

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END OCTOBER 2019

(9/1/3/6)

Cluster : Finance
Portfolio: Financial Management

1. PURPOSE

The purpose of the report is to reflect the financial position of the Municipality for the month of OCTOBER 2019.

2. OBJECTIVE

The objective of this report is to assist Council to exercise their oversight function to:

- a) Makes rational decisions about the allocation of resources;
- b) Assess the current provision of services, as well as the sustainability of future service delivery;
- c) Assess how officials have discharged their accountability responsibilities;
- d) Ensure transparency in respect of the municipality's financial position and operating results;
- e) Assess the performance of the municipality measured against preset targets and objectives;
- f) Inform Council on how cash and other liquid resources were obtained and utilized;
- g) Assess whether financial resources were administered in accordance with legislative and regulatory requirements; and
- h) Promote comparative information for prior periods and actual results against budgeted or planned results;

3. LEGISLATIVE REQUIREMENTS:

It is important for a municipality to report in order to comply with comprehensive legislative and contractual requirements, regulations, restriction and agreements. Effective financial reporting should therefore not only involve the presentation of bare financial facts but should also make provision for compliance issues, integration and interpretation. This will enable interested parties to readily comprehend the significant aspects of a municipality's financial operations.

This report is compiled as per the requirements of Sections 54 and 71 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).

4. BACKGROUND

With reference to section 71 above, *"the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the OCTOBER 2019 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*.

Financial reports are the primary means of communicating financial information to other interested parties. These reports are made accessible to the Executive for additional management and financial information that helps it carries out its planning, decision- making and control responsibilities, and therefore has the ability to determine the form and content of such additional information to meet its own needs.

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The financial situation of the municipality as at the end OCTOBER 2019 is indicated in the different schedules as listed below.

5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual SEPTEMBER 2019	Actual OCTOBER 2019	Trend Analysis
<i>Current Assets</i>			
Debtors	R 61 141 245	R 62 181 298	Increase in previous month due to Emfuleni local municipality billing.
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 7 594 908	R 28 765 956	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 26 553 160	R 3 557 694	
<i>Current Liabilities</i>			
Creditors	R 212 351 829	R 226 336 956	Increase in current liabilities due to increase in trade creditors, refundable deposits and monies payable to license authorities.
<i>Cash Flow</i>			
Cash flow closing balance	R 34 188 892	R 32 364 476	Decrease due to operational activities.
Cost Coverage indicator	0.96	0.91	Decrease due to operational activities.
Operating Revenue for Month	R 808 837.26	R 18 162 609	Received to date 35% (benchmark 33%).
Operating Expenditure for Month	R 31 665 766	R 35 924 548	Spent to date 31% (bench mark 33%).
Capital Expenditure for Month	R 138 230	R 147 631	22 % of total Capex budget spent to date (benchmark 33%).
<i>MFMA Compliance</i>			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.

Item of Financial Position/ Performance	Actual SEPTEMBER 2019	Actual OCTOBER 2019	Trend Analysis
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarter four reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 1 reporting

Cash Flow Statement - July 2019 to June 2020

	PROJECTED												Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Opening Balance	7 030 446	66 698 185	36 322 053	7 663 651	3 584 284	7 227 962	66 573 023	36 969 868	8 989 433	49 671 190	20 326 065	(7 920 028)	7 030 446
<i>Cash Inflow</i>	131 967 961	22 375 832	23 067 019	30 669 540	55 498 196	111 944 032	24 230 055	23 205 225	90 987 602	22 920 770	25 099 546	25 188 930	587 154 708
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	890 989	1 162 444	953 507	1 301 289	2 787 043	429 204	2 132 042	1 088 704	1 593 390	796 265	2 981 602	3 085 074	19 201 553
Licensing	19 000 000	18 000 000	22 000 000	24 000 000	44 004 614	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	281 004 614
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners income	149 972	113 388	113 512	106 851	103 939	103 770	98 013	116 521	115 724	124 505	117 944	103 856	1 367 995
Subsidies and Grants	111 927 000	3 100 000	-	5 261 400	8 602 600	89 411 058	-	-	67 278 488	-	-	-	285 580 546
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Cash Outflow</i>	(72 300 222)	(52 751 964)	(51 725 421)	(34 748 907)	(51 854 518)	(52 598 971)	(53 833 210)	(51 185 660)	(50 305 845)	(52 285 895)	(53 345 639)	(54 551 052)	(631 467 304)
Salaries	(23 177 017)	(23 924 129)	(26 285 848)	(24 701 889)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(305 856 883)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(36 515 900)	(18 031 502)	(17 234 500)	-	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(215 781 902)
Other Creditors	(12 607 305)	(10 796 333)	(8 205 073)	(10 047 018)	(7 883 518)	(8 627 971)	(9 862 210)	(7 214 660)	(6 334 845)	(8 294 895)	(9 374 639)	(10 580 052)	(109 828 519)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	86 698 185	36 322 053	7 663 651	3 584 284	7 227 962	66 573 023	36 969 868	8 969 433	49 671 190	20 326 065	(7 920 028)	(37 282 150)	(37 282 150)

Licence fees collected on behalf of the Department of Transport utilized as Operational expenses

2017/02/28	12 055 954
2017/03/31	14 449 662
2017/04/30	12 665 528
2017/05/31	16 490 437
2018/09/30	16 027 542
2019/01/31	18 583 767
2019/09/30	16 045 876
TOTAL	106 318 787

Grants received and spent for October

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual September	Actual October	Balance	%	Comment
Equitable Share	268,626,000	0	0	111,927,000	117,508,326	29,648,467	31,747,864	182,865,538	44	Increase from Previous Month due to operational activities
RRAM	2,580,000	0	0	1,806,000	173,647.14	59,543	46,992	2,453,345	7	Interns Stipend
FMG	1,000,000	0	0	1,000,000	266,117	43,600	34,000	767,883	27	Interns Stipend
EPWP	1,173,000	0	0	294,000	165,243	53,142.81	112,100.07	1,066,716	14	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AID	8,769,000	0	5,261,400	5,261,400.00	2,178,880.74	0	2,178,880.74	3,082,519	0	Expenditure Incurred.
Water Services	15,000,000	0	0	0	0	0	0	15,000,000	0	No expenditure Incurred.
Youth Development Grant	2,515,000	0	0	0	1,206,279	295,826.29	307,281.25	1,617,064	48	Expenditure incurred for YDP managed by community services.
Total	299,663,000	0	5 261 400	6,555,400	121,498,492	30,100,579	34,427,118	206,853,065	41	

UNSPENT GRANT

<u>Description</u>	<u>Opening balance</u>
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
Total	13,516,966

6. DISCUSSIONS

The discussions below are broadly categorized under items of financial position (balance sheet), items of financial performance (income statement) and cash flow,

as well as other information of key importance such as Asset Management and MFMA Compliance.

