

## ITEM 352

### FINANCIAL REPORTING FOR THE QUARTER ENDED 31 MARCH 2022

*This report served before the Executive Committee and Council on 26 April 2022. The report was noted.*

#### PURPOSE

1. To submit to Council, the financial position of the uMhlathuze Municipality for the quarter ended 31 March 2022, as required in terms of the Municipal Finance Management Act, 2003 (Act No 56 of 2003). The monthly and quarterly requirements in terms of Section 71 and Section 52(d) respectively are also included in this report.
2. To disclose to Council, the cost containment savings as required in terms of Regulation 15 of Municipal Cost Containment Regulations (MCCR).

#### 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

#### BACKGROUND

**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.

**Section 52 (d)** of the Municipal Finance Management Act prescribes that the Mayor of a Municipality must within 30 days of the end of each quarter submit a report to Council on the implementation of the budget and the financial state of affairs of the Municipality.

The additional monthly reporting as required by Council is also included herein. The MFMA requires that the reporting of the budget (Annual, monthly, mid-year and adjustment) be in terms of a prescribed format.

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 has issued MFMA Circular No 51 (**DMS 633560**) in which this prescribed format has been set out.

Furthermore, National Treasury has 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 formats 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 take effect on 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 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.*
- (b) *service delivery targets and performance indicators for each quarter.”*

The Service Delivery and Budget Implementation Plan (SDBIP) have been segmented into five components. These are:

- ❑ Component 1: Monthly projections of revenue (including capital grants) to be collected for each source (**Annexure AA - DMS 1510011**);
- ❑ Component 2: Monthly projections of expenditure (operating and capital) and revenue for each vote (**Annexure AB - DMS 1510011**);
- ❑ Component 3: Quarterly projections of service delivery targets and performance indicators for each vote (**Annexure AC - AJ - DMS 1510011**);
- ❑ Component 4: Ward information for expenditure and service delivery (**Annexure AK and AL - DMS 1510011**); and
- ❑ Component 5: Detailed capital works plan broken down by ward over three years (**Annexure AM - DMS 1510011**).

## DISCUSSION

This report and the supporting schedules will be forwarded to National and Provincial Treasury as required in terms of Section 71 and Section 74 of the MFMA in both printed and electronic formats.

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## **PART 1 - IN-YEAR REPORTING**

### **1. MAYORAL REPORT FOR THE MONTH OF MARCH 2022**

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 March 2022, and the performance of the Municipality against its budget is in line with the adjusted budget that was approved by Council in February 2022. The 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 March 2022 (year to date actual) shows a surplus of R40,7 million. The performance in this area is **Acceptable**.

#### **Capital Budget**

Council is at the end of the third quarter of the financial year and capital expenditure is low at R421,3 million (50,49%). This is based on the Proposed Adjustment Budget of R835 million. Expenditure is expected to rise as the year progresses. The performance in this area although is **Not Acceptable**. Although overall capex spend is poor, a positive is that there is a better performance on Grant funded projects, as illustrated on page 10.

#### **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 2,47:1 (685 557/277 320). Therefore, the Municipality has a positive bank balance to defray its expenses. The performance in this area is **Good**.

### **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 The following table represents an executive summary for the financial period ended 31 March 2022:

DESCRIPTION	ADJUSTED BUDGET 2021/2022	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MARCH 2022 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Revenue	3 705 717 300	2 755 295 856	2 710 680 422	98,38%
Expenditure	3 856 422 000	2 780 295 074	2 670 023 450	96,03%
<b>Operating Surplus/(Deficit)</b>	<b>(150 704 700)</b>	<b>(24 999 218)</b>	<b>40 656 972</b>	

Although Council approved a deficit adjusted budget for the 2021/22 financial year, every effort is being made from the Administration and support from Council to turn this around into reducing the deficit, but ideally making a surplus.

### 3.2 **Cash Flow Situation**

#### **Council's Working Capital Policy:**

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 2,47:1 (685 557/277 320).

### 3.3 Grants Balances

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2021/22	AMOUNT RECEIVED AS AT 31/03/2022	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/03/2022	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL BUDGET	COMMENTS
<b>NATIONAL TREASURY</b>							
Equitable Share	416 124 000	416 124 000	-	312 093 000	75%	75%	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.
Intergrated Urban Development Grant-IUDG	130 750 000	130 750 000	-	103 778 447	79%	79%	IUDG aims to provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for investment in economic infrastructure.
Financial Management Grant	2 450 000	2 450 000	-	1 972 348	81%	81%	Spending is in accordance with the support plan submitted to National Treasury for the grant.
Water services infrastructure grant	40 000 000	40 000 000	-	25 843 628	65%	65%	To facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service. An additional amount of 10 Million rands was received on the 30 March 2022 as per the amended gazette.
Extended Public Works Pogramme	3 417 000	3 417 000	-	2 356 945	69%	69%	The grant is for the operational expenditure for EPWP.Expenditure shown is the total actual operating costs of the EPWP for the period under review.
Energy Efficiency and Demand Management	4 000 000	4 000 000	-	1 690 265	42%	42%	To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.
<b>TOTAL NATIONAL TREASURY GRANTS</b>	<b>596 741 000</b>	<b>596 741 000</b>	<b>-</b>	<b>447 734 634</b>	<b>75%</b>	<b>75%</b>	

DESCRIPTION OF GRANT	ADJUSTED GRANTS BUDGET 2021/22	AMOUNT RECEIVED AS AT 31/03/2022	DIFFERENCE	ACTUAL EXPENDITURE AS AT 31/03/2022	% EXPENDITURE TO AMOUNT RECEIVED	% EXPENDITURE TO TOTAL BUDGET	COMMENTS
<b>PROVINCIAL TREASURY</b>							
Provincialisation of Libraries	9 136 000	9 136 000	-	25 255 257	276%	276%	Expenditure shown is the total actual operating costs of the Libraries for the period under review.
Community Library Services Grant (Cyber cadets)	2 618 000	2 618 000	-	1 444 419	55%	55%	Expenditure shown is the total actual operating costs of the Cyber cadets for the period under review.
Housing Operating Account	1 206 000	4 912 875	(3 706 875)	13 189 273	268%	1094%	Expenditure shown is the total actual operating cost of the Human Settlements Section excluding Hostel Operating costs for the period under review.
Museum Subsidy	225 000	225 000	-	2 686 535	1194%	1194%	Expenditure shown is the total actual operating costs of the Museum for the period under review.
Sports and Recreation - Capital	10 943 000	3 647 667	7 295 333	6 751 851	185%	62%	This grant is for capital to help build sports facilities and develop sports and recreation,
<b>TOTAL PROVINCIAL TREASURY GRANTS</b>	<b>24 128 000</b>	<b>20 539 541</b>	<b>3 588 459</b>	<b>49 327 335</b>	<b>240%</b>	<b>204%</b>	
<b>TOTAL GRANTS AND SUBSIDIES</b>	<b>620 869 000</b>	<b>617 280 541</b>	<b>3 588 459</b>	<b>497 061 968</b>	<b>81%</b>	<b>80%</b>	



