

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END JULY 2019

(9/1/3/6)

Cluster : Finance
Portfolio: Financial Management

1. PURPOSE

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

2. OBJECTIVE

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

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

3. LEGISLATIVE REQUIREMENTS:

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

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

4. BACKGROUND

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

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

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

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

5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual JUNE 2019	Actual JULY 2019	Trend Analysis
<i>Current Assets</i>			
Debtors	R 59 310 364	R 60 173 259	Increase in previous month due to Emfuleni local municipality billing.
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 7 019 353	R 66 987 780	Increase due to receipt of equitable share.
Cashbook balance (bank reconciliation) Licensing	R 14 444 124	R 19 853 966	
<i>Current Liabilities</i>			
Creditors	R 189 492 274	R 177 885 785	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 21 504 102	R 86 882 571	Increase due to first tranche of Equitable Share
Cost Coverage indicator	0.68	2.43	Increase due to receipt of equitable share.
Operating Revenue for Month	R 11 152 114	R 113 858 490	Received to date 28% (benchmark 8.33%).
Operating Expenditure for Month	R 38 046 341	R 30 472 510	Spent to date 7% (bench mark 8.33%).
Capital Expenditure for Month	R 88 955	R 24 324	2% of total Capex budget spent to date (benchmark 8.33%).
<i>MFMA Compliance</i>			

Item of Financial Position/ Performance	Actual JUNE 2019	Actual JULY 2019	Trend Analysis
Monthly reports	MFMA 71,66	MFMA 71,66	Submit monthly reports on budget implementation and employee costs.
Budget	MFMA 75(1) MFMA 53 MFMA 71 MFMA 66 MFMA 21 (1)(b)	MFMA 71 MFMA 54(1)	Submit monthly report on the budget Review implementation of budget and service delivery and budget implementation plan
Quarter four reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 4 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	7,030,445	66,696,164	67,115,466	34,872,663	6,949,544	(12,278,210)	50,202,790	23,532,109	(3,471,559)	40,427,915	13,654,576	(19,936,166)	7,000,445
Cash Inflow	131,667,961	47,173,915	23,950,901	28,533,601	28,388,562	111,944,632	24,230,055	23,205,225	90,987,602	22,920,770	25,099,546	26,188,930	583,601,120
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	890,968	1,261,249	688,774	1,325,944	2,787,043	429,204	2,132,042	1,088,704	1,583,390	795,265	2,891,602	3,065,074	19,060,280
Licensing	19,000,000	39,545,614	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	22,000,000	278,545,614
Transfer from call Investment	149,972	195,652	89,127	112,657	103,839	103,770	89,013	116,521	115,724	124,505	117,944	103,666	1,341,680
Medical and Pensioners income	111,927,000	6,261,400	1,173,000	5,095,000	3,507,600	89,411,058	-	-	67,278,468	-	-	-	284,653,546
Subsidies and Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(72,300,222)	(46,756,613)	(56,193,624)	(54,456,929)	(49,624,339)	(45,466,032)	(50,900,735)	(50,208,693)	(47,088,128)	(49,494,109)	(46,860,306)	(51,595,140)	(627,973,961)
Salaries	(23,177,017)	(20,305,310)	(20,399,175)	(23,762,494)	(23,740,816)	(22,837,051)	(23,038,626)	(24,994,233)	(22,753,293)	(23,199,214)	(22,515,669)	(23,015,088)	(282,741,868)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(36,515,909)	(18,464,466)	(17,347,675)	(18,000,000)	(18,000,000)	(18,000,000)	(18,000,000)	(18,000,000)	(18,000,000)	(18,000,000)	(18,000,000)	(18,000,000)	(234,328,243)
Other Creditors	(12,607,305)	(7,892,639)	(9,448,474)	(12,664,426)	(7,883,518)	(8,627,971)	(9,662,210)	(7,214,660)	(6,331,845)	(6,294,895)	(9,374,639)	(10,590,052)	(110,903,633)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	66,696,164	67,115,466	34,872,863	6,949,544	(12,276,210)	50,202,790	23,532,109	(3,471,559)	40,427,915	13,654,576	(10,936,166)	(37,342,396)	(37,342,396)

