

**FINANCIAL SERVICES DEPARTMENT:
MUNICIPAL FINANCE MANAGEMENT ACT (MFMA):
PRELIMINARY MONTHLY IN-YEAR MONITORING FINANCIAL REPORT FOR THE
PERIOD ENDING 31 OCTOBER 2014.**

1. PURPOSE

The purpose of this report is to comply with section 71 of the Municipal Finance Management Act (MFMA) and the requirements as promulgated in the Government Gazette No 32141 of 17 April 2009.

2. STRATEGIC OBJECTIVE

To ensure good governance, financial viability and optimal institutional transformation with capacity to execute its mandate.”

3. BACKGROUND

Section 52 (d) and 71 of the MFMA and in terms of Section 28 of the Government Notice 32141 dated 17 April 2009, regarding the “Local Government: Municipal Finance Management Act 56 of 2003, Municipal Budget and Reporting Regulations” necessitates that specific financial particulars be reported on and in the format prescribed, hence this report to meet legislative compliance.

“The Mayor of a municipality-

52(d) must, **within 30 days of the end of each quarter**, submit a report to council on the implementation of the budget and the financial state of the municipality;”

“71(1) The accounting officer of a municipality must by no later than **10 working days after the end of each month** submit to the mayor of the municipality and the relevant treasury a statement in the prescribed format on the state of the municipality’s budget reflecting the following particulars for the month and for the financial year up to the end of that month: ...”.

“28.The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.”

For the reporting period ending 31 October 2014 the ten working day reporting limit expired on **14 November 2014**.

Further, Section 31(1) of the Government Gazette No 32141 of 17 April 2009 prescribes the following:

“31.(1) The mayor’s quarterly report on the implementation of the budget and financial state of affairs of the municipality as required by section 52(d) of the Act must be –

- (a) in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and
- (b) consistent with the monthly budget statement for September, December, March and June as applicable; and
- (c) **Submitted to the National Treasury and the relevant Provincial Treasury within five days of tabling of the report in the council.**”

4. EXECUTIVE SUMMARY

The SFP shown in Annexure A, Table C4, is prepared on a similar basis to the prescribed budget format, detailing revenue by source type and expenditure by input type. The summary report indicates the following:

Description	October YTD Budget R'000	October YTD Actual R'000	Variance Fav(Unfav) R'000
Total Revenue by Source (Excluding Capital Transfers)	137 120	185 938	48 818
Total Operating Expenditure	140 930	87 815	53 114
SURPLUS/DEFICIT	-3 810	98 122	101 932

The major operating revenue variances against budget are:

- Service Charges
- Transfers recognised – Grants Received
- Other

The major operating expenditure variances against budget are:

- Employee related costs
- Bulk purchases; Depreciation and
- Other expenditure

The reasons for variances per source group are cited in Annexure A, Table C1 of this report.

The Capital expenditure report shown in Annexure A, Table C5 has been prepared on the basis of the format required to be lodged electronically with National Treasury, and is categorised by municipal vote. The summary report indicates the following:

Executive Summary –Capital Expenditure

Funding Source	Annual Budget	Adjustment Budget	Carry Over	YTD Budget	Actual	Variance
MIG	97 264 000	0	-66 590 951	24 316 000	95 813 369	-71 497 369
MASSIFICATION	6 104 000	0	15 235 291	5 334 823	8 473 342	-3 138 519
WATER INFRASTRUCTURE GRANT	28 611 000	0	4 027 338	8 159 585	383 766	7 775 819

Spending on MIG has accelerated due projects implementation. The municipality overspent the MIG allocation in the previous financial year by an amount of R 66.6 million. This amount was bridge financed by a DBSA loan of R 70 million as MIG front loading. The municipality has received the total MIG allocation amounting to R97.2 million for the current financial year. Of this allocation R 70 000 million has been paid back to DBSA as it was for front loading in the 2014 financial year as per loan agreement.