### 3.4 Capital Budget Summary

The table below represents Capital Expenditure incurred as at 31 March 2022:

<b>FUNCTION</b>	<b>ADJUSTED BUDGET 2021/2022</b>	<b>ACTUAL MARCH 2022 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Finance and Administration	97 730 300	44 691 153	45,73%
Community and Social Services	38 480 600	9 267 464	24,08%
Energy Sources	163 887 700	77 881 372	47,52%
Executive and Council	-	-	0,00%
Environmental Protection	2 400 700	-	0,00%
Air Transport - Air port	19 500 000	-	0,00%
Planning and Development	2 457 300	31 050	1,26%
Public Safety	811 900	228 697	28,17%
Road Transport	121 426 800	74 081 617	61,01%
Sport and Recreation	48 079 500	27 251 163	56,68%
Waste Water Management	65 046 100	25 986 915	39,95%
Water	274 709 400	161 899 879	58,93%
	<b>834 530 300</b>	<b>421 319 310</b>	<b>50,49%</b>

The total adopted Capital Budget funding structure is as follows:

<b>SOURCE OF FUNDING</b>	<b>ADJUSTED BUDGET 2021/2022</b>	<b>ACTUAL MARCH 2022 (YTD)</b>	<b>% OF ADJUSTED BUDGET SPENT</b>
	<b>R</b>	<b>R</b>	<b>%</b>
Borrowing	373 700 000	204 421 149	54,70%
Capital Replacement Reserve	288 434 800	87 616 496	30,38%
Integrated Urban Development Grant	128 012 500	95 415 281	74,54%
Government Grants - National	33 440 000	27 114 804	81,08%
Government Grants - Provincial	10 943 000	6 751 581	61,70%
<b>TOTAL</b>	<b>834 530 300</b>	<b>421 319 310</b>	<b>50,49%</b>

### 3.5 Expenditure per Category

EXPENDITURE BY TYPE	ADJUSTED BUDGET 2021/2022	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MARCH 2022 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Employee related costs	1 070 365 500	758 134 530	733 671 463	96,77%
Remuneration of Councillors	35 115 900	23 829 466	21 906 396	91,93%
Debt Impairment	128 584 100	96 438 075	96 438 075	100,00%
Depreciation and asset impairment	400 000 000	300 000 000	300 000 000	100,00%
Finance Charges	67 031 600	50 273 700	50 273 700	100,00%
Bulk Purchases - Electricity	1 219 002 000	875 826 473	847 401 435	96,75%
Inventory consumed - Water	360 400 100	270 300 075	270 678 313	100,14%
Inventory consumed - Materials	140 690 500	105 517 875	79 875 575	75,70%
Contracted Services	342 263 900	256 697 925	208 791 161	81,34%
Transfers and grants	14 216 900	8 176 383	7 133 585	87,25%
Other Expenditure	300 510 300	204 833 545	223 905 350	109,31%
Losses - Water Inventory (Note 1)	243 095 100	178 907 452	158 518 299	88,60%
Inventory consumed - Capitalisation (Note 2)	(464 853 900)	(348 640 425)	(328 569 903)	94,24%
<b>TOTAL</b>	<b>3 856 422 000</b>	<b>2 780 295 074</b>	<b>2 670 023 450</b>	<b>96,03%</b>

The table above represents operating expenditure per category as at 31 March 2022.

**Note 1 and 2 above:**

In terms of Version 6.5 of the mSCOA chart it is required that municipalities account for their water purchases, water production as well their losses in accordance with the water balance model. This model has been derived after consultation with the National Water and Sanitation department and will ensure that water inventory is correctly reflected.

At the previous finance portfolio, the Chief Financial Officer indicated that he will provide further information on the new Water Inventory reporting requirements, below table refers.

Water Inventory - in Rands									
Water Inventory	Original Budget			Year to Date Actuals			Full Year Forecast		
	Total	Potable	Clarified	Total	Potable	Clarified	Total	Potable	Clarified
	R	R	R	R	R	R	R	R	R
<b>Output</b>									
Inventory consumed - Water Billed (Authorised)	354 340 900	333 488 500	20 852 400	268 016 409	255 517 214	12 499 195	354 340 900	333 488 500	20 852 400
Inventory consumed - Water Unbilled (Authorised)	6 059 200	5 826 500	232 700	2 661 904	2 535 355	126 549	6 059 200	5 826 500	232 700
Total - Inventory consumed - Water	360 400 100	339 315 000	21 085 100	270 678 313	258 052 570	12 625 744	360 400 100	339 315 000	21 085 100
Loss - Water Inventory	243 095 100	240 928 300	2 166 800	158 294 011	153 939 921	4 354 090	243 095 100	240 928 300	2 166 800
<b>Total Water Inventory (Consumed plus losses)</b>	<b>603 495 200</b>	<b>580 243 300</b>	<b>23 251 900</b>	<b>428 972 324</b>	<b>411 992 491</b>	<b>16 979 833</b>	<b>603 495 200</b>	<b>580 243 300</b>	<b>23 251 900</b>

