

13650

FINANCIAL REPORTING AS AT 31 JULY 2019

This report served before the Financial Services Portfolio Committee on 29 October 2019. The report was noted.

PURPOSE

To submit for noting the financial position of the uMhlathuze Municipality as at 31 July 2019 as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003).

IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial And Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliance
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and related local government financial legislation
	5.2.1 Sustainable Financial and supply chain Management	5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Demand and acquisition management
		5.2.1.6 Contracts and Logistics management
		5.2.1.7 Apply adequate financial management methodologies

DISCUSSION

Section 71 of the Municipal Finance Management Act (MFMA), (Act 56 of 2003) prescribes certain conditions that need to be complied with, in terms of the mentioned Act.

The Accounting Officer of the Municipality must report by no later than 10 working days after the end of each month to the Mayor and the relevant Provincial Treasury, a statement in the **prescribed format** on the state of the Municipality's budget.

Section 66 of the Municipal Finance Management Act further prescribes that all expenditure incurred by the Municipality on staff salaries, allowances and benefits be reported upon in a format and for the prescribed period. It is considered appropriate to report on this section of the Act on a monthly basis to coincide with the reporting requirements of Section 71(1) of the Act.

As mentioned above, the MFMA Section 71 (1) refers to a prescribed format according to which the annual budget is required to be prepared. The National Treasury issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format was set out.

Furthermore, the National Treasury issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009. These regulations set out the manner in which Municipalities are required to prepare the 2010/2011 Budget as well as the in-year reporting effective from July 2010.

The objectives of the budget format reforms in terms of these regulations are:

- ❖ To ensure that the Municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing Municipal Budget and Financial Reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of Municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

The Minister of Finance has, in terms of Section 168 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) and acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs issued the Municipal Regulations on Standard Chart of Accounts as set out in Government Gazette No 37577 (**DMS 974357**) dated 22 April 2014.

These Regulations apply to all Municipalities and Municipal entities and indicate its applicability and relevance to each specific Municipal environment while accommodating organisational uniqueness and structural differences. These regulations took effect from 1 July 2017.

The objective of these regulations is to provide for a national standard, uniform recording and classification of municipal budget and financial information at transactional level by prescribing a standard chart of accounts for municipalities.

Once these regulations are effective, the financial reporting will be aligned (budget reporting and financial statements reporting). The regulations require that the financial system used by Municipalities must be compliant with the Standard Chart of Accounts. This means that the financial systems of Municipalities must be capable to accurately record all financial transactions in terms of the required segments. The current financial system used by the Municipality does not provide for the recording of financial transactions as required by the regulations.

The implementation of these regulations requires that the Municipality must proactively procure a financial system solution that will be compliant with the Standard Chart of Accounts. Of similar importance is the provision for training of responsible officials to ensure that they attend the trainings and workshops to be provided by the National Treasury.

In terms of Council Resolution 8901 dated 26 November 2013, Council was selected as a Pilot Site for the mSCOA implementation.

Section 1 of the MFMA defines the Service Delivery and Budget Implementation Plan (SDBIP) as:

"A detailed plan approved by the Mayor of a municipality in terms of Section 53(l)(c)(ii) for implementing the municipality's delivery of municipal services and its annual budget, and which must indicate:

- (a) *Projections for each month of-*
 - (i) *Revenue to be collected, by source; and*
 - (ii) *Operational and capital expenditure, by vote."*

Component 1, comprised of actual revenue collected by source and Component 2, comprised of actual operational and capital expenditure by vote for the month of July 2019 is included under **Annexures AA and AB (DMS 1359814)**.

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PART 1 - IN-YEAR REPORTING

1. **MAYOR'S REPORT FOR THE MONTH OF JULY 2019**

In terms of the Budget Regulations, Part 1 in-year reporting, the Mayor is required to provide a report / comments on:

“(a) **a summary of whether the Municipality's budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;**

The Mayor has considered the Section 71 report for the month of July 2019, and the performance of the Municipality against its budget is in line with the adopted budget that was approved by Council in May 2019. A detail of all the points highlighted by the Mayor is included in the report.

