need improvement;
- Cash flow challenges which result in service not being paid for timeously and therefore service providers withholding their services;
- Lack of a long term financial strategy;
- Lack of implementation of revenue enhancement and cost curtailment strategies which also need the support of other departments; and
- Unfunded budget and inadequate budget control and cost ineffectiveness

3.10 Audit outcomes

The Auditor-General's Reports for the 2011, 2012 and 2013 financial years have all reflected a disclaimer audit opinion with an increasing number of items reflected every year and many of the reported issues being repeats from previous years. This shows a lack of commitment to resolve the issues that are contributing to the adverse audit opinions.

The Audit Action Plan for the 2012/13 financial year has 253 issues in the plan but all have a completion date of June 2015, which given the challenges at Makana are unlikely to be achieved. The lack of dealing with and rectifying issues raised by the Auditor-General will result in additional audit findings in the 2013/14 financial year and more than likely to result in another Disclaimer.

3.11 Municipal powers and functions, service delivery and infrastructure

The municipality is providing a number of services, some of which are being rendered at a deficit as a result of amongst others poor budgeting, inappropriate costing of services, tariff structure and operational inefficiencies. These weaknesses must be addressed to contribute towards sustainable service delivery.

The municipality needs to also review the bulk resources contracts with the relevant organs of state for example Eskom and DWA to ensure appropriate service level agreements are concluded. In addition, Makana Local Municipality should conclude payment arrangements with creditors to address amounts owed. The municipality should

implement and honor the payment arrangements. It is noted that Eskom directly supply electricity to Grahamstown West. The municipality should consider in the medium to long term to secure an electricity license for its entire jurisdiction.

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

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

Fleet management system is not functional in the municipality and there is a shortage of equipment and vehicles. This negatively impacts on service delivery. Fleet management is presently decentralized within the municipality and there is a lack of coordination to ensure effective management and control of municipal vehicles. In addition, measures are not implemented to address damage and abuse of vehicles.

3.12 Financial challenges

The financial sustainability challenges faced by Makana are due to poor financial management, operations and administrative inefficiencies, lack of proper leadership and a lack of accountability and performance.

An analysis of the following key ratios indicates the municipality's poor financial health/standing and gives an indication of the main target areas to improve financial viability and sustainability:

Ratio	Ratio for 2012/13	Ratio for 2013/14	Remarks
Liquidity Ratio (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	1.21	0.99	The current ratio is significantly low for both years and declining. The municipality does not have sufficient current assets to cover current liabilities.

Ratio	Ratio for 2012/13	Ratio for 2013/14	Remarks
obligations. The norm is 1.5 - 2:1.			
Cash Coverage Ratio - indicates the municipality's ability to meet at least its monthly fixed operating commitments without collecting any revenue during that month. The norm should not be less than 1 - 3 months.	-1.5	-2.8	The cash coverage ratio has declined from 2012/13 to 2013/14 and is significantly low in both years. This clearly indicates that the municipality is faced with cash flow challenges.
Creditors Payment Period – this indicates the average number of days taken to pay trade creditors. The norm is 30 days.	70 days	115 days	The creditor’s payment period deteriorated from the prior year. This indicates cash flow challenges continue to be an issue for the municipality and that Makana is using creditors to fund operations.
Contracted Services as a % of Total Operating Expenditure – measures the extent to which municipal resources are committed towards contracted services. The norm is 2% - 5%	1.2%	1.8%	Contracted services as a % of total operating expenditure for both years is within the norm but showing an increase, which should be managed.
Irregular, Fruitless and Wasteful and Unauthorised Expenditure to Total Expenditure – this ratio measures the extent of irregular, fruitless and wasteful and unauthorised expenditure to total expenditure.	12.6%	10.9%	Irregular, fruitless and wasteful and unauthorised expenditure to total expenditure is excessive. This expenditure should be investigated and acted upon and the municipality must take measures to ensure that no

Ratio	Ratio for 2012/13	Ratio for 2013/14	Remarks
The norm is 0%.			irregular, fruitless and wasteful and the municipality incurs unauthorized expenditure.
Capital Expenditure Budget Implementation Indicator – measures the actual to budgeted capital expenditure that has been spent by the municipality. The norm range is between 95% - 100%.	75.5%	46.5%	The trend is worsening and in both years the municipality has significantly underspent on capital expenditure. This was as a result of SCM challenges and cash flow problems. The municipality must improve planning, supply chain management process, and its capacity to implement capital projects, especially if these relate to revenue generating opportunities.
Percentage of Property, Plant and Equipment, Intangible Asset and Investment Property Impaired – indicates the loss in future economic benefits or service potential of an asset over and above the systematic recognition of depreciation. The norm is 0%.	12.8%	18.7%	Impairment of property, plant and equipment and investment property increased compared to the previous year. The municipality must take action to restore the operating capacity of impaired assets as this has an adverse effect on service delivery and revenue generation.
Repairs and Maintenance to Property, Plant and Equipment and Investment Property – measures the level of repairs and maintenance to ensure adequate	1.5%	1.6%	Repairs and maintenance to property, plant and equipment and investment property for both years is significantly low. This is an indication that

Ratio	Ratio for 2012/13	Ratio for 2013/14	Remarks
repairs and maintenance to prevent breakdowns and interruptions to services delivery. The norm is 8%.			insufficient monies are being spent on repairs and maintenance and that asset stripping is taking place. This situation is already impacting negatively on service delivery and resulting in interruption of services.

