

13651

FINANCIAL REPORTING AS AT 31 AUGUST 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 August 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 ten (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 August 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 August 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*

PART 1 - IN-YEAR REPORTING

1. MAYOR'S REPORT FOR THE MONTH OF AUGUST 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 August 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 August 2019 (year to date actual) shows a surplus of R215,6 million. The surplus for the month is mainly as a result of equitable share of R151 million received in August 2019. The performance in this area is Acceptable.

Capital Budget

There was no capital expenditure recorded on the system for the month of July and August 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 2,45:1 (570 175/232 855). 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 August 2019:

DESCRIPTION	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET (YTD)	ACTUAL AUG 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Revenue (Excluding Capital Grants)	3 208 768 100	718 313 500	729 349 684	101,54%
Expenditure	3 234 246 900	596 462 000	513 727 055	86,13%
Surplus/(Deficit) (Excluding Capital Grants)	(25 478 800)	121 851 500	215 622 629	

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 2,45:1 (570 175/232 855).

3.3 Grants Balances

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2019	AMOUNT GAZETTED FOR AUGUST 2019	TOTAL TO BE RECEIVED AS AT 30/06/2020	AMOUNT RECEIVED AS AT 31/08/2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/08/2019	% SPENT	COMMENTS
NATIONAL TREASURY								
Equitable Share	151 235 000	-	362 965 000	151 235 000	211 730 000	60 494 166,67	17%	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	10 241 091	7%	This expenditure is as per claims submitted to COGTA
Financial Management Grant	-	2 650 000	2 650 000	2 650 000	-	202 940	8%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Municipal Water Infrastructure Grant-WSIG	-	5 000 000	40 000 000	5 000 000	35 000 000	-	0%	Spending is in accordance with the support plan submitted to National Treasury for the grant
Extended Public Works Programme	-	1 123 000	4 492 000	1 123 000	3 369 000	46 013	1%	The grant is for the operational 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-demarcated municipalities on transition matters
TOTAL NATIONAL TREASURY GRANTS	185 047 000	8 773 000	550 695 000	193 670 000	357 025 000	70 984 211	13%	

DESCRIPTION OF GRANT	AMOUNT GAZETTED FOR JULY 2019	AMOUNT GAZETTED FOR AUGUST 2019	TOTAL TO BE RECEIVED AS AT 30/06/2020	AMOUNT RECEIVED AS AT 30/08/2019	DIFFERENCE	ACTUAL EXPENDITURE AS AT 30/08/2019	% 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	162 593	7%	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	2 339 235	98%	Expenditure shown is the total operating cost of the Human Settlements Section excluding Hostel Operating costs.
Museum Subsidy	-	-	202 000		202 000	729 385	361%	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	7 227 582	33%	
TOTAL GRANTS AND SUBSIDIES	185 047 000	8 773 000	572 508 000	193 670 000	378 838 000	78 211 794	14%	

3.4 Capital Budget Summary

There was no capital expenditure recorded on the system for the month of July and August 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 August 2019:

EXPENDITURE BY TYPE	ADOPTED BUDGET 2019/2020	PRO-RATA ADOPTED BUDGET	SYSTEM ACTUAL AUG 2019 (YTD)	ACCRUALS	ACTUAL AUG 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	R	R	%
Employee related costs	859 549 700	140 833 600	132 039 808	-	132 039 808	93,76%
Remuneration of Councillors	32 403 900	4 940 400	5 000 640	-	5 000 640	101,22%
Debt Impairment	31 453 900	5 242 400	86 606	5 155 794	5 242 400	100,00%
Depreciation and asset impairment	408 531 600	68 089 600	68 089 203	-	68 089 203	100,00%
Finance Charges	70 845 700	11 808 100	5 903 810	5 903 810	11 807 620	100,00%
Bulk Purchases - Electricity	990 263 100	258 755 700	103 920 570	103 883 952	207 804 522	80,31%
Bulk Purchases - Water	106 685 500	18 706 500	20 342 280	-	20 342 280	108,74%
Other Materials	121 110 200	17 126 100	1 278 869	-	1 278 869	7,47%
Contracted Services	323 134 900	30 451 500	34 065 882	-	34 065 882	111,87%
Transfers and grants	12 087 300	1 895 500	5 750 579	-	5 750 579	303,38%
Other Expenditure	278 181 100	38 612 600	22 305 253	-	22 305 253	57,77%
TOTAL	3 234 246 900	596 462 000	398 783 499	114 943 556	513 727 055	86,13%

Debt Impairment

Accruals were raised for debt impairment awaiting journal to be processed in the month of September 2019

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.