Water Inventory - in Units (kl)									
Water Inventory	Original Budget			Year to Date Actuals			Full Year Forecast		
	Total	Potable	Clarified	Total	Potable	Clarified	Total	Potable	Clarified
	kl	kl	kl	kl	kl	kl	kl	kl	kl
<b>Output</b>									
Inventory consumed - Water Billed (Authorised)	32 090 229	27 328 220	4 762 009	23 937 017	20 893 960	3 043 057	32 090 229	27 328 220	4 762 009
Inventory consumed - Water Unbilled (Authorised)	530 596	477 461	53 135	233 919	205 202	28 717	530 596	477 461	53 135
Total - Inventory consumed - Water	32 620 825	27 805 681	4 815 144	24 170 936	21 099 162	3 071 774	32 620 825	27 805 681	4 815 144
Loss - Water Inventory	20 238 068	19 743 237	494 831	13 816 487	12 869 243	947 244	20 238 068	19 743 237	494 831
% Loss - Water Inventory	38,3%	41,5%	9,3%	36,4%	37,9%	23,6%	38,3%	41,5%	9,3%
<b>Total Water Inventory (Consumed plus losses)</b>	<b>52 858 893</b>	<b>47 548 918</b>	<b>5 309 975</b>	<b>37 987 422</b>	<b>33 968 405</b>	<b>4 019 017</b>	<b>52 858 893</b>	<b>47 548 918</b>	<b>5 309 975</b>

### 3.6 Revenue by Source

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

REVENUE BY SOURCE	ADJUSTED BUDGET 2021/2022	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MARCH 2022 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	%
Rates	617 377 500	456 121 519	436 522 591	95,70%
Service Charges – Electricity revenue	1 733 294 500	1 207 144 831	1 217 051 248	100,82%
Service Charges – Water revenue	470 144 100	352 608 075	374 998 603	106,35%
Service Charges – Sanitation revenue	107 609 700	80 707 275	82 150 456	101,79%
Service Charges – Refuse revenue	107 655 900	82 858 858	76 006 988	91,73%
Rental of facilities and equipment	19 241 100	14 155 930	4 371 889	30,88%
Interest earned – external investments	65 000 000	49 691 304	51 674 693	103,99%
Interest earned – outstanding debtors	126 000	121 300	111 599	92,00%
Fines, penalties and forfeits	57 635 900	43 226 925	7 052 784	16,32%
Licences and permits	3 525 900	2 644 425	691 500	26,15%
Agency services	6 179 400	5 428 646	3 558 982	65,56%
Operating Transfers and Subsidies	444 066 500	435 000 000	433 732 028	99,71%
Other Revenue	36 984 700	25 586 769	22 757 062	88,94%
Gains - Employee related costs	36 876 100	-	-	0,00%
<b>TOTAL OPERATING REVENUE</b>	<b>3 705 717 300</b>	<b>2 755 295 856</b>	<b>2 710 680 422</b>	<b>98,38%</b>

The above table represents operating revenue by source as at 31 March 2022.

As previously requested, the following table contains a breakdown of the Revenue Source – Fines.

DETAILS	ADJUSTED BUDGET 2021/22	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUALS MARCH 2022 (YTD)	% PRO-RATA ADJUSTED BUDGET SPENT
	R	R	R	
Fines:Illegal Connections	1 398 400	932 267	270 337	29%
Fines:Law Enforcement	2 700	1 800	-	0%
Fines:Overdue Books	17 000	11 333	1 905	17%
Fines:Pound Fees	100	67	-	0%
Fines:Traffic:Court Fines	391 500	261 000	-	0%
Fines:Traffic:Municipal	50 314 500	33 543 000	3 770 145	11%
Forfeits:Deposits	1 114 400	742 933	1 010 998	136%
Fines:Motor Vehicle Licence	1 100	733	-	0%
Fines, Penalties and Forfeits:Penalties:Property Rates	4 396 200	2 930 800	1 999 399	68%
<b>TOTAL</b>	<b>57 635 900</b>	<b>38 423 933</b>	<b>7 052 785</b>	<b>18%</b>

### 3.7 Creditors Report

#### Creditors Age Analysis by Category

Creditors Age Analysis By Customer Type	0 - 30 Days	31 - 60 Days	Over 90 Days	Total
	R	R	R	R
Bulk Electricity	97 702 856	-	-	97 702 856
Bulk Water	15 573 271	-	-	15 573 271
PAYE deductions	12 671 696	-	-	12 671 696
Pensions / Retirement deductions	11 735 807	-	-	11 735 807
Trade Creditors	754 199	(27 560)	1 099 362	1 826 001
<b>Total By Customer Type</b>	<b>138 437 828</b>	<b>(27 560)</b>	<b>1 099 362</b>	<b>139 509 631</b>

The above table represents the ageing of creditors outstanding as at 31 August 2022. As per the National Treasury Circular 71 uniform ratios the formula to calculate the creditors payment period is as follows - *Trade creditors outstanding/credit purchases (operating and capital) x 365*. Based on the formula, the creditors payment period as at end of August 2022 is **27 days**. It must be noted that amounts over 90 days are invoices that were accrued due to year-end cut-off however final sign off and verification still needed to be done by user

### **Outstanding Creditors**

At a previous Financial Services Portfolio Committee meeting, Councillors requested that creditors greater than R100 000 outstanding for 90 days and longer be submitted to Council:

Creditor	Amount	Reason
King Cetshwayo District Municipality	R1 099 362,00	Invoice in dispute as it relates to services for the former Ntambanana Municipality

### **3.8 Debtors Report**

#### **➤ Debtors Age Analysis by Category**

DEBTORS AGE ANALYSIS BY CATEGORY	0-30 DAYS	31-60 DAYS	61-90 DAYS	OVER 90 DAYS	TOTAL
Organs of State	139 284 322	15 893 826	43 798 445	206 027 715	405 004 308
Business	205 868 618	5 494 454	6 122 981	67 963 477	285 449 530
Households	67 829 708	12 824 064	9 376 788	181 316 369	271 346 929
Other	350 268	73 479	60 052	2 165 070	2 648 869
<b>Total</b>	<b>413 332 916</b>	<b>34 285 823</b>	<b>59 358 266</b>	<b>457 472 631</b>	<b>964 449 636</b>
<b>%</b>	<b>42,86%</b>	<b>3,55%</b>	<b>6,15%</b>	<b>47,43%</b>	

### **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 <b>95%</b>

MONTH TO MONTH						
RATIO		FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	95%		91,76%	Please refer to page 5 of MFMA Circular No. 71
				Gross Debtors closing balance	824 417 609	
				Gross Debtors opening balance	843 882 192	
				Bad debts written Off	-	
				Billed Revenue	236 177 470	

ROLLING 12 MONTH						
RATIO		FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
1	Collection Rate	(Gross Debtors Closing Balance + Billed Revenue - Gross Debtors Opening Balance - Bad Debts Written Off)/Billed Revenue x 100	95%		97,78%	Please refer to page 5 of MFMA Circular No. 71
				Gross Debtors closing balance	824 417 609	
				Gross Debtors opening balance	837 333 488	
				Bad debts written Off	55 483 909	
				Billed Revenue	3 082 332 743	