A preliminary analysis of some of the financial statements and budget data indicates missing data; this impact on the quality and therefore further analysis may be necessary.

The continued poor budgeting, where unachievable revenue and expenditure budgets have been set and not achieved, weak expenditure controls and poor management of assets has had an impact on the current financial status of the municipality. These matters should be adequately addressed in the 2014/15-adjustment budget and the 2015/16 MTREF budget.

A high level financial report compiled by the municipality for the three months ended 30 September 2014 reflects expenditure of R 19.5 million and income of R18.3 million. This reflects that expenditure exceeds income by R1.1 million and shows that the austerity measures and financial management controls implemented to date are not working. More stringent methods of control need to be implemented.

Inadequate debtors and revenue management as well as asset management are contributing to the going concern of the municipality. Consumer debtors as at 30 September 2014 totalled R282.5 million and the payment collection rate was 68%. The municipality should institute measures to improve debtors and revenue management. Creditors as at 30 September 2014 totalled R97.8 million and the municipality should conclude payment arrangement with all the creditors to repay the amounts owing.

As at 30 September 2014 the municipality had a positive bank balance of R35.4 million before taking into consideration amongst others outstanding creditors of R97.8 million. The municipality is experiencing severe cash flow challenges that have resulted in service providers not being paid timeously.

Overall poor or non-implementation of administrative systems, procedures, processes, financial controls, poor budgeting, an inadequate delegation framework, poor asset management, weaknesses in governance and oversight together with non-compliance with relevant legislative framework, contributed to the current financial status of the

municipality and if not urgently addressed will lead to further deterioration in the municipality's financial and service delivery sustainability.

Therefore, a Financial Recovery Plan is needed that will address all the aspects raised in this report.

In addition there was a report received from the **former Acting Municipal Manager** which identified the following issues:

3.13 Key issues from handover report

The municipality is facing service delivery challenges:

- Water supply;
- Electricity;
- Sanitation, and sewer;
- Housing provision;
- Communication with the stakeholders and the community;
- Project management;
- Governance; and
- Financial management

In addition the former Acting MM's handover report identified **the following challenges:**

Financial and infrastructure challenges

The municipality has developed and implemented a variety of community projects aimed at contributing positively to the delivery of the much needed services as earmarked in the Integrated Development Plan (IDP) reviewed each year. The status of these projects after their implementation is that most of these projects remain incomplete due to the exhaustion of allocated funds prior to completion.

Project Management proved a serious challenge through the lack of prompt procurement initiatives, no procurement plans are in place by the beginning of the financial year and the appointments of consultants and contractors for projects needed to start within a reasonable time, which is normally not the case. A **resolution of Council was taken** prior to 13/14 FY, to use internal funds from the municipal investment portfolio to an amount of R 65m, the funds were sprinkled too thin and not much was achieved in completing any of these projects.

Again, **a resolution of Council was taken** to source funding from DBSA. The DBSA funds were used as bridging finance, trusting that the department of Human Settlements will approve such targeted funding and relief the loaned funds employed as bridging funds

from the Development Bank. Unforeseen bottlenecks including funding requirements that were not met from Human Settlements and thus the bridging loaned funds have not as yet been recovered.

The municipality had rolled over funds in 2011/12 FY, however such projects were not completed in due course in the subsequent year and this led to the reduction of the equitable share for such unfinished funds that were in the municipality's coffers. Some of the invoices dating two to three financial years back are still lined for payment even in the current 14/15 financial year, without provisioning for the same and thus creating a burden to the municipal finances.

In the implementation of capital projects for 2012/13 FY the unspent funds by the 30th of June were not committed to the effect of submitting a roll over application to the National Treasury, as required. Administration assumed that the commitment of funds through the appointment of contractors was sufficient to keep the funds for a continued implementation without a rollover application being submitted for incomplete projects by the 30th of June 2013. These projects were not delineated, for ease of reference. The Equitable Share allocation for the subsequent year got reduced again with the proportional amount for the lack of complying with the rollover requirements on the said projects.

Furthermore, the Municipal Infrastructure Grant (MIG) was spent on operational necessities by the municipality and that money still needs to be reimbursed, the said amount is in the region of R 7m.

The full implications of these incomplete projects were not brought to Council for notification as well as craft the way forward for the requisite mitigation or remedial measures that could be taken, thereof. So much still remains due to pay for the projects' completion, yet there's no funding sourced or procured to that effect. Creditors are forever knocking at the door with no answer for payment, nor is an arrangement in place for future payment.

The community of Makana owes the municipality an amount that is in excess of R 197m, whereas the creditors of the municipality are owed an amount that is in excess of R 132m.

The sombre financial reality was tabled to Council on the 29th May 2014, following a meeting with Eskom, provincial treasury and provincial COGTA, on the 28th May 2014. It was in this sitting on the 29th May 2014 that **Council gave a mandate** to the administration to pay ahead of everyone else the Eskom bill and salaries, ranking to the two above the rest, funds allowing. The Eskom bill remains in the red surging from R 22m

in the last quarter to R 37m, currently. A considerable amount payable in servicing the debt is through a lump sum from the Equitable Share portion, quarterly.

In addition the outgoing Accounting Officer identified the **following areas for further work:**

- Interactions with labour unions and strengthening of the bargaining environment;
- Pending litigation;
- Public protests and marches;
- Engaging the Unemployed People's Movement;
- Dealing with the memorandum of the Makana United Business Chamber (handed over to the Administrator on the 8th October 2014);
- Dealing with the Kabuso report;
- Makana's partnership with Rhodes University.