6.1 Financial Position

The balance sheet of Council is broadly distinguished into “Assets” (what Council owns) and “Liabilities” (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the “Net Assets.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council’s cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending OCTOBER 2019.

The debtor’s book balance of the municipality as attached in annexure A is R 62 181 298 and bad debts impairment R 7 325 469

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
1,040,053	0	1,074,041	934,620	3,049,225	1,929,751	4,441,140	49,712,468	62,181,298

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of September 2019 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 32 323 650 as at the end of October 2019.

The remaining cash balance must meet operational requirements for October 2019 until receipt of the next equitable tranche due in November 2019.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 226 336 956 payable to the Trade creditors in October 2019. An amount of R 106 318 787 is due payable to the licensing authority,

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
13,985,127	14,984,506	0	0	0	0	53,887,275	143,480,048	226,336,956

c) Net Assets

Reserves

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific use only (non-distributable reserves), as determined by accounting standards. It must be noted that reserves comprise of mostly accounting book-entries and are non-cash transactions. This implies that the reserves on the face of the financial statements do not equate to cash held as investments by Council.

As required by prescribed accounting standards (GRAP 01), only provisions are shown separately on the face of the Statement of Financial Position. All reserves are "ring-fenced" as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Government grant reserve (GGR)

These reserves not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

According to GRAP standards, the GGR is created when the municipality receives government grants for the acquisition and/or construction of fixed assets. Once the conditions of the capital grant have been met, the funds are recognized as "revenue" (non-cash) on the statement of financial performance. This "revenue" recognized is then in turn transferred out of the Accumulated Surplus to the GGR on the Statement of Net Assets in order to offset the future depreciation of the property, plant and equipment in question. Hence, the reserve is committed solely for this purpose and cannot be utilized for any other purpose. This is referred to as the non-distributable portion of the reserves. Council must note that these are all non-cash entries.

The purpose of these reserves are to promote community equity and facilitate budgetary control by ensuring that sufficient funds (non-cash) are set aside on the accounting books to offset the future depreciation charges (non-cash) that will be incurred over the estimated useful life of the item of property, plant and equipment financed from government grants, public contributions or a (non-cash) surplus arising from the revaluation of property, plant and equipment.

Council must note that these are all non-cash entries performed only for compliance purposes in line with accounting standards prescribed by the Accounting Standards Board (ASB) and enforced by the Office of the Accountant-General.

d) Cash Flow

See Annexures "B", "C1- 4", "E"

Essentially, the cash flow statement is concerned with the flow of physical cash in and cash out of the municipality as we collect monies owed by debtors and pay out monies due to creditors.

Annexure “E” is Council’s cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R18 162 609. Outgoing payments were made to the amount of R 32 487 235 Taking into account the opening cashbook balance, this left a favorable closing balance of R 32 364 476 at the end of the October 2019 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator

$$\text{The cost coverage formula} = \frac{\text{(All available cash at the end of the period in the cashbook) cash Flow + (investments at hand less Provisions)}}{\text{Monthly fixed operating expenditure}}$$

$$\text{The cost coverage formula} = \frac{(32\,364\,476) + R0}{R\,35\,752\,285}$$

$$= \underline{0.91\text{TIMES}}$$

Although the cost coverage of the municipality indicates 0.91 monthly fixed operating expenditure and shows that the cash flow of the municipality are unfavorable. Our cash formula on hand must cover at least until end of November 2019 as the next equitable share allocation is in December 2019. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2016/17 as well as 2017/18.

Grant allocations and expenditure:

Annexure “F” represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2019/20 amounting to R111 927 000 was received in the month of July 2019.

Finance Management Grant (FMG):

R 1 000 000 was paid in August 2019, expenditure incurred of R 34 000 for the month October.

The FMG Interns were involved in the following activities during the month of September 2019 as part of their training rotation plan:

- One intern in income and budget
- One intern in Expenditure.
- One interns in Supply Chain Management
- One intern in office of the Municipal Manager

The interns will be attending CPMD training as part of the internship agreement with National Treasury.

RRAM

R 1 806 000 received in August expenditure incurred in October of R 46 992.

HIV/Aids:

An amount of R5 261 400 was transfer from Provincial Treasury first tranche and R 2 178 880 spent October.

EPWP Projects:

First tranche of EPWP received of 294,000 in August 2019 expenditure incurred of R 112 100 in October.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of October 2019.

6.2 Financial Performance

Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

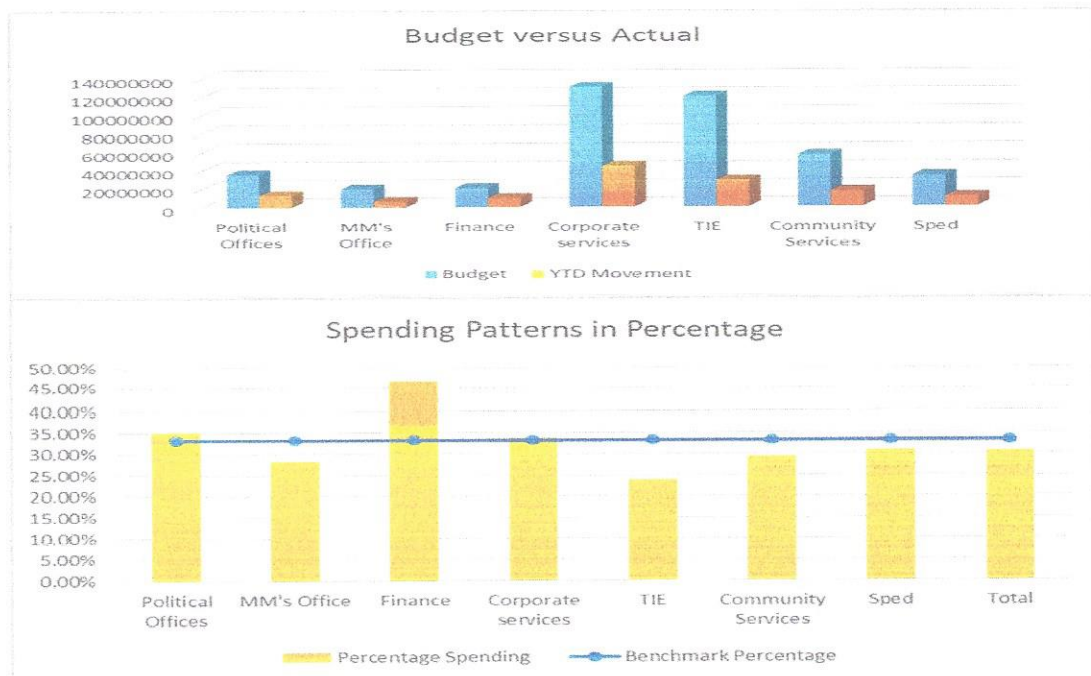
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