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

2/28/2017	12,065,954
3/31/2017	14,449,662
4/30/2017	12,665,628
6/31/2017	16,490,437
9/30/2018	16,027,542
1/31/2019	18,583,787
TOTAL	90,272,911

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 June	Actual July	Balance	%	Comment Trend Analysis
Equitable Share	268,626,000	0	111,927,000	111,927,000	28,705,578	33,712,360	28,705,578	239,920,422	10.6	Decrease from Previous Month
RRAM	2,580,000	0	0	0	31,815	149,038	31,815	2,548,185	1.2	Monthly stipend for the interns
FMG	1,000,000	0	0	0	98,902	36,600	98,902	901,098	9.8	Monthly stipend for the interns
EPWP	1,173,000	0	294,000	294,000	31,815	0	31815	1,141,185	3.1	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AID	8,769,000	0	0	0	0	332,091	0	8,769,000	0	No expenditure Incurred.
Water Services	15,000,000	0	0	0	0	0	0	15,000,000	0	No expenditure Incurred.
Youth Development Grant	2,515,000	0	0	0	0	815,567	0	2,515,000.00	0	No expenditure Incurred.
Total	299,663000	0	112,221,000	112,221,000	28,868,110	34,713,565	28,868,110	270,794,890	10	

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 July 2019.

The debtor’s book balance of the municipality as attached in annexure A is R 60 173 259 The major debtors were:

- a. R 60 173 259 is due from Emfuleni Local Municipality for IT and ad-hoc services and Debtors age analysis as follows;

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
R 1 040 667	R 3 049 225	R 1 929 751	R 238 193	R 1 441 481	R 19 634	R 5 183 730	R47 270 578	R 60 173 259

Bank reconciliation

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

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

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

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

The cashbook shows a favorable balance of R 86 841 776 as at the end of July 2019. The remaining cash balance must meet operational requirements for July 2019 until receipt of the next equitable tranche due in November 2019.

b) Current Liabilities

Creditors’ Age Analysis

Annexure “D” represents the creditors’ age analysis of R 177 885 785 payable to the Trade creditors in July 2019. An amount of R 90 272 911 is due payable to the licensing authority,

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
16 173 479	0	0	0	6 811 409	16 371 908	32 829 583	105 699 406	177 885 785

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 R108 751 035. Outgoing payments were made to the amount of R 28 678 625 Taking into account the opening cashbook balance, this left a favorable closing balance of R 86 882 571 at the end of the July

2019 period, which shows a increase margin from last month's closing balance.

Cost coverage indicator

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

The cost coverage formula =
$$\frac{(86\ 841\ 745) + R0}{R\ 35\ 752\ 285}$$

= 2.43 TIMES

Although the cost coverage of the municipality indicates 2.43 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 2019 as the next equitable share allocation is in December 2019. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2016/17 as well as 2017/18.

Grant allocations and expenditure:

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

Equitable Share:

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

Finance Management Grant (FMG):

Awaiting transfer from National treasury of 1 000 000 to be paid in August 2019, expenditure incurred of R98 902 for the month July.

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

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

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

RRAM

Awaiting transfer from National Treasury of R 2,580,000 expenditure incurred in July R31 815.

HIV/Aids:

Awaiting transfer from Provincial Treasury of R8,769,000

EPWP Projects:

First tranche of EPWP received of 294,000 in August 2019.

Grant payments to Local Municipalities:

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

6.2 Financial Performance

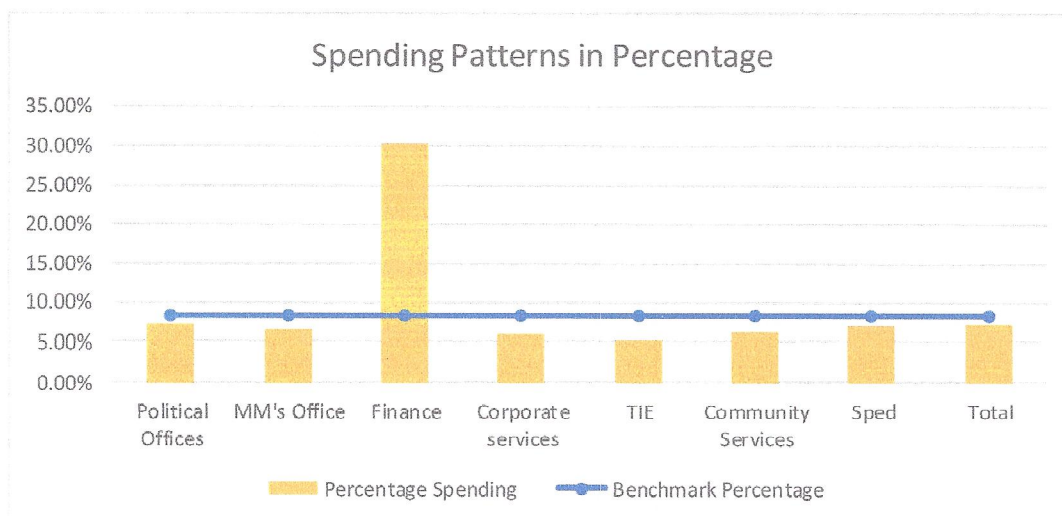
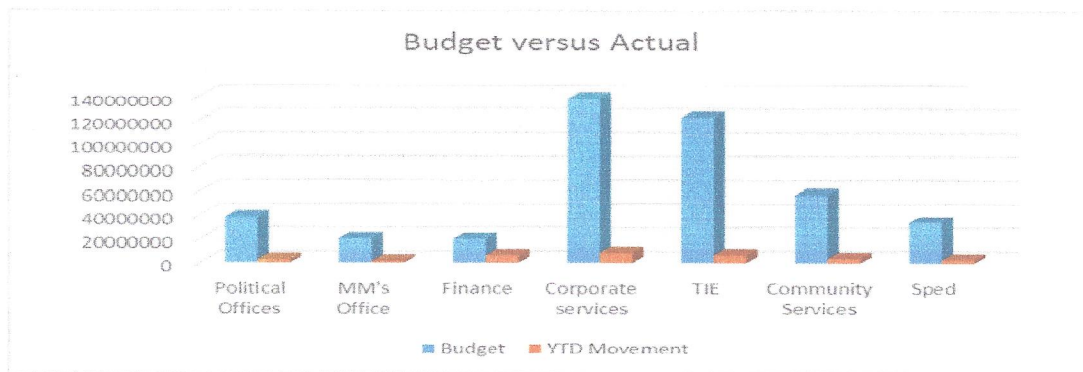
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue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

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

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 113,858,490 was generated in revenue. R30,472,510 was spent during the month of July 2019.



Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 24,324 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 2019 signals the first month of the first quarter of the 2019/20 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 7.10% and revenue is at 28.07% 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 below

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.

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 2019 is shown in the table below:-

Description	Original Budget	Adjustment Budget	Current Month	Committed	YTD Movement	Available	%Spent
Furniture and Equipment	250 000	250 000	24 324	0	24 324	225 676	1.0%
Computers and Printers	800 000	800 000	0	0	0	800 000	0%
Networks	700 000	1 200 000	0	0	0	0	0%
Sub total	1 750 000	1 635 859	24 324	0	24 324	1 725 676	2%

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



MR. J KASVOSVE
CHIEF FINANCIAL OFFICER

26/9/2019
Date

CLLR. P B TSOTETSI
MMC FOR FINANCE

Date

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END AUGUST 2019

(9/1/3/6)

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Portfolio: Financial Management

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2. OBJECTIVE

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- a) Makes rational decisions about the allocation of resources;
- b) Assess the current provision of services, as well as the sustainability of future service delivery;
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Cashbook balance (bank reconciliation) Licensing	R 19 853 966	R 26 951 311	
<i>Current Liabilities</i>			
Creditors	R 177 885 785	R 210 510 580.68	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 86 882 571	R 63 305 034	Decrease due to operational activities.
Cost Coverage indicator	2.43	1.77	Decrease due to operational activities.
Operating Revenue for Month	R 113 858 490	R 10 788 770	Received to date 31% (benchmark 17%).
Operating Expenditure for Month	R 30 472 510	R 29 345 837	Spent to date 14% (bench mark 17%).
Capital Expenditure for Month	R 24 324	R 75 283	6% of total Capex budget spent to date (benchmark 17%).
<i>MFMA Compliance</i>			