Other Materials

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

This non-recording of expenditure has resulted in a high surplus which does not reflect the true expenditure incurred for the period under review.

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 AUG 2019 (YTD)	% PRO-RATA ADOPTED BUDGET SPENT
	R	R	R	%
Rates	520 379 700	127 641 200	111 408 073	87,28%
Service Charges – Electricity revenue	1 573 324 400	301 986 700	309 747 554	102,57%
Service Charges – Water revenue	388 298 900	77 360 300	110 841 213	143,28%
Service Charges – Refuse revenue	113 268 300	20 290 800	15 694 862	77,35%
Service Charges – Sanitation revenue	101 068 000	16 186 800	16 659 061	102,92%
Rental of facilities and equipment	10 802 300	2 416 900	2 278 084	94,26%
Interest earned – external investments	58 000 000	6 771 800	4 049 441	59,80%
Interest earned – outstanding debtors	108 700	13 300	25 596	192,45%
Fines	7 980 600	1 820 800	1 937 001	106,38%
Licences and permits	3 406 700	578 200	194 054	33,56%
Agency services	5 970 400	949 400	341 546	35,97%
Operating Grants and Subsidies	390 676 000	157 268 300	151 235 000	96,16%
Other Revenue	35 484 100	5 029 000	4 938 199	98,19%
TOTAL REVENUE (EXCLUDING CAPITAL GRANTS)	3 208 768 100	718 313 500	729 349 684	101,54%

The above table represents operating revenue per category as at 31 August 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	30 925 873	212 760	109 193	9 912 571	41 160 397
Business	341 153 911	7 161 641	6 701 694	64 689 760	419 707 006
Households	55 433 092	7 082 492	5 572 149	112 896 107	180 983 840
Other	3 257 775	1 053 667	271 889	7 895 390	12 478 721
Total	430 770 651	15 510 560	12 654 925	195 393 828	654 329 964
%	65,83%	2,37%	1,93%	29,86%	

FINANCIAL REPORTING ON INCOME / DEBT

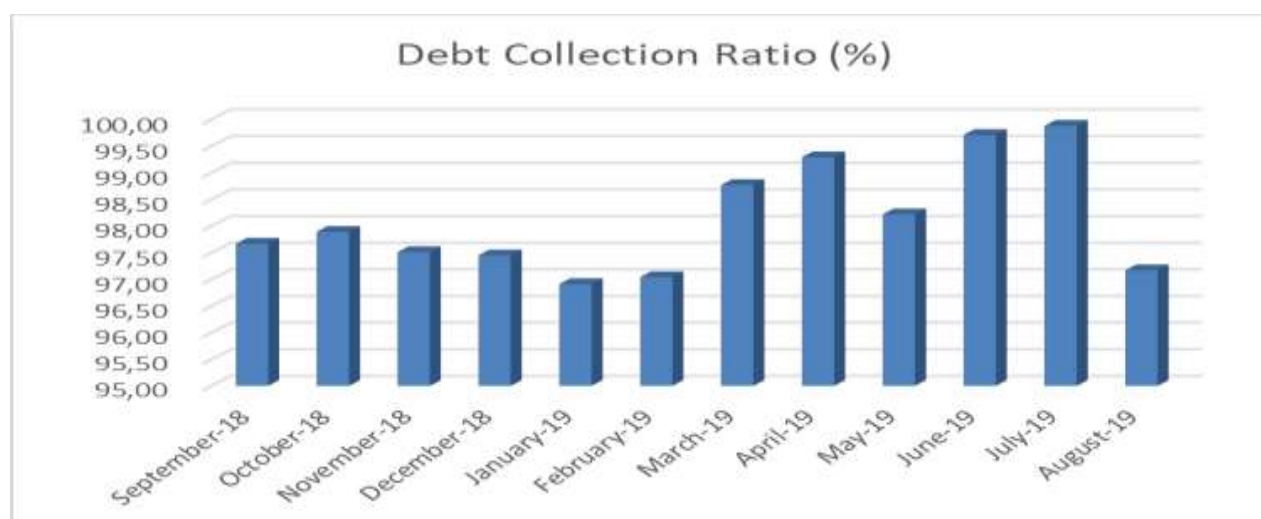
Section 216 (1)(c) of the Constitution and Section 2 of the Municipal Finance Management Act (MFMA) enable National Treasury to introduce uniform Treasury norms and standards to ensure sound and sustainable management of fiscal and financial affairs of municipalities and municipal entities. The National 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:

<i>Formula (As per circular 71)</i>	<i>Norm</i>
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 (%)
August-19	97,17
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



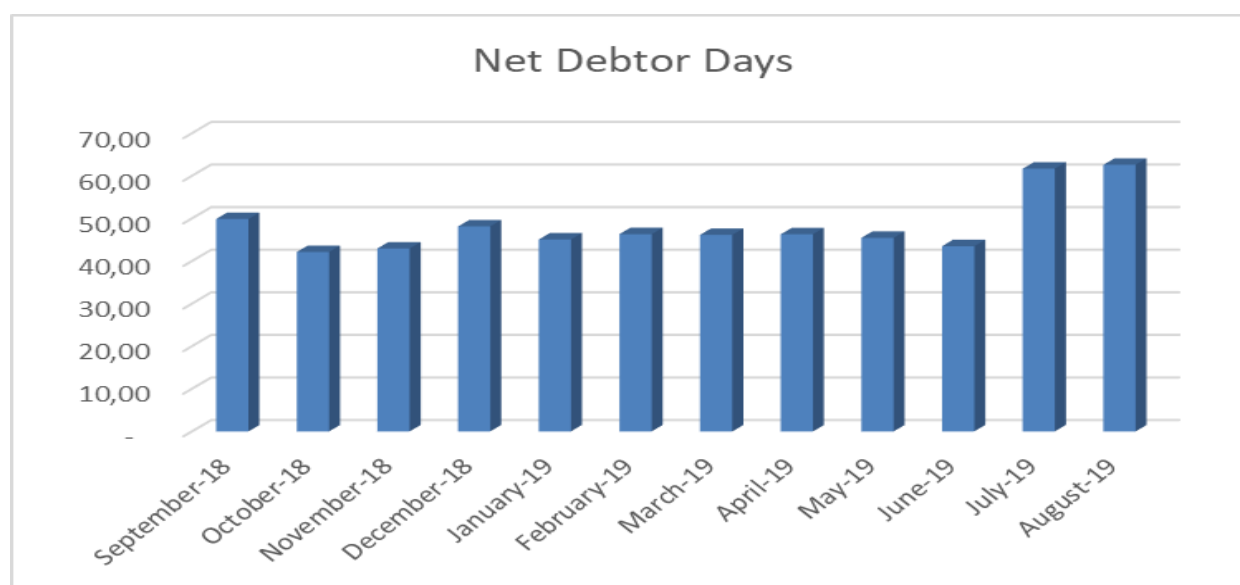
➤ **Net Debtors Days**

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

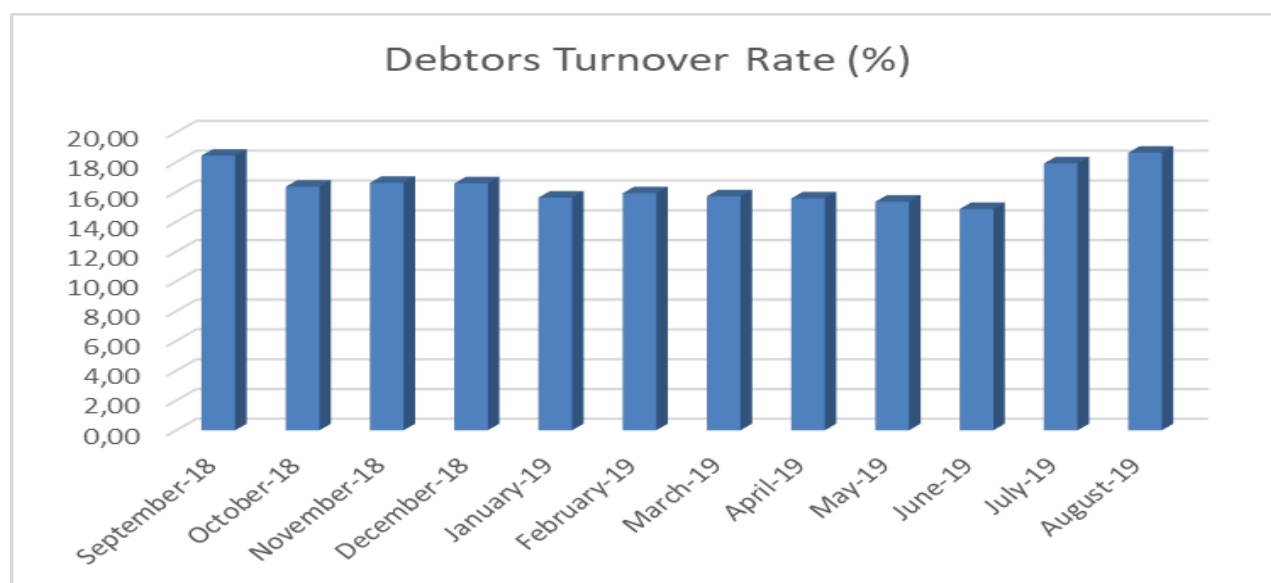
Month	Net Debtor Days
August-19	62,60
July-19	61,69
June-19	43,48
May-19	45,45
April-19	46,29
March-19	46,15
February-19	46,31
January-19	45,06
December-18	48,13
November-18	42,95
October-18	42,12
September-18	49,86



Debtor's Turnover Rate

The norm is to be below 20%:

Month	Debtors Turnover Rate (%)
August-19	18,64
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



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	5 007 248,58	5 011 658,10
1088329	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	1 280 275,56	1 278 176,28	1 277 741,61	4 288 544,89	8 124 738,34
1675831	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	1 670 270,36	1 483 055,94	1 628 791,32	4 100 660,92	8 882 778,54
551583	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	1 380 596,18	1 041 509,25	1 143 021,85	3 603 004,16	7 168 131,44
416383	RIVER ROCK INVEST (PTY) LTD	June 2009	65 936,40	65 936,40	65 936,40	2 691 643,09	2 889 452,29
501543	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	936 794,37	798 526,60	782 367,61	2 411 294,60	4 928 983,18
1632348	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	408 985,82	460 510,65	368 690,06	1 268 504,65	2 506 691,18
392020	RIVER ROCK INVEST (PTY) LTD	June 2009	597 360,86	220 718,49	206 523,29	1 263 964,10	2 288 566,74
1317138	KING CETSWAYO DISTRICT MUNICIPALITY	March 2018	42 476,42	35 649,50	32 471,84	556 463,39	667 061,15
TOTAL			6 384 900,73	5 385 185,49	5 506 646,36	47 568 918,26	64 845 650,84

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: August 2019