As the handover report was only received on the 25 October 2014 and the Status quo assessment had not been completed in the early stages of the intervention the Administrator used the time to engage a number of stakeholders to elicit their views on what the challenges were and proposed solutions were, the process also involved desktop research including an overview of previous AG reports; newspapers articles; Makana IDP and annual reports.

4 INTERVENTION PLAN (INFRASTRUCTURE, CORPORATE SERVICES AND FINANCES)

A number of stakeholders were met and these included organized labour at the Municipality; Makana Civil Society Coalition; United Business Chamber; local taxi associations and briefing by the Troika. In addition two workshops were held i.e. on the 15th and 16th October (facilitated by National Treasury and included officials) as well as on the 22nd and 23rd October 2014, which was also attended by councillors. The two workshops assisted the Administrator to gather information and get input on the proposed solutions.

A draft intervention plan was developed and presented to the Council on the 4th of December 2014 and to a service delivery summit on the 5th December 2014. The

intervention was used to guide the work of the Administrator and to solicit buy in and participation from key stakeholders in Makana.

The intervention plan, attached as Annexure to the report, is premised on the following fundamentals:

Stabilize the institution and ensure organization wide compliance;

- Develop an organization wide change management process;
- Restore service delivery using the back to basics approach;
- Improve communication and connection through effective stakeholder and community engagements;
- Develop a transparent monitoring and accountability framework.

In addition the work is organised into **5 work-streams** namely:

- Reconnect with communities;
- Driving service delivery;
- Governance and Oversight;
- Capacitate the municipality; and;
- Ensuring financial sustainability

The five pillars of the plan are further elaborated on below:

Pillar	Elements
Reconnect with Communities	<ul style="list-style-type: none"> • Functional Ward Committees • Community Engagement Campaigns • Regular public meetings and engagements • Establishment of Functional Sector Forums • Creating a vibrant partnership with the communities and civil society
Driving Service Delivery	<ul style="list-style-type: none"> • Water and sanitation provision and maintenance • Improved Roads and Storm water Drainage • Electricity provision and maintenance • Waste Management

Pillar	Elements
Governance and Oversight	<ul style="list-style-type: none"> • Developing and implementing an Audit Intervention Plan • Ensure organization wide legislative compliance • Oversight Committees meet and play their role • Functional Local Labor Forum
Ensuring Financial Viability	<ul style="list-style-type: none"> • Revenue enhancement Plan and implementation; • SMME Development and the creation of an enabling and environment; • Marketing & Investment Promotion • Job Creation and Empowerment
Capacitate the Municipality	<ul style="list-style-type: none"> • Develop and implement a delegation framework • Institute a organization wide Performance Management System • Implement a skills development programme • Review and finalize an Organogram • Improve records management • Educate staff and various users on various policies

The work stream(s) have proceeded with the work and have been constituted to include members from the Makana Council, officials and members of civil society. The progress report of the work streams is attached as **Annexure**.

The broader Makana community is participating in the work-stream and it is a good way to rebuild confidence in the municipality and get the broader community to get involved in the affairs of the municipality.

Most non-governmental stakeholders are volunteers and are contributing a lot in the business of the turnaround. The work-streams are also seen as a vehicle for taking the spirit of the service delivery summit forward.

The full participation of Councillors and some senior officials in the work streams has not been as expected this however varies. This in some instances is caused by the lack of proper scheduling and the increasing requests from other spheres of government to

conduct meetings and workshops in the municipality. There is a need for provincial government departments to coordinate their requests for meetings and workshops held at the municipality as the absence of such leads to a situation where most of officials' time being spent in meetings leaving less time to implement and run their departments.

5 AREAS OF WORK OF THE ADMINISTRATOR

This in essence represents an overview of the work undertaken by the Administrator since assuming office in October 2014. These would be in addition to the development of the intervention plan and the progress made with work streams.

5.1 IDP Review

Upon assumption of duty it became clear that an IDP process plan was not being followed and the Mayoral Izimbizo's were not scheduled or convened. Discussion (s) were held with the IDP manager and the Administrator work with him to develop and update the plan. Given the lateness of the process there was no further consultation.

A schedule of Mayoral Izimbizo was developed and consulted with the Mayor and Speaker. A advert was placed in the local newspaper, website and other buildings in the Municipality. The Mayoral Izimbizo commenced in November and were attended by the Mayor and all councillors however these were somehow not finished and not all communities were visited.

In preparation for the Izimbizo the IDP manager was requested to summarise the issues raised previously and have these ready for the Mayor to use in the sessions.

In order to strengthen the connection with communities there is a need to ensure that in coming years the political leadership as led by the Mayor continue to engage with community stakeholders and consult on the IDP and budget as required by law. The work stream on reconnecting with communities sets a useful platform for such engagement to continue however given the history of mistrust between the municipality the intervention had to earnestly focus on this activity. As indicated earlier the gains of the intervention might be lost if such engagements are not sustained and the recommendations of the work streams are not taken on board. It must be borne in mind that a well functioning municipality values the interaction with key stakeholders and the broader community and this work must be restored and sustained at all costs.

5.2 Local Labour Forum (LLF) and other Labour Matters

The LLF is a statutory forum aimed at improving bargaining in the institution as well as improving labour relations. The Local Labour Forum was convened on the 19th November 2014 and a workshop on the intervention plan was planned for the 3rd December. Unfortunately due to other pressing commitments a consultation with the LLF on the intervention plan was not held.