b)

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 18 162 609 was generated in revenue. R 35 924 548 was spent during the month of October 2019.



Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R147 631 was funded internally for various moveable assets such as furniture & equipment, computers & printers.

c) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of October 2019 signals the first month of the second quarter of the 2019/20 financial year, spending trends ought to be around 33%. "Other Income" consists of income items such as airfield fuel & fees, IT charges to LMs, profit on sale of assets; skills levy income, tender income as well as recoveries from telephone costs and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 31% and revenue is at 35% of the pro rata budget.

Intervention measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

d) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

The total Capital Budget approved for 2019/2020 amounts to R1,750,000 is funded internally from reserves (accumulated surplus) as clusters failed to gain external funds for those projects when rolling out Council's capital intensity programme and drive to assist local municipalities.

Details on performance progress on all capital projects are outlined as per "Annexure I."

The spending analysis on own fixed assets as at the end of the month of October 2019 is shown in the table below:-

Description	Original Budget	Adjustment Budget	Current Month	Committed	YTD Movement	Available	%Spent
Furniture and Equipment	250 000	0	24 031	0	188 395	61 605	75%
Computers and Printers	800 000	0	123 599	0	197 074	602 926	25%
Networks	700 000	0	0	0	0	700 000	0%
Sub total	1 750 000	0	147 631	0	385 469	1 364 531	22%

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

Asset Management

A scheduled year-end asset stock take took place and during this stock-take the physical condition and location of assets were verified in order to ensure completeness and accuracy of the fixed asset register. Currently, asset verification stock take takes place twice a year.

No other matters of material significance to report for Asset Management.

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2019 to 30 June 2020, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

Finance is pleased to inform the Committee that our obligations in terms of compiling the annual financial statements within the prescripts of GRAP and the requirements of the MFMA have been duly met on time.

It must be noted that the individual Clusters are responsible to action projects and programmes based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

- "A" – Debtors Age Analysis
- "B" – Investment Schedule
- "C" – Bank Reconciliations
- "D" – Creditors Age Analysis
- "E" – Cash Flow Statement

- "F" – Grants Allocation and Expenditure
- "G" – Operating Revenue and Expenditure
- "H" – Capital Expenditure and Revenue Source
- "I" – Capital Projects Progress
- "J" – MFMA Compliance

7. COMMENTS BY CORPORATE SERVICES

No comments received from Corporate Services.

8. COMMENTS BY COMMUNITY SERVICES

No comments received from Community Services.

9. COMMENTS BY STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

No comments received from Strategic Planning and Economic Development.

10. COMMENTS BY TRANSPORT, INFRASTRUCTURE AND ENVIRONMENT

No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end **October 2019** as per attach annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.



MS. K WIESE
ACTING CHIEF FINANCIAL OFFICER

11/11/2019
Date

CLLR. P B TSOTETSI
MMC FOR FINANCE

Date

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(9/1/3/6)

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Operating Expenditure for Month	R 35 924 548	R 31 126 940	Spent to date 38.11% (bench mark 42%).
Capital Expenditure for Month	R 147 631	R 132 172	65 % of total Capex budget spent to date (benchmark 42%).
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RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	890 969	1 162 444	953 507	1 301 289	987 469	429 204	2 132 042	1 088 704	1 593 390	796 265	2 961 602	3 085 074	17 401 979
Licensing	19 000 000	18 000 000	22 000 000	24 000 000	31 000 000	40 947 083	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	286 947 083
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners Income	149 972	113 388	113 512	106 851	140 054	103 770	98 013	116 521	115 724	124 505	117 944	103 856	1 404 110
Subsidies and Grants	111 927 000	3 100 000	-	5 261 400	528 000	89 411 058	-	-	67 278 488	-	-	-	277 505 946
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(72 300 222)	(52 751 964)	(51 725 421)	(34 748 907)	(32 156 345)	(70 998 971)	(53 833 210)	(51 185 660)	(50 305 845)	(52 265 895)	(53 345 639)	(54 551 052)	(630 169 131)
Salaries	(23 177 017)	(23 924 129)	(26 285 848)	(24 701 889)	(24 951 138)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(304 837 021)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(36 515 900)	(18 031 502)	(17 234 500)	-	-	(36 400 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(216 181 902)
Other Creditors	(12 807 305)	(10 796 333)	(8 205 073)	(10 047 018)	(7 205 207)	(8 627 971)	(9 862 210)	(7 214 660)	(6 334 845)	(8 294 895)	(9 374 639)	(10 580 052)	(109 150 208)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	66 698 185	36 322 053	7 663 651	3 584 284	4 083 462	63 975 606	34 372 451	6 392 016	47 073 773	17 728 648	(10 517 445)	(39 879 567)	(39 879 567)

Licence fees collected on behalf of the Department of Transport utilized as Operational expenses

	2017/02/28
2017/03/31	12 055 954.44
2017/04/30	14 449 661.65
2017/05/31	12 665 528.14
2018/09/30	16 490 437.27
2019/01/31	16 027 541.88
2019/09/30	18 583 787.44
2019/10/31	16 045 876.16
TOTAL	18 238 715.20
	124 557 502.18

