

## MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END JANUARY 2020

(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 JANUARY 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 JANUARY 2020 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 JANUARY 2020 is indicated in the different schedules as listed below.

## 5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual DECEMBER 2019	Actual JANUARY 2020	Trend Analysis
<i>Current Assets</i>			
Debtors	R 64 406 785	R 65 246 736	Increase in previous month due to Emfuleni local municipality billing.
<i>Cash &amp; cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 42 692 220	R 7 220 585	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 34 822 142	R 59 011 281	
<i>Current Liabilities</i>			
Creditors	R 234 043 670	R 242 082 126	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 77 555 187	R 66 272 692	Decrease due to payment received second tranche of equitable share.
Cost Coverage indicator	2.17	1	Decrease due to operational activities.
Operating Revenue for Month	R 95 269 044	R 10 138 170.	Received to date 63% (benchmark 58%).
Operating Expenditure for Month	R 33 189 425	R 28 828 678	Spent to date 53% (bench mark 58%).
Capital Expenditure for Month	R 18 533	R 12 500	64 % of total Capex budget spent to date (benchmark 58%).
<i>MFMA Compliance</i>			

Item of Financial Position/ Performance	Actual DECEMBER 2019	Actual JANUARY 2020	Trend Analysis
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
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	69 599 185	36 322 053	7 663 661	3 584 284	4 083 462	42 748 172	7 282 661	38 244 890	78 928 637	49 481 512	21 335 419	(8 028 703)	(8 028 703)	7 030 446
Cash Inflow	131 987 931	22 378 632	23 067 019	30 669 540	32 655 523	90 903 127	5 984 613	82 147 879	90 987 622	22 920 770	25 099 546	25 188 930	694 046 342		
RSC Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	890 959	1 162 444	953 507	1 301 269	987 469	931 263	3 362 424	1 088 704	1 593 390	796 285	2 981 602	3 085 074	19 124 423		
Licensing	19 000 000	18 000 000	22 000 000	24 000 000	31 000 000	-	-	60 942 654	22 000 000	22 000 000	22 000 000	22 000 000	262 942 654		
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical and Pensioners Income	149 972	113 338	113 512	106 851	140 054	133 664	117 189	116 521	115 724	124 505	117 944	103 856	1 453 190		
Subsidies and Grants	111 927 000	3 100 000	-	5 261 400	528 000	89 918 200	2 515 000	-	67 278 488	-	-	-	280 528 088		
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(72 300 222)	(52 761 964)	(51 725 421)	(34 748 907)	(32 166 345)	(52 318 417)	(41 450 124)	(51 186 680)	(50 305 845)	(52 266 695)	(53 345 639)	(54 551 052)	(589 106 491)		
Salaries	(23 177 017)	(23 924 129)	(26 285 848)	(24 701 889)	(24 951 139)	(24 123 849)	(24 211 092)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(301 229 962)		
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-		
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-		
Licensing	(36 615 900)	(18 031 502)	(17 234 600)	-	-	114 727 698)	(11 079 328)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(187 588 928)		
Other Creditors	(12 607 305)	(10 799 333)	(8 205 073)	(10 047 018)	(7 205 207)	(13 486 670)	(6 159 704)	(7 214 660)	(6 334 645)	(8 294 635)	(9 374 639)	(10 580 052)	(110 286 601)		
External In/Red	-	-	-	-	-	-	-	-	-	-	-	-	-		
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-		
Closing Balance	66 698 165	36 322 053	7 663 661	3 584 284	4 083 462	42 748 172	7 282 661	38 244 890	78 928 637	49 481 512	21 335 419	(8 028 703)	(8 028 703)		

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

2017/02/28	1 055 954,46
2017/03/31	14 449 681,06
2017/04/30	12 665 521,14
2017/05/31	16 460 437,27
2018/06/30	16 027 541,83
2018/07/31	16 683 767,44
2018/08/30	16 645 376,16
2018/09/30	18 538 715,25
2018/10/31	124 657 509,16
2017/04	