➤ **Net Debtors Days**

This ratio reflects the collection period. Net Debtor Days refers 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 exclude 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:

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

ROLLING 12 MONTH						
RATIO		FORMULA	NORM / RANGE	INPUT DESCRIPTION	DATA INPUTS AND RESULTS	INTERPRETATION
2	Net Debtors Days	((Gross Debtors - Bad debt Provision)/ Actual Billed Revenue)) x 365	30 days		86,59 days	Please refer to page 6 of MFMA Circular No. 71
				Gross debtors	824 417 609	
				Bad debts Provision	93 212 800	
				Billed Revenue (12 MONTHS)	3 082 332 743	



➤ Top Ten Debtors

TOP 10 DEBTORS with debt older than 90 days - ANY CATEGORY / CLASSIFICATION						
Debtor No	Category	0-30 days	31-60 Days	61-90 Days	91 days +	Total
1088329	Organs of State	14 606 410	1 708 963	9 607 165	57 816 125	83 738 664
501543	Organs of State	21 330 249	-	-	54 192 988	75 523 237
531788	Organs of State	0	0	-	47 714 585	47 714 586
1854904	Business	-	-	-	22 377 590	22 377 590
551583	Organs of State	-	996 419	-	8 855 358	9 851 777
1610626	Business	-	-	-	6 106 823	6 106 823
2289941	Business	-	-	808	5 044 099	5 044 907
1632348	Organs of State	911 536	399 411	896 860	4 321 852	6 529 659
416383	Business	-	214 980	-	4 354 828	4 569 808
2328365	Organs of State	-	-	-	3 787 250	3 787 250
<b>TOTAL</b>		<b>36 848 195</b>	<b>3 319 773</b>	<b>10 504 834</b>	<b>214 571 497</b>	<b>265 244 299</b>

Given the complexity of issues at hand, the Chief Financial Officer will submit a separate report detailing the situation for each of the above and residential debt that needs attention at the next Portfolio meeting.

## Government Debt

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

Government Departments - Summary of ALL Debt							
Government Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National	6 085 667	997 154	930 315	2 132 467	1 392 549	-1 451 335	10 086 816
Provincial	4 994 307	6 651 783	455 779	1 502 414	794 652	14 092 915	28 491 850
Government accounts in Dispute	-	-	-	-	-	1 515 605	1 515 605
National Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
National Public Works	6 077 406	989 180	923 078	2 127 498	1 390 184	1 875 017	13 382 363
Dept of Agriculture and Rural Development & land Reform	8 261	7 974	7 237	4 969	2 365	637 905	668 709
Department of Water Affairs and Sanitation	-	-	-	-	-	-3 964 256	-3 964 256
<b>Total</b>	<b>6 085 667</b>	<b>997 154</b>	<b>930 315</b>	<b>2 132 467</b>	<b>1 392 549</b>	<b>-1 451 335</b>	<b>10 086 816</b>
Provincial Departments	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Public Works	39 322	-34 217	-497 807	11 909	16 371	3 594 395	3 129 972
Education	1 260 051	1 738 264	625 414	95 007	567 874	4 655 065	8 941 675
Tvet Colleges	549 510	200 288	7 981	215 535	40 396	1 588 413	2 602 123
Human Settlement	105 587	50 291	35 549	12 235	1 099	391 418	596 179
Department of Transport	132 811	216 134	3 012	47 417	-69 789	77 445	407 031
Department of Health	2 861 599	4 466 640	268 516	1 117 373	237 820	3 786 179	12 738 126
Department of Social Welfare	45 428	14 382	13 113	2 940	880	-	76 744
	<b>4 994 307</b>	<b>6 651 783</b>	<b>455 779</b>	<b>1 502 414</b>	<b>794 652</b>	<b>14 092 915</b>	<b>28 491 850</b>
Other Organs of State	Current	1-30 Days	31-60 Days	61-90 Days	91-120 Days	121 days plus	Total
Transnet	4 767 197	11 064 725	4 106 228	11 102 109	-106 413	1 720 769	32 654 616
ESKOM	149 619	103 840	86 777	85 447	41 684	207 385	674 752
Ingonyama Trust Board	-	-	-	-	-	9 274 246	9 274 246
Telkom	702 317	-	0	-	-	-	702 317
Foskor	710 364	19 765 943	5 280 513	25 215	5 695 229	2 838 771	34 316 034
SA Post Office	10 771	-9 780	-	-	-	-	992
Richards Bay IDZ	2 661 310	3 100 385	0	-	-	-	5 761 696
Mhlathuze Water Board	3 716 892	14 195	2 167	974	598	47 714 585	51 449 410
King Cetshwayo District Municipality	6 094 309	31 991 270	3 343 072	10 504 026	2 101 862	123 892 806	177 927 344
<b>Total</b>	<b>18 812 778</b>	<b>66 030 578</b>	<b>12 818 757</b>	<b>21 717 771</b>	<b>7 732 959</b>	<b>185 648 563</b>	<b>312 761 406</b>
<b>Grand Total</b>	<b>29 892 752</b>	<b>73 679 514</b>	<b>14 204 851</b>	<b>25 352 652</b>	<b>9 920 160</b>	<b>199 805 747</b>	<b>352 855 676</b>

## **Government Debt Comments**

The main issues on Government Debt remain the lack of available budget to the relevant government departments. The debt owing by government departments appear to be a long term issue that will require constant monitoring and intervention.

A dedicated team of officials are working on the Government debt to ensure that the debt remain as low as practically possible.

The Government debt for this time of year will also appear to be higher due to the annual rates that are levied in July of each year.

A separate report detailing all Government debt will also be submitted.

### **3.9 Employee Debt / Councillor Debt**

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

Employees' debt amounts to R687 588,03 as per **Annexure AO - DMS 1510011**.

Councillors' debt amounts to R150 853,02 as per **Annexure AN - DMS 1510011**.