In addition further meetings have been held individually with SAMWU and IMATU (meetings have been held individually and held on the 28th November 2014).

SAMWU had signed an agreement with the municipality and includes an agreement on financially compensating the employees on the wrong implementation of Phase 1 of the Organogram. The Administrator indicated to SAMWU that the agreement might not be affordable as the MLM does not have the financial resources to meet this obligation and its not in line with bargaining processes in other municipalities. The SAMWU meeting (held on 28 November) agreed that the Administrator will go through the Agreement and provide feedback on what is feasible.

IMATU has submitted the matter of the implementation of Phase 1 of the organogram to the Bargaining Council and the matter has served in front of a Senior Commissioner. Gleaning from the reports and documents it appeared that the case for the employer is not strong as the development and finalisation of the Organogram seemed to be problematic. IMATU was also concerned with the Kabuso report and needed a proper briefing on the state of the municipal finances.

On the 30th of January a joint meeting was held with both IMATU and SAMWU to brief them on the progress made with the intervention plan and also the process of appointing the CFO and MM.

A further meeting was held with SAMWU to review issues agreed with the municipality. There is an existing agreement signed with SAMWU (attached as Annexure) and the Administrator has been trying to diffuse the implications that are created by this agreement.

The bargaining environment continues to be fragile although not a crisis. The labour unions had started participating in the work streams and they subsequently hold a view that the LLF remains the key platform for engagements with the employer. The administrator is concerned with the administrative support and organisation of the LLF. This is an area that needs strengthening otherwise this could lead to unintended instability. Notwithstanding the challenges the Administrator continues to meet and brief the labour

unions on key developments in her work and they have also indicated that they needed to be afforded an opportunity to comment on the intervention report.

The two unions have further expressed concerns about the sustainability of the intervention as well as consequence management on some of the alleged instances of maladministration. They however remain in support of the intervention.

5.3 Finalisation of SDBIP

The SDBIP was not finalised and approved as required by the MFMA and as per Circular 13 of 2005. The administrator working with the IDP manager finalised the document for compliance purposes and was presented to Council. Concern was raised on the need to align the SDBIP with the intervention plan and the financial recovery plan. This is work that needs to be undertaken in order to ensure that the work conducted under the intervention is mainstreamed and incorporated into the legislated planning instruments of the municipality including the IDP, budget and the performance agreements.

5.4 Finalisation of the KABUSO Report

The finalisation of the Kabuso report is one of the key issues the Administrator has had to deal with. Almost all the stakeholders (internal and externally) have requested that the process be finalised and be made public. The process involved; verifying the terms of the investigation with the former Accounting Officer; negotiating payment terms with Kabuso, getting the implicated individuals to be given a chance to respond to the findings and getting the Audit Committee to deliberate on the report. It must be noted that the Audit Committee had not been involved in the process before the Intervention and the Chairperson (member of the previous Committee and appointed onto the new Committee) was reluctant to engage at the last minute or the final stages of the investigation. The Audit Committee finally deliberated on the draft report on the 24 February 2015. The Council has now adopted the report on the 12 March 2015 and further resolved to make the report public. The process now will include implementing the recommendations of the report and in this regard serious legal support is required.

5.5 Financial Recovery Plan

The Administrator was required to facilitate the development of the Financial Recovery Plan. This work was spearheaded by National Treasury (MFMA Implementation Unit) and the Administrator's responsibilities involve the facilitation of the MLM participation in the process.

A workshop to determine the status quo was held on 15 and 16 October 2014 and the next step was for National Treasury to develop a status quo assessment within 2 weeks of the hosting of the workshop. As indicated earlier the time frames were not adhered to primarily because of the lack of information.

The financial recovery plan was finalised and aligned with the intervention plan in a workshop held on the 5th of February 2015. The final product has been finalised and presented to Council for adoption on the 31 March 2015.

The plan highlights four (4) strategies to help the MLM to move to financial recovery and these are:

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

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

Before finalization of the Financial recovery plan work was undertaken to integrate the proposed strategies with the intervention plan whilst the strategies might not appear to the same at face value the integration process ensured alignment. The implementation plan has fully incorporated both plans.

The financial recovery plan will now be workshopped with work streams on the 8th of May 2015 as a way of ensuring that it is fully embedded in the work of the municipality. In addition further work will be done to incorporate it into the performance agreements of managers and subsequently inform the development of the SDBIP

5.6 Internal Audit and Risk Management

An advert for the appointment of the Audit Committee was issued at the beginning of October and a new Audit Committee, made up of four (4) members, was appointed by Council, on the 4th of December 2014. Ms. Mnqeta was appointed as the Chairperson. Subsequently the 4th member of the Committee declined to the offer.

The Administrator spent time in managing the audit report and the audit engagement letter had not been signed by the previous Accounting Officer. The administrator had to push officials hard in order for them to respond to AG's requests for information and communication of audit findings.

The AG Report and the Management letter was discussed at the extended management meeting that was held on the 15th of January 2015. The AG report and management was presented in order to create awareness to the broader management team.

On the 30th of January a workshop on the auditor general report and the management letter. The workshop where the AG and the newly established Internal Audit Committee were in attendance, was used as a first step to improve awareness, get the organisation to be fully cognisant of the key audit issues and what role they can play.