Grants received and spent for November

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual October	Actual November	Balance	%	Comment
Equitable Share	268,626,000	0	0	111,927,000	145,771,785	31,747,864	28,263,459	122,854,215	54	Increase from Previous Month due to operation at activities
RRAM	2,580,000	0	0	1,806,000	204,245	46,992	30,597	2,375,755	8	Interns Stipend
FMG	1,000,000	0	0	1,000,000	300,117	34,000	34,000	699,883	30	Interns Stipend
EPWP	1,173,000	0	528,000	822,000	291,164	112,100.07	125,921	881,836	25	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AID	8,769,000	0	-	5,261,400.00	2,831,020	2,178,880.74	652,139	5,937,980	32	Expenditure Incurred.
Water Services	15,000,000	0	0	0	0	0	0	15,000,000	0	No expenditure Incurred.
Youth Development Grant	2,515,000	0	0	0	1,502,105	307,281.25	295,826	1,012,895	60	Expenditure incurred for YDP managed by community services
Total	299,663,000	0	528,000.00	119,010,400	150,900,435	34,427,118	29,401,943	148,762,565	50	

UNSPENT GRANT

<u>Description</u>	<u>Opening balance</u>
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
Total	13,516,966

6. DISCUSSIONS

The discussions below are broadly categorized under items of financial position (balance sheet), items of financial performance (income statement) and cash flow,

as well as other information of key importance such as Asset Management and MFMA Compliance.

6.1 Financial Position

The balance sheet of Council is broadly distinguished into “Assets” (what Council owns) and “Liabilities” (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the “Net Assets.”

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council’s cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending NOVEMBER 2019.

The debtor’s book balance of the municipality as attached in annexure A is R 64 295 577 and bad debts impairment R 53 361 226.

0-30 days	31-60	61 - 90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
2,114,279	1,040,053	0	1,074,041	934,620	3,049,225	4,524,660	51,558,699	64,295,577

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of November 2019 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 23 013 775 as at the end of November 2019.

The remaining cash balance must meet operational requirements for November 2019 until receipt of the next equitable tranche due in March 2020.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 241 361 892 payable to the Trade creditors in November 2019. An amount of R 124 557 502 is due payable to the licensing authority,

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
15,322,268	13,687,795	14,984,506	0	0	0	53,887,275	143,480,048	241,361,892

c) Net Assets
Reserves

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific use only (non-distributable reserves), as determined by accounting standards. It must be noted that reserves comprise of mostly accounting book-entries and are non-cash transactions. This implies that the reserves on the face of the financial statements do not equate to cash held as investments by Council.

As required by prescribed accounting standards (GRAP 01), only provisions are shown separately on the face of the Statement of Financial Position. All reserves are "ring-fenced" as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Government grant reserve (GGR)

These reserves not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

According to GRAP standards, the GGR is created when the municipality receives government grants for the acquisition and/or construction of fixed assets. Once the conditions of the capital grant have been met, the funds are recognized as "revenue" (non-cash) on the statement of financial performance. This "revenue" recognized is then in turn transferred out of the Accumulated Surplus to the GGR on the Statement of Net Assets in order to offset the future depreciation of the property, plant and equipment in question. Hence, the reserve is committed solely for this purpose and cannot be utilized for any other purpose. This is referred to as the non-distributable portion of the reserves. Council must note that these are all non-cash entries.

The purpose of these reserves are to promote community equity and facilitate budgetary control by ensuring that sufficient funds (non-cash) are set aside on the accounting books to offset the future depreciation charges (non-cash) that will be incurred over the estimated useful life of the item of property, plant and equipment financed from government grants, public contributions or a (non-cash) surplus arising from the revaluation of property, plant and equipment.

Council must note that these are all non-cash entries performed only for compliance purposes in line with accounting standards prescribed by the Accounting Standards Board (ASB) and enforced by the Office of the Accountant-General.

d) Cash Flow
See Annexures "B," C1- 4," E"

Essentially, the cash flow statement is concerned with the flow of physical cash in and cash out of the municipality as we collect monies owed by debtors and pay out monies due to creditors.

Annexure "E" is Council's cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R18 162 609. Outgoing payments were made to the amount of R 32 487 235 Taking into account the opening cashbook balance, this left a favorable closing balance of R 32 364 476 at the end of the October 2019 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator

The cost coverage formula =
$$\frac{\text{(All available cash at the end of the period in the cashbook) cash Flow + (investments at hand less Provisions)}}{\text{Monthly fixed operating expenditure}}$$

The cost coverage formula =
$$\frac{= (23\ 054\ 600) + R0}{R\ 35\ 752\ 285}$$

= 0.65TIMES

The cost coverage of the municipality indicates 0.65 monthly fixed operating expenditure and shows that the cash flow of the municipality are unfavorable. Our cash formula on hand must cover at least until end of March 2020 as the next equitable share allocation is in July 2020. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2016/17 as well as 2017/18.

Grant allocations and expenditure:

Annexure "F" represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2019/20 amounting to R111 927 000 was received in the month of July 2019.

Finance Management Grant (FMG):

R 1 000 000 was paid in August 2019, expenditure incurred of R 34 000 for the month November.

The FMG Interns were involved in the following activities during the month of November 2019 as part of their training rotation plan:

- One intern in income and budget
- One intern in Expenditure.
- One interns in Supply Chain Management
- One intern in office of the Municipal Manager

The interns will be attending CPMD training as part of the internship agreement with National Treasury.

RRAM

R 1 806 000 received in August expenditure incurred in November of R 30 597.

HIV/Aids:

An amount of R5 261 400 was transfer from Provincial Treasury first tranche and R 652 138 spent November.

EPWP Projects:

First tranche of EPWP received of 294,000 in August 2019 expenditure incurred of R 125 921 in November.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of November 2019.