#### 4. EXCEPTION REPORTING ON OPERATING EXPENSES FOR ENTIRE MUNICIPALITY

##### 4.1 LOSSES TO COUNCIL'S PROPERTY

The table below represents losses to Council's property for the period 1 January to 31 March 2022:

GLASS REPLACEMENT CLAIMS								
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
14/11/2021	222021/44	Glass Replacement	V0243 - Driven by S Mngadi - the windscreen was damaged when a stone picked up and hit it	John ross	Comms - Traffic	0,00	3 525,84	3 525,84
PUBLIC LIABILITY CLAIMS								
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
18/10/2022	222021/41	Public Liability	Hendrietta Mans is claiming for damages to her vehicle tyres allegedly caused by a pothole - NRB 21700	Richards Bay	I&TS - Roads	20 000,00	1 827,10	1827,10
29/11/2021	222021/42	Public Liability	Dudu Nkwanyana is claiming for damages to her vehicle tyres allegedly caused by a pothole - NRB 24825	Richards Bay	I&TS - Roads	20 000,00	4 650,00	4 650,00
23/12/2021	222021/43	Public Liability	Lungile eNsibande is claiming for damages to his vehicle tyres allegedly caused by a pothole - NRB 52440	Ngwelezane	I&TS - Roads	20 000,00	2 221,70	2 221,70
10/09/2021	222021/45	Public Liability	TT Mhlongo is claiming for damages to his vehicle allegedly caused during a collision with V 1416 driven by M Zikhali	John ross	Comms - Refuse	25 000,00	202 630,00	
14/03/2022	222021/49	Public Liability	Sabelo Mthembu is claiming from Council for damages to his vehicle allegedly caused by a tree that fell over	Richards Bay	Comms - Parks	25 000,00		
20/11/2021	222021/50	Public Liability	Malibongwe Khomo is claiming for damages to his vehicle glass - NES 2541 allegedly caused by a brick that picked up	Empangeni	Comms - Parks	25 000,00	1 199,99	
20/11/2021	222021/51	Public Liability	P Nxumalo is claiming from Council for damages to his vehicle - XYD 765 C tyres allegedly caused by a pothole	Esikhaleni	I&TS - Roads	20 000,00		
25/09/2021	222021/54	Public Liability	Vishnu Lutchmiah Reddy is claiming for damages to his vehicle allegedly caused by potholes	Richards Bay	I&TS - Roads	20 000,00	28 043,48	20 000,00
18/02/2022	222021/55	Public Liability	S Mkhonto is claiming for damages to his car glass allegedly caused by a stone that picked up during grass cutting	Esikhaleni	Comms - Parks	25 000,00	3 680,00	3 680,00
27/12/2021	222021/56	Public Liability	Anna Van Der Leek is claiming from council for damages to her pool allegedly caused by a burst pipe	Empangeni	I&TS - Water & S	25 000,00	3 150,00	3 150,00
18/02/2022	222021/57	Public Liability	G Mthembu is claiming for damages to her house glass door allegedly caused by a stone that picked up during grass cutting	Empangeni	Comms - Parks	25 000,00	2 050,00	2 050,00
23/12/2021	222021/58	Public Liability	S Sithole is claiming for damages to his vehicle glass allegedly caused by a stone that picked up during grass cutting	Esikhaleni	Comms - Parks	25 000,00	2 850,00	2 850,00
30/03/2022	222021/60	Public Liability	V1381 - Driven by Amil Rajoomar was damaged during a TP collision with NRB 92416	Richards Bay	I&TS - Water & S	5 000,00	45 887,96	5 000,00
31/03/2022	222021/62	Public Liability	Sibonela Shane is claiming from Council for damages to his vehicle tyres allegedly caused by a pothole	Empangeni	I&TS - Roads	20 000,00	4 315,20	
29/03/2022	222021/64	Public Liability	Hendrik Adam Viljoen is claiming for injuries, loss of income and pain and suffer allegedly caused when he fell into an open manhole	Empangeni	I&TS - Roads & S	25 000,00		
03/03/2022	222021/65	Public Liability	Israel Mlungwana is claiming for damages to his vehicle glass allegedly caused by a stone that picked up during grass cutting	Richards Bay	Comms - Parks	25 000,00	750,00	750,00

NOTES:

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DAMAGES TO COUNCIL VEHICLES								
DATE	CLAIM NUMBER	CATEGORY	DETAILS OF INCIDENT	AREA	DPT/SECT	EXCESS	DAMAGE	CLL COST
13/01/2022	222021/31	Vehicle Damage	V1491 - driven by different compliance officers was damaged and not reported despite several requests		Comms - Safety/Sec		93 041,69	-
09/10/2021	222021/35	Vehicle Damage	V1292 - Driven by Dennis Gumede when a TP driving HB68VR GP came to a sudden halt and V1292 collided with it	Esikhaleni	I&TS - Customer Ser	0.00	12 043,38	12 043,38
01/12/2021	222021/39	Vehicle Damage	V1414 - Driven by Musa Mthethwa was damaged when a truck hit off the side mirror when passing	N2	I&TS - Water	0.00	7 184,05	7 184,05
21/02/2022	222021/40	Vehicle Damage	V0804 - Driven by Sipho Zulu was involved in a tp with NUF 40733 collision when the tyres of the grader locked	Maguzulu	I&TS - Rural Roads	25 000,00	37 230,10	25 000,00

#### Notes:

##### TP – Third Party

- Glass damage incidents are not being reported, 5 claims in 9 months is not a true reflection, it is becoming a norm that glass damage incidents are only reported when a vehicle is scheduled for COR/COF;
- Public liability claims involving Council's drivers remain problematic, as previously mentioned the reason for this could be due to the non-existence of consequence management;
- Pot holes claims by public members is increasing rapidly;
- Since the installation of tracker system vehicle theft has stopped, but it is noted that other theft remains an ongoing issue although security personnel are present;
- The issue of vehicle damages is one that has to be taken more seriously, as previously requested thorough investigations must be carried out for each incident and consequence management applied;
- Vehicle damages are not being reported and followed-up. To curb this problem, weekly vehicle inspections should be done;
- Insurance incidents are still not being timeously reported, which can result in claims being repudiated. Claims must be registered within 30 days of the incident.

## 4.2 PROCEEDS FROM LAND SALES

As required in terms of the Chief Financial Officer's Performance Plan (**DMS 1308528**), the following progress on land sales that have been prepared by the Department: City Development and approved by Council for sale, the process followed by the Department Financial Services be noted:

Date received	Amount	Erf Number	Details
	R		
2021/07/20	92 000,00	Erf 10233	Petros J Oelsen
2021/07/20	69 000,00	Erf 7469	Petros J Oelsen
	<b>161 000,00</b>		

The amount shown is inclusive of VAT.