### Grants received and spent for January

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	201,524,149	28,263,459	26,343,760	67,101,851	75	Increase from Previous Month due to Payment Received of equitable share
RAMS	2,580,000	0	0	1,806,000	650,439.00	30,597	30,597	1,929,561	25	Interns Stipend
FMG	1,000,000	0	0	1,000,000	368,123	34,000	34,006	631,877	37	Interns Stipend
EPWP	1,173,000	0	0	822,000	530,262	125,921.16	94,633.61	292,737	45	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	8,769,000	0	-	5,261,400.00	4,078,013.00	652,138.60	569,382.76	1,183,387	47	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	1,120,575.59	1,770,145	60	Expenditure incurred for YDP managed by community services.
<b>Total</b>	<b>301,540,826</b>	<b>0</b>	<b>89,415,000</b>	<b>208,425,400</b>	<b>209,773,667</b>	<b>29,401,942</b>	<b>28,192,956</b>	<b>87,909,558</b>	<b>70</b>	

### UNSPENT GRANT

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

#### 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 January 2020.*

The debtor's book balance of the municipality as attached in annexure A is R 65 246 736 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
1,711,367	270,556	2,114,279	1,040,053	0	1,074,041	6,562,506	52,473,934	65,246,736

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 66 231 861 as at the end of January 2020.

The remaining cash balance must meet operational requirements for February 2020 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 242 082 126 payable to the Trade creditors in January 2020. 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
24,498,684	0	0	18,238,715	16,045,876	0	31,906,651	151,392,200	242,082,126

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 10 138 170. Outgoing payments were made to the amount of R18 690 508. Taking into account the opening cashbook balance, this left a favorable closing balance of R 66 272 692, at the end of the January 2020 period, which shows a decrease margin from last month's closing balance.

## Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{= (66\,272\,692) + R0}{R\,35\,752\,285}$$

= 1 TIMES

The cost coverage of the municipality indicates 1 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 34 000 for the month January.

The FMG Interns were involved in the following activities during the month of January 2020 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 January of R 30 597.

### HIV/Aids:

An amount of R5 261 400 was transfer from Provincial Treasury first tranche and R 569,383 spent January.

### EPWP Projects:



First tranche of EPWP received of 294,000 in August 2019 and R822,000 in November, expenditure incurred of R 93 908 in January.