Operational Budget

The monthly budget statement summary (Table C1) for the month of July 2019 (year to date actual) shows a surplus of R156,3 million. The surplus for the month is mainly as a result of equitable share of R151 million received in July 2019. The performance in this area is **Acceptable**.

Capital Budget

There was no capital expenditure recorded on the system for the month of July 2019 due to technical challenges with SAP system, however there was a direct payment made from IUDG formerly known as MIG.

Capital expenditure is expected to rise as the year progresses. The Project steering Committee is monitoring the capital projects to ensure that any issues are resolved promptly.

Cash Flow

In terms of Council's Adopted Working Capital Policy the objective is for Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 2,60:1 (604 511/232 855). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area **is acceptable**.

2. RESOLUTIONS

Refer to the recommendations contained in this report.

3. EXECUTIVE SUMMARY

This section deals with the financial status of the Municipality at executive level and highlights matters that are of particular importance from the Chief Financial Officer's perspective.

3.1 Operating Budget

The following table represents an executive summary for the financial period ended 31 July 2019:

DESCRIPTION	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3 208 768 100	465 039 000	415 420 839	89,33%
Expenditure	3 234 246 900	288 488 700	259 088 980	89,81%
Surplus/(Deficit) (Excluding Capital Grants)	(25 478 800)	176 550 300	156 331 859	

3.2 Cash Flow Situation

Council's Working Capital Policy:

In terms of Council's Adopted Working Capital Policy, the objective is for the Working Capital to be two (2) times the average monthly creditors of the municipality. This ratio currently sits at 2,60:1 (604 511/232 855).

3.3 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2019	TOTAL TO BE RECEIVED AS AT 30/06/2020	AMOUNT RECEIVED AS AT 31/07/2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/07/2019	% SPENT	COMMENTS
NATIONAL TREASURY							
Equitable Share	151 235 000	362 965 000	151 235 000	211 730 000	30 247 083	8%	In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services
Municipal Infrastructure Grant-IUDG	33 662 000	139 988 000	33 662 000	106 326 000	6 000 000	4%	This expenditure is as per claims submitted to COGTA
Financial Management Grant	-	2 650 000	-	2 650 000	55 657	2%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Municipal Water Infrastructure Grant-WSIG	-	40 000 000	-	40 000 000	-	0%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Pogramme	-	4 492 000	-	4 492 000	-	0%	The grant is for the operatonal expenditure for EPWP
Municipal System Improvement Grant	150 000	600 000	-	600 000	-	0%	The grant was received in March from Dora amended Gazette. The grant is to support the Re-demacated municipalities on transition matters
TOTAL NATIONAL TREASURY GRANTS	185 047 000	550 695 000	184 897 000	365 798 000	36 302 741	7%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2019	TOTAL TO BE RECEIVED AS AT 30/06/2020	AMOUNT RECEIVED AS AT 31/07/2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/07/2019	% SPENT	COMMENTS
PROVINCIAL TREASURY							
Provincialisation of Libraries	-	8 689 000	-	8 689 000	3 996 369	46%	Expenditure shown is the total operating cost of the Libraries for the period. The Gazetted amount was received in November and we will therefore show it on the November Financial report.
Community Library Services Grant (Cyber cadets)	-	2 283 000	-	2 283 000	83 037	4%	Expenditure shown is the total operating cost of the Cybercadets for the period. The Gazetted amount was received in November and we will therefore show it on the November Financial report.
Housing Operating Account	-	2 396 000	-	2 396 000	1 150 235	48%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	202 000	-	202 000	267 053	132%	Expenditure shown is the total operating cost of the Museum incurred to date.
Sports and Recreation-Capital	-	8 243 000	-	8 243 000	-	0%	Sports and Recreation - Provincial Allocation for Construction of Fitness Centre at Esikhaleni
TOTAL PROVINCIAL TREASURY GRANTS	-	21 813 000	-	21 813 000	5 496 694	25%	
TOTAL GRANTS AND SUBSIDIES	185 047 000	572 508 000	184 897 000	387 611 000	41 799 435	7%	

3.4 Capital Budget Summary

There was no capital expenditure recorded on the system for the month of July 2019 due to technical challenges with SAP system. However, there was a direct payment made from IUDG formerly known as MIG.

Capital expenditure is expected to rise as the year progresses. The Project steering Committee is monitoring the capital projects to ensure that any issues are resolved promptly.