The AGSA took the Council through both reports and impressed the need to address the recurring audit queries.

The Audit Committee chairperson was also in attendance also highlighted her own concerns and issues to be dealt with by all the relevant parties.

The workshop agreed that there is a need to improve the Audit Intervention Plan and also establish a leadership team (made up of councillors and managers) to drive the audit turnaround process.

After the workshop a meeting was convened by the Administrator and the Mayor was in attendance where discussion ensued on how best both institutions can work or assist in improving the audit outcomes. The meeting was useful in introducing the members and creating a firm foundation for a good collaboration between the various bodies.

The issue of the outstanding invoices remains a challenge. The municipality owes the AGSA way in excess of R 10m and there are no funds to address this and the AG office is very concerned about non-payment. The AGSA has subsequently taken legal action against the municipality and this matter is receiving attention.

The AG conducted a planning phase of the Audit in March 2015 and some of the areas not addressed were highlighted during this process. It would appear that there was a regress from officials in responding to audit queries resulting in the Administrator having to personally get involved.

An offer has also been received from the Sarah Baartman to address the audit challenges and this will be pursued further as part of the new mandate. Discussions have been held with the Acting Municipal Manager on the appointment of the Audit Champion from the seconded Departmental officials.

5.7 Service Delivery Summit

A service delivery summit was hosted in December 2014. The aim of the Summit was to get stakeholders involved. The service delivery summit was successful and was attended and addressed by the following:

- Deputy Minister of COGTA;
- Mayor of Makana Local Municipality;
- The Vice Chancellor of Rhodes University;
- A representative from the Faith Based Organisations;
- A representative from the Sara Baartman District Municipality
- A representative from Civil Society Coalition.

The Acting HOD from COGTA-EC was the MC at the event. The stakeholders signed a pledge committing themselves to the revival of service delivery and the restoration of the Municipality. The Summit was attended by various departments; media; councillors, District Municipality and Ward Committee members.

A pledge was adopted and it reads as follows:

Service Delivery Summit

- *Appreciating the pertinent and urgent factors which led the provincial government to appoint an Administrator for Makana Local Municipality in terms of Section 139 (1) (b) of the Constitution, Act 108 of 1996*

And

- *Noting the commitment of the Presidential Local Government Summit of 18 September 2014 to improve the political management of municipalities so as to be more responsive to the needs and aspirations of local communities*

And

- *Guided by the "Back to Basics" principles, namely:
(1) Consistently delivering municipal services to the right quality and standard;
(2) Ensuring good governance and effective administration;
(3) Ensuring sound financial management and accounting;*

- (4) Building and maintaining sound institutional and administrative capabilities;*
- (5) Putting people first and ensuring constant contact with communities; and*
- (6) Quarterly monitoring and evaluation of the work of municipalities*

And

On the occasion of the first Anniversary of passing on of former President Nelson Mandela.

Therefore we pledge

To commit ourselves, our organisations and our institutions to do all in our individual and collective power to truly make Makana “a great place to be.”

The signatories were Cllr Peter on behalf of Makana, Mr. Mzamo, Acting HOD COGTA-EC; Dr Sizwe Mabizela. VC Rhodes University, Bishop Ntlali on behalf of Faith Based organisations; Mr V Zondani on behalf of the Makana Civil Society Coalition and Mr. Ted Pillay on behalf of the District Municipality.

5.8 Improving infrastructure expenditure

The MLM infrastructure expenditure especially with regard to MIG has been very slow (0.7%) in the first quarter of the 2014 financial year. The Administrator sought to understand the reasons behind this slow expenditure as a letter was also received from National COGTA indicating that the monies will be withheld.

Meetings have been held with the PMU to accelerate MIG expenditure and some projects have gone on tender in November and December. Notwithstanding the administrator’s best efforts there seemed to be a number of challenges with regard to MIG expenditure. The MIG allocation has now been given to the Sarah Baartman District Municipality and plans are under way to ensure improved expenditure.

An investigation into the main challenges around infrastructure non-spending point to the following:

- Lack of long-term planning resulting in inability to develop multi-year projects which can be implemented;
- PMU capacity – the municipality has a separate project management unit which does not account to the Technical Services Directorate. The PMU Manager left in August 2014 and this has led to serious capacity challenges. The Unit seems to be

challenged with regard to project management skills, contract management and systems and leading inability to manage service providers;

- Governance – no proper system of approval of projects by Council and this poses a risk of projects not linked to the IDP priorities. There is no proper reporting to Council Committees and there does not seem to appear anywhere a composite list of all projects (including incomplete projects) and this poses a risk of overcommitment on projects and lack of alignment;
- Supply Chain and Contract Management – there is a general weakness of supply chain management and this is particularly apparent in the processing of contracts and decisions around MIG. Poor contract management has led to poor workmanship, incomplete projects and failure to apply for roll over projects;
- There is a need to address institutional managements and co-ordination between the Directorate responsible for infrastructure provision and the work of the PMU.

The problems highlighted above have manifested themselves in rushed decisions on accelerating expenditure and leading to poor workmanship in some instances and last minute reallocation of funding in order to avoid losing the money and this sometimes is not in line with the priorities of Council. This area poses a major risk and has been identified in the strategic risk assessment.

The issue of housing development has been raised as an area of concern by many stakeholders. Although this matter falls outside the scope of the Administrator, a working session was held with the Provincial Department of Human Settlements to address challenges with infrastructure challenges in the provision of housing. There are still major challenges in this regard and these include bulk water and sewer provision and a very big one is housing allocation. Further meetings will be held with the Department.