**Grant payments to Local Municipalities:**

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

**6.2 Financial Performance**

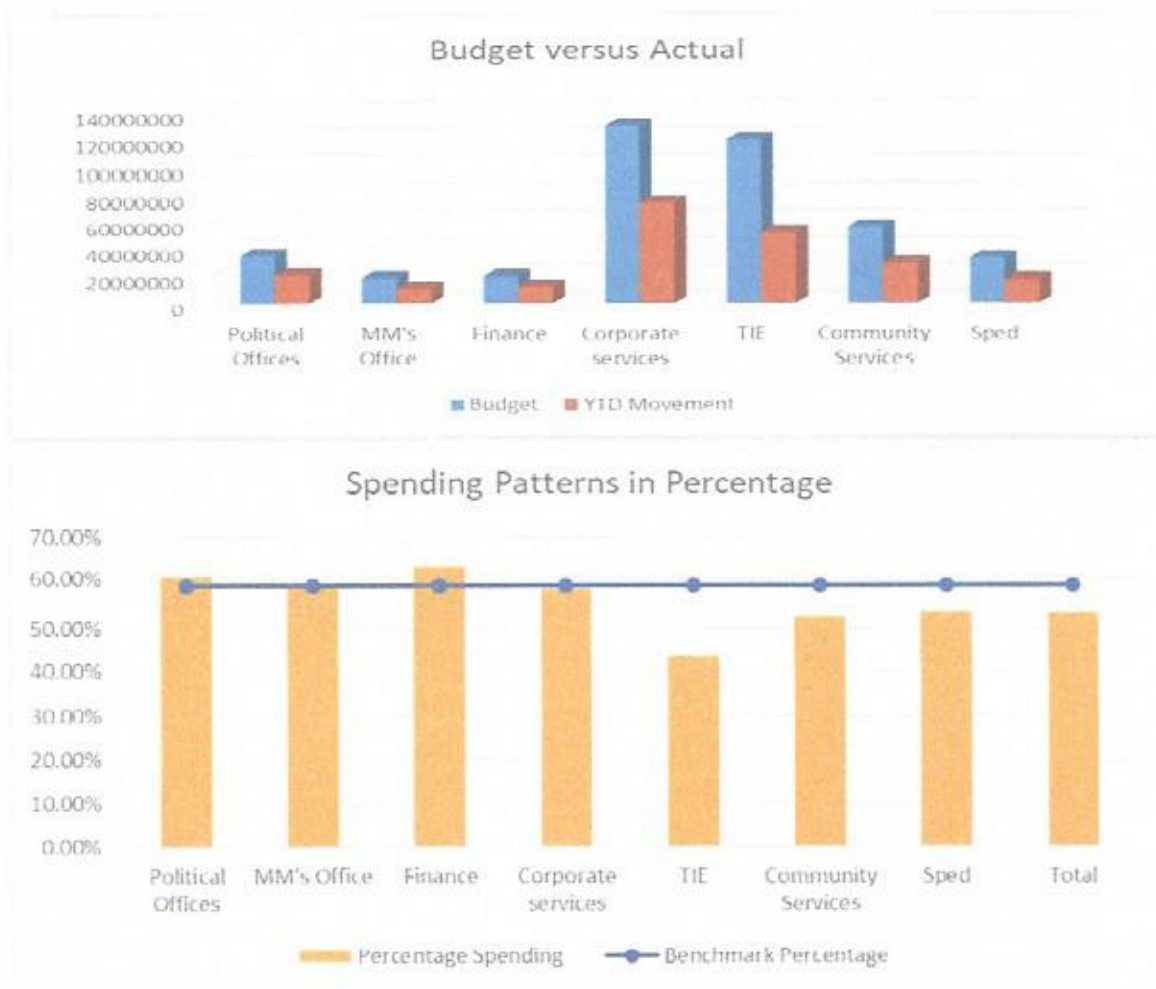
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue 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 10 138 170 was generated in revenue. R 28 828 678 was spent during the month of January 2020.



Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R12 500 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 January 2020 signals the first month of the third quarter of the 2019/20 financial year, spending trends ought to be around 58%. "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 53% and revenue is at 63% 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 January 2020 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	12 500	0	219 544	4 650	97%

Computers and Printers	800 000	369 568	0	0	268 283	101 285	73%
Networks	700 000	200 000	0	0	23780	176 220	12%
Sub total	1 750 000	793 763	12 500	0	511 574	282 189	64%

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.

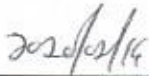
**RECOMMENDED:**

THAT the financial management report as at the end **January 2020** 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

\_\_\_\_\_  
CLLR. P B TSOTETSI  
MMC FOR FINANCE



\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END FEBRUARY 2020

(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 FEBRUARY 2020.

### 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;
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<i>Current Liabilities</i>			
Creditors	R 242 082 126	R 239 085 702	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 66 272 692	R 39 864 092	Decrease due to operational activities.
Cost Coverage indicator	1.9	1	Decrease due to operational activities.
Operating Revenue for Month	R 10 138 170	R 8 877 412	Received to date 65% (benchmark 67%).
Operating Expenditure for Month	R 28 828 678	R 31 205 610	Spent to date 53% (bench mark 61%).
Capital Expenditure for Month	R 12 500	R 20 900	67% of total Capex budget spent to date (benchmark 24%).
<i>MFMA Compliance</i>			

