

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

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual JUNE 2020	Actual JULY 2020	Trend Analysis
<i>Current Assets</i>			
Debtors	R 76 889 625	R 79 345 788	Increase in previous month due to Emfuleni local municipality billing
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 10 282 418	R 73 596 674	Increase due to first tranche received of equitable share.
Cashbook balance (bank reconciliation) Licensing	R 5 807 627	R 26 207 593	
<i>Current Liabilities</i>			
Creditors	R 257 555 223	R 259 926 461	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 16 130 873	R 99 845 093	Increase due to first tranche received of equitable share.
Cost Coverage indicator	0.45	2.87	Increase due to first tranche received of equitable share.
Operating Revenue for Month	R 6 422 341	R 124 735 602	Received to date 29.86% (benchmark 8.33%).
Operating Expenditure for Month	R 33 026 644	R 28 380 831	Spent to date 6.80% (bench mark 8.33%).
Capital Expenditure for Month	R 34 257	R 64 862	3.01% of total Capex budget spent to date (benchmark 8.33%).

Item of Financial Position/ Performance	Actual JUNE 2020	Actual JULY 2020	Trend Analysis
<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 one reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 1 reporting

Grants received and spent for July

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual JULY	Balance	%	Comment
Equitable Share	276,984,000	0	0	124,642,000	28,380,831	28,380,831	248,603,169	10	First tranche of Equitable share received in July
RAMS	2,456,000	0	0	0	15,149	15,149	2,440,851	1	Interns Stipend
FMG	1,000,000	0	0	0	95,064	95,064	904,936	10	Interns Stipend
EPWP	1,000,000	0	0	0	0	0	1,000,000	0	No Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,949,000	0	-	0	0	0	11,949,000	0	No expenditure Incurred.
Water Services	15,825,000	0	0	0	0	0	15,825,000	0	No expenditure Incurred.
NYDP&DSRACH	1,995,190	0	0	0	257,730	257,730.00	1,737,460	13	Expenditure incurred for YDP managed by community services.
Total	311,209,190	0	0	124,642,000	28,748,774	28,748,774	282,460,416	9	

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 July 2020.

The debtor’s book balance of the municipality as attached in annexure A is R 79 345 788 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
1 084 027	7 463 239	2 703 215	1 049 365	908 247	1 213 617	4 813 597	60 110 481	79 345 788

Bank reconciliation

Annexure “C1 – 4” indicate the bank reconciliations prepared for the month of July 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 99 804 268 as at the end of July 2020.

The remaining cash balance must meet operational requirements till end of November 2020, until receipt of the next equitable tranche due in December 2020.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 259 926 461 payable to the Trade creditors in July 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
27 455 176		0	14,887,843	0	0	18,238,715	199,344,727	259 926 461

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 124 735 602. Outgoing payments were made to the amount of R 40 956 518. Taking into account the opening cashbook balance, this left a favorable closing balance of R 99 845 093 , at the end of

July 2020 period, which shows a decrease margin from last month's closing balance.

Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{= (99\ 804\ 268) + R0}{R\ 34\ 768\ 431}$$

$$= \underline{2.87\ \text{TIMES}}$$

The cost coverage of the municipality indicates 2.87 monthly fixed operating expenditure and shows that the cash flow of the municipality are favorable. Our cash formula on hand must cover at least until end of November 2020 as the next equitable share allocation is in December 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 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 2020/21 amounting to R 124 642 000.00 was received in the month of July

Finance Management Grant (FMG):

No grant was received, expenditure incurred amount to R 95 064 in the month of July. The FMG Interns were involved in the following activities during the month of July 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

No grants received for month of July. Expenditure incurred of R15 149.

HIV/Aids:

No grants received in month of July.

EPWP Projects:

No grants received in the month of July.

Water Services

No Grants received in the month of July.

NYDA

No grant received for the month of July, Expenditure incurred of R 257 730.

Grant payments to Local Municipalities:

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

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.