The administrator has sought the services of seconded part-time engineers and technical staff to assist with addressing the challenge. Mr Trevor Balzer and Mr. Johan de Wet have been seconded on a part-time basis to assist where necessary. The resignation of the Director: Technical Services have compounded the challenge and the Administrator has had to work very closely with the Acting Director whilst ensuring that a management base is built.

5.9 Ensure Compliance

A close perusal of the audit outcomes (4 Disclaimers to date) indicate that the municipality is failing to comply with legislation and the Administrator seeks to ensure that this is being addressed in many aspects of the legislation.

The process of reviewing compliance with key legislation is underway and will inform the essence of the intervention. This is work in progress and the department was required to assist with information or templates on key legislation that Municipalities should comply with if these exist.

The absence of legal advisor and a weak supply management component compounds the challenges around compliance.

5.10 Finalise Performance Agreements of Senior Managers

Notwithstanding the performance and compliance requirements the PAs have not been signed and developed. The Administrator has worked with the IDP manager to ensure that these are developed and finalised. They have been finalized, handed over to portfolio councillors for their inputs. They were signed in December 2014.

The main issue now is to update them in line with the developments around the intervention and commence with the performance assessments of Directors.

The absence of a Municipal Manager has posed specific challenges on the management of performance, as during the period of the intervention two Acting Municipal Managers were in place and there is a need to stabilise this issue. The filling of the Municipal manager position is critical to ensure stability and towards building a performance culture in the municipality.

5.11 Litigation and Labour Relations

Many creditors have taken the MLM to court. In addition the MLM 's ability to manage labour relations is also very weak. There is a labour relations officer

who also functions as an acting legal officer. The capacity is limited and this coupled with poor record management has led to instances where the Council has not defended matters and/or summons are not prioritised or dealt with as they come.

The case brought by schools was settled out of court. Most court cases have been on non-payment (Litigation register is available as **Annexure**) One of the Council attorneys has withdrawn and an advert has been placed in the media to get new Council attorneys.

The provision of legal services is a serious matter given the state and number of litigation initiated against the municipality. The Administrator had been assisted by Mr Vimba (from MISA) on a part time basis and there is **a need to urgently provide legal support.**

There has also been serious challenges in the labour relations front resulting in Council losing a few matters in the Bargaining Council. The matter of the previous MM and the Strategic Manager is still going through a legal process.

The Kabuso report has in addition, presented serious challenges as disciplinary action has to be taken against a few officials implicated in the report. The National department of COGTA has been approached in this regard and we are still awaiting a date for Counsel to be made available to the Administrator and Acting MM.

5.12 Filling Of The MM Post And The CFO Position

The posts has been advertised and closed on the 27th November 2014. An item was prepared for Council to appoint a selection committee as per regulations. The process took a lot of the Administrator's time because there is a serious capacity challenge in the HR section. The administrator had to personally conduct reference checks for the MM, prepare reports for the panel and Council for these positions.

At the time of writing the report, the Council had pronounced on both positions and was awaiting the MEC's concurrence.

As indicated earlier, this is a major risk in the municipality as not having permanent or stability at the top leads to other challenges like non-compliance. Furthermore the officials that have been acting have had to play a dual responsibility of managing their Directorates whilst acting as Municipal Manager.

5.12 Preparation of Intervention Projects

The administrator was requested to prepare projects for the department in line with the envisaged financial allocation of the new financial year. A planning session was convened on the Thursday the 11th of December to review the status quo on the financial recovery plan as well as the identification of key projects to be submitted to the Department. The administrator prepared a project(s) document that was submitted to the Department . No response has been received to date.

The funding of the intervention projects is critical to sustain the work done during the intervention. Whilst there had been a slight improvement in revenue collection and Council had appointed a debt collection company the extent of the problems cannot be fully

funded from the coffers of the municipality. Other spheres of government need to come to the party and provide more resources including the financial resources.

The Eskom debt coupled with the AG debt and other statutory payments constitute a major risk in sustaining the gains made during the intervention. There is an urgent need for the provincial government to look at assisting with funding of the financial recovery plan projects and/or payment of the statutory payments.

5.13 Engaging creditors

This is ongoing work and it has been difficult without having certainty on funding. Some creditors have been engaged directly and litigation stopped. The Administrator was advised that when applying for Section 152-154 of the MFMA as there had been no engagement with the creditors. A letter was sent to all known creditors acknowledging the debt and indicating that the municipality would be coming back to them on a payment plan. The process of coming up with a payment plan proved to be impossible given the fact the financial obligations far exceeded the increased revenue. The biggest creditor was Eskom and few engagements were held with Eskom to try and agree on a settlement plan. In December 2014 after hearing that the provincial government was going to assist the municipality with some financial bail out to pay Eskom. The plan was however not approved by Eskom in the absence of a firm commitment by the provincial government. The plan was submitted to the provincial government as part of the December 2014 report's portfolio of evidence and to date there has not been any further support from the provincial government.

The Council subsequently adopted a payment plan with Eskom in March 2015 however the development of such a plan was not discussed with the Administrator and was adopted by the Council on 31 March 2015. The matter for the provincial bail out and clarity of how much would Makana be assisted with has become extremely important, otherwise the agreement with Eskom would not be implementable.