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Quarter four reports		MFMA 11 MFMA 52	Quarterly Withdrawals Quarter 1 reporting

Cash Flow Statement - July 2019 to June 2020

	PROJECTED												Total
	July	August	September	October	November	December	January	February	March	April	May	June	
Opening Balance	7 030 446	66 698 185	36 322 053	41 586 275	15 662 966	(5 562 798)	56 916 202	30 245 521	3 241 853	47 141 327	20 567 988	(4 222 774)	7 030 446
Cash Inflow	131 967 961	22 375 832	55 821 065	28 533 601	28 398 582	111 944 032	24 230 055	23 205 225	90 987 802	22 920 770	25 099 546	25 188 930	590 673 201
RSC Levies	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	890 989	1 162 444	688 774	1 325 944	2 787 043	429 204	2 132 042	1 068 704	1 593 390	796 265	2 981 602	3 085 074	18 961 475
Licensing	19 000 000	18 000 000	48 897 364	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	283 897 364
Transfer from call / Investment	-	-	-	-	-	-	-	-	-	-	-	-	-
Medical aid Pensioners Income	149 972	113 388	89 127	112 657	103 939	103 770	98 013	116 521	115 724	124 505	117 944	103 856	1 349 416
Subsidies and Grants	111 927 000	3 100 000	6 145 800	5 095 000	3 507 600	89 411 058	-	-	67 278 488	-	-	-	286 464 946
Less RD Cheques	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Outflow	(72 300 222)	(52 751 964)	(50 556 843)	(54 456 920)	(49 624 336)	(49 485 032)	(50 900 736)	(50 208 893)	(47 068 128)	(49 494 109)	(49 890 308)	(51 595 140)	(628 332 631)
Salaries	(23 177 017)	(23 924 129)	(23 762 494)	(23 762 494)	(23 740 818)	(22 837 061)	(23 038 526)	(24 994 233)	(22 753 283)	(23 199 214)	(22 515 669)	(23 015 088)	(280 720 026)
Capital Projects	-	-	-	-	-	-	-	-	-	-	-	-	-
Sundries	-	-	-	-	-	-	-	-	-	-	-	-	-
Licensing	(36 515 900)	(18 031 502)	(17 347 875)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(18 000 000)	(233 896 277)
Other Creditors	(12 607 305)	(10 796 333)	(9 446 474)	(12 694 426)	(7 883 518)	(8 627 971)	(9 852 210)	(7 214 660)	(6 334 845)	(8 294 895)	(9 374 639)	(10 580 062)	(113 717 328)
External Int/Red	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to call	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance	66 698 185	36 322 053	41 586 275	15 662 956	(5 562 798)	56 916 202	30 245 521	3 241 853	47 141 327	20 567 988	(4 222 774)	(30 628 984)	(30 628 984)

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

2017/02/28	12 055 954
2017/03/31	14 449 662
2017/04/30	12 663 528
2017/05/31	16 490 437
2018/06/30	16 027 542
2019/01/31	18 583 787
TOTAL	90 272 911

Grants received and spent for August

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	Actual August	Balance	%	Comment Trend Analysis
Equitable Share	268,626,000	0	0	111,927,000	56,111,994	33,712,360	27,406,416	212,514,006	20.89	Decrease from Previous Month
RRAM	2,580,000	0	0	1,806,000	67,112	31,815	35,297	2,512,888	1.2	Monthly stipend for the interns
FMG	1,000,000	0	0	1 000,000	188,517	98,902	89,615	811,483	19	Monthly stipend for the interns
EPWP	1,173,000	0	0	294,000	31,815	31,815	0	1,141,185	3.1	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AID	8,769,000	0	0	0	0	0	0	8,769,000	0	No expenditure Incurred.
Water Services	15,000,000	0	0	0	0	0	0	15,000,000	0	No expenditure Incurred.
Youth Development Grant	2,515,000	0	0	0	588,000	292,174	295,826	1,927,000	0	Expenditure Incurred.
Total	299,663,000	0	0	112,221,000	56,987,438	34,167,066	27,827,154	242,675,562	19	

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 August 2019.