There are no further progress to report.

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: August 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 and they 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: August 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: August 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	6 079 010	24 949	20 624	16 062	13 359	14 637	57 408	3 661 701	9 887 751
Provincial	26 502 029	274 912	162 103	210 830	247 369	75 413	1 218 688	6 796 230	35 487 574
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	5 192 439	24 949	20 624	16 062	13 359	14 637	57 408	2 208 354	7 547 832
Rural Development & land Reform	886 571	-	-	-	-	-	-	1 453 348	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	19 205 691	37 762	37 491	36 673	34 919	31 420	258 443	3 960 038	23 602 436
Education	1 515 189	124 413	93 044	66 723	33 830	-16 657	380 236	813 576	3 010 354
Human Settlement	613 482	20 461	18 946	7 257	4 847	4 879	11 369	981 935	1 663 176
Department of Transport	117 847	24 966	860	412	494	1 976	132 979		279 535
Department of Health	4 977 284	67 304	11 442	99 759	173 044	53 795	435 573	1 040 670	6 858 872
Department of Social Welfare	66 324	-	-	-	-	-	-		66 324
Department of Agriculture	6 213	7	318	7	234	-	88	11	6 877
SANRAL	-	-	-	-	-	-	-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	7 216 118	140 491	122 659	124 090	48 932	46 124	220 540	237 341	8 156 295
ESKOM	-81 311	-33 899	2 134	3 319	2 518	2 054	10 303	36 057	-58 825
Ingonyama Trust Board	1 558 700	243	243	243	243	243	-	5 310 383	6 870 300
Telkom	743 232	82	315	-	-	-	-	-	743 629
Foskor	32 645 360	-2	-	-	-	-	-	-	32 645 358
SA Post Office	11 651	2 644	2 674	2 660	3 103	2 590	16 198	23 783	65 304

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 R82 425,76 as per **Annexure AC - DMS 1371546**.

