

# *Nketoana Local Municipality*

## **Financial Plan 2011**



## INDEX

<b>1</b>	<b>Executive Summary</b>	<b>3</b>
<b>2</b>	<b>Vision, Mission &amp; Values</b>	<b>4</b>
<b>3</b>	<b>Situational Analysis - Current</b>	<b>5</b>
<b>4</b>	<b>Key Performance Areas &amp; Implementation Plan</b>	<b>6 - 9</b>

## EXECUTIVE SUMMARY

The purpose of this plan is to outline KPA's & KPI's to give effect to both the IDP, PMS and BUDGET processes in order to achieve the objectives of Council. The Finance Department plays a key role in ensuring sound financial management and financial sustainability of the municipality. It seeks to achieve good corporate governance through increased accountability and sound management of revenue, expenditure control, liabilities and assets of Nketoana Local Municipality and to ensure economic efficiency and cost effectiveness of available resources.

The 2008/9 audit report submitted by the Auditor General places a very bad light on the ability of the municipality to manage its finances correctly. The opinion have worsened from a qualification to a disclaimer and this is not acceptable. We need to develop a programme that will ensure that we achieve a clean audit report by 2009/10.

The challenge is that management should recognize risk as inherent across all the departments and not only in finance department. This should be a standing item in all Head of Department meetings where progress reports regarding risk minimization are tabled and discussed.

The assets are not regularly recorded in the Asset Register. We need to ensure effective management of assets. The challenge here will be reporting all assets according to Generally Accepted Municipal Accounting Practice and Generally Recognized Accounting Practice and no longer according to IMFO standards as it is currently the situation. Redundant assets will have to be identified and disposed off according to Council policy.

### 1. Vision:

Viable municipality to achieve municipality objectives.

### 2. Mission:

The Finance Department mission is to provide a consistently high quality service to its stakeholders by:

- Developing and motivating its people to perform to superlative standards
- Promoting good corporate governance practices
- Assisting other departments with the implementation of a cost effective and efficient financial advisory service
- Promoting the Batho Pele principle through effective, reliable and responsive service to stakeholders
- Entrenching sound procurement and financial policies, principles and procedures

### 3. Values

The Finance Department Core Values are:

- Service orientation(which is exemplified by consistency, productivity and courteousness)
- Discipline(which is exemplified by commitment, time-keeping, respect for deadlines and an adherence to a code of conduct)
- Professionalism(which is exemplified by an adherence to best practices, standards and the pursuit of excellence)
- Equity(which is exemplified by a workforce subscribing to the values of no racialism, non-sexism, democracy and unity)
- Commitment/Dedication(which is exemplified by the willingness to go the extra mile)
- Respect
- Teamwork
- Accountability
- Integrity
- Innovative

## SITUATIONAL ANALYSIS – CURRENT

### *Strength*

- Willing staff
- Available tools
- Available resources

- Human Resources
- Basic Financial Skills
- Support from Provincial Treasury

*Weaknesses*

- Poor training of staff
- Weak control environment
- Poor team work
- Poor delegation of responsibilities
- No approved financial policy
- Outdated financial information system

*Threats*

- Increasing expectation from communities
- Increasing operational needs
- Deteriorating infrastructure

*Opportunities*

- Stable municipality
- New Financial system

**Current Situation**

***Revenue***

- Poor leadership and management in the department.
- Good staff members
- 55% collection level.
- R146 million outstanding debt.
- Processes defined in the policy but not clearly followed.
- Poor strategy on the collection of debts.
- Poor understanding of debtors book.

***Supply Chain Management***

- Poor management of the section
- No policies and procedures
- No supplier database.
- Non compliance with Municipal Finance Management Act: Supply Chain Regulation.
- Non compliance with PPPFA.

***Expenditure Management***

- Good management of the section.
- Over staffed in the creditors section.

***Assets Management***

- No assets management policy
- Fixed assets register not updated

***Financial Reporting***

- Outsourcing of the compilation of financial statement
- Month end not properly documented.
- Treasury reports are submitted.
- Poor quality of reporting.

***Cash Management***

- Positive bank balance
- Bank reconciliations not performed monthly

## KEY PERFORMANCE AREAS & IMPLEMENTATION PLAN

REF	KPA	ACTION	KPI	TIMEFRAME	RESPONSIBILITY
1.	Cash Management	<ul style="list-style-type: none"> <li>Perform the Bank and Investment reconciliation monthly.</li> <li>Implement investment management policy</li> <li>Implement cash flow management system</li> </ul>	<ul style="list-style-type: none"> <li>Reconciling bank account</li> <li>Increase in investment returns</li> <li>Improved cash flow management</li> </ul>	<p>Monthly</p> <p>Daily</p>	Accounting Expenditure
2.	Asset Management	<ul style="list-style-type: none"> <li>Review of the asset management policy</li> <li>Perform assets counts and verification</li> <li>Revaluation of assets.</li> <li>Reconciling the Assets Register to the General Ledger</li> <li>Disposal of redundant assets</li> <li>Insuring of all assets at market value</li> </ul>	<ul style="list-style-type: none"> <li>Complete and accurate asset register.</li> </ul>	<p>June 2011</p> <p>Monthly</p>	Assistant Manager – Budget and Treasury
3.	Revenue Management	<ul style="list-style-type: none"> <li>Review Revenue and Credit Control Policy.</li> <li>Implement effectively the credit control policy</li> <li>Reconciliation of all debtors accounts</li> <li>Rationalisation of debtors book.</li> <li>Clear unknown deposit</li> <li>Register 5000 indigent.</li> <li>Write off doubtful debts</li> <li>Develop procedure manual for debtors management and billing.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in revenue</li> <li>Decrease in Debtors Balance</li> <li>Clearing un-reconciled items in the bank reconciliation</li> </ul>	<p>Monthly</p>	Assistant Manager Income
4		<p>Demand Management</p> <ul style="list-style-type: none"> <li>Update supplier database</li> </ul>	<ul style="list-style-type: none"> <li>Reliable suppliers</li> </ul>	<p>Daily</p>	