5. IN-YEAR BUDGET STATEMENT TABLES: OCTOBER 2014 REPORT

The preliminary financial results for the period ended 31 October 2014 (i.e. 04 month of the 2014/15 financial year) are attached consisting of the following tables, in Annexure A:

Part 1

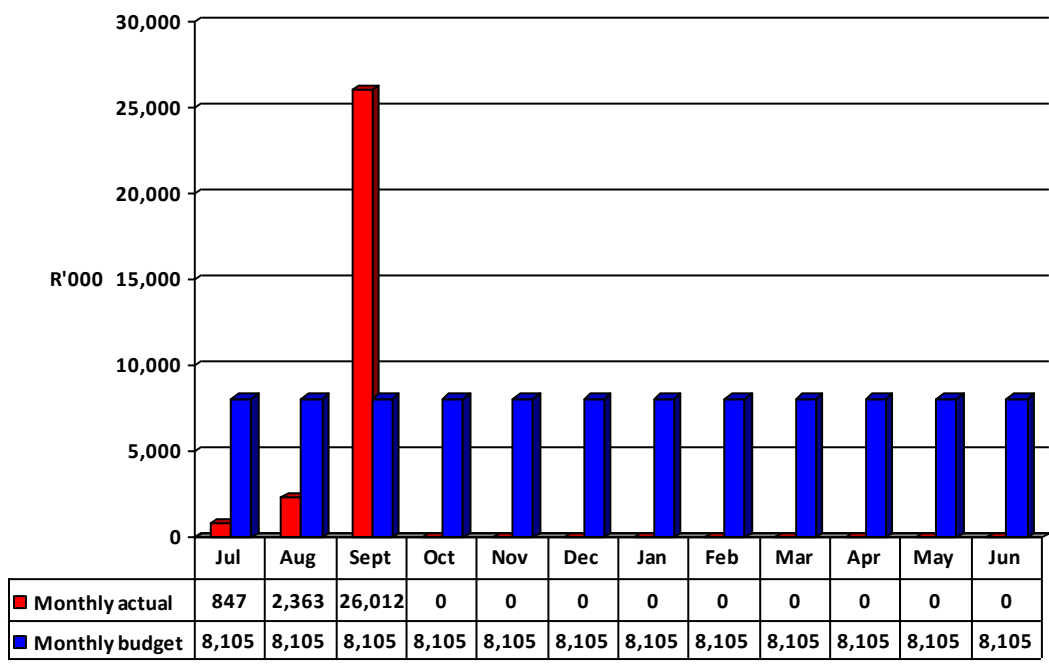
- (a) Table C1: Consolidated Monthly Budget Statement – Summary
- (b) Table C2: Consolidated Monthly Budget Statement – Financial Performance (standard Classification)
- (c) Table C3: Consolidated Monthly Budget Statement – Financial Performance (Revenue and Expenditure by Municipal vote)
- (d) Table C4: Consolidated Monthly Budget Statement – Financial Performance (Revenue and Expenditure)
- (e) Table C5: Consolidated Monthly Budget Statement – Capital Expenditure by vote, standard classification and funding
- (f) Table C6: Consolidated Monthly Budget Statement – Financial Position
- (g) Table C7: Consolidated Monthly Budget Statement – Cash Flow