The debtor's book balance of the municipality as attached in annexure A is R 61 146 207 207 and bad debts impairment R 7 325 469.00

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
1,079,003.00	934,620.00	3,049,225.00	1,929,751.00	238,193.00	1,441,481.00	3,260,741.00	49,213,193.00	61,146,207.00

Bank reconciliation

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

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

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

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

The cashbook shows a favorable balance of R 63 305 034 as at the end of August 2019.

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

b) Current Liabilities

Creditors' Age Analysis

Annexure "D" represents the creditors' age analysis of R 210 511 000 payable to the Trade creditors in August 2019. An amount of R 90 272 911 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
25,493,510.00	-	-	-	-	6,811,409.00	49,201,491.00	128,828,110.00	210,334,520.00

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 R10 879 000. Outgoing payments were made to the amount of R 29 345 837 Taking into account the opening cashbook balance, this left a favorable closing balance of R 63 305 000 at the end of the August 2019 period, which shows a increase margin from last month's closing balance.

Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{= (63\,305\,304) + R0}{R\,35\,752\,285}$$

= 1.77 TIMES

Although the cost coverage of the municipality indicates 1.77 monthly fixed operating expenditure and shows that the cash flow of the municipality are unfavorable. Our cash formula on hand must cover at least until end of November 2019 as the next equitable share allocation is in December 2019. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2016/17 as well as 2017/18.

Grant allocations and expenditure:

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

Equitable Share:

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

Finance Management Grant (FMG):

R 1 000 000 was paid in August 2019, expenditure incurred of R89 615 for the month August.

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

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

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

RRAM

R 1 806 000 received in August expenditure incurred of 35 297.

HIV/Aids:

Awaiting transfer from Provincial Treasury of R8,769,000

EPWP Projects:

First tranche of EPWP received of 294,000 in August 2019 No expenditure incurred.

Grant payments to Local Municipalities:

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

6.2 Financial Performance

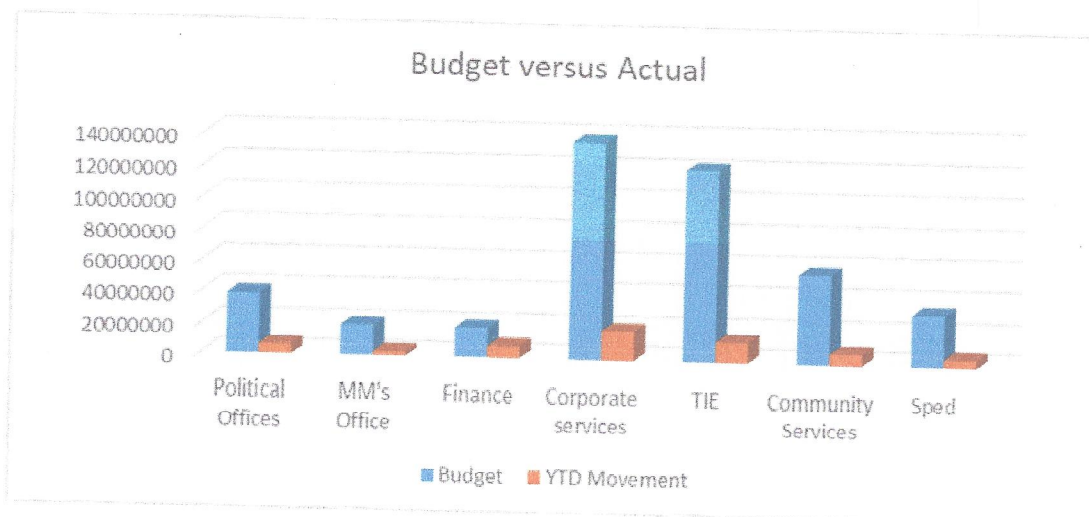
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue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