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RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	890 889	1 162 444	963 507	1 301 289	987 469	931 263	3 352 424	626 970	1 593 390	796 265	2 961 602	3 085 074	18 862 685
Licensing	19 000 000	18 000 000	22 000 000	24 000 000	31 000 000	-	-	45 000 000	58 175 186	22 000 000	22 000 000	22 000 000	283 175 186
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners income	149 972	113 388	113 512	106 851	140 054	133 664	117 169	149 076	115 724	124 505	117 944	103 866	1 485 735
Subsidies and Grants	111 627 000	3 100 000	-	5 261 400	528 000	89 918 200	2 615 000	1 274 040	67 278 488	-	-	-	281 802 128
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(72 300 222)	(52 751 954)	(51 725 421)	(34 748 907)	(32 156 345)	(52 316 417)	(41 450 124)	(50 848 778)	(50 305 845)	(52 265 895)	(53 345 639)	(54 551 052)	(588 768 610)
Salaries	(23 177 017)	(23 924 129)	(26 265 848)	(24 701 869)	(24 951 138)	(24 123 849)	(24 211 092)	(26 669 931)	(25 971 000)	(25 971 000)	(25 971 000)	(25 971 000)	(301 948 893)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(36 515 900)	(15 031 502)	(17 234 500)	-	-	(14 727 698)	(11 079 328)	(17 875 233)	(16 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(187 464 161)
Other Creditors	(12 607 305)	(10 796 333)	(8 205 073)	(10 047 018)	(7 205 207)	(13 466 870)	(8 159 704)	(6 263 615)	(6 334 845)	(8 294 895)	(9 374 639)	(10 560 052)	(109 355 556)
External In/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	63 698 165	36 322 053	7 663 651	3 584 284	4 063 462	42 748 172	7 282 661	3 683 968	80 540 911	51 195 793	22 949 693	(6 412 429)	(6 412 429)

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

	2017/02/28	2017/03/31	2017/04/30	2017/05/31	2018/09/30	2018/10/31	2019/09/30	2019/10/31	TOTAL
	12 095 864 44	14 449 661 65	12 665 528 14	16 400 437 27	20 160 990	18 583 787 44	16 545 876 16	18 238 716 20	124 557 503 18



## Grants received and spent for February

Description	Original Budget	Adjustment Budget	Grants Invoice received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual January	Actual February	Balance	%	Comment
Equitable Share	268,626,000	0	89,415,000.00	201,342,000	201,524,149	26,343,760	26,343,760	67,101,851	75	Increase from Previous Month due to Payment Received of equitable share
RAMS	2,580,000	0	0	1,806,000	681,036.00	30,597	30,597	1,898,964	26	Interns Stipend
FMG	1,000,000	0	0	1,000,000	368,123	34,015	34,006	631,877	37	Interns Stipend
EPWP	1,173,000	0	351,000	1,173,000	637,736	94,633.61	107,472	535,264	54	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	8,769,000	0	0	5,261,400.00	4,703,531.00	589,382.76	625,517	557,869	54	Expenditure Incurred.
Water Services	15,000,000	0	0	0	0	0	0	15,000,000	0	No expenditure Incurred.
NYDP&DSRACH	2,515,000	0	0	0	1,041,087	178,980.00	862,107.03	1,473,913	41	Expenditure incurred for YDP managed by community services.
<b>Total</b>	<b>299,663,000</b>	<b>0</b>	<b>89,766,000</b>	<b>208,776,400</b>	<b>208,955,662</b>	<b>27,251,369</b>	<b>28,003,460</b>	<b>87,199,738</b>	<b>70</b>	

### UNSPENT GRANT

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

## 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 February 2020.*

The debtor's book balance of the municipality as attached in annexure A is R 66 137 695 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
1 213 617	1 388 709	270 556	2 114 279	1 040 053	0	6 175 432	53 935 049	66 137 695

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of February 2020 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 39 823 267 as at the end of February 2020.

The remaining cash balance must meet operational requirements for February 2020 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 239 085 702 payable to the Trade creditors in February 2020. 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
21 502 260	0	0	0	18 238 715	16 045 876	23 183 317	160 115 534	239 085 702

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 69 682 488.53. Outgoing payments were made to the amount of R 96 091 08 .Taking into account the opening cashbook balance, this left a favorable closing balance of R 39 864 092, at the end of February 2020 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{(39\,864\,092) + R0}{R\,35\,752\,285}$$

$$= \underline{1.\text{TIMES}}$$

The cost coverage of the municipality indicates 1. 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 and R89 415 000 received in December 2019.

Finance Management Grant (FMG):

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

The FMG Interns were involved in the following activities during the month of February 2020 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 and R 744 000 received in February, expenditure incurred in February of R 30 597.