3.5 Expenditure per Category

The table below represents operating expenditure per category incurred as at 31 July 2019:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET	ACTUAL JULY 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Employee related costs	859 549 700	68 282 200	65 639 054	96,13%
Remuneration of Councillors	32 403 900	2 471 200	2 519 360	101,95%
Debt Impairment	31 453 900	2 621 200	26 282 776	1002,70%
Depreciation and asset impairment	408 531 600	34 044 800	34 044 600	100,00%
Finance Charges	70 845 700	5 904 000	5 903 810	100,00%
Bulk Purchases - Electricity	990 263 100	126 005 500	103 883 952	82,44%
Bulk Purchases - Water	106 685 500	12 500 000	10 792 139	86,34%
Other Materials	121 110 200	7 803 800	129 686	1,66%
Contracted Services	323 134 900	12 615 100	1 331 850	10,56%
Transfers and grants	12 087 300	237 700	1 708 943	718,95%
Other Expenditure	278 181 100	16 003 200	6 852 810	42,82%
TOTAL	3 234 246 900	288 488 700	259 088 980	89,81%

Transfers and Grants

Payment of R1,5 million was made to uMhlathuze International Jazz Festival 2019 as per grants in aid schedule that is monitored by Grants in Aid Committee.

Debt Impairment

The actual write offs that appears under debt impairment are for the previous financial year and the alignment thereof will be done in August 2019 as part of the finalisation of the Annual Financial Statements by the end of August 2019.

Other Materials

Due to implementation of SAP system, most of materials issued from stores for the month of July were done manually. This expenditure will be captured on the system in the coming months which will provide a true reflection of actual materials issued.

3.6 Revenue per Category

The source of funding for the above comprises the following revenue categories:

REVENUE BY SOURCE	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL JULY 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	520 379 700	88 673 400	88 013 224	99,26%
Service Charges – Electricity revenue	1 573 324 400	155 695 200	122 714 278	78,82%
Service Charges – Water revenue	388 298 900	39 895 800	30 297 912	75,94%
Service Charges – Refuse revenue	113 268 300	10 066 800	7 845 708	77,94%
Service Charges – Sanitation revenue	101 068 000	8 140 400	8 468 185	104,03%
Rental of facilities and equipment	10 802 300	1 326 100	607 730	45,83%
Interest earned – external investments	58 000 000	1 678 500	2 607 553	155,35%
Interest earned – outstanding debtors	108 700	7 300	12 181	166,86%
Fines	7 980 600	686 900	754 692	109,87%
Licences and permits	3 406 700	-	194 054	0,00%
Agency services	5 970 400	64 700	341 546	527,89%
Operating Grants and Subsidies	390 676 000	156 145 300	151 235 000	96,86%
Other Revenue	35 484 100	2 658 600	2 328 776	87,59%
TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)	3 208 768 100	465 039 000	415 420 839	89,33%

The above table represents operating revenue per category as at 31 July 2019.

3.7 Debtors Age Analysis

➤ Debtors age analysis by category

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Government	30,258,043	384,869	278,136	10,386,615	41,307,663
Business	295,244,819	7,283,303	5,464,852	61,518,180	369,511,154
Households	52,966,573	6,050,241	5,783,585	109,750,376	174,550,775
Other	6,605,621	325,733	195,187	7,948,012	15,074,553
Total	385,075,056	14,044,146	11,721,760	189,603,183	600,444,145
%	64.13%	2.34%	1.95%	31.58%	