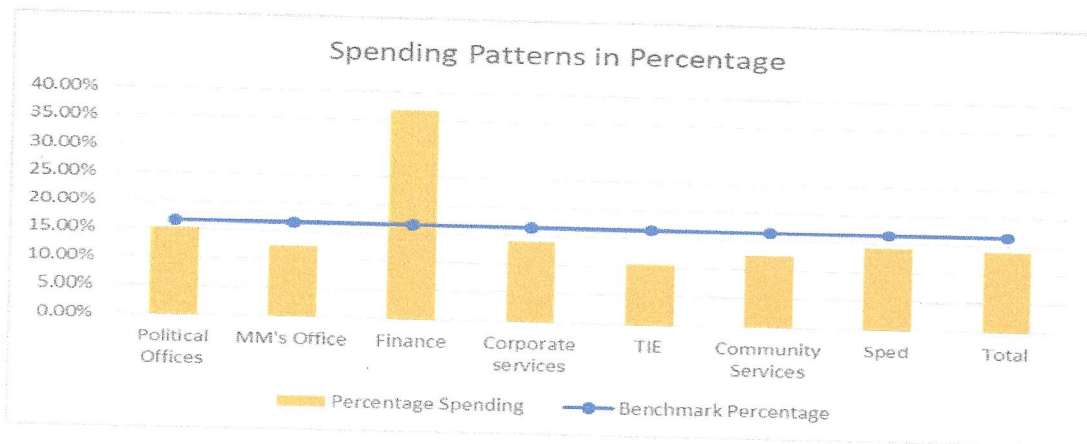
Operating expenses are incurred in the course of conducting normal Council business. They are classified by function such as employee related costs, general expenses, finance charges and contributions to provisions.

"See Annexures G, H & I"

a) Actual revenue and expenditure

Annexure "G" represents the organizational Operating Revenue and Expenditure which illustrates that R 10 788 770 was generated in revenue. R29 345 837 was spent during the month of August 2019.





Annexure "H" represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 75 000 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 August 2019 signals the second month of the first quarter of the 2019/20 financial year, spending trends ought to be around 16.66%. "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 14% and revenue is at 31% 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 below

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.

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 August 2019 is shown in the table below:-

Description	Original Budget	Adjustment Budget	Current Month	Committed	YTD Movement	Available	%Spent
Furniture and Equipment	250 000	0	30 940	0	55 174	194 826	22%
Computers and Printers	800 000	0	0	0	0	800 000	0%
Networks	700 000	0	44 343	0	44 343	1 155 657	6.34%
Sub total	1 750 000	0	75 283	0	99 517	1 650 483	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 **August 2019** as per attach annexure "A" to "J" be considered as prescribed by section 54(1) of the Local Government: Municipal Finance Management Act, 56 of 2003.



MR. J KASVOSVE
CHIEF FINANCIAL OFFICER

26/9/2019
Date

CLLR. P B TSOTETSI
MMC FOR FINANCE

Date

MONTHLY FINANCIAL MANAGEMENT REPORT AS AT END SEPTEMBER 2019

(9/1/3/6)

Cluster : Finance
Portfolio: Financial Management

1. PURPOSE

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

2. OBJECTIVE

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

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

3. LEGISLATIVE REQUIREMENTS:

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

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

4. BACKGROUND

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

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

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

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

5. EXECUTIVE SUMMARY

Item of Financial Position/ Performance	Actual AUGUST 2019	Actual SEPTEMBER 2019	Trend Analysis
<i>Current Assets</i>			
Debtors	R 61 146 207	R 61 141 245	Decrease in previous month due to Emfuleni local municipality billing done in October.
<i>Cash & cash equivalents:</i>			
Cashbook balance (bank reconciliation) Primary	R 36 312 897.51	R 7 594 908	Decrease due to operational activities.
Cashbook balance (bank reconciliation) Licensing	R 26 951 311	R 26 553 160	
<i>Current Liabilities</i>			
Creditors	R210 510 580	R 212 351 829	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 63 305 034	R 34 188 892	Decrease due to operational activities.
Cost Coverage indicator	1.77	0.96	Decrease due to operational activities.
Operating Revenue for Month	R 10 788 770	R 808 837.26	Received to date 31% (benchmark 25%).
Operating Expenditure for Month	R 29 345 837	R 31 665 766	Spent to date 21% (bench mark 25%).
Capital Expenditure for Month	R 75 283	R 138 230	14% of total Capex budget spent to date (benchmark 25%).
<i>MFMA Compliance</i>			