6.2 Financial Performance

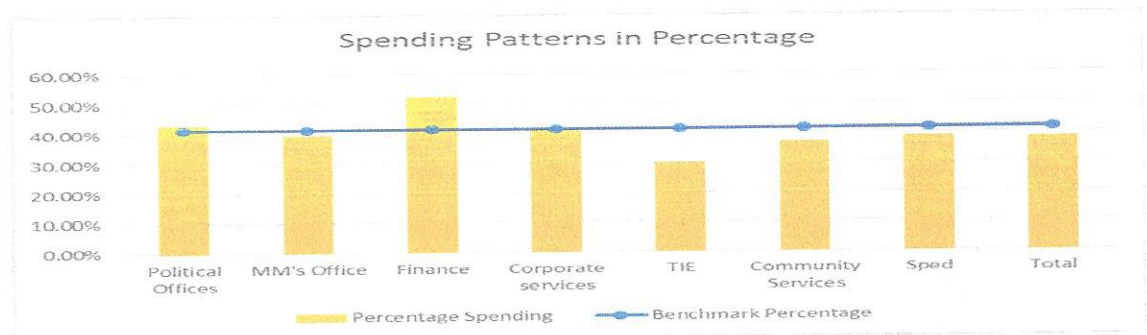
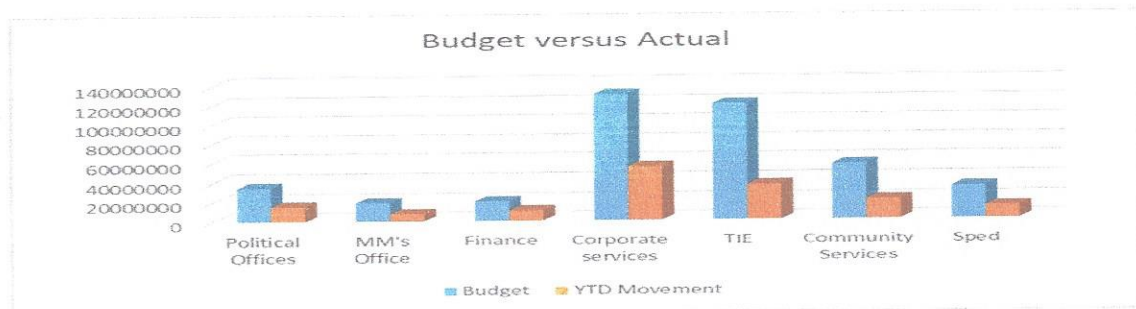
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 9 139 827 was generated in revenue. R 31126 940 was spent during the month of November 2019.



Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R132 172 was funded internally for various moveable assets such as furniture & equipment, computers & printers.

b) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of November 2019 signals the second month of the second quarter of the 2019/20 financial year, spending trends ought to be around 42%. “Other Income” consists of income items such as airfield fuel & fees, IT charges to LMs, profit on sale of assets; skills levy income, tender income as well as recoveries from telephone costs and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 38.11% and revenue is at 37.59% of the pro rata budget.

Intervention measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

c) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

The total Capital Budget approved for 2019/2020 amounts to R1,750,000 is funded internally from reserves (accumulated surplus) as clusters failed to gain external funds for those projects when rolling out Council’s capital intensity programme and drive to assist local municipalities. The Municipality has adjusted its original budget to R793 763.

Details on performance progress on all capital projects are outlined as per “Annexure I.”

The spending analysis on own fixed assets as at the end of the month of November 2019 is shown in the table below:-

Description	Original Budget	Adjustment Budget	Current Month	Committed	YTD Movement	Available	%Spent
Furniture and Equipment	250 000	224 195	18 650	0	207 044	17 150	92%
Computers	800 000	369 568	45 992	25 217	243 066	126 502	34%

and Printers							
Networks	700 000	200 000	67 530	0	67 560	132 470	34%
Sub total	1 750 000	793 763	132 172	0	517 640	276 122	65%

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

Asset Management

A scheduled year-end asset stock take took place and during this stock-take the physical condition and location of assets were verified in order to ensure completeness and accuracy of the fixed asset register. Currently, asset verification stock take takes place twice a year.

No other matters of material significance to report for Asset Management.

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2019 to 30 June 2020, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

Finance is pleased to inform the Committee that our obligations in terms of compiling the annual financial statements within the prescripts of GRAP and the requirements of the MFMA have been duly met on time.

It must be noted that the individual Clusters are responsible to action projects and programmes based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

- "A" – Debtors Age Analysis
- "B" – Investment Schedule
- "C" – Bank Reconciliations
- "D" – Creditors Age Analysis
- "E" – Cash Flow Statement
- "F" – Grants Allocation and Expenditure
- "G" – Operating Revenue and Expenditure
- "H" – Capital Expenditure and Revenue Source
- "I" – Capital Projects Progress
- "J" – MFMA Compliance

7. COMMENTS BY CORPORATE SERVICES

No comments received from Corporate Services.

8. COMMENTS BY COMMUNITY SERVICES

No comments received from Community Services.

9. COMMENTS BY STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

No comments received from Strategic Planning and Economic Development.

10. COMMENTS BY TRANSPORT, INFRASTRUCTURE AND ENVIRONMENT

No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end **November 2019** as per attach annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.



MS. K WIESE
ACTING CHIEF FINANCIAL OFFICER

11/12/2019

Date

CLLR. P B TSOTETSI
MMC FOR FINANCE

Date

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END DECEMBER 2019

(9/1/3/6)

Cluster : Finance
Portfolio: Financial Management

1. PURPOSE

The purpose of the report is to reflect the financial position of the Municipality for the month of DECEMBER 2019.

2. OBJECTIVE

The objective of this report is to assist Council to exercise their oversight function to:

- a) Makes rational decisions about the allocation of resources;
- b) Assess the current provision of services, as well as the sustainability of future service delivery;
- c) Assess how officials have discharged their accountability responsibilities;
- d) Ensure transparency in respect of the municipality's financial position and operating results;
- e) Assess the performance of the municipality measured against preset targets and objectives;
- f) Inform Council on how cash and other liquid resources were obtained and utilized;
- g) Assess whether financial resources were administered in accordance with legislative and regulatory requirements; and
- h) Promote comparative information for prior periods and actual results against budgeted or planned results;

3. LEGISLATIVE REQUIREMENTS:

It is important for a municipality to report in order to comply with comprehensive legislative and contractual requirements, regulations, restriction and agreements. Effective financial reporting should therefore not only involve the presentation of bare financial facts but should also make provision for compliance issues, integration and interpretation. This will enable interested parties to readily comprehend the significant aspects of a municipality's financial operations.