HIV/Aids:

An amount of R5 261 400 was received from Provincial Treasury first tranche and R 625 517 spent February .

EPWP Projects:

First tranche of EPWP received of 294,000 in August 2019 and R528 000 in November and R351 000 in February. Expenditure incurred of R 93 908 in February.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of February 2020.

6.2 Financial Performance

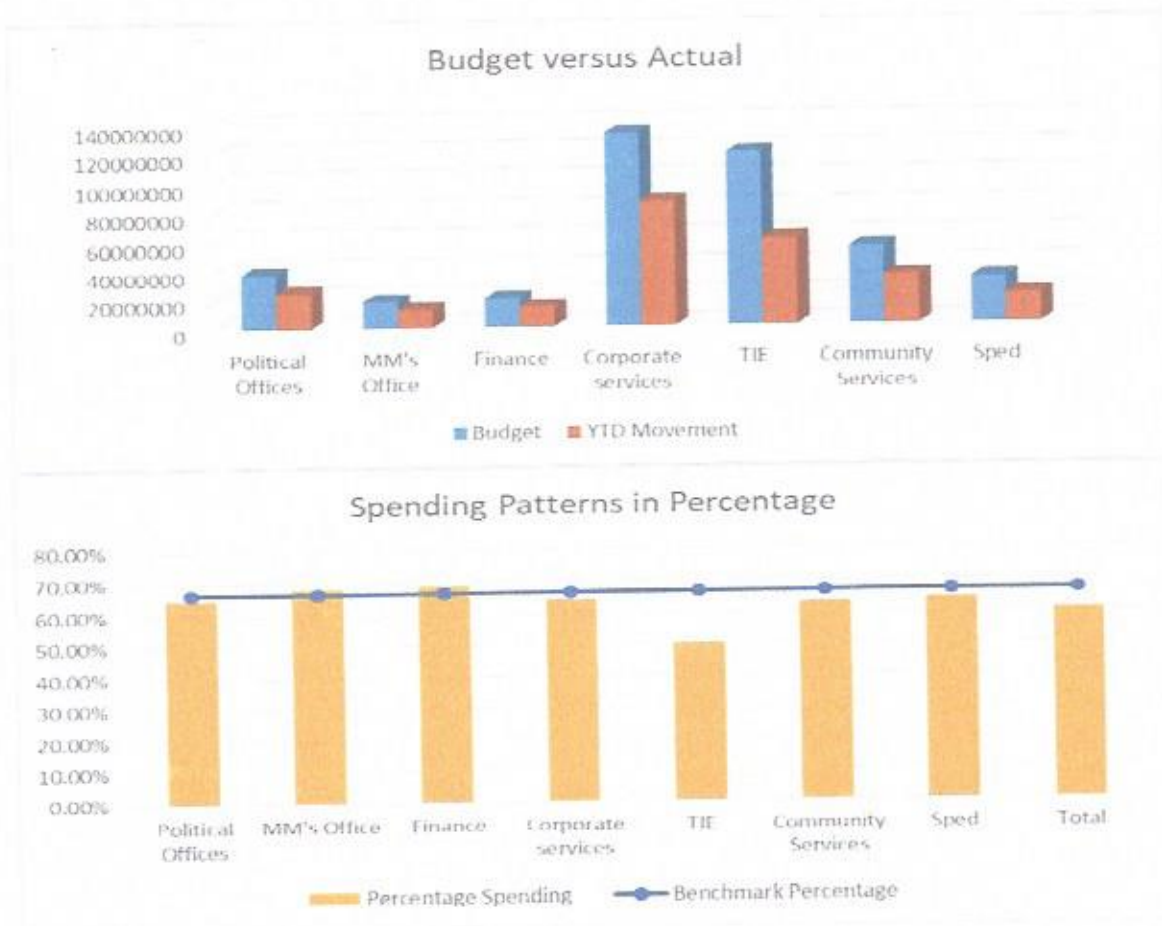
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue 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 8 877 412 was generated in revenue. R 31 205 610 was spent during the month of February 2020.



Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R20 900 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 February 2020 signals the second month of the third quarter of the 2019/20 financial year, spending trends ought to be around 67%. "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 61% and revenue is at 65% 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 during the Special adjustment budget in October 2019 and Adjusted its budget again in January 2020 to R2 243 763.

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 February 2020 is shown in the table below:-

Description	Original Budget	Special Adjustment Budget	Adjustment budget	Current Month	Committed	YTD Movement	Available	%Spent
Furniture and Equipment	250,000.00	224,195.00	240,495.00	20,900.00	0	240,444.59	50.41	99%
Computers and Printers	800,000.00	369,568.00	553,268.00	0	0	268,283.00	101,285	73%
Networks	700,000.00	200,000.00	0	0	0	23,780.00	159,920.00	12%
vehicles	0	0	1,450,000.00	0	0	0	1,450,000.00	0%
Sub total	1,750,000.00	793,763.00	2,243,763.00	20,900.00	0	532,507.59	1,711,255.41	23%

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 **February 2020** 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

\_\_\_\_\_  
CLLR. P B TSOTETSI  
MMC FOR FINANCE

2020/3/13

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date



## MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END MARCH 2020

(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 MARCH 2020.

### 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;

### 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).

### 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 MARCH 2020 report of the municipality a statement on the implementation of the budget and the state of the financial affairs of the municipality"*.

## 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 MARCH 2020 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 MARCH 2020 is indicated in the different schedules as listed below.

## EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual FEBRUARY 2020	Actual MARCH 2020	Trend Analysis
<i>Current Assets</i>			
Debtors	R 66 137 695	R 94 912 653	Increase from previous month due to Offsetting of the input vat against output vat not journalized net effect of R 28 million to be corrected in April.
<i>Cash &amp; cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 3 628 160	R 30 657 638	Increase due to payment received of last tranche of equitable share .
Cashbook balance (bank reconciliation) Licensing	R 36 195 106	R 53 320 783	
<i>Current Liabilities</i>			
Creditors	R 239 085 702	R 266 206 916	Increase from previous month due to Offsetting of the input vat against output vat not journalized

Item of Financial Position/ Performance	Actual FEBRUARY 2020	Actual MARCH 2020	Trend Analysis
			net effect of R 28 million to be corrected in April.
<i>Cash Flow</i>			
Cash flow closing balance	R 39 864 092	R 84 019 248	Increase received due payment received of equitable share
Cost Coverage indicator	1	2.35	Increase due to payment received of last tranche of equitable share .
Operating Revenue for Month	R 8 877 412	R 75 833 319	Received to date 84% (benchmark 75%).
Operating Expenditure for Month	R 31 205 610	R 29 727 705	Spent to date 67% (bench mark 75%).
Capital Expenditure for Month	R 20 900	R 89 625	67% of total Capex budget spent to date (benchmark 75%).
<i>MFMA Compliance</i>			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
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 3 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	7 282 661	3 663 968	30 697 234	1 352 109	(26 893 984)	7 030 446
Cash Inflow	131 997 961	22 375 832	23 067 019	30 669 540	32 655 523	90 983 127	5 964 613	47 250 086	74 666 372	22 920 770	25 099 546	25 188 930	532 829 319
RSC Levies													
Sundries	890 989	1 162 444	953 507	1 301 289	987 469	931 263	3 352 424	826 970	901 394	796 265	2 981 602	3 085 074	18 170 690
Licensing	19 000 000	18 000 000	22 000 000	24 000 000	31 000 000			45 000 000	3 000 000	22 000 000	22 000 000	22 000 000	228 000 000
Transfer from call / investment													
Medical aid Pensioners income	149 972	113 388	113 512	106 851	140 054	133 664	117 189	149 076	195 666	124 505	117 944	103 856	1 505 677
Subsidies and Grants	111 927 000	3 100 000		5 261 400	528 000	89 918 200	2 515 000	1 274 040	70 629 312				285 152 952
Less RD Cheques													
Cash Outflow	(72 300 222)	(52 751 964)	(51 725 421)	(34 748 907)	(32 156 345)	(52 318 417)	(41 450 124)	(50 848 779)	(47 663 106)	(52 265 895)	(53 345 639)	(54 551 052)	(596 115 871)
Salaries	(23 177 017)	(23 924 129)	(26 285 848)	(24 701 899)	(24 951 138)	(24 123 849)	(24 211 092)	(26 689 931)	(24 758 684)	(25 971 000)	(25 971 000)	(25 971 000)	(300 736 577)
Capital Projects													
Sundries													
Licensing	(36 515 900)	(18 031 502)	(17 234 500)			(14 727 698)	(11 079 328)	(17 875 233)	(15 308 207)	(18 000 000)	(18 000 000)	(18 000 000)	(184 772 368)
Other Creditors	(12 607 305)	(10 796 333)	(8 205 073)	(10 047 018)	(7 205 207)	(13 466 870)	(6 159 704)	(6 283 615)	(7 586 215)	(8 284 895)	(9 374 639)	(10 580 052)	(110 606 926)
External Inv/Red													
Transfer to call													
Closing Balance	66 698 185	36 322 053	7 663 651	3 664 284	4 083 462	42 748 172	7 282 661	3 663 968	30 697 234	1 352 109	(26 893 984)	(56 256 106)	(56 256 106)