Part 2

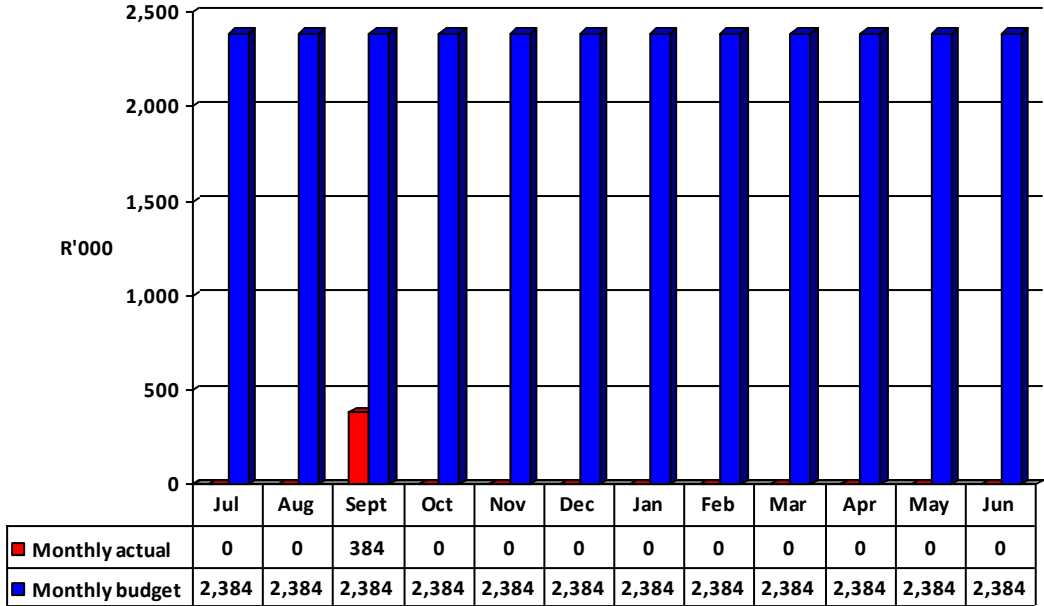
- (a) Table SC1: Material variance explanations
- (b) Table SC2: Monthly Budget Statement – Performance Indicators
- (c) Table SC3: Monthly Budget Statement – Aged Debtors
- (d) Table SC4: Monthly Budget Statement – Aged Creditors
- (e) Table SC5: Monthly Budget Statement – Investment Portfolio
- (f) Table SC6: Monthly Budget Statement – Transfers and grant receipts
- (g) Table SC7: Monthly Budget Statement – Transfers and grant expenditures
- (gb) Table SC7 (1): Monthly Budget Statement-Approved Roll overs
- (h) Table SC8: Monthly Budget Statement – Councillor and Staff Benefits
- (i) Table SC9: Monthly Budget Statement – Actual and Revised targets for cash receipts
- (j) Table SC10: Monthly Budget Statement – Parent Municipality Financial Performance (Revenue and Expenditure)
- (k) Table SC11: Monthly Budget Statement – Summary of Municipal Entities
- (l) Table SC12: Monthly Budget Statement – Capital Expenditure Trend
- (m) Table SC13a: Monthly Budget Statement – Capital expenditure on new assets by asset class
- (n) Table SC13b: Monthly Budget Statement – Capital expenditure on renewal of existing assets by asset class
- (m) Table SC13c: Monthly Budget Statement – Capital expenditure on repairs and maintenance by asset class
- (p) Municipal manager’s quality certification

6. IN-YEAR BUDGET STATEMENT CHARTS: 2015 REPORT

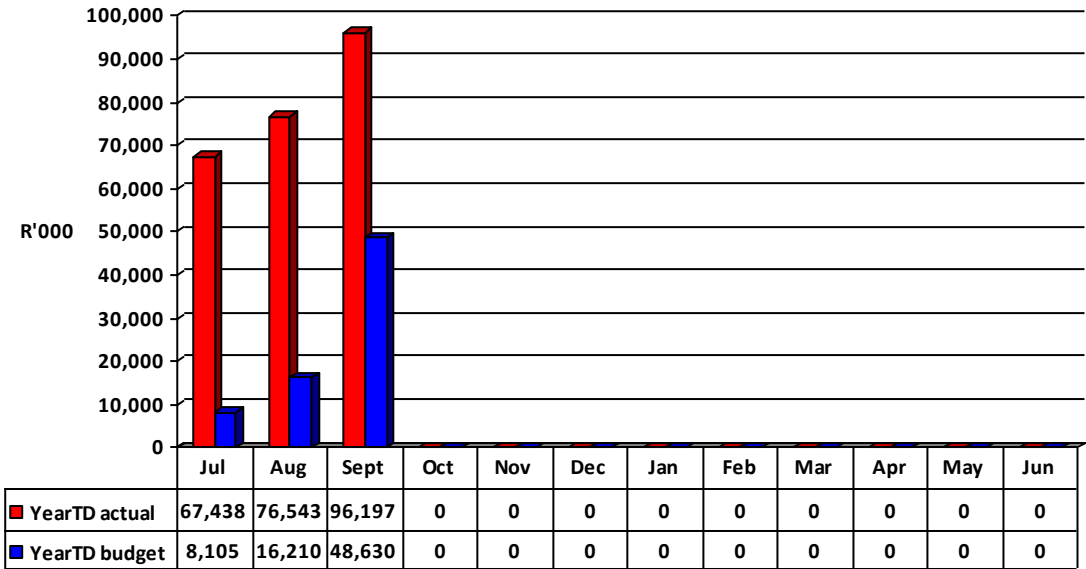
MIG - CAPITAL EXPENDITURE MONTHLY TREND: ACTUAL VS BUDGET