	Supply Chain Management	<ul style="list-style-type: none"> <li>• Liaise with suppliers to ensure correct quality and delivery .</li> <li>• Liaise with relevant role-players to determine organizational needs.</li> <li>• Perform commodity analysis (check alternatives).</li> <li>• Link the requirements to the budget.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance</li> </ul>	<p>Daily</p> <p>Daily</p> <p>Daily</p> <p>Daily</p>	Supply Chain Officer
5	Supply Chain Management	<p>Acquisition Management</p> <ul style="list-style-type: none"> <li>• Schedule Bid transaction</li> <li>• Finalize delegation and sub delegation</li> <li>• Improve administration of bid process</li> <li>• Comply with CIDB</li> <li>• Ensure compliance with SCM policies, procedure.</li> </ul> <p>Logistic Management</p> <ul style="list-style-type: none"> <li>• Daily stock counting</li> <li>• Ensure proper coding of items before dispatch.</li> <li>• Setting the re-order level.</li> <li>• Receive and process of requisitions for goods, assets and services against approved budget and list of suppliers.</li> <li>• Placing an order as per the requisition.</li> </ul>	<ul style="list-style-type: none"> <li>• Effective acquisition process</li> <li>• Compliance with policy and regulations</li> <li>• BEE Empowerment</li> <li>• Value for money</li> <li>• Proper audit trails for internal controls</li> <li>• Good Council Integrity</li> <li>• Reduction in adhoc orders and efficiency in delivering goods.</li> <li>• Value for money (cost savings)</li> </ul>	<p>Daily</p> <p>Daily</p> <p>Daily</p> <p>Daily</p> <p>Daily</p> <p>Daily</p>	Supply Chain Officer
6		<ul style="list-style-type: none"> <li>• Controlling of the receiving</li> </ul>		Daily	

	Supply Chain Management	<ul style="list-style-type: none"> <li>and distribution of goods and services.</li> <li>• Ensure efficiency of delivering of orders</li> <li>• Manage the performance of the vendors/suppliers after completion of their contracts, which can be used for future procurements.</li> <li>• Liaise with Expenditure Department to resolve any issues with respect to payments for goods and services.</li> </ul>	<ul style="list-style-type: none"> <li>• Value for money</li> </ul>	<p>Daily</p> <p>Daily</p>	Supply Chain Officer
7	Creditor/Payroll Management	<ul style="list-style-type: none"> <li>• Ensure creditors are paid within 30 days</li> <li>• Ensure creditor reconciliations are performed monthly</li> <li>• Ensure statutory returns and payments are submitted within the prescribed timeframes</li> <li>• Ensure all officials and Councillors are paid accurately.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Internal Control</li> <li>• Compliance</li> <li>• Internal Controls and Compliance</li> </ul>	<p>Monthly</p> <p>Monthly</p> <p>Monthly</p> <p>Monthly</p>	Assistant Manager - Expenditure
8	Staff Training	<ul style="list-style-type: none"> <li>• Train staff on reconciliations</li> <li>• Ensure that staff attend workshops and courses relevant to their field of work.</li> </ul>	<ul style="list-style-type: none"> <li>• Developed staff</li> </ul>	<p>Daily</p> <p>Monthly</p>	CFO
9	Clean Audit Report	<ul style="list-style-type: none"> <li>• Ensure that financial statements are prepared accurately in terms of GRAP and GAMAP.</li> <li>• Ensure that financial statements are produced within the timeframes as set by National Treasury &amp; MFMA</li> <li>• Develop a plan to resolve audit queries.</li> <li>• Implement action plan to resolve audit queries.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit reports</li> <li>• Audit reports</li> </ul>	<p>January 2011</p>	Assistant Manager - Treasury
10	Internal Controls	<ul style="list-style-type: none"> <li>• Ensure that policies and procedures are implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Reports</li> </ul>	<p>October 2008</p>	



		<ul style="list-style-type: none"> <li>effectively and adhered to</li> <li>• Ensure that audit queries are addressed and resolved</li> <li>• Comply to all relevant legislations</li> </ul>	<ul style="list-style-type: none"> <li>• Minimized audit queries which will not lead to qualification of statements</li> <li>• Audit reports</li> </ul>		Assistant Managers
9	Financial Management System	<ul style="list-style-type: none"> <li>• Ensure that the current financial system is stable and has integrity of data.</li> <li>• Ensure that management reports are designed within the system to ensure effective reporting.</li> <li>• Access to email by all Treasury staff members</li> <li>• Loading of all relevant document in the website in compliance with relevant legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Reliable information is provided to Council</li> <li>• Standard reports are designed and used for reporting purposes</li> </ul>	Monthly	Assistant Managers