

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END APRIL 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 APRIL 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 APRIL 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 APRIL 2020 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual MARCH 2020	Actual APRIL 2020	Trend Analysis
<i>Current Assets</i>			
Debtors	R 94 912 653	R 68,095,307	Decrease due to the Offsetting of the input vat against output vat.
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 30 657 638	R 30 421 206	Decrease due to operational activities .
Cashbook balance (bank reconciliation) Licensing	R 53 320 783	R 42 452 321	
<i>Current Liabilities</i>			
Creditors	R 266 206 916	R 183,298,851	Decrease due to the Offsetting of the input vat against output vat.
<i>Cash Flow</i>			
Cash flow closing balance	R 84 019 248	R 21 463 477	Decrease due to operational activities
Cost Coverage indicator	2.35	2.03	Decrease due to operational activities.
Operating Revenue for Month	R 75 833 319	R 5 952 287.26	Received to date 84% (benchmark 75%).
Operating Expenditure for Month	R 29 727 705	R 29 727 705	Spent to date 67% (bench mark 75%).
Capital Expenditure for Month	R 89 625	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.

Item of Financial Position/ Performance	Actual MARCH 2020	Actual APRIL 2020	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 3 reporting

Cash Flow Statement - July 2019 to June 2020

	PROJECTED												Total
	July	August	September	October	November	December	January	February	March	Apr	May	June	
Opening Balance	7,039,446	65,699,199	36,322,053	7,683,651	3,584,384	4,093,482	42,748,172	7,282,061	3,693,988	30,097,234	1,362,108	(23,000,994)	7,039,446
Cash Inflow	131,887,961	29,376,832	23,087,016	30,699,140	32,686,623	60,983,127	6,084,613	47,282,084	74,056,372	22,629,710	25,092,549	25,188,000	532,828,519
FISC Levies													
Sundries	669,989	1,182,414	933,607	1,301,569	987,426	931,203	3,582,424	828,970	931,394	739,285	2,917,682	3,085,074	18,170,690
License Fee	19,039,000	11,000,000	22,999,000	24,039,000	31,006,000			49,000,000	3,000,000	22,000,000	24,000,000	22,000,000	229,000,000
Transfer from cash/awards/etc													
Medical and Pensioners Income	148,872	113,388	113,512	108,951	149,024	133,694	117,469	148,078	135,636	124,505	117,944	103,899	1,805,617
Subsidies and Grants	111,927,000	3,100,000		5,201,400	528,000	69,919,200	2,915,000	1,274,049	70,829,312				205,192,992
less: RN Cheques													
Cash Outflow	(72,300,222)	(62,751,964)	(51,725,421)	(24,748,807)	(39,150,345)	(59,318,417)	(41,450,124)	(50,848,739)	(47,653,109)	(62,265,895)	(53,245,639)	(54,631,052)	(598,115,811)
Salaries	(23,171,017)	(23,624,129)	(20,295,848)	(24,701,889)	(24,051,130)	(24,123,849)	(24,211,002)	(26,689,931)	(24,759,884)	(25,971,000)	(26,971,000)	(26,971,000)	(300,739,517)
Capital Projects													
Bond Issue													
License Fee	(98,515,900)	(19,039,000)	(17,294,500)			(14,727,699)	(11,079,328)	(17,675,231)	(15,308,207)	(19,000,000)	(18,000,000)	(18,000,000)	(184,772,990)
Other Credits	(12,697,995)	(10,986,333)	(8,295,073)	(10,047,019)	(7,205,207)	(13,488,679)	(9,159,704)	(9,283,515)	(7,986,715)	(9,294,895)	(8,374,639)	(10,690,962)	(110,609,929)
External Interest													
Transfer to call													
Closing Balance	69,668,185	30,822,053	7,003,051	3,194,894	4,093,482	42,748,172	7,282,061	3,693,988	30,097,234	1,362,108	(23,000,994)	(56,266,795)	

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

20/002/28	12,000,584.48
20/003/01	14,449,681.82
20/004/03	22,768,019
20/005/05	12,695,629.14
20/006/07	19,460,437.27
20/007/09	18,000,000.00
20/008/11	261,907,093
20/009/13	19,880,327.44
20/010/15	96,042,628.18
20/011/17	18,234,715.33
20/012/19	324,557,960.88