There is a challenge with regard to the supply chain and contract management environment as some creditors invoices do not tally with what the MLM has on record. In many cases, there is not even signed SLA. A working session on Supply Chain Management was held in March 2015 with key departments to review the policies and current practices. The meeting agreed on a plan which would include updating the policy; reviewing the business processes; workshopping key staff members in all the Directorates to understand SCM policy and its requirements. The issue of internal capacity remains a key challenge and needs to be addressed urgently.

5.14 Meeting with all Managers

The meeting with managers (extended management meetings), in December arose out of a realisation that the Municipality's administration needs leadership and that managers were often not accountable and the Director(s) are either not able to manage or failing to do so. At this meeting the Administrator made all managers to sign acknowledgement for receiving a letter on the lack of discipline. Some managers are unaccounted for and often do not answer their phones. The meeting further discussed the need to ensure that there are clear job descriptions for all members of their units. The administrator requested all the managers to prepare a status report on their units and a follow up meeting will be held in January.

The extended management meetings have become institutionalised and have dealt with the following issues:

- Resolving fleet management issues;
- Addressing document management including the use of an electronic document management system;
- Working session on GIS and addressing all user requirements;
- Institutionalising discussions on AG outcomes;
- Institutionalising the intervention plan and its relevance to various Directorates;

5.12 The meeting with Unemployment People's Movement

The UPM is primarily concerned with housing issues in the municipality and serious allegations are being made about corruption in the municipality. The UPM held a march before and it appears their issues still remain unattended. The issue of housing is outside the scope of the Administrator however it is very difficult the public is not aware of the mandate of the Administrator. The administrator undertook to bring these issues to the attention of the provincial government.

Their demands/requests are as follows:

- Suggest that there is a need of a proper investigation/forensic audit on housing allocation in the Makana area;
- Investigation to include the office of Mr. K. Nxamleko is seen, as a hub of alleged corruption and him and Mr. Myalato needs to be investigated.
- The forensic investigation should also look at the role of councillors in housing allocation and it must be established who is occupying the houses as allocated

- There are still areas that have not been allocated houses despite the fact that they have not got housing;
- Need a Bisho representative to come and attend to the matters, as their issues were not addressed.

The administrator has submitted these issues to the provincial government for further attention.

5.16 Developing a delegations framework

Since the administrator assumed office there is reference to a delegation's register and to date no document has been produced. The administrator has now developed a draft delegation framework to be taken through an internal discussion with a view of taking it to Council and to address the issues raised in the status quo assessment.

5.17 Development of a Fraud Prevention Plan

This is one of the areas identified in the intervention plan. A draft fraud prevention plan has been developed by the Administrator and is ready for discussion through internal council processes.

5.18 NCOP Oversight Visit

The administrator received correspondence from the NCOP about an oversight visit on the 25th February. The administrator and her support staff had to assist with all the invitations and logistical arrangements for the visit.

A report with portfolio of evidence was presented to the NCOP and it would appear that there were certain procedural challenges pertaining to the intervention. It is the Administrator's understanding that the provincial government is preparing a response in all the matters raised by the NCOP.

5.19 Preparation for the Water and Sanitation Indaba

Water and Sanitation delivery is one of the challenges facing the Makana Municipality. Discussions have been held with DWS and it was agreed to host a Water and Sanitation Indaba in order to take stock of the challenges, what has been done and derive solutions (short, medium and long term). The Indaba took place on the 13 of March 2015 and was addressed by the Minister of Water and Sanitation and the MEC for COGTA.

A discussion document highlighting water and sanitation challenges was developed for the Indaba and was circulated to all stakeholders. The specific request to stakeholders at the Indaba (as per discussion document) was to address the following in commissions:

- Consider information shared in this position paper;

- Identify outstanding issues/challenges not yet raised;
- Articulate proposed recommendation/actions to address these challenges;
- Describe a project to implement the required action as, as relevant;
- Indicate the priority attached to this solution (short, medium and long term)

Unfortunately due to time management the Indaba did not start on time resulting in the postponement of the commissions. The document has subsequently been sent to the service delivery work stream and a special technical task team was also established at a review meeting held on the 19 March 2015. The team is currently updating the document and preparing a roadmap document for sustainably addressing the water and sanitation challenges facing Makana.

5.20 Meeting with Stakeholders

The Administrator spent a lot of her time interacting with the various Makana local municipality stakeholders. The engagements were either aimed at getting input; understanding issues facing stakeholders or consulting them of specific issues.

A stakeholders workshop was held November 2014 and in excess of 22 organisations were in attendance. In addition some stakeholders including the United Business Chamber; Unemployment People's Movement; Rhodes University; Grahamstown Residents Association; Grahamstown Business Chamber, Ward Committees, Makana Civil Society Coalition and internally within Makana engagements were held with labour unions. The administrator did not manage to engage stakeholders outside of Grahamstown except for the Alicedale leadership in March after the service delivery protest.

The issue of stakeholder management and engagement is key to achieving one of the core pillars of the back to basics programme and needs to be institutionalised and driven by the political leadership of the institution.

6 ROLE OF SALGA, DISTRICT MUNICIPALITY, PROVINCIAL & NATIONAL GOVERNMENT

Support from other partners has varied levels of participation and support from the Provincial government, national government, SALGA and the District Municipality. It must be indicated upfront that the expectation from the intervention side had the following elements i.e. financial, human resources (including warm bodies) and political support.