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

	2017/02/28
	12 055 954.44
	14 449 661.65
	12 665 528.14
	16 490 437.27
	16 027 541.86
	18 983 767.44
	16 045 876.16
	18 238 715.20
TOTAL	124 557 502.18

## Grants received and spent for March

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual January	Actual February	Balance	%
Equitable Share	268,626,000	0	67,157,000.00	268,499,000	257,257,186	26,343,760	26,993,478	11,368,814	96
RAMS	2,580,000	0	0	1,806,000	696,335.00	30,597	15,299	1,883,665	27
FMG	1,000,000	0	0	1,000,000	402,123	34,006	50,500	547,377	40
EPWP	1,173,000	0	351,000	1,173,000	637,736	94,633.81	107,472	535,264	54
HIV&AIDS	8,769,000	0	-	5,261,400.00	4,703,531.00	625,517.00	601,041	557,869	54
Water Services	15,000,000	0	0	0	0	0	0	15,000,000	0
NYDP&DSRACH	2,515,000	0	0	0	1,041,087	178,980.00	862,107.03	1,473,913	41
<b>Total</b>	<b>299,663,000</b>	<b>0</b>	<b>67,508,000</b>	<b>275,933,400</b>	<b>264,737,997</b>	<b>27,307,494</b>	<b>28,629,897</b>	<b>31,366,902</b>	<b>88</b>
	0								

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

### 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 March 2020.*

The debtor's book balance of the municipality as attached in annexure A is R 94 912 653 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
28 774 958	1 213 617	1 388 709	270 556	2 114 279	1 040 053	54 173 242	94 912 653	53 361 226

Bank reconciliation

Annexure "C1 - 4" indicate the bank reconciliations prepared for the month of March 2020 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 83 978 421 as at the end of March 2020.

The remaining cash balance must meet operational requirements till end of financial year 2020, until receipt of the next equitable tranche due in July 2021.

b) Current Liabilities

Creditors' Age Analysis

Annexure "D" represents the creditors' age analysis of R 266 038 387 payable to the Trade creditors in March 2020. 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
48 623 474	0	0	0	0	18 238 715	22 857 285	176 487 442	266 038 387

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 75 817 897. Outgoing payments were made to the amount of R 31 417 358. Taking into account the opening cashbook balance, this left a favorable closing balance of R 84 019 248, at the end of March 2020 period, which shows a decrease margin from last month's closing balance.

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Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{= (83\,978\,421) + R0}{R\,35\,752\,285}$$

= 2.35 TIMES

The cost coverage of the municipality indicates 2.35 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 June 2020 as the next equitable share allocation is in July 2021. 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 2017/18 as well as 2018/19.

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 and R89 415 000 received in December 2019. R last tranche of R 67 157 000 received in March 2020.

Finance Management Grant (FMG):

R 1 000 000 was paid in August 2019, expenditure incurred of R 50 500 for the month March.