FINANCIAL REPORTING ON INCOME / DEBT

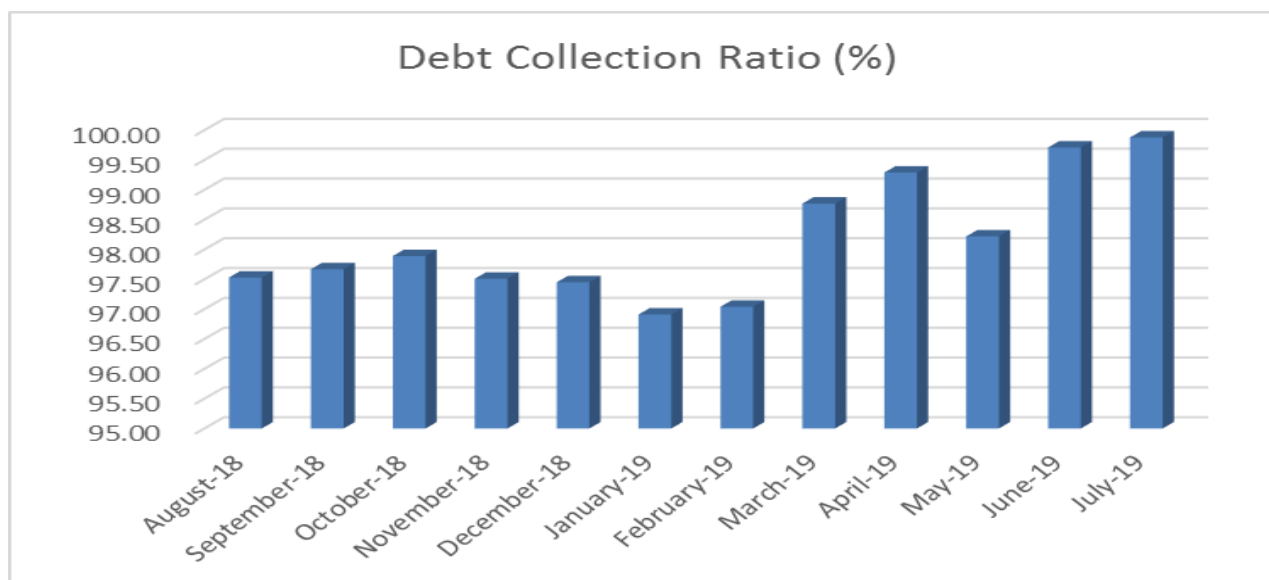
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National Treasury determined the formulas for every financial ratio in terms of Circular 71. These formulas will, therefore, be used in the reporting.

➤ **Debt Collection Rate**

The Ratio indicates the collection rate, i.e. level of payments. It measures increases or decreases in Debtors relative to annual billed revenue. The following formula and norm is included in the circular:

Formula (As per circular 71)	Norm
Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off) / Billed Revenue x 100	The norm is 95%

Month	Debt Collection Ratio (%)
July-19	99.88
June-19	99.71
May-19	98.22
April-19	99.29
March-19	98.77
February-19	97.04
January-19	96.91
December-18	97.45
November-18	97.51
October-18	97.89
September-18	97.67
August-18	97.53