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

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	Actual Septem	Balance	%	Comment
Equitable Share	268,626,000	0	111,927,000	111,927,000	85,760,462	27,406,416	29,648,467.38	182,865,538	32	Increase from Previous Month due to operational activities
RRAM	2,580,000	0	0	1,806,000	126,655.00	35,297	59,543	2,453,344	5	Interns Stipend
FMG	1,000,000	0	0	1,000,000	232,117	89,615	43,599	767,883	24	Interns Stipend
EPWP	1,173,000	0	294,000	294,000	106,284	53,142.81	53,142.81	1,066,716	9.06	Expenditure incurred for EPWP grants programs managed by SPED
HIV&AID	8,769,000	0	0	0	0	0	0	8,769,000	0	No expenditure Incurred.
Water Services	15,000,000	0	0	0	0	0	0	15,000,000	0	No expenditure Incurred.
Youth Development Grant	2,515,000	0	0	0	897,936	295,826	295,826	1,617,034	36	Expenditure incurred for YDP managed by community services.
Total	299,663,000	0	112,221,000	113,221,000	87,311,971	27,880,297	30,100,578	212,350,998	30	

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 2019.

The debtor's book balance of the municipality as attached in annexure A is R 61 141 245 and bad debts impairment R 7 325 469

0-30 days	31-60	61-90	91-120	121-150	151-180	181-1 Yr	Over 1 Yr	Total
0	1 074 041	934 620	3 049 225	1 929 751	238 193	4 603 908	4 931 1507	61 141 245

Bank reconciliation

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

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

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

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

The cashbook shows a favorable balance of R 34 148 068 as at the end of September 2019.

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

b) Current Liabilities

Creditors' Age Analysis

Annexure "D" represents the creditors' age analysis of R 212 653 302 payable to the Trade creditors in September 2019. An amount of R 90 272 911 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
15285979	0	0	0	0	0	54988740	142 378 583	212 653 302

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 R10 879 000. Outgoing payments were made to the amount of R 29 345 837 Taking into account the opening cashbook balance, this left a favorable closing balance of R 63 305 000 at the end of the August 2019 period, which shows a increase margin from last month's closing balance.

Cost coverage indicator

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

$$\text{The cost coverage formula} = \frac{(34\,188\,892) + R0}{R\,35\,752\,285}$$

= 0.96 TIMES

Although the cost coverage of the municipality indicates 0.96 monthly fixed operating expenditure and shows that the cash flow of the municipality are unfavorable. Our cash formula on hand must cover at least until end of November 2019 as the next equitable share allocation is in December 2019. The formula does not take into consideration the contingent assets and liabilities whereby if taken into consideration this will indicate that the municipality is having a liquidity problem as identified in the AG reports of 2016/17 as well as 2017/18.

Grant allocations and expenditure:

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

Equitable Share:

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

Finance Management Grant (FMG):

R 1 000 000 was paid in August 2019, expenditure incurred of R 43 599 for the month September.

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

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

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

RRAM

R 1 806 000 received in August expenditure incurred in September of R 59 543.

HIV/Aids:

Awaiting transfer from Provincial Treasury of R8 769 000 which will be received in tranches.

EPWP Projects:

First tranche of EPWP received of 294,000 in August 2019 expenditure incurred of R 53,143 in September.