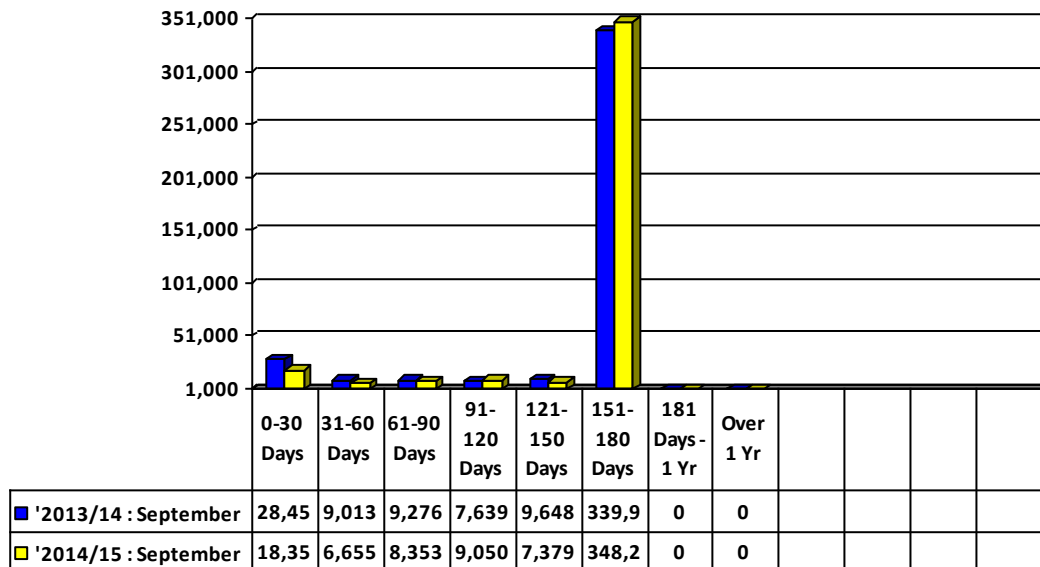
MWIG - CAPITAL EXPENDITURE MONTHLY TREND: ACTUAL VS BUDGET



CUMULATIVE CAPITAL EXPENDITURE: YTD ACTUAL VS YTD BUDGET



DEBTORS AGE ANALYSIS



TOP TEN DEBTORS AS AT 31 OCTOBER 2014

SUNDRY DEBTORS

These debtors are not water related.

Debtor	August	Movement	September	Background	Credit Control Progress to date
uMsunduzi Municipality	30,972,043.44	0.00	30,972,043.44	A meeting was held on the 14th April with MM and CFO's of both Municipalities and it was agreed that the CFO's must work on the issues and report to MM's on the progress.	This matter requires further investigation in terms of source documentation.

Debtor	August	Movement	September	Background	Credit Control Progress to date
KZN Department of Works	1,782,704.55	0.00	1,782,704.55	<p>This matter is in respect of the water works takeover of the Appelsbosch Water Plant.</p> <p>The original outstanding debt was R2 552 745. KZN Public works agreed to pay R 808 236 and the balance must be claimed from National Treasury as part of the equitable share. Payment of R808 236.06 was paid by KZN Public Works.</p> <p>Payment was requested from Provincial Treasury however they need to investigate the matter since it dates back to 2008.</p> <p>The Provincial Treasury has advised that they are still in process of collecting the data for the various financial years with regards to the allocation of the equitable share before payment can be effected.</p>	This matter requires further investigation in terms of source documentation.
uMzinyathi Municipality	1,334,234.03	0.00	1,334,234.03	<p>This matter is in respect of a DBSA loan repayment.</p> <p>A letter has been sent to uMzinyathi on the 31 July 2014 requesting payment.</p>	<p>There has been no response to the letter that has been sent to the municipality.</p> <p>Further documentation and reconciliation in terms of payments made will be</p>

					consolidated in order to recover the outstanding debt.
Prov. Dept. of Social Develop	900,508.51	0.00	900,508.51	<p>The matter is in respect of a Women's Day function hosted by the municipality. The municipality paid for the event and the Department of Social Service was to pay back the expenses incurred.</p> <p>Various attempts have been made for payment.</p> <p>Request for appointment with the CFO Ashnie Singh was made.</p> <p>The Department requested information regarding the contract that was signed between the municipality and the Department of Social Development.</p> <p>This information has been requested from the office of the MM so that a meeting can be set up to finalise payment.</p>	<p>Further documentation and investigation is required to recover the outstanding debt.</p> <p>A meeting request has been sent to the CFO of the department so that this matter can be finalised.</p>