This report is compiled as per the requirements of Sections 54 and 71 of the Local Government: Municipal Finance Management Act, 56 of 2003 (MFMA).

4. BACKGROUND

With reference to section 71 above, *"the accounting officer must by no later than 10 working days after the end of each month submit to National treasury and other spheres of government the DECEMBER 2019 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*.

Financial reports are the primary means of communicating financial information to other interested parties. These reports are made accessible to the Executive for additional management and financial information that helps it carries out its planning, decision- making and control responsibilities, and therefore has the ability to determine the form and content of such additional information to meet its own needs.

Governance is built around the responsibilities of accountability and oversight requiring a culture of transparency and regular reporting. More detailed financial reporting to the Council will facilitate an environment in which potential or real financial problems are reported in time and in an appropriate manner to allow the council to remedy the situation.

The financial situation of the municipality as at the end DECEMBER 2019 is indicated in the different schedules as listed below.

5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual NOVEMBER 2019	Actual DECEMBER 2019	Trend Analysis
<i>Current Assets</i>			
Debtors	R 64 295 577	R 64 406 785	Increase in previous month due to Emfuleni local municipality billing.
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 4 053 460	R 42 692 220	Increase due to payment received, second tranche of equitable share.
Cashbook balance (bank reconciliation) Licensing	R 18 960 315	R 34 822 142	
<i>Current Liabilities</i>			
Creditors	R 241 361 892	R 234 043 670	Decrease in current liabilities due to decrease in trade creditors, refundable deposits and monies payable to license authorities.
<i>Cash Flow</i>			
Cash flow closing balance	R 23 054 600	R 77 555 187	Increase due to payment received second tranche of equitable share.
Cost Coverage indicator	0.65	2.17	Increase due to second tranche payment received of equitable share.
Operating Revenue for Month	R 9 139 827	R 95 269 044	Received to date 61% (benchmark 50%).
Operating Expenditure for Month	R 31 126 940	R 33 189 425	Spent to date 46% (bench mark 50%).
Capital Expenditure for Month	R 132 172	R 18 533	63 % of total Capex budget spent to date (benchmark 50%).
<i>MFMA Compliance</i>			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.

Item of Financial Position/ Performance	Actual NOVEMBER 2019	Actual DECEMBER 2019	Trend Analysis
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarter four reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 1 reporting

Cash Flow Statement - July 2019 to June 2020

	PROJECTED												Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Opening Balance	7 030 446	66 698 185	36 322 053	7 663 651	3 584 284	4 083 462	42 748 172	38 952 471	10 952 036	51 633 793	22 288 668	(5 957 425)	7 030 446
Cash Inflow	131 967 961	22 375 832	23 067 019	30 689 540	32 655 523	90 983 127	50 017 509	23 205 225	90 987 602	22 920 770	25 099 546	25 188 930	569 138 584
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	890 989	1 162 444	953 507	1 301 289	987 469	931 263	2 132 042	1 088 704	1 593 390	796 265	2 981 602	3 085 074	17 904 038
Licensing	19 000 000	18 000 000	22 000 000	24 000 000	31 000 000	-	47 787 454	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	271 787 454
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners income	149 972	113 388	113 512	106 851	140 054	133 664	98 013	116 521	115 724	124 505	117 944	103 856	1 434 004
Subsidies and Grants	111 927 000	3 100 000	-	5 261 400	528 000	89 918 200	-	-	67 278 488	-	-	-	278 013 088
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(72 300 222)	(52 751 964)	(51 725 421)	(34 748 907)	(32 156 345)	(52 318 417)	(53 833 210)	(51 185 660)	(50 305 845)	(52 265 895)	(53 345 639)	(54 551 052)	(611 488 577)
Salaries	(23 177 017)	(23 924 129)	(26 285 848)	(24 701 889)	(24 951 138)	(24 123 849)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(302 989 870)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(36 515 900)	(18 031 502)	(17 234 500)	-	-	(14 727 698)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(184 509 600)
Other Creditors	(12 607 305)	(10 796 333)	(8 205 073)	(10 047 018)	(7 205 207)	(13 466 870)	(9 862 210)	(7 214 660)	(6 334 845)	(8 294 895)	(9 374 639)	(10 580 052)	(113 989 107)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	66 698 185	36 322 053	7 663 651	3 584 284	4 083 462	42 748 172	38 932 471	10 952 036	51 633 793	22 288 668	(5 957 425)	(35 319 547)	(35 319 547)

Licence fees collected on behalf of the Department of Transport utilized as Operational expenses

2017/02/28	12 055 954.44
2017/03/31	14 449 661.65
2017/04/30	12 665 528.14
2017/05/31	16 490 437.27
2018/09/30	16 027 541.88
2019/01/31	18 583 787.44
2019/09/30	16 045 876.16
2019/10/31	18 238 715.20
TOTAL	124 557 502.18

Grants received and spent for December

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual November	Actual December	Balance	%	Comment
Equitable Share	268,626,000	0	89,415,000.00	201,342,000	175,180,389	28,263,459	29,408,604	93,445,611	65	Increase from Previous Month due to Payment Received of equitable share
RAMS	2,580,000	0	0	1,806,000	619,842.02	30,597	415,597	1,960,158	24	Interns Stipend
FMG	1,000,000	0	0	1,000,000	334,123	34,000	34,006	665,877	33	Interns Stipend
EPWP	1,173,000	0	0	822,000	435,629	125,921.16	144,465.15	737,371	37	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	8,769,000	0	-	5,261,400.00	3,508,630.30	652,138.60	677,610.70	5,260,370	40	Expenditure Incurred.
Water Services	15,000,000	0	0	0	0	0	0	15,000,000	0	No expenditure Incurred.
NYDP&DSRACH	4,392,826	0	0	0	2,622,681	295,826.29	1,120,575.58	1,770,145	60	Expenditure incurred for YDP managed by community services.
Total	301,540,826	0	89,415,000	208,425,400	182,701,294	29,401,943	31,800,859	118,839,531	61	

UNSPENT GRANT

Description	Opening balance
Human Settlement	12,270,425
Agriculture	1,127,163
LED	119,378
Total	13,516,966

6. DISCUSSIONS

The discussions below are broadly categorized under items of financial position (balance sheet), items of financial performance (income statement) and cash flow, as well as other information of key importance such as Asset Management and MFMA Compliance.