## 4.3 COST CONTAINMENT POLICY

The implementation of Municipal Cost Containment Regulations (MCCR) was effective from 1 July 2019. Draft cost containment policy (**DMS 1407523**) has not been approved by Council however the policy served in Financial Services Portfolio Committee and has been endorsed by the Municipal Manager and the Chief Financial Officer.

ANNEXURE D: COST CONTAINMENT REPORT AS AT 31 MARCH 2022				
COST CONTAINMENT MEASURES	ADJUSTED BUDGET 2021/22	PRO-RATA ADJUSTED BUDGET (YTD)	ACTUAL MARCH 2022 (YTD)	SAVINGS
Advertisement&Marketing	4 207 800	3 155 850	1 892 978	1 262 872
Catering Services	1 708 000	1 281 000	762 140	518 860
Entertainment	660 000	495 000	38 259	456 741
Communications:SMS Bulk Message Service	1 478 400	1 108 800	527 003	581 797
Consultants Sevices	115 885 100	86 913 825	64 009 583	22 904 242
Contracted services - Cleaning Services	9 296 700	6 972 525	5 846 356	1 126 169
Contracted services - Security	68 162 700	51 122 025	51 030 417	91 608
Legal Advice and Litigation	9 481 700	7 111 275	2 866 628	4 244 647
Travel and subsistence allowance	3 763 600	2 822 700	1 171 739	1 650 961
Vehicle hire for Public office bearers	611 200	458 400	390 580	67 820
<b>TOTAL</b>	<b>215 255 200</b>	<b>161 441 400</b>	<b>128 535 683</b>	<b>32 905 717</b>

## 5. IN-YEAR BUDGET STATEMENT TABLES

The following monthly budget statement tables (**DMS 1525868**) respectively have been prepared in accordance with the Municipal Budgeting and Reporting Regulations:

TABLE NUMBER	DESCRIPTION	ANNEX
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. SUPPLY CHAIN MANAGEMENT POLICY

#### LEGISLATIVE FRAMEWORK

- Supply Chain Management Policy.
- Contract Management Policy.

#### SUPPLY CHAIN MANAGEMENT POLICY

- **Oversight Role of Council**

Clause 6 of the Municipal Supply Chain Management Policy requires:

*“6.3 The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor.*

*6.4 The reports must be made public in accordance with section 21A of the Municipal Systems Act.”*

#### CONTRACT MANAGEMENT POLICY

- **Statutory reporting and compliance**

Clause 7(4) of Contract Management Policy requires the Contract Management Unit to maintain contract register and Provincial Circular No. 2 of 2016/2017 in relation to Contract Management also required all municipalities to submit updated Contract Registers by the 7<sup>th</sup> of every month. As from 7 November 2017, the submission of this report commenced.

- **Staffing**

Staffing in Supply Chain Management Unit (SCMU) remains critical considering the legislative requirements that should be fulfilled to avoid Unauthorised, Irregular, Fruitless and Wasteful (UIFW) expenditure. Furthermore, certain functions were transferred to the unit without increasing the staff, i.e. travelling and bid report writing. There are five vacancies during the quarter under review:

POSITION	REASONS FOR VANCANCY	STATUS
SCM Practitioner – Acquisitions Management	Promotion	Selection process underway
Accounting Clerk – Demand Management	Promotion	Selection process underway
Procurement Officer – Acquisitions Management	Dismissal and appealing the sentence.	Awaiting Bargaining Council seating.
Administrative Officer – Bid Administration	Dismissal and appealing the sentence.	Awaiting Bargaining Council seating.
Fuel Attendant - Logistics	Retirement	Selection process underway

Unfortunately, two vacancies resulting from dismissal have been vacant for almost three years since the officials were suspended in April 2019. There were dismissed on 13 March 2020, and the appeal of their sentence has still not been finalised.

- **Internal Audit**

There was one internal audit in Quarter 3 of 2021/22 financial year, the report has not been received at end of Q3.



- **Training and Workshops**

The Supply Chain Management Policy, Clause 8, the training of officials involved in implementing the Supply Chain Management Policy should be in accordance with National Treasury guidelines on Supply Chain Management Training.

Programme description	Date	Service provider	Number of Beneficiaries
CSD, E-Tender new development	15 to 16 February 2022	National Treasury	Three Officials
KZNPT mSCOA Training Seminar	10 March 2022	National Treasury	Seven Officials

- **Supply Chain Management Module - uMSAP**

SAP was introduced for transacting with effect from 1 July 2019. The current SAP ERP for SCM are SRM – Supplier Relationship Management and MM – Material Management. SRM facilitates the procurement of goods via a web-based platform from procurement to payment. MM deals with Material Management and Inventory Management, Procurement Process, Master Data (Material and Vendor Master), Inventory Management, Valuation of Material Requirement Planning, Invoice Verification, etc.

## DEMAND AND ACQUISITION MANAGEMENT

- **Capturing of vendors on Council's database**

The total number of vendors registered in this quarter:

MONTH	NUMBER OF VENDORS
Jan-22	32
Feb-22	44
Mar-22	40
	<b>116</b>

- **Reporting of Supply Chain Management awards above R100 000 captured on the National Treasury database.**

Sections 74(1) and 104(1)(b) of the Municipal Finance Management Act (MFMA) prescribes the following regarding general reporting obligations:

*“The accounting officer of a municipality [and municipal entity] must submit to the National Treasury, the provincial treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.”*

Since 1 July 2006, in terms of the National Treasury Circular, MFMA, Circular No 34, Municipalities and Municipal Entities are required to submit a separate report for each contract awarded (and signed) above R100 000, and which must be submitted within fifteen (15) days of the end of each month. A backlog still exists with the capturing of data, mainly due to the fact that the database is very slow during working hours.

A list of orders in excess of R100 000 is included under - **Annexure AP on DMS 1510011**.

- **Reporting on the Supply Chain Management Policy in terms of Section 36 (2) in which any deviation from the Supply Chain Management Policy must be approved by the Municipal Manager.**

The Supply Chain Management Policy, prescribes on Clause 36(2) *The Accounting Officer must record the reasons for any deviations in terms of sub Clauses (1)(a) and (b) of this policy and report them to the next meeting of the Council and include as a note to the annual financial statements.* The reporting is delegated to the User Department to complete this task.