CONSUMER DEBTORS

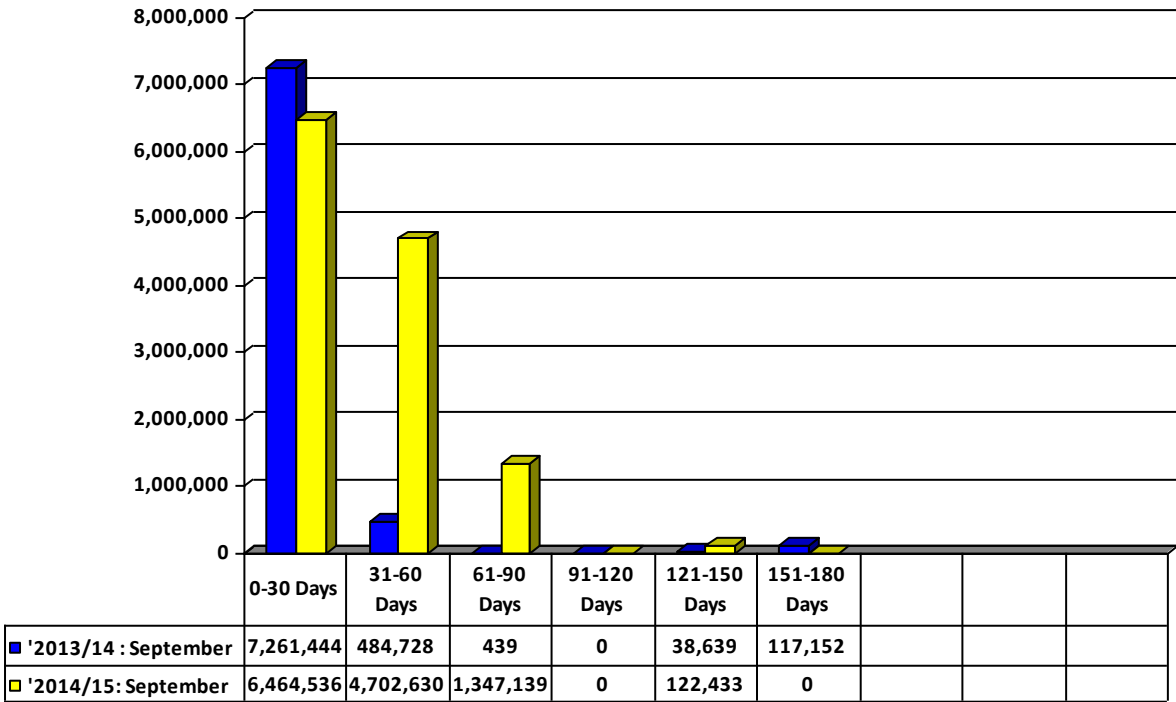
These debtors are as a result of non-payment for water services rendered.

Debtor	August	Movement	September	Credit Control Progress to date
P & G Spars	770,415.52	18.81	770,434.33	<p>Meter on the property has been disconnected.</p> <p>Technical Services investigated the by-pass and found that the meter is used by two companies CK and United Truck Centre.</p> <p>Meter is still disconnected.</p> <p>Correspondence received from attorneys disputing the amount outstanding.</p> <p>R18.81 in respect of water basic charge</p>
Argyle Poultry Farms cc	795,105.37	22 969.95	818,075.32	<p>Original Company liquidated and the properties were sold to different companies. Invoices sent to the attorneys.</p> <p>Waiting for the payment to be authorised as everything has been done from the attorney's side. Attorneys have been contacted and payment is being processed.</p> <p>Contacted Attorneys and Taryin advised that payment will be made on the 17 October 2014.</p> <p>R22 929.95 is in respect of consumption charges.</p>
uMngeni Municipality	505,816.27	31.35	505,849.62	<p>This account is being disputed by uMngeni Municipality.</p> <p>The Technical Department have been advised to investigate the location and who is responsible for the consumption. Awaiting information from technical department.</p> <p>This meter belongs to uMgungundlovu District Municipality.</p> <p>R31.55 is in respect of water basic charge</p>