6.1 Financial Position

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves can be either ring-fenced for specific use only (non-distributable reserves), or redistributable for other use as determined by Council. It must be noted that these reserves are non-cash items and Council's cash held as investments do not match these reserves.

a) Current Assets

Debtors Management and Credit Control Status for the month ending December 2019.

The debtor's book balance of the municipality as attached in annexure A is R 64 406 785 and bad debts impairment R 53 361 226.

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
270,556	2,114,279	1,040,053	0	1,074,041	934,620	6,518,936	52,454,300	64,406,785

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of December 2019 with the detail on the bank and cash book balances.

The Council has four operating bank accounts Account to be reported on namely:

- Two Primary bank accounts, and
- Two License bank accounts

Council is operating four primary accounts. Bank reconciliations are completed monthly within three working days after the end of each month.

The cashbook shows a favorable balance of R 77 514 362 as at the end of December 2019.

The remaining cash balance must meet operational requirements for December 2019 until receipt of the next equitable tranche due in March 2020.

b) Current Liabilities

Creditors' Age Analysis

Annexure "D" represents the creditors' age analysis of R 234 043 670 payable to the Trade creditors in December 2019. An amount of R 124 557 502 is due payable to the licensing authority,

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
16,460,228	0	18,238,715	16,045,876	0	0	52,830,315	130,468,536	234,043,670

c) Net Assets

Reserves

The balance sheet of Council is broadly distinguished into "Assets" (what Council owns) and "Liabilities" (what Council owes) as per Generally Accepted Accounting Principles (GRAP). The difference between assets and liabilities is referred to as the "Net Assets."

The net assets of Council are primarily composed of reserves that Council has built up over the years. The nature of these reserves is that they are ring-fenced for specific use only (non-distributable reserves), as determined by accounting standards. It must be noted that reserves comprise of mostly accounting book-entries and are non-cash transactions. This implies that the reserves on the face of the financial statements do not equate to cash held as investments by Council.

As required by prescribed accounting standards (GRAP 01), only provisions are shown separately on the face of the Statement of Financial Position. All reserves are "ring-fenced" as internal reserves within the Accumulated Surplus. Ring-fenced reserves are as follows:

- Assets fair value reserve
- Government grant reserve (GGR)

These reserves not supported by cash but are only used for book entry purposes for the phasing in of increased depreciation charges as a result of the full implementation of GRAP 17.

According to GRAP standards, the GGR is created when the municipality receives government grants for the acquisition and/or construction of fixed assets. Once the conditions of the capital grant have been met, the funds are recognized as "revenue" (non-cash) on the statement of financial performance. This "revenue" recognized is then in turn transferred out of the Accumulated Surplus to the GGR on the Statement of Net Assets in order to offset the future depreciation of the property, plant and equipment in question. Hence, the reserve is committed solely for this purpose and cannot be utilized for any other purpose. This is referred to as the non-distributable portion of the reserves. Council must note that these are all non-cash entries.

The purpose of these reserves are to promote community equity and facilitate budgetary control by ensuring that sufficient funds (non-cash) are set aside on the accounting books to offset the future depreciation charges (non-cash) that will be incurred over the estimated useful life of the item of property, plant and equipment financed from government grants, public contributions or a (non-cash) surplus arising from the revaluation of property, plant and equipment.

Council must note that these are all non-cash entries performed only for compliance purposes in line with accounting standards prescribed by the Accounting Standards Board (ASB) and enforced by the Office of the Accountant-General.

d) Cash Flow

See Annexures "B", "C1- 4", "E"

Essentially, the cash flow statement is concerned with the flow of physical cash in and cash out of the municipality as we collect monies owed by debtors and pay out monies due to creditors.

Annexure "E" is Council's cash flow statement which indicates the movements on the main bank accounts. The incoming receipts amount R 95 269 004. Outgoing payments were made to the amount of R 33 189 425. Taking into account the opening cashbook balance, this left a favorable closing balance of R 77 555 187 at the end of the December 2019 period, which shows a increase margin from last month's closing balance.

Cost coverage indicator

The cost coverage formula =
$$\frac{(\text{All available cash at the end of the period in the cashbook}) + (\text{investments at hand less Provisions})}{\text{Monthly fixed operating expenditure}}$$

$$\text{The cost coverage formula} = \frac{= (77\ 555\ 187) + R0}{R\ 35\ 752\ 285}$$

= 2.17 TIMES

The cost coverage of the municipality indicates 2.17 monthly fixed operating expenditure and shows that the cash flow of the municipality are unfavorable. Our cash formula on hand must cover at least until end of March 2020 as the next equitable share allocation is in March 2020. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2016/17 as well as 2017/18.

Grant allocations and expenditure:

Annexure "F" represents the Grants allocation and their expenditure.

Equitable Share:

First tranche of Equitable Share for 2019/20 amounting to R111 927 000 was received in the month of July 2019 and R89 415 000 received in December.

Finance Management Grant (FMG):

R 1 000 000 was paid in August 2019, expenditure incurred of R 34 006 for the month December.

The FMG Interns were involved in the following activities during the month of December 2019 as part of their training rotation plan:

- One intern in income and budget
- One intern in Expenditure.
- One interns in Supply Chain Management
- One intern in office of the Municipal Manager

The interns will be attending CPMD training as part of the internship agreement with National Treasury.

RRAM

R 1 806 000 received in August expenditure incurred in December of R 415 597.

HIV/Aids:

An amount of R5 261 400 was transfer from Provincial Treasury first tranche and R 677 611 spent December.

EPWP Projects:

First tranche of EPWP received of 294,000 in August 2019 and R822,000 in November, expenditure incurred of R 291 164 in December.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of November 2019.