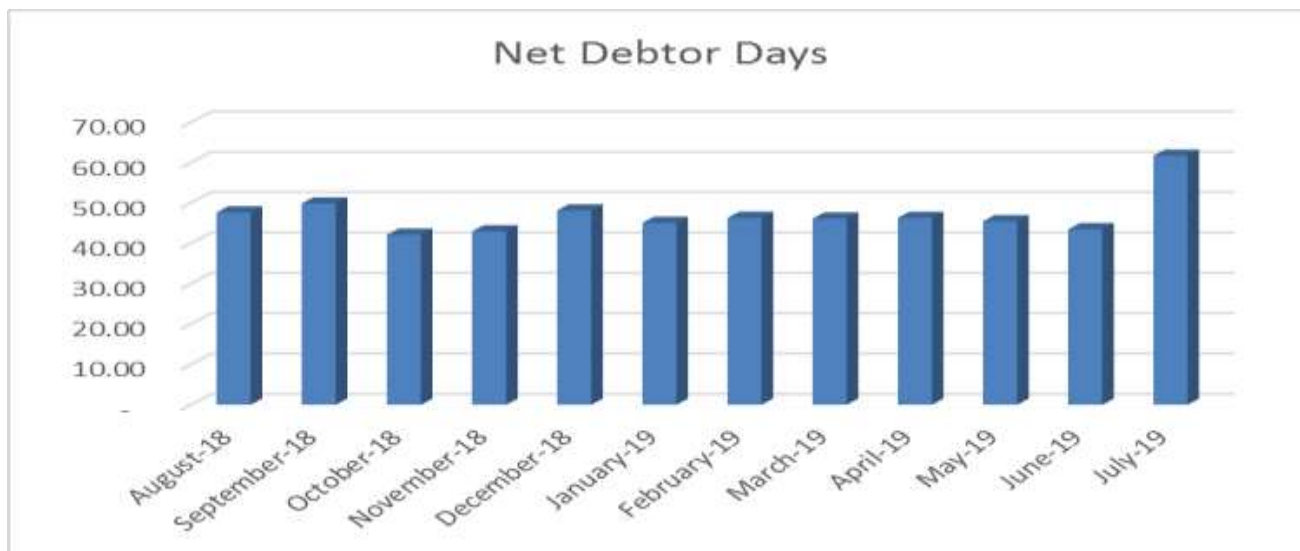
➤ **Net Debtors Days**

This ratio reflects the collection period. The Net Debtor Days refer to the average number of days required for a Municipality or Municipal Entity to receive payment from its Consumers for bills/invoices issued to them for services.

The Ratio excludes balances for Debtors which the Municipality or Municipal Entity has assessed as potentially irrecoverable, and is also a good indication of the effectiveness of Credit Control procedures within the Municipality as well as the extent to which the Municipality has provided for doubtful debts.

Formula (As per circular 71)	Norm
$((\text{Gross Debtors} - \text{Bad Debt Provision}) / \text{Billed Revenue}) \times 365$	The norm is 30 Days

Month	Net Debtor Days
July-19	61.69
June-19	43.48
May-19	45.45
April-19	46.29
March-19	46.15
February-19	46.31
January-19	45.06
December-18	48.13
November-18	42.95
October-18	42.12
September-18	49.86
August-18	47.63



Debtor's Turnover Rate

The norm is to be below 20%:

Month	Debtors Turnover Rate (%)
July-19	17.92
June-19	14.86
May-19	15.35
April-19	15.57
March-19	15.71
February-19	15.92
January-19	15.62
December-18	16.58
November-18	16.62
October-18	16.36
September-18	18.44
August-18	18.11



Top Ten Business Debts

TOP 10 DEBTORS							
Debtor No	Name		0-30 days	31-60 days	61-90 days	Over 90 days	Grand Total
1854904	BASFOUR 3721 (PTY) LTD	December 2011	-			22,377,589.88	22,377,589.88
2289941	PANDA PETROLEUMS	September 2015	2,204.76	1,102.38	1,102.38	5,006,146.20	5,010,555.72
1088329	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	2,555,917.89	1,302,464.30	1,298,759.28	2,720,380.51	7,877,521.98
416383	RIVER ROCK INVEST (PTY) LTD	June 2009	129,093.83	63,157.43	63,157.43	2,600,107.20	2,855,515.89
551583	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	2,184,531.10	1,062,546.18	828,369.25	1,712,088.73	5,787,535.26
1675831	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	3,111,847.26	1,673,534.48	997,293.83	1,429,832.61	7,212,508.18
392020	RIVER ROCK INVEST (PTY) LTD	June 2009	502,741.38	206,523.29	227,211.08	1,318,753.02	2,255,228.77
501543	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	1,580,894.21	790,088.93	621,633.78	999,571.89	3,992,188.81
1632348	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	829,200.71	396,816.68	265,829.84	978,041.29	2,469,888.52
1317138	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	68,121.34	32,144.61	36,991.56	522,977.22	660,234.73
TOTAL			10,964,552.48	5,528,378.28	4,340,348.43	39,665,488.55	60,498,767.74

Basfour 3721 (Pty) Ltd

The administration around this legal process is managed by the Finance Department. Basfour 3721 (Pty) Ltd / Indlovu Dev Trust Trustees is the account for the commission in respect of the 40% on sales above the agreed threshold in respect of the Golf Estate.

The developer disputed the account. The dispute is of a contractual nature. The account was handed over to Council's attorneys. Summons was issued and the case was defended.

The setting down of the court date by the Registrar of the High Court for the claim is still awaited.

The Advocate has provided a summary of the pre-trial processes that must now be completed. It includes several consultations with the relevant officials and witnesses.

Update: July 2019

A separate confidential report has been prepared and is awaiting internal comments that will be submitted regarding the details of the legal process and to propose a way forward.