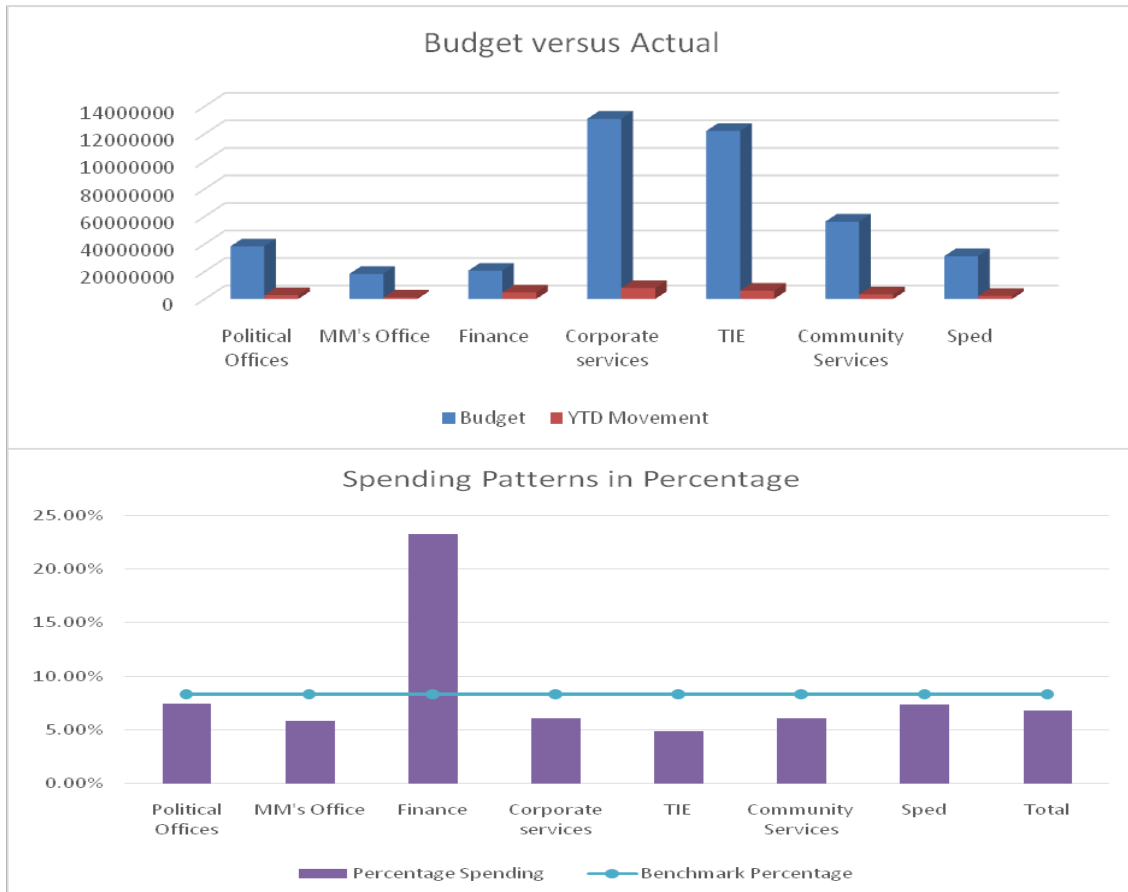
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 1 247 735 601 was generated in revenue. R 28 380 831 in expenditure.

Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 64 862 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 July 2020 signals the first month of the first quarter of the 2020/21 financial year, spending trends ought to be around 8.33%. "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 6.80% and revenue is at 29.86% 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 2020/2021 amounts to R 2 150 000 is funded internally from reserves (accumulated surplus) as clusters failed to gain external

funds for those projects when rolling out Council’s capital intensity programme and drive to assist local municipalities.

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

The spending analysis on own fixed assets as at the end of the month of July 2020 is shown in the table below:-

Description	Budget	Adjustment Budget	Movements	Monthly Spending	Balance	percentage
Furniture and equipment	200 000	0	0	0	200 000	0
Computers and printers	200 000	0	64 862	64 862	135 138	32.43
Network Infrastructure	400 000	0	0	0	400 000	0
Vehicles	1 350 000	0	0	0	1 350 000	0
Total	2 150 000	0	64 862	64 862	2 085 138	3.01

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 2020 to 30 June 2021, 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 July **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

PROJECT PLAN – CONFIRMATION OF COMPLIANCE

ANNEXURE "11"