Grant payments to Local Municipalities:

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

6.2 Financial Performance

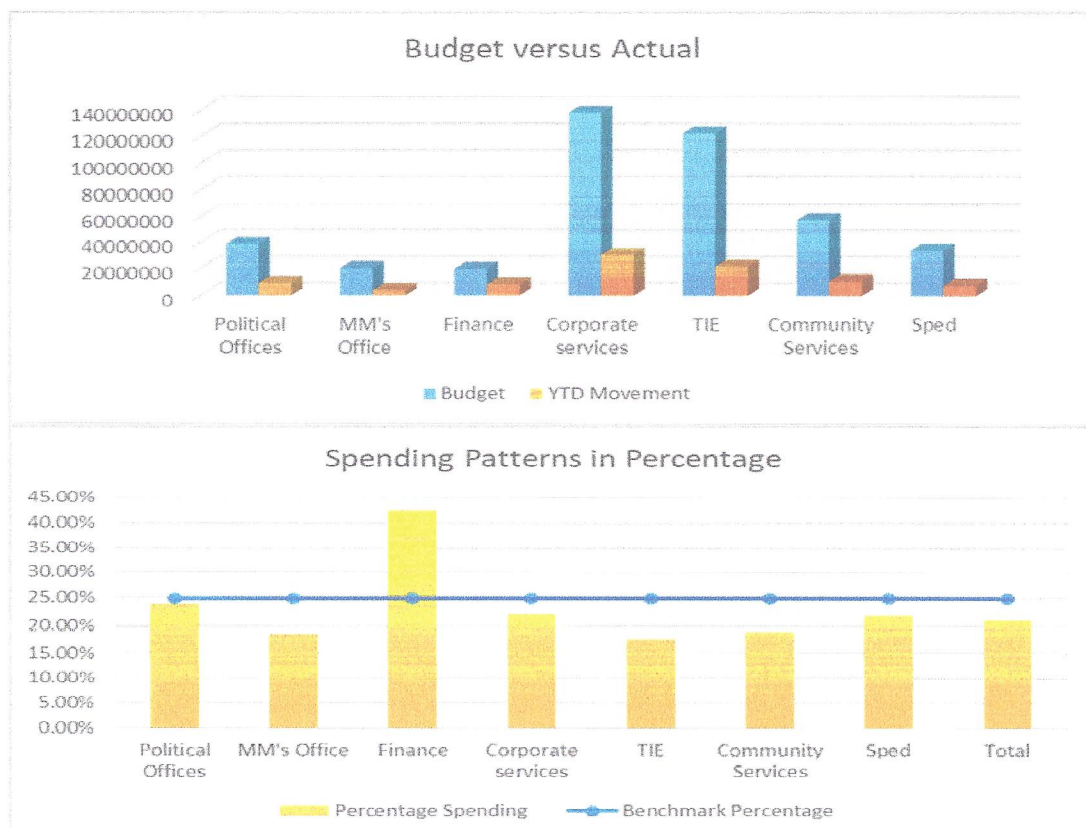
Financial performance shows the results of operations for the given period. It lists sources of revenue and expenses. The statement measures the performance of Council for a given period of time. Surplus or deficit is used to measure financial performance and directly related to the measurement of revenue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

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

“See Annexures G, H & I”

a) Actual revenue and expenditure

Annexure “G” represents the organizational Operating Revenue and Expenditure which illustrates that R 808 837 was generated in revenue. R 31 665 766 was spent during the month of September 2019.



Annexure “H” represents the Capital expenditure and Revenue sources. Capital expenditure amounted to R 138 230 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 2019 signals the third month of the first quarter of the 2019/20 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 21% and revenue is at 31% 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.

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 2019 is shown in the table below:-

Description	Original Budget	Adjustment Budget	Current Month	Committed	YTD Movement	Available	%Spent
Furniture and Equipment	250 000	0	109 099	0	164 364	85 636	66%
Computers and Printers	800 000	0	29 130	0	73 474	726 526	9%
Networks	700 000	0	0	0	0	700 000	0%
Sub total	1 750 000	0	138 229	0	237 838	1 512 162	14%

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

MS. K WIESE
ACTING CHIEF FINANCIAL OFFICER

CLLR. P B TSOTETSI
MMC FOR FINANCE

Date

Date