Panda Petroleum

This debt is in respect of rental of town land in respect of the proposed Truck Stop in Alton. The debtor's failure to adhere to the agreement was been reported to the Deputy Municipal Manager: City Development, Property Division to give the debtor notice in terms of the agreement.

The debtor's account was handed over to Council's attorneys for collection but the file was pended under request from the Legal Section who advised that they will be dealing with the matter. Legal Services (Litigation sub-section) advised that it is their view that collection proceedings should proceed.

It was confirmed that the agreement between Council and Panda Petroleum was terminated on 12 October 2017 (DMS 1234550). Subsequent to the termination, Panda Petroleum requested Council to consider amendment of the lease agreement. This request was considered to be out of time.

Update: July 2019

There is no further progress as the legal process is continuing.

River Rock Investments

There are two (2) accounts for River Rock Investments but only one of them is in the top 10 list this month. The debt relates to:

- An account for rates that are levied in respect of the Caravan Park while the contract provides that the rental includes the rates.
- An account for rental in respect of the area being used by Imvubu Lodge. They are paying a portion on the rental and have declared a dispute in terms of the provisions of the contract several years back and requested that the matter be referred for arbitration. River Rock are paying their monthly charges, excluding the disputed charge.
- Additional dispute relates to the cancellation of their lease agreement.

Legal Services advised that on 9 January 2018, River Rock Investments served the municipality with a summons wherein they are disputing that the lease expired on 31 May 2017 and the lease is on a month-to-month period until such time that the lease is allocated to another party. The contract made provision that it be renewed at least twelve (12) calendar month prior to the termination date and River Rock failed to exercise that option. It has been advised that the debtor's application for the re-instatement of the lease over the Imvubu Lodge area was unsuccessful in the High Court.

Update: July 2019

The dispute process regarding the lease amount and the rates being charged is continuing.

King Cetshwayo District Municipality

The accounts relates to a dispute lodged by King Cetshwayo District Municipality regarding the drought water tariff being charged.

Update: July 2019

The matter is ongoing.

Government Debt

The top ten (10) Government debtors are as follows:

Government Departments - Summary of ALL Debt									
Government Department	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
National	5,794,437	33,158	23,996	17,450	15,151	14,095	1,793,387	1,999,859	9,691,531
Provincial	26,533,338	436,616	391,215	441,355	78,282	224,222	3,356,337	4,821,887	36,283,251
Totals	32,327,775	469,774	415,210	458,805	93,432	238,316	5,149,723	6,821,746	45,974,782
National Departments	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Public Works	4,907,866	33,158	23,996	17,450	15,151	14,095	835,231	1,504,668	7,351,613
Rural Development & land Reform	886,571	0	0	0	0	0	958,156	495,192	2,339,919
Provincial Departments	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Public Works	19,197,508	36,839	35,987	34,357	30,906	29,921	1,941,798	2,660,023	23,967,339
Education	1,844,752	112,324	66,885	42,862	-13,921	-30,060	825,715	373,828	3,222,385
Human Settlement	625,358	19,446	7,257	4,847	4,879	3,875	148,879	837,039	1,651,581
Department of Transport	113,949	35,160	968	936	2,622	1,211	133,874	0	288,721
Department of Health	4,649,590	232,477	280,111	358,118	53,795	219,187	306,060	950,997	7,050,335
COGTA	0	0	0	0	0	0	0	0	0
Department of Social Welfare	95,099	52	0	0	0	0	0	0	95,151
Department of Agriculture	7,082	318	7	234		88	11	0	7,740
SANRAL	0	0	0	0	0	0	0	0	0
Other Organs of State	0-30 Days	31-60 Days	61-90 Days	91 - 120 Days	121 - 150 Days	151 -180 Days	181 Days-1 Year	Over 1 Year	Total
Transnet	4,230,204	143,723	146,232	49,978	46,124	45,363	214,291	198,228	5,074,142
ESKOM	128,339	2,939	3,672	2,968	2,406	2,493	8,987	34,879	186,685
Ingonyama Trust Board	1,558,700	243	243	243	243		1,447,436	3,862,947	6,870,057
Telkom	574,514	316	0	0	0	0	0	0	574,831
Foskor	37,745,305	0	0	0	0	0	0	0	37,745,305
SA Post Office	12,058	2,674	2,660	3,103	2,590	2,576	16,548	20,856	63,067
Richards Bay IDZ	1,639,132	0	0	0	0	0	0	0	1,639,132

3.8 **Employee Debt / Councillor Debt**

At a previous Financial Services Portfolio Committee meeting, Councillors requested that Official's and Councillor's debt be submitted to Council.