No	Requirement	Compliance with	Period	Responsible Person	Target Date	TICK
1	Irregular expenditure constituting theft, fraud/criminal offence reported to police.	MFMA 32(6)	2018/2019	CFO/MM	Adhoc	✓
2	Impending shortfalls in budget revenue and over spending of budget reported to Council.	MFMA 70(1)	2018/2019	Charles Steyn	Adhoc	✓
3	Report on any failure to adopt/implement budget related policies to Mayor, National and Provincial Treasury.	MFMA 73	2018/2019	Charles Steyn	Adhoc	✓
4	Placing of documents on website within five days of tabling in Council.	MFMA 75	2018/2019	Kajal Wieser Charles Steyn	Adhoc	✓
5	Reasons received from delegated officials when at least three quotations not received.	Notice 868 of 2005	2018/2019	Kajal Wiese	Adhoc	✓
			2018/2019			✓
6	Any contributions in respect of inducements, rewards, gifts and favours to officers	Notice 868 of 2005	2018/2019	All Finance Staff		✓
7	Notification of intention to investigate public – private partnerships given to National Treasury prior to start of study.	0	2018/2019	CFO	Adhoc	✓
		Reg 2(1)(a)	2018/2019			✓
8	Report received from all entities of any irregular, fruitless or wasteful expenditure – submitted to Mayor, Auditor General.	MFMA 102(1)	2018/2019	Kajal Wiese	Adhoc	✓

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

EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual AUGUST 2020	Actual SEPTEMBER 2020	Trend Analysis
<i>Current Assets</i>			
Debtors	R 77 955 630	R 4 632 319	Resolution taken by both Sedibeng District and Emfuleni to offset debt against Emfuleni Creditors.
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 28 990 664	R 7 944 311	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 52 320 912	R 63 773 138	
<i>Current Liabilities</i>			
Creditors	R 262 518 824	R 185 629 646	Resolution taken by both Sedibeng District and Emfuleni Local Municipality to offset debt against Emfuleni Creditors.
<i>Cash Flow</i>			
Cash flow closing balance	R 81 352 401	R 71 717 449	Decrease due to operational activities.
Cost Coverage indicator	2.34	2.06	Decrease due to operational activities.
Operating Revenue for Month	R 6 036 788	R 15 725 477	Received to date 34.67% (benchmark 25%).
Operating Expenditure for Month	R 27 473 126	R 30 229 409	Spent to date 20.65% (benchmark 25%).
Capital Expenditure	R 42 241	R 67 752	6.13 % of total Capex budget

Item of Financial Position/ Performance	Actual AUGUST 2020	Actual SEPTEMBER 2020	Trend Analysis
for Month			spent to date (benchmark 25%).
<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 one reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 1 reporting

Cash Flow Statement - July 2020 to June 2021

	PROJECTED												Total		
	July	August	September	October	November	December	January	February	March	April	May	June			
Opening Balance	10 308 729	73 623 250	29 022 699	7 972 482	40 192 050	14 691 228	75 355 938	61 890 427	35 291 734	81 305 000	57 016 334	32 176 407	6 272 756	6 272 756	10 308 729
Cash Inflow	125 582 277	1 537 067	29 254 042	83 445 773	23 655 523	112 983 127	27 984 613	24 250 086	93 666 372	23 181 535	24 859 632	25 117 979	595 518 026		
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	765 236	393 199	1 561 936	1 301 289	987 459	931 263	3 352 424	826 970	901 394	358 890	638 298	2 938 725	14 957 093		
Licensing	-	-	20 000 000	82 037 633	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	22 000 000	278 037 633	
Transfer from call / investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners Income	175 041	143 868	146 106	108 851	140 054	133 664	117 189	149 076	135 666	151 965	120 374	179 254	1 699 108		
Subsidies and Grants	124 642 000	1 000 000	7 546 000	-	528 000	89 918 200	2 515 000	1 274 040	70 629 312	670 680	2 100 960	-	300 824 192		
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(62 267 756)	(46 137 618)	(50 304 259)	(51 226 205)	(49 156 345)	(52 318 417)	(41 450 124)	(50 848 779)	(47 653 106)	(47 470 201)	(49 699 559)	(51 021 630)	(599 553 999)		
Salaries	(23 039 427)	(23 939 862)	(26 288 935)	(24 701 889)	(24 951 138)	(24 123 849)	(24 211 092)	(28 688 931)	(24 758 684)	(23 632 620)	(24 238 290)	(24 497 243)	(295 052 960)		
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(28 845 870)	(16 477 298)	(19 035 979)	(16 477 298)	(17 000 000)	(14 727 698)	(11 079 328)	(17 875 233)	(15 308 207)	(17 875 233)	(17 875 233)	(17 875 233)	(210 452 610)		
Other Creditors	(10 382 459)	(5 720 458)	(4 999 345)	(10 047 018)	(7 205 207)	(13 466 870)	(6 159 704)	(6 283 615)	(7 586 215)	(5 962 348)	(7 586 036)	(8 649 154)	(94 048 429)		
External In/Red	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	73 623 250	29 022 699	7 972 482	40 192 050	14 691 228	75 355 938	61 890 427	35 291 734	81 305 000	57 016 334	32 176 407	6 272 756	6 272 756		