The FMG Interns were involved in the following activities during the month of February 2020 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 have attended CPMD training as part of the internship agreement with National Treasury.

RRAM

R 1 806 000 received in August and R 744 000 received in February, expenditure incurred in March of R 15,299



First tranche of EPWP received of 294,000 in August 2019 and R528 000 in November and R351 000 in February. Expenditure incurred of R 65,836 in March.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of March 2020.

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.

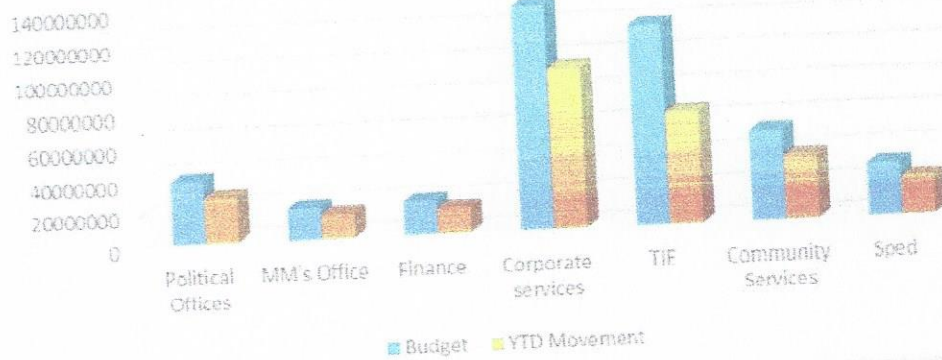
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

*"See Annexures G, H & I"*

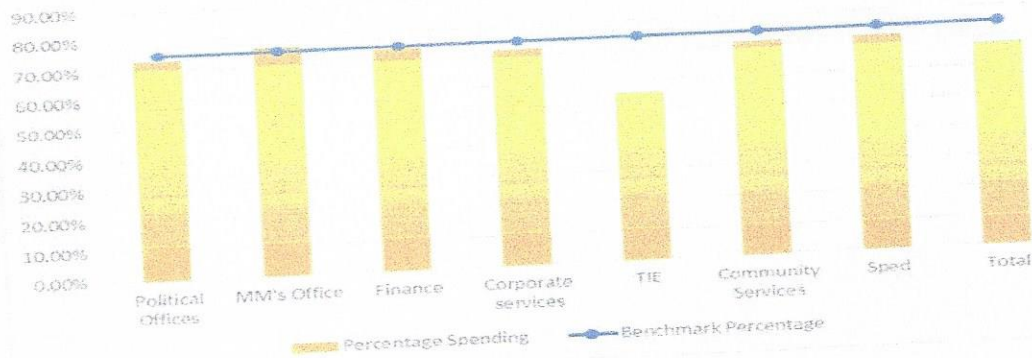
a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 75 883 319 was generated in revenue. R 29 727 705 was spent during the month of March 2020.

Budget versus Actual



Spending Patterns in Percentage



Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R20 900 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 March 2020 signals the last month of the third quarter of the 2019/20 financial year, spending trends ought to be around 75%. "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 67% and revenue is at 84% 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 during the Special adjustment budget in October 2019 and Adjusted its budget again in January 2020 to R 2 243 763.

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 March 2020 is shown in the table below:-

Description	Original Budget	Special Adjustment Budget	Adjustment budget	Current Month	Committed	YTD Movement	Available	%Spent
Furniture and Equipment	250,000.00	224,195.00	240,495.00	0	0	240,444.59	50.41	99%
Computers and Printers	800,000.00	369,568.00	553,268.00	36 425.20	0	304 708.69	64 859	64%
Networks	700,000.00	200,000.00	0	53 200	0	76 980	106 720.00	38%
vehicles	0	0	1,450,000.00	0	0	0	1,450,000.00	0%
Sub total	1,750,000.00	793,763.00	2,243,763.00	89 625	0	622 133	1 621 630	28%

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 **March 2020** 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

2020/04/15

Date

CLLR. P B TSOTETSI  
MMC FOR FINANCE

Date