Grants received and spent for APRIL

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	%	Comment
Equitable Share	268,626,000	0	0.00	268,499,000	282,749,490	26,993,478	26,993,478	-14,123,490	105	Increase from Previous Month due to Payment Received of equitable share
RAMS	2,580,000	0	0	1,806,000	1,158,738.77	15,299	462,404	1,421,261	45	Interns Stipend
FMG	1,000,000	0	0	1,000,000	486,622	50,500	33,999	513,378	49	Interns Stipend
EPWP	1,173,000	0	0	1,173,000	637,736	94,633.61	107,472	535,264	54	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	7,943,152	0	0	7,943,152.00	5,868,307.02	601,041.00	563,735	2,074,845	74	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	1,593,041	862,107.03	259,784.32	921,959	63	Expenditure incurred for YDP managed by community services.
Total	298,837,152	0	0	278,615,152	292,493,935	28,617,059	28,420,872	6,343,217	98	

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 April 2020.

The debtor's book balance of the municipality as attached in annexure A is R 68 095 307 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
1,049,365	908,247	1,213,617	1,388,709	270,556	2,114,279	5,047,541	56,102,993	68,095,307

Bank reconciliation

Annexure "C1 – 4" indicate the bank reconciliations prepared for the month of April 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 April 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 233,174,997 payable to the Trade creditors in April 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
411,396	15,180,159	0	0	0	0	34,284,591	183,298,851	233,174,997

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 R5 952 287.26. Outgoing payments were made to the amount of R 35 988 415. Taking into account the opening cashbook balance, this left a favorable closing balance of R 55 621 493.67, at the end of April 2020 period, which shows a decrease margin from last month’s closing balance.

Cost coverage indicator

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

$$\text{The cost coverage formula} = (72\ 873\ 527) + R0$$

= 2.03 TIMES

The cost coverage of the municipality indicates 2.03 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 33 999 for the month April

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 April of R462, 404

HIV/Aids:

An amount of R 5 261 400 was received from Provincial Treasury first tranche in October and R 2 681 752 received March and R 563 735 spent in April.

EPWP Projects:

First tranche of EPWP received of 294,000 in August 2019 and R528 000 in November and R351 000 in February. No expenditure incurred in April.

Grant payments to Local Municipalities:

No grant payments were scheduled for local municipalities for the month of April

6.2 Financial Performancencen

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

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 April 2020 signals the last month of the third quarter of the 2019/20 financial year, spending trends ought to be around 83.33%. "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 74.39% and revenue is at 85.85% 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 April 2020 is shown in the table below:-

performance and directly related to the measurement of revenue and expenditure for the reporting period.

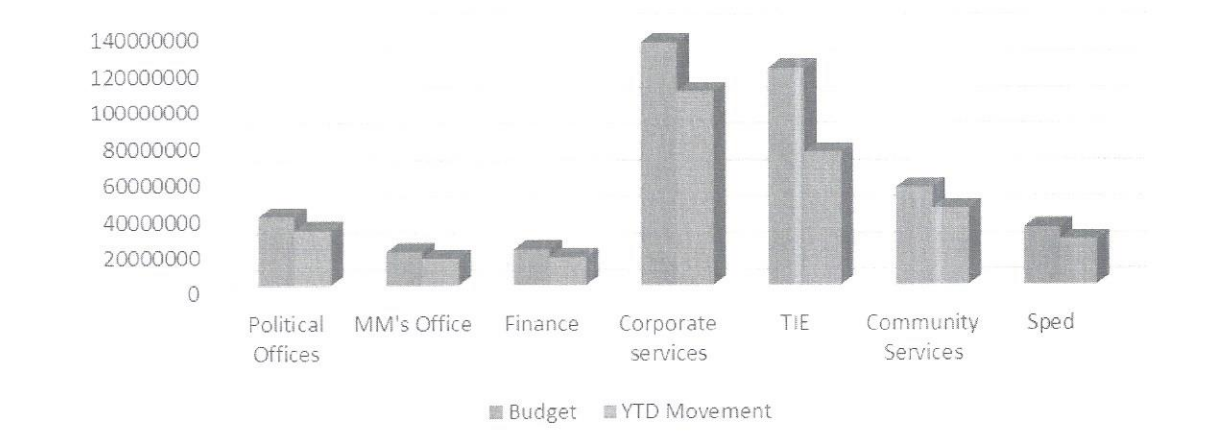
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