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

2017/02/28	12 055 564,44
2017/03/31	14 449 661,55
2017/04/30	12 665 528,14
2017/05/31	16 430 437,27
2018/09/30	16 027 541,88
2019/01/31	18 583 787,44
2019/09/30	15 045 876,16
2019/10/31	18 238 715,20
TOTAL	124 557 502,18

Grants received and spent for September

Description	Original Budget	Adjustment Budget	Grants tranche received for the month	Total Grants Received July to date	Total Grants Spent July to date	Actual August	September	Balance	%	Comment
Equitable Share	362,240,514	366,263,047	0	124,642,000	79,142,043	24,994,866	27,444,081	287,121,004	22	First tranche of Equitable share received in July
RAMS	2,456,000	2,456,000	0	0	55,196.16	15,149	24,899	2,400,804	2	Interns Stipend
FMG	1,000,000	1,000,000	0	1,000,000	162,726	95,064	33,664	837,274	16	Interns Stipend
EPWP	1,000,000	1,000,000	0	250,000	2,020	0	0	997,780	0	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AIDS	11,148,000	11,148,000	0	5,577,000	998,386.00	0	998,386	10,149,614	9	No expenditure Incurred.
Water Services	15,825,000	15,825,000	0	0	0	0	0	15,825,000	0	No expenditure Incurred.
DSRACH	2,654,000	2,654,000	0	0	690,281	0.00	0.00	1,963,719	26	Expenditure incurred for YDP managed by community services.
Total	396,323,514	400,346,047	0	131,469,000	81,050,653	25,105,079	28,501,030	319,295,194	20	

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 September 2020.

The debtor’s book balance of the municipality as attached in annexure A is R 4,632,319 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
1,347,480	1,618,436	0	0	0	0	0	1,666,403	4,632,319

Bank reconciliation

Annexure” C1 – 4” indicate the bank reconciliations prepared for the month of August 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 71 717 449 as at the end of September 2020.

The remaining cash balance must meet operational requirements till end of November 2020, until receipt of the next equitable tranche due in December 2020.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 185 629 646 payable to the Trade creditors in September 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
32,277,837	0	0	0	0	14,887,843	18,238,715	120,225,251	185,629,646

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 15 725 478. Outgoing payments were made to the amount of R 30 229 409. Taking into account the opening cashbook balance, this left a favorable closing balance of R 71 758 275 , at the end of September 2020 period, which shows a decrease margin from last month’s closing balance.
 Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{= (71\,717\,449) + R0}{R\,34\,768\,431}$$

= 2.06 TIMES

The cost coverage of the municipality indicates 2.06 monthly fixed operating expenditure and shows that the cash flow of the municipality are favorable. Our cash formula on hand must cover at least until end of November 2020 as the next equitable share allocation is in December 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 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 2020/21 amounting to R 124 642 000.00 was received in the month of July

Finance Management Grant (FMG):

An amount of R 1000 000 was received and expenditure incurred of R 33 998 in month of September .The FMG Interns were involved in the following activities during the month of September 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

No grants received for month of September. Expenditure incurred of R 24 899.

HIV/Aids:

R 5 577 000 was received and R 998 386 was spent for the Month of September 2020, The Expenditure incurred it is for payment of Salaries for the first quarter.

EPWP Projects:

First Tranche of R 250 000 was received and expenditure incurred for the month of September was R 0.

Water Services

No Grants received in the month of September.