6.2 Financial Performance

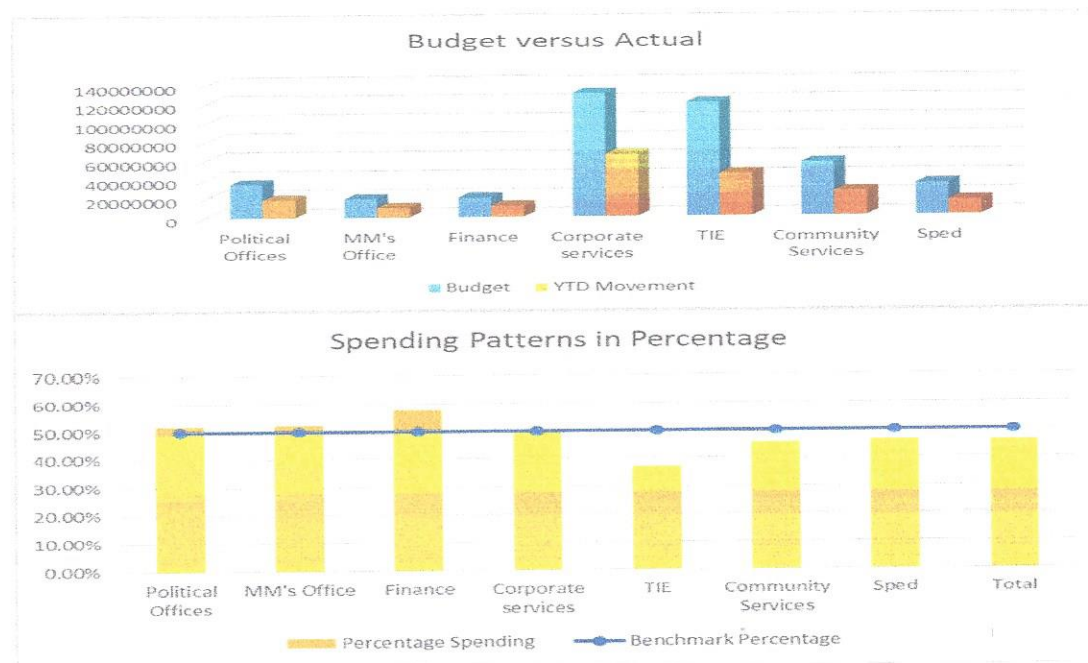
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue and expenditure for the reporting period.

Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 95 269 044 was generated in revenue. R 33 189 425 was spent during the month of December 2019.



Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R18 533 was funded internally for various moveable assets such as furniture & equipment, computers & printers.

b) Pro-Rata Operating Comparative Analysis (Budget vs. Actual by Cluster)

The Total Performance of the municipality as per our findings and reviews are as follows:

As the month of December 2019 signals the third month of the second quarter of the 2019/20 financial year, spending trends ought to be around 50%. "Other Income" consists of income items such as airfield fuel & fees, IT charges to LMs, profit on sale of assets; skills levy income, tender income as well as recoveries from telephone costs and commission on salaries.

The monthly performance indicates that total operating expenditure rate is standing at 46% and revenue is at 61% of the pro rata budget.

Intervention measures:

The Supply Chain Management Unit together with Financial Management both serve on the Contract Management Committee chaired by Corporate Services: Legal & Support to monitor contractual obligations and performance management of service providers.

Cost Containment measures are still in place to cut down on expenditure. Refer to the graphs above;

c) Pro-Rata Capital Comparative Analysis (Budget vs. Actual)

The total Capital Budget approved for 2019/2020 amounts to R1,750,000 is funded internally from reserves (accumulated surplus) as clusters failed to gain external funds for those projects when rolling out Council's capital intensity programme and drive to assist local municipalities. The Municipality has adjusted its original budget to R793 763.

Details on performance progress on all capital projects are outlined as per "Annexure I."

The spending analysis on own fixed assets as at the end of the month of December 2019 is shown in the table below:-

Description	Original Budget	Adjustment Budget	Current Month	Committed	YTD Movement	Available	%Spent
Furniture and Equipment	250 000	224 195	0	0	207 044	17 150	92%
Computers and Printers	800 000	369 568	0	0	268 283	101 285	73%
Networks	700 000	200 000	18 533	0	23780	176 220	12%
Sub total	1 750 000	793 763	18 533	0	499 077	294 686	63%

The indication for capital projects is that all expenses is funded internally for the various components of assets as per the above table.

Asset Management

A scheduled year-end asset stock take took place and during this stock-take the physical condition and location of assets were verified in order to ensure completeness and accuracy of the fixed asset register. Currently, asset verification stock take takes place twice a year.

No other matters of material significance to report for Asset Management.

6.3 Monitoring of Compliance

Policy Governance of Municipal Finance and MFMA Compliance

As part of improving Sedibeng District Municipality's MFMA reporting module, the project plan report indicates our compliance to the requirements as outlined per the MFMA for the financial year 1 July 2019 to 30 June 2020, which has been divided into timeframes of reporting: Annually, Quarterly, Monthly & Ad-hoc.

Finance is pleased to inform the Committee that our obligations in terms of compiling the annual financial statements within the prescripts of GRAP and the requirements of the MFMA have been duly met on time.

It must be noted that the individual Clusters are responsible to action projects and programmes based on their planned OPEX and CAPEX budgets as aligned with their overall SDBIPs. Finance facilitates and supports the Clusters in an overview capacity to ensure that required targets are met. However, without full cooperation of the Clusters in providing substantiation to the comparative reports, Finance cannot completely assure the quality and accuracy of the information disclosed in this report.

See Attached Annexures reflecting detail information:

"A"	–	Debtors Age Analysis
"B"	–	Investment Schedule
"C"	–	Bank Reconciliations
"D"	–	Creditors Age Analysis
"E"	–	Cash Flow Statement
"F"	–	Grants Allocation and Expenditure
"G"	–	Operating Revenue and Expenditure
"H"	–	Capital Expenditure and Revenue Source
"I"	–	Capital Projects Progress
"J"	–	MFMA Compliance

7. COMMENTS BY CORPORATE SERVICES

No comments received from Corporate Services.

8. COMMENTS BY COMMUNITY SERVICES

No comments received from Community Services.

9. COMMENTS BY STRATEGIC PLANNING AND ECONOMIC DEVELOPMENT

No comments received from Strategic Planning and Economic Development.

10. COMMENTS BY TRANSPORT, INFRASTRUCTURE AND ENVIRONMENT

No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end **December 2019** as per attach annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.



MR. C STEYN
ACTING CHIEF FINANCIAL OFFICER

2020/01/13

Date

CLLR. P B TSOTETSI
MMC FOR FINANCE

Date