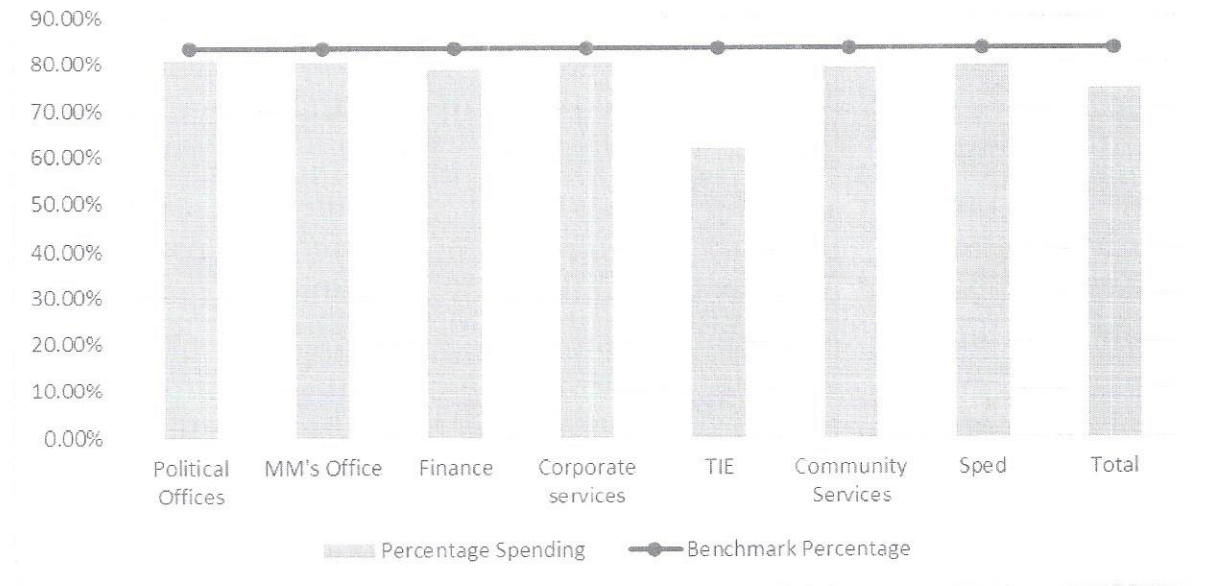
a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 5 952 287.26 was generated in revenue. R 28 079 489.32

Budget versus Actual



Spending Patterns in Percentage



Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 51 280 was funded internally for various moveable assets such as furniture & equipment, computers & printers.

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	240,495.59	50.41	99%
Computers and Printers	800,000.00	369,568.00	553,268.00	16980.00	1 6 4 3 4 .	321 688	64 859	58%
Networks	700,000.00	200,000.00	0	34 300	68 250	111 280	4 170	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	84 684	673 463	1 570 348	30%

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 **April 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 MAY 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 MAY 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;
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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 MAY 2020 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual APRIL 2020	Actual MAY 2020	Trend Analysis
<i>Current Assets</i>			
Debtors	R 68 095 307	R 70 798 522	Increase in previous month due to Emfuleni local municipality billing
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 30 421 206	R 6 285 585	Decrease due to operational activities .
Cashbook balance (bank reconciliation) Licensing	R 42 452 321	R 18 447 997	
<i>Current Liabilities</i>			
Creditors	R 233 174 997	R 232 740 423	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 55 621 493	R 24 774 409	Decrease due to operational activities.
Cost Coverage indicator	2.03	0.69	Decrease due to operational activities.
Operating Revenue for Month	R 5 952 287.26	R 2 584 938	Received to date 86.48% (benchmark 91.67%).
Operating Expenditure for Month	R 28 079 489	R 29 464 344	Spent to date 81.45% (bench mark 91.67%).
Capital Expenditure for Month	R 51 280	R 5 258	29.27% of total Capex budget spent to date (benchmark 91.67%).
<i>MFMA Compliance</i>			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget

Item of Financial Position/ Performance	Actual APRIL 2020	Actual MAY 2020	Trend Analysis
			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

Grants received and spent for May

Description	Original Budget	Adjustment Budget	Grants Income received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual APRIL	Actual MAY	Balance	%	Comment
Equitable Share	268 626 000	364 980 121	67 157 000.00	268 499 000	309 656 546	26 343 768	26 993 478	55 323 575	85	Increase from Previous Month due to Payment Received of equitable share
RAMS	2 580 000	2 580 000	0	1,806,000	1 177 444.00	462 484	17 586	1 402 556	46	Interns Stipend
FMG	1 000 000	1 000 000	0	1 000 000	520 289	33 999	33 667	479 711	52	Interns Stipend
EPWP	1 173 000	1 173 000	351 000	1 173 000	867 335	0.00	183 763	305 665	74	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	7 943 152	7 943 152	-	7 943 152.00	6 417 949.00	563 735.00	549 642	1 525 203	81	Expenditure incurred.
Water Services	15 000 000	15 000 000	0	0	0	0	0	15 000 000	0	Grant not received
NYDP&DSRACH	2 515 000	2 515 000	0	0	2 101 785	259 784.32	588 742.75	413 215	84	Expenditure incurred for YDP managed by community services.
Total	298 837 152	395 191 273	67 508 000	278 615 152	320 741 348	27 663 683	28 266 879	74 449 925	81	

Cash Flow Statement - July 2019 to June 2020

	PROJECTED												Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Opening Balance	7,630,446	66,698,785	35,322,053	7,663,651	3,564,264	4,083,482	42,748,172	7,282,681	3,683,968	30,597,234	1,392,109	(23,953,054)	7,030,446
Cash Inflow	131,987,881	22,375,632	23,067,019	30,669,540	32,655,623	50,583,127	5,994,613	47,250,086	74,685,372	22,520,770	25,099,644	15,186,930	632,839,319
RISC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundrys	690,899	1,162,444	653,507	1,321,289	987,450	931,263	3,952,424	628,970	901,694	796,255	2,581,602	3,685,074	18,170,680
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 and Fundraising income	148,872	113,398	113,512	105,651	140,054	133,664	117,180	149,076	135,695	124,506	117,644	103,896	1,529,677
Subsidies and Grants	119,927,300	3,100,000	-	5,281,400	628,000	69,819,200	2,515,500	1,274,540	70,629,312	-	-	-	285,182,652
Less R/D Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(72,300,222)	(52,751,964)	(61,725,421)	(34,748,907)	(32,186,345)	(52,318,417)	(41,450,124)	(60,648,779)	(47,633,706)	(52,285,855)	(53,045,639)	(64,651,082)	(656,115,871)
Salaries	(23,177,917)	(23,954,129)	(26,585,646)	(24,701,889)	(24,951,139)	(24,128,949)	(24,211,092)	(28,689,931)	(24,769,614)	(25,971,000)	(26,971,082)	(26,971,000)	(200,736,577)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Standies	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(38,516,800)	(18,031,502)	(17,234,500)	-	-	(14,727,899)	(11,079,328)	(17,872,233)	(15,308,287)	(18,000,000)	(18,000,000)	(18,300,000)	(184,772,369)
Other Conditions	(12,607,305)	(10,798,339)	18,205,073)	(10,047,019)	(7,205,207)	(13,469,670)	(9,150,764)	(8,289,619)	(7,586,215)	(8,294,865)	(9,374,835)	(10,580,652)	(110,608,926)
External hired	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	85,698,185	39,022,053	7,653,651	3,684,264	4,093,482	42,748,172	7,282,681	3,683,968	30,597,234	1,392,109	(23,893,844)	196,463,106	(58,296,105)

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

20 07/19	12,055,014.44
20 07/20	14,449,011.05
20 07/21	12,855,528.14
20 07/22	1,506,417.27
20 07/23	241,263.09
20 07/24	1,027,541.38
20 07/25	8,663,712.44
20 07/26	6,549,185.16
20 07/27	3,229,718.20
TOTAL	74,567,868.14

Grants received and spent for May

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 May 2020.