**There were Ten (10) deviations for the third quarter which amounts to R 27 549 699 (Annexure AQ - DMS 1510011):**

DEVIATIONS AS AT THE END OF QUARTER 3 ENDED 31 MARCH 2022								
	QUARTER 1		QUARTER 2		QUARTER 3		TOTAL NUMBER OF DEVIATION (YTD)	TOTAL AMOUNT OF DEVIATIONS (YTD)
DEPARTMENT	No.	Value	No.	Value	No.	Value		
Corporate Services (CS)	1	237 200	1	163 164	3,00	437 192,44	05	837 557
Financial Services (FS)	1	598 886	-	-	1,00	93 204,05	02	692 090
Technical Services (TS)	3	45 146 898	3	5 444 902	2,00	652 301,85	08	51 244 101
Electricity and Energy Services (EES)	16	57 173 189	19	5 337 155	4,00	26 367 000,39	39	88 877 345
Office of the Municipal Manager	-	-	1	322 000	-	-	01	322 000
<b>Total</b>	<b>21</b>	<b>103 156 172</b>	<b>24</b>	<b>11 267 221</b>	<b>10,00</b>	<b>27 549 698,73</b>	<b>55</b>	<b>141 973 092</b>

#### AWARDED TENDERS QUARTER 3 - 2021/22

MONTH	NUMBER OF AWARDS	TOTAL
Jan-22	2	15 228 852
Feb-22	2	8 036 404
Mar-22	3	33 233 098
<b>TOTAL</b>	<b>7</b>	<b>56 498 353</b>

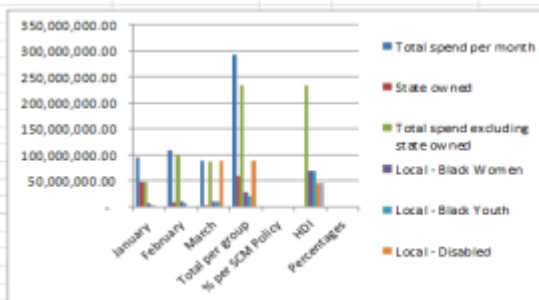
#### TENDER ADMINISTRATION

TENDER NUMBERS ISSUED, PUBLISHED, CANCELLED AND SITTING OF BID COMMITTEES				
Number of tenders numbers issued to user departments	Number of tenders published	Number of tenders Cancelled	Number of Bid Committees seated and cancelled	
			Seated	Cancelled
28	3	3	BSC 06	1
			BEC 13	0
			BAC 10	1

Number of Tenders where Validity Period were extended	
Number	Reasons
30	Due to the tender being referred back from the Committees for various reasons such as lack of supporting documentation and information.

- **Purchase Order report reflecting how Supply Chain Management performed in terms of the category suppliers in Quarter 1:**

	January	February	March	Total per group	% per SCM Policy	HDI	Percentages
Total spend per month	95,805,877.14	108,215,268.21	88,969,463.57	292,990,608.92			
State owned	48,116,848.57	8,240,779.00	2,451,348.24	58,808,975.81			
<b>Total spend excluding state owned</b>	<b>47,689,028.57</b>	<b>99,974,489.21</b>	<b>86,518,115.33</b>	<b>234,181,633.11</b>	<b>0%</b>	<b>234,181,633.11</b>	
Local - Black Women	7,157,698.43	10,594,725.82	9,897,120.01	27,649,544.26	30%	70,254,489.93	30%
Local - Black Youth	3,553,715.83	6,359,509.64	10,920,078.53	20,833,304.00	30%	70,254,489.93	30%
Local - Disabled	-	-	88,969,464	88,969,463.57	20%	46,836,326.62	190%
Military Veterans	-	-	-	-	20%	46,836,326.62	0%



## • Report on Objections and Complaints

Refer to Section 1 of this report for a detailed list:

In terms of the Supply Chain Management Policy, Clause 49, *Persons aggrieved by **decisions** or **actions** taken in the implementation of this Supply Chain Management system, may lodge within 14 days of the decision or action:*

- (a) *if the **objection or complaint is against the procurement process**, submit a written **objection or complaint against the decision or action** to the accounting officer of the municipality who shall, in turn, within 24 hours refer the written objection or complaint to the dependent and impartial refer the written objection or complaint to the dependent and impartial person referred to in Clause 50 for resolution:*

## (b) Objections and Complaints Table:

None

## CONTRACT AND LOGISTICS MANAGEMENT

CONTRACT REGISTER – QUARTER 3	
Details	Number
Contracts Expiring in 6 months	44
Total Contracts Carried Over from 31/12/2021	164
Total Effective Contracts as at 31/03/2022	166
Total Contracts closed in Q 3	44
Total Captured in Quarter 3	46
Number of Contracts amended using 15% and 20 threshold	0

## MONTHLY STOCK COUNT

The stock count results for quarter 1 ending 31 March 2022 are as follows:

Stock take for third quarter was rescheduled due to SAP stock take functionality that was not functional at the end of March 2022. It has been rescheduled for end of April 2022. Third quarter stocktake will be reported on the fourth quarter.

## **PART 3 - SUPPORTING DOCUMENTATION**

### **7. DEBTORS ANALYSIS**

Refer to supporting table SC3 - Aged Debtors (**Annexure M – DMS 1525868**) for the month ended 31 March 2022.

### **8. CREDITORS ANALYSIS**

Refer to supporting table SC4 - Aged Creditors (**Annexure N – DMS 1525868**) for the month ended 31 March 2022.

### **9. INVESTMENT PORTFOLIO ANALYSIS**

Refer to supporting table SC5 - Investment portfolio (**Annexure O – DMS 1525868**) for the month ended 31 March 2022.

### **10. ALLOCATION AND GRANT RECEIPTS AND EXPENDITURE**

Refer to supporting table SC6 - Transfers and grant receipts (**Annexure P – DMS 1525868**) and supporting table SC7 - transfers and grant expenditure (**Annexure Q – DMS 1525868**) for the month ended 31 March 2022.

### **11. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS**

Refer to supporting table SC8 - Councillor and staff benefits (**Annexure R – DMS 1525868**) for the month ended 31 March 2022.

### **12. MATERIAL VARIANCES TO THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP COMPONENT 5 SUMMARISED)**

The first quarter progress on the quarterly projections of Service Delivery Targets and performance indicators is indicated on **Annexures AM (DMS 1510011)**.