Councillor's debt amounts to R247 552,78 as per **Annexure AD - DMS 1371546**.

4. EXCEPTION REPORTING ON OPERATING EXPENSES

4.1 Non-Road and Traffic Regulation (Agency Services)

Below is a table indicating Non-road and Traffic Regulation (Agency Services) revenue and expenditure at the request of Council for the 2018/19 financial year. The service on its own is making a deficit. Non-Road and Traffic Regulation (Agency Services) has collected revenue more than the budget. Below is the table:

Non-Road and Traffic Regulation (Agency Services)			
Description	Adjusted Budget 2018/19	Actual (YTD) Expenditure 30/06/2019	Remaining Budget
Revenue			
Insurance Claims	6 600	-	(6 600)
Drivers Licence Certificate	3 307 500	3 773 129	465 629
Incidental Cash Surpluses	11 300	812	(10 488)
Motor Vehicle Licence	5 796 500	6 406 951	610 451
Total Revenue	9 121 900	10 180 892	1 058 992
Expenditure			
Employee Related Costs	9 974 600	9 456 878	517 722
Departmental Charges	3 660 300	3 654 215	6 085
Materials and Supplies	119 800	119 299	501
Security Services	112 100	112 029	71
Finance Costs	157 800	139 464	18 336
Depreciation	54 100	51 925	2 175
Other Expenditure	112 600	111 505	1 095
Total Expenditure	14 191 300	13 645 316	544 889
Surplus/(Deficit)	(5 069 400)	(3 464 423)	514 103

5. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1371556**) 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
Table C6	Monthly Budgeted Financial Position	I
Table C7	Monthly Budgeted Cash Flows	J
Table SC1	Material variance explanations	K
Table SC2	Monthly Performance indicators	L
Table SC3	Aged Debtors	M
Table SC4	Aged Creditors	N
Table SC5	Investment Portfolio	O
Table SC6	Transfers and grant receipts	P
Table SC7(1)	Transfers and grant expenditure	Q
Table SC7(2)	Expenditure Against Approved Rollovers	R
Table SC8	Councillor and Staff Benefits	S
Table SC9	Monthly actuals and revised targets for cash receipts (cash flow)	T
Table SC12	Monthly capital expenditure trend	U
Table SC13a	Monthly capital expenditure on new assets by asset class	V
Table SC13b	Monthly capital expenditure on the renewal of existing assets by asset class	W
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 August 2019.

7. CREDITORS ANALYSIS

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

8. INVESTMENT PORTFOLIO ANALYSIS

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

10. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

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

11. CAPITAL PROGRAMME PERFORMANCE

Refer to the following tables for the month ended 31 August 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 1372179** (**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

Concern was raised that as per the content of the report, it was difficult either to comment or ask questions as the financials were not available as per the reasons alluded to in the report. Clarity was sought as to whether there is an indication of the exact month to which such would be made available.

Questions also asked involved the monthly operating costs as well as total cost of procuring the system, while on the other hand having to pay the monthly fees for other systems. The appearance of King Cetshwayo District Municipality under Top 10 Business Debtors was another cause for concern.

The Committee was assured that the figures as reflected in the report were accurate. The materials from stores had to be captured manually so that the business of Council could proceed, and further this was a separate project and staff were working tirelessly to finalise the backlog. It was confirmed that the information that was given to Councillors was exactly the same as the one uploaded on the ledger every month for submission to the National Treasury.

The Head of Section: Expenditure further advised that at the moment there were no exact figures but the executive summary on the contracted services do provide the said information. He further highlighted that EOH was currently being paid license fees for SAP as well as the deliverables that are commissioned which was part of the Service Level Agreement.

With regard to the issue of the debt for King Cetshwayo District Municipality, it was confirmed that the debtor was paying the account. However, it was indicated that the monthly payments effected by the debtor are firstly debited against the old debt hence no reduction on the debt. Assurance was given that additional information will be provided at the next meeting pertaining to the matter.

RECOMMENDED THAT:

the financial position of the uMhlathuze Municipality as at 31 August 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 1371556)**, be noted.