The debtor's book balance of the municipality as attached in annexure A is R 70 798 522 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
2 703 215	1 049 365	908 247	1 213 617	1 388 709	270 556	4 112 595	59 152 218	70 798 522

Bank reconciliation

Annexure" C1 – 4" indicate the bank reconciliations prepared for the month of May 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 24 733 582 as at the end of May 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 232 740 423 payable to the Trade creditors in May 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
269 138	0	14 887 843	0	0	0	18 238 715	199 344 727	232 740 423

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 2 623 888. Outgoing payments were made to the amount of R 33 476 231. Taking into account the opening cashbook balance, this left a favorable closing balance of R 24 774 409, at the end of May 2020 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{= (24\,733\,582) + R0}{R\,35\,752\,285}$$

$$= 0.69 \text{TIMES}$$

The cost coverage of the municipality indicates 0.69 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 33 667 for the month May.

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 May of R17 586.

HIV/Aids:

An amount of R 5 261 400 was received from Provincial Treasury first tranche in October and R 2 681 752 received March and R 549 642 spent in May.

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 in May R 163 763.

Grant payments to Local Municipalities:

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

6.2 Financial Performancen

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 2 584 938 was generated in revenue. R29 464 344 in expenditure.

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 5 258 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 May 2020 signals the second month of the fourth quarter of the 2019/20 financial year, spending trends ought to be around 91.67%. "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 81.45% and revenue is at 86.48% 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 May 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	240,495.59	50.41	99%
Computers and Printers	800,000.00	369,568.00	553,268.00	5258	0	316 379	160 338	58%
Networks	700,000.00	200,000.00	0	0	0	111 280	4 170	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	5258	0	668155	1614558	29%

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.

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 **May 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 JUNE 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 JUNE 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 JUNE 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 JUNE 2020 is indicated in the different schedules as listed below.

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual MAY 2020	Actual JUNE 2020	Trend Analysis
<i>Current Assets</i>			
Debtors	R 70 798 522	R 76,889,625	Increase in previous month due to Emfuleni local municipality billing
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 6 285 585	R 10 282 418	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 18 447 997	R 5 807 627	
<i>Current Liabilities</i>			
Creditors	R 232 740 423	R 257 555 223	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 24 774 409	R 16 130 873	Decrease due to operational activities.
Cost Coverage indicator	0.69	0.45	Decrease due to operational activities.
Operating Revenue for Month	R 2 584 938	R 6 422 341	Received to date 91.44% (benchmark 100%).
Operating Expenditure for Month	R 29 464 344	R 33 026 644	Spent to date 92.73% (bench mark 100%).
Capital Expenditure for Month	R 5 258	R 34 257	29.6% of total Capex budget spent to date (benchmark 100%).
<i>MFMA Compliance</i>			
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget

Item of Financial Position/ Performance	Actual MAY 2020	Actual JUNE 2020	Trend Analysis
			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	3 683 968	30 697 234	2 283 801	6 337 147	7 030 446
Cash Inflow	131 967 961	22 375 832	23 067 019	30 669 540	32 655 523	90 983 127	5 984 613	47 260 086	74 686 372	1 181 535	37 859 632	37 117 979	535 779 219
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	890 989	1 162 444	953 507	1 301 289	987 469	931 263	3 352 424	826 970	901 394	358 890	638 298	2 938 725	15 243 662
Leasing	19 000 000	18 000 000	22 000 000	24 000 000	31 000 000	-	-	45 000 000	3 000 000	-	35 000 000	34 000 000	231 000 000
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners income	149 972	113 388	113 512	106 851	140 054	133 664	117 189	149 076	135 686	151 965	120 374	179 254	1 610 965
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	670 680	2 100 960	-	287 924 592
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(72 300 222)	(52 751 984)	(51 725 421)	(34 748 907)	(32 156 345)	(52 318 417)	(41 450 124)	(50 848 779)	(47 653 109)	(29 594 989)	(33 806 286)	(33 146 397)	(532 500 936)
Salaries	(23 177 017)	(23 924 129)	(26 285 848)	(24 701 889)	(24 951 138)	(24 123 849)	(24 211 092)	(26 689 931)	(24 758 684)	(23 632 620)	(24 238 290)	(24 497 243)	(295 191 730)
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)	-	-	-	(130 772 368)
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)	(5 962 348)	(7 566 036)	(8 649 154)	(104 554 878)
External In/Red	-	-	-	-	-	-	-	-	-	-	(1 981 960)	-	(1 981 960)
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	66 698 185	36 322 053	7 663 651	3 584 284	4 083 462	42 748 172	7 282 661	3 683 968	30 697 234	2 283 801	6 337 147	10 308 729	10 308 729

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

2017/02/28	12 959 964 44
2017/03/31	14 449 661 65
2017/04/30	12 865 528 14
2017/05/31	16 450 437 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 June

Description	Original Budget	Adjustment Budget	Grants tranone received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual MAY	Actual JUNE	Balance	%	Comment
Equitable Share	268,626,000	364,980,121	67,157,000.00	268,499,000	364,980,121	26,993,478	29,131,096	0	100	Increase from Previous Month due to Payment Received of equitable share
RAMS	2,580,000	2,580,000	0	1,806,000	1,639,697.00	17,586	17,586	940,302	64	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	959,221	33,667	248,292	40,779	96	Interns Stipend
EPWP	1,173,000	1,173,000	351,000	1,173,000	1,011,260	163,763	143,952	161,740	86	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	7,943,152	7,943,152	-	7,943,152.00	7,929,164.00	549,642	769,352	13,988	100	Expenditure Incurred.
Water Services	15,000,000	15,000,000	0	0	0	0	0	0	0	Grant not received
NYDP&DSRACH	2,515,000	2,515,000	0	0	2,515,000	508,742.75	424,882.00	0	100	Expenditure incurred for YDP managed by community services.
Total	298,837,152	395,191,273	67,508,000	278,615,152	379,034,463	28,266,879	30,486,868	1,156,809	96	

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 June 2020.

The debtor's book balance of the municipality as attached in annexure A is R 76 889 625 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
6,091,103	2,703,215	1,049,365	908,247	1,213,617	1,388,709	3,607,879	59,927,490	76,889,625

Bank reconciliation

Annexure" C1 – 4" indicate the bank reconciliations prepared for the month of June 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 16 090 041 as at the end of June 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 257 555 223 payable to the Trade creditors in June 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
24,814,800	269,138	0	14,887,843	0	0	18,238,715	199,344,727	257,555,223

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 5 129 665. Outgoing payments were made to the amount of R 33 026 643. Taking into account the opening cashbook balance, this left a favorable closing balance of R 16 130 873, at the end of June 2020 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{= (16\ 090\ 045) + R0}{R\ 35\ 752\ 285}$$

$$= \underline{0.45 \text{ TIMES}}$$

The cost coverage of the municipality indicates 0.45 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 33 667 for the month June.

The FMG Interns were involved in the following activities during the month of June 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 June of R 462 254.

HIV/Aids:

An amount of R 5 261 400 was received from Provincial Treasury first tranche in October and R 2 681 752 received March and R 549 642 spent in June R 769 352..

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 in June R 143 952.

Grant payments to Local Municipalities:

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

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.

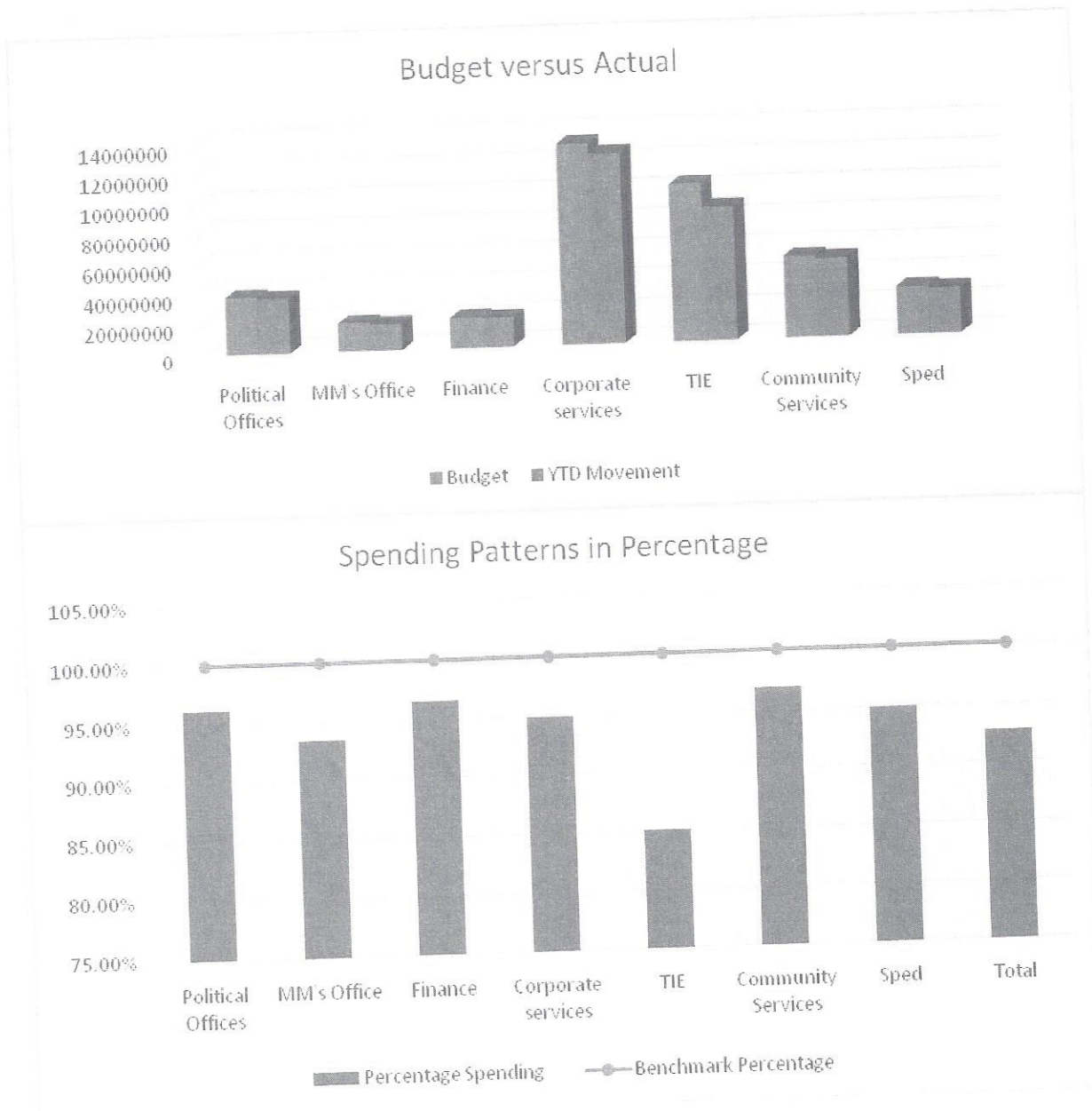
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 6 422 341 was generated in revenue. R 33 026 644 in expenditure.

Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 34 257 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 June 2020 signals the last month of the fourth quarter of the 2019/20 financial year, spending trends ought to be around 100%. "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 92.73% and revenue is at 91.44% 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 June 2020 is shown in the table below:-

Description	Budget	Adjustment Budget	Movements	Monthly Spending	Balance	percentage
Furniture and equipment	250000	241495	240444	0	1050	99.6
puters and printes	700000	178530	76980	0	101550	43.1
Network Infrastructure	800000	373738	346038	34257	27699	92.6
Vehicles	0	1450000	0	0	1450000	0.0
Total	1750000	2243763	663462	34257	1580299	29.6

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

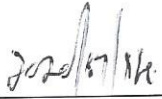
No comments received from Transport, Infrastructure and Environment.

RECOMMENDED:

THAT the financial management report as at the end **June 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



Date

CLLR. P B TSOTETSI
MMC FOR FINANCE

Date