There had been varying levels of support with the provincial COGTA and Treasury and Planning departments providing most of the support. The two departments had seconded officials to the Municipality. Planning and Treasury seconded the Acting CFO and other financial officials and the HOD had institutionalised meetings with the Administrator and two such meetings took place during the intervention.

Provincial COGTA had provided the most support including the appointment and payment for the costs of the Administrator. A number of meetings have been held with the Acting HOD of COGTA as well as monthly Steering Committee meetings. The department has also seconded 3 full time senior managers to assist with the intervention.

SALGA has participated in some of the workshops arranged at Makana and at the beginning of the intervention indicated their willingness to assist with governance issues as well as human resources issues. This support will be required in terms of the prioritisation in the next 3 months.

Sarah Baartman District municipality has also assisted with attendance of workshops; availing the MM and CFO for recruitment processes including the management of reference checks and competency assessments. The District Municipality has also offered to assist with technical capacity to manage the Municipal Infrastructure Grant as well as assistance with Audit outcomes. The two services are now critically required and the SBDM will be engaged in the next 3 months.

National COGTA has provided support through attendance of workshops and other strategic meetings. In addition support has been provided through MISA (2 seconded officials) as well as legal services support. The Deputy Minister of COGTA attended the Service Delivery Summit in December and this assisted with getting stakeholder buy-in. COGTA has agreed to assist with legal capacity to implement the Kabuso report.

The National Department of Water and Sanitation has also been providing support especially with regard to the water and sanitation challenges. A senior official has been seconded on a part-time basis and the other officials are participating in water crisis and strategy session. The Minister attended the Water and Sanitation Indaba in March and provided the required visibility.

The support at an administrative level from all of the stakeholders above has been very useful and appreciated however the challenges facing Makana are vast and also have political dimensions. As the intervention continues there is a need to get more political support and have more visible attendance. At the beginning of the intervention the MEC was more visible and it would be appreciated that this support continues.

The challenges facing Makana include financial shortfalls and limited ability to meet its obligations. There has been national and provincial financial injection around the water and sanitation crises. Whilst this is appreciated and provided the necessary impetus the municipality does need a level of financial injection to assist with the implementation of the programmes under the intervention. The financial recovery plan needs to be financed and

the municipality will not be able to fund the full implementation without some form of financial support.

7 AREAS FOR FURTHER ATTENTION

It is the Administrator's view that the following areas were not fully attended to during the current intervention and would therefore constitute priority in the new intervention. Whilst these would be the Administrator's priorities and things to drive there is a need to ensure that adequate resourcing and support from other spheres of government will be required.

- **Improving infrastructure expenditure** – whilst work was undertaken in this regard the inability to ensure accelerated expenditure especially on MIG remains a challenge. This coupled with the absence of resources for visible service delivery projects in the broader Makana area still need to be addressed;
- **Improving revenue collection** – in the initial stages of the intervention there was an improvement in revenue collection however this area of work needs to be further enhance, build on the current revenue enhancement plan and sustained in order to address the challenges faced by the municipality;
- **Reaching out to stakeholders outside of Grahamstown** – although some members of the administrator's technical team were sent to do assessments in Alicedale and Riebeeck East there is a need for a direct interaction with residents;
- **Improving supply chain management** – initial work was undertaken in this regard however there is still much more that needs to be done;
- **Addressing litigation challenges** – the absence of a dedicated legal capacity has dampened the ability to address all legal challenges faced by the Municipality as a result the engagement with creditors especially small and medium sized enterprises has not materialised;
- **Engaging in organisation wide change management process** in order to change organisational culture – where possible work was undertaken with some departments like Public Safety (street cleaning and skips) as well as Infrastructure (fixing potholes), there is still a lot of work to be done in creating a service culture and response to customer complaints;
- **Improving communications with the public** – although preliminary work was done through improvement of website and attempts to revamp the facebook pag, using the Grocott, Radio Grahamstown and using social media to reach out this area needs a lot of improvement. Customer care and communication with the

citizens is a cornerstone of a functioning municipality and there is a need to develop a customer care front and back end service for all residents;

- **Improving the functioning of the Human Resources component** – although the post of the HR Manager was advertised it still has not been filled and this is indicative of a larger problem in the institution;
- **Maintaining and sustaining cost cutting measures** especially with regards to overtime and ensuring that there is full turnaround in this regard;
- **Creating a culture of working together** – the intervention started to get departments to work together however there is still a lot to be done to break down the silo mentality (the extended management meetings are an attempt to engineer a new culture of accountability)
- **Rolling out a performance management system** to the next level of management in order to ensure organisation wide accountability and a culture of performance;
- **Finalisation of the Organogram** – this requires expertise and resources and there is a need to provide resources and prioritise certain components which are key to service delivery;
- **Improving audit outcomes** – whilst an audit intervention plan has been developed there is a need to provide strategic leadership and oversight over its achievement. In addition the implementation of the Strategic Risk Assessment register is vital.

In conclusion the success of the intervention rests in the ability to create a sense of ownership and internal capacity to drive the delivery of the priorities. To this end the work already started with the work streams coupled with internal management forums taking responsibility, coordinating their work and understanding their role can lead to a more sustainable turnaround of the municipality.

The institutionalization and funding of the financial recovery plan is going to be pivotal in sustaining the gains. Addressing the senior leadership challenges is also paramount and the **filling of critical vacant positions** has becoming extremely urgent.

Further the need for a **financial injection** to help the municipality to meet some of its obligations and to fund key projects in the financial recovery plan.