Although the detailed Component 5 **is attached as Annexure AM (DMS 1510011)**, the tables below depict a summary of the most applicable components thereof.

**NB:** (Please note when looking at the detailed version of Component 5 **Annexure AM (DMS 1510011)** each vote is illustrated in number order on the extreme left, vote detail of which is illustrated over 3 pages):

DEPARTMENT	ADJUSTED BUDGET 2021/22	SUPPLEMENTS/ (RETURNS)	VIREMENTS	FINANCIAL SYSTEM BUDGET 2021/22	ACTUAL YTD AT 30/09/2021	% OF ADJUSTED BUDGET SPENT
DEPUTY MUNICIPAL MANAGER: CITY DEVELOPMENT	32 380 200	-	(2 500 000)	29 880 200	9 711 022	32%
CITY DEVELOPMENT	32 380 200	-	(2 500 000)	29 880 200	9 711 022	32%
DEPUTY MUNICIPAL MANAGER: COMMUNITY SERVICES	58 154 200	14 000 000	2 500 000	74 654 200	30 877 795	41%
COMMUNITY SERVICES - HEALTH AND PUBLIC SAFETY	6 351 900	-	2 500 000	8 851 900	3 208 725	36%
COMMUNITY SERVICES - RECREATION AND ENVIRONMENTAL SERVICES	51 087 300	14 000 000	460 000	65 547 300	27 629 940	42%
COMMUNITY SERVICES - PROTECTION SERVICES	715 000	-	(460 000)	255 000	39 130	15%
DEPUTY MUNICIPAL MANAGER: CORPORATE SERVICES	74 155 700	-	98 800	74 254 500	35 660 465	48%
CORPORATE SERVICES - ADMINISTRATION	35 532 200	-	(700 000)	34 832 200	3 690 957	11%
CORPORATE SERVICES - ICT	38 623 500	-	798 800	39 422 300	31 969 508	81%
CHIEF FINANCIAL OFFICER	4 728 000	-	-	4 728 000	798 453	0%
FINANCIAL SERVICES	4 728 000	-	-	4 728 000	798 453	0%
DEPUTY MUNICIPAL MANAGER: ELECTRICAL AND ENERGY SERVICES	216 521 500	-	74 300	216 595 800	90 474 195	42%
ELECTRICAL SUPPLY SERVICES	216 521 500	-	74 300	216 595 800	90 474 195	42%
DEPUTY MUNICIPAL MANAGER: INFRASTRUCTURE SERVICES	448 590 700	-	(173 100)	448 417 600	255 295 799	57%
ENGINEERING SUPPORT SERVICES	31 940 200	-	(92 000)	31 848 200	8 225 255	26%
TRANSPORT, ROADS AND STORMWATER	148 453 800	-	-	148 453 800	75 615 818	51%
WATER AND SANITATION	268 196 700	-	(81 100)	268 115 600	171 454 726	64%
OFFICE OF THE MUNICIPAL MANAGER	-	-	-	-	-	0%
TOTAL OFFICE OF THE MUNICIPAL MANAGER	-	-	-	-	-	0%
TOTAL CAPITAL BUDGET	834 530 300	14 000 000	-	848 530 300	422 817 729	50%

### 13. **CAPITAL PROGRAMME PERFORMANCE**

Refer to the following tables for the month ended 31 March 2022:

- ❑ Table C5 - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure G – DMS 1525868**).
- ❑ Table C5C - Monthly Budgeted Capital Expenditure Budget by Vote, standard classification and funding (**Annexure H – DMS 1525868**).
- ❑ Table SC12 - Monthly capital expenditure trend (**Annexure U – DMS 1525868**).
- ❑ Table SC13a - Monthly capital expenditure on new assets by asset class (**Annexure V – DMS 1525868**).
- ❑ Table SC13b - Monthly capital expenditure on the renewal of existing assets by asset class (**Annexure W – DMS 1525868**).
- ❑ Table SC13c - Monthly repairs and maintenance expenditure by asset class (**Annexure X – DMS 1525868**).
- ❑ Table SC13d - Monthly depreciation by asset class (**Annexure Y – DMS 1525868**).
- ❑ Table SC13e - Monthly capital expenditure on upgrading of existing assets by assets class (**Annexure Z - DMS 1525868**).

### 14. **MUNICIPAL MANAGER'S QUALITY CERTIFICATION**

Refer to **DMS 1495330 (Annexure AR)**.

## **PART 4 - OTHER LEGISLATION REQUIREMENTS**

### 15. **WITHDRAWALS FROM MUNICIPAL BANK ACCOUNTS**

In accordance with Section 11(4) of the Municipal Finance Management Act 2003 (No 56 of 2003) the Accounting Officer must within 30 days after the end of each quarter table a consolidated report of all withdrawals made in terms of Sub-section (1) (b) to (j) during that quarter and submit a copy of the report to the relevant Provincial Treasury and the Auditor-General. Refer to **Annexure AP (DMS 1510011)** for Form D.

#### ***“Withdrawals from municipal bank accounts-***

***“(a) to defray expenditure authorised in terms of Section 26(4).”***

None

***“(b) to defray unforeseeable and unavoidable expenditure authorised in terms of Section 29(1).”***

None

***“(c) in the case of a bank account opened in terms of Section 12 to make payments from the account in accordance with Sub-section (4) of that section.”***

None

***“(d) to pay over to a person or organ of state money received by the municipality on behalf of that person or organ of state:”***

R27 891 217,43 (NPA vehicle licence pay over).

***“(e) to refund money incorrectly paid into a bank account.”***

R73 482,18

***“(f) to refund guarantees sureties and security deposits.”***

R135 681,07 (Refund of credit balances and deposits debtors accounts).

***“(g) for cash management and investment purposes in accordance with Section 13.”***

Refer to Annexure O and Annexure S.

## **ENVIRONMENTAL IMPLICATIONS**

None

## **FINANCIAL IMPLICATIONS**

This has been covered in details throughout the report.

## **LEGAL IMPLICATIONS**

The monthly and quarterly financial report is prepared in terms of Section 71 and Section 72 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.

## **RECOMMENDED THAT:**

1. the financial position of the uMhlathuze Municipality as at 31 March 2022, 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 1525868)** including the quarterly requirements in terms of Section 52(d) be noted; and
2. savings as per Municipal cost containment regulations **(under 4.3)**, be noted.