Employee debt amounts to R69 423,99 as per **Annexure AC - DMS 1359814**.

Councillor's debt amounts to R247 087, as per **Annexure AD - DMS 1359814**.

5. **IN-YEAR BUDGET STATEMENT TABLES**

The following monthly budget statement tables (**DMS 1367092**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEXURE
Table C1	Monthly Budget Statement Summary	A
Table C2	Monthly Budget Financial Performance (Standard Classification)	B
Table C2C	Monthly Budget Financial Performance (Detail) (Standard Classification)	C
Table C3	Monthly Budget Financial Performance (Revenue and Expenditure by Municipal Vote)	D
Table C3C	Monthly Budget Financial Performance (Detail) (Revenue and Expenditure by Municipal Vote)	E
Table C4	Monthly Budget Financial Performance (Revenue by source and Expenditure by Item)	F
Table C5	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	G
Table C5C	Monthly Budgeted Capital Expenditure Budget by vote, standard classification and funding	H
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Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V
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Table SC13c	Monthly repairs and maintenance expenditure by asset class	X
Table SC13d	Monthly depreciation by asset class	Y
Table SC13e	Monthly capital expenditure on upgrading of existing assets by assets class	Z

PART 2 - SUPPORTING DOCUMENTATION

6. **DEBTORS ANALYSIS**

Refer to supporting table SC3 - Aged Debtors (**Annexure M**) for the month ended 31 July 2019.

7. **CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N**) for the month ended 31 July 2019.

8. **INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment Portfolio (**Annexure O**) for the month ended 31 July 2019.

9. **ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE**

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q**) for the month ended 31 July 2019.

10. **COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R**) for the month ended 31 July 2019.

11. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 31 July 2019:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z**).

12. **MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

Refer to **DMS 1363587** (**Annexure AE**).

ENVIRONMENTAL IMPLICATIONS

None

FINANCIAL IMPLICATIONS

This has been covered in details throughout the report.

LEGAL IMPLICATIONS

The monthly financial report is prepared in terms of Section 71 of the Municipal Finance Management Act, 2003 (MFMA), (Act 56 of 2003).

COMMENTS OF THE CHIEF FINANCIAL OFFICER

Refer to the Executive Summary contained in this report for comments.

COMMENTS OF THE MUNICIPAL MANAGER

The report is noted by the Office of the Municipal Manager.

DISCUSSION HELD BY THE FINANCIAL SERVICES PORTFOLIO COMMITTEE ON 29 OCTOBER 2019

Serious concerns were expressed which inter alia related to: the delay in submission of the financial reports for the previous months and the figures in respect of capital expenditure budget which were not included in the report. Clarity was also sought under debts impairment as the amounts under the columns "Actual July 2019" and "Pro-rata Adopted Budget" were not corresponding. Furthermore, it was noted that the electricity and water purchases were down and clarification was requested.

In responding, the Head of Section: Expenditure stated that the September report as at the time of the submission was not ready, as well as the non-inclusion of the capital expenditure budget information, alluding to the challenges encountered with the new SAP system. However, it was indicated that the department was trying its level best to be transparent with what was available. An indication was given that both September and October 2019 financial reports will be submitted simultaneously at the next meeting. The Committee was informed that as at the end of September, the capital expenditure budget was sitting at 10% which was below the target.

It was highlighted that there was an error on the figures as indicated under debts impairment as they relate to the 2018/19 financial year. However, the entry has since been rectified and was reversed in August on finalisation of the Annual Financial Statements.

With regard to the issue regarding the drop in bulk electricity purchases, it was indicated that during the month of July, electricity purchases were high as industries pay higher tariffs and expenses are higher but they eventually reduce as from the month of September.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 July 2019, as required in terms of Section 71 and Section 66 of the Municipal Finance Management Act, 2003 (Act No 56 of 2003) and as set out in the monthly budget statement tables **(DMS 1367092)**, be noted.