Mooi River Taxi Association	391,158.17	6 680.33	397,838.50	<p>The account belongs to Mpofana Local Municipality. Reconciliation sent to the Expenditure Manager for payment.</p> <p>The municipality advised that they are having a meeting with the Mooi Taxi Association and payment will be received before the end of October 2014. The delay in payment was due to the strike action.</p> <p>The expenditure manager advised that the meeting did not take place due to strike action. The meeting will be arrangement in October and payment will be finalised.</p> <p>We contacted the Chairperson of the Taxi Association and advised him that payment is required urgently as the Mpofana Municipality is not paying off this debt.</p> <p>He advised that he will make arrangement with the municipality to resolve this matter.</p> <p>If no arrangements are made the account will be disconnected.</p> <p>R6 680.33 is in respect of water consumption.</p>
Richmond Country Club	383,962.93	28 156.83	412,119,76	<p>The ACFO met with Mr Le Roux on the 15th May 2014 Richmond Country Club who signed an AOD for an amount of R 58 000. The Richmond Country defaulted on the payment that was due on the 31st May 2014.</p> <p>The Credit Policy will be applied. Notice of disconnection was sent to the customer on the 6th June 2014 to advice of disconnection of services. Services were disconnected.</p> <p>Customer paid R 39,300.00 and reconnection fees to be reconnected.</p> <p>There was a difference of R18 700, 00 which the customer agreed to pay together the consumption charges for May and June.</p> <p>The amount requested from the customer in order to bring the account up to date R44 619.51</p> <p>Richmond Country Club sent a remittance of</p>

				<p>payment for the amount of R44 619.51</p> <p>The payment did not appear on the bank account statement.</p> <p>Customer has been advised of non-payment. Disconnection notice has been sent to the customer.</p> <p>R28 156.83 movement is in respect of water billing.</p>
Department of Public Work and Land	561,083.56		540,604.32	<p>This is a current account. Statement sent to the Public Works.</p> <p>August 2014 account was paid.</p> <p>R 540,604.32 was raised for September 2014</p>

CREDITORS AGE ANALYSIS



7. CONCLUSION

This report meets with the requirements of the MFMA, Sections 52(d) and 71 by submitting the 'In-year report' to Finance Committee on the implementation of the budget and the financial status of the municipality.

ANNEXURES:

Annexure – **Schedule C**

RECOMMENDED

- (1) That, in compliance with, Section 52(d) and Section 71 of the MFMA and in terms of Government Notice 32141 dated 17 April 2009, regarding the “Local Government: Municipal Finance Management Act 2003 Municipal Budget and Reporting Regulations” the **preliminary** financial results regarding the operating and capital budgets for the 04th month of the 2014/15 financial year, and supporting documents as required by National Treasury (Schedule C) be submitted to Full Council Committee.
- (2) In order to comply with Section 31(1) of the Government Gazette No 32141 of 17 April 2009 this report be submitted to the National Treasury and the relevant Provincial Treasury within five days of tabling of the report in the council, in both a Council approved document and in electronic format.
- (3) That the Committee approves the following:
 - 3.1 Surplus for the period ending 31 October 2014 is R 98 122 million.
 - 3.2 Cash & Cash Equivalent for the period ending 31 October 2014 is R 248 309 million.
 - 3.3 Capital Expenditure for the period ending 31 October 2014 is R 96 197 million
 - 3.4 Trade Payables for the period ending 31 October 2014 is R 12 636 million.
 - 3.5 Trade Receivables for the period ending 31 October 2014 R 398 057 million.
 - 3.6 Conditional Grants for the period ending 31 October 2014 is R 60 801 million.

REPORT – FLOW COMPLIANCE CHECK

FILE: **5/1/1/1**

INITIATOR: Sinegugu Ncube

HEADING (INCLUSIVE OF NAME OF DIVISION/DEPARTMENT):

FINANCIAL SERVICES DEPARTMENT

PRELIMINARY IN-YEAR FINANCIAL REPORT (MONTHLY AND FIRST QUARTER BUDGET STATEMENT) FOR THE PERIOD ENDING 31 October 2014

REPORT CHECKED AND PASSED FOR SUBMISSION TO: **Finance Committee**

	COMPREHENSIVENESS (FACTS, COMMENTS, RECOMMENDATIONS ANNEXURES) (√)	CORRECTNESS (√)	QUALITY (√)
EXECUTIVE MANAGER: BUDGET OFFICE NONDUMISO MBATHA SIGNATURE: _____ DATE : _____	(√)	(√)	(√)
EXECUTIVE MANAGER: REVENUE MANAGEMENT: SIBONGILE KHUMALO SIGNATURE: _____ DATE : _____	(√)	(√)	(√)
EXECUTIVE MANAGER: EXPENDITURE MANAGEMENT: NOMPUMELELO KHUMALO SIGNATURE: _____ DATE : _____	(√)	(√)	(√)
HEAD OF DEPARTMENT: CHIEF