YOUTH CENTRES (NYDA)

No grant received for the month of September, Expenditure incurred of R 0.

Grant payments to Local Municipalities:

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

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.

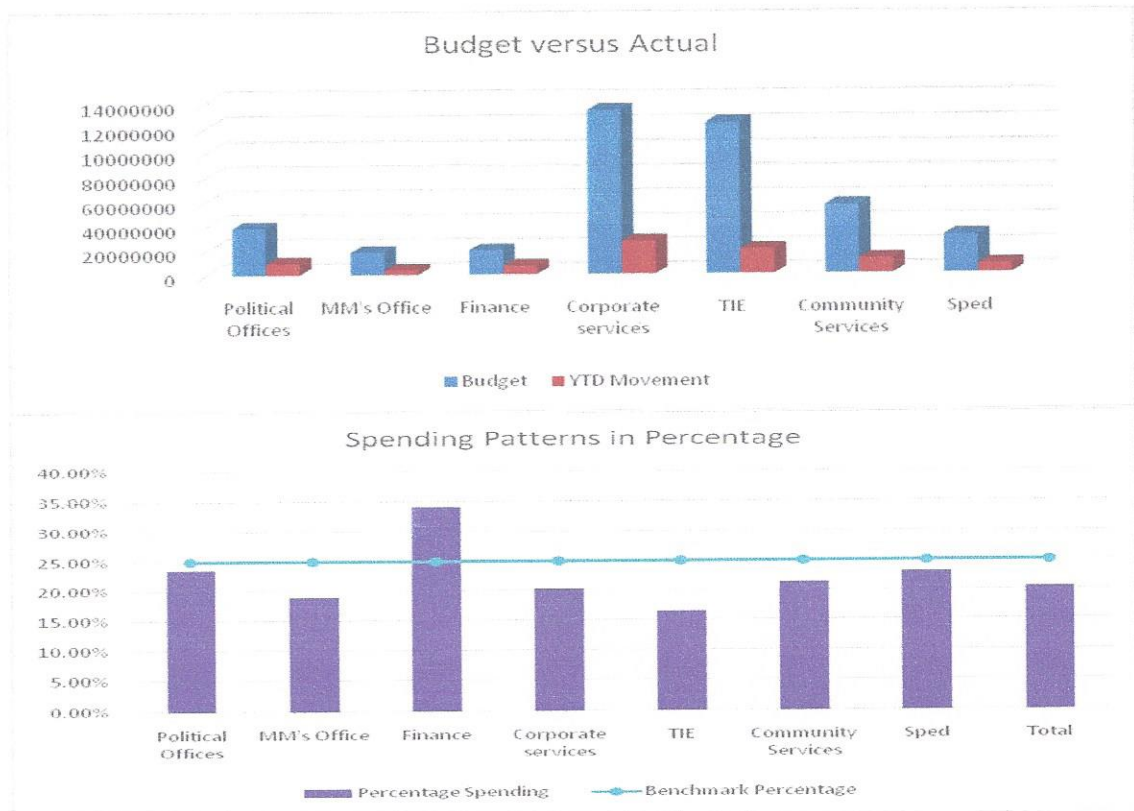
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

"See Annexures G, H & I"

a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 15 725 477 was generated in revenue. R 30 229 409 in expenditure.

Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 67 752 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 September 2020 signals the third month of the first quarter 2020/21 financial year, spending trends ought to be around 25%. "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 34.67% and revenue is at 20.65% 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 2020/2021 amounts to R 2 850 000 is funded internally from reserves (accumulated surplus) as clusters failed to gain external funds for those projects when rolling out Council's capital intensity programme and drive to assist local municipalities.

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

The spending analysis on own fixed assets as at the end of the month of September 2020 is shown in the table below:-

Description	Budget	Adjustment Budget	Monthly Spending	Commitment	Movements	Balance	percentage
Furniture and equipment	200 000	200 000	24978	0	24 978	175 022	12.4
Computers and printers	200 000	200 000	0	0	65 542	134 458	33
Network Infrastructure	400 000	400 000	42 775	0	84 336	315 664	21
Vehicles	1 350 000	2 050 000	0	0	0	1 350 000	0
Total	2 150 000	2 850 000	67 752	0	174 856	2 675 144	6.13

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 2020 to 30 June 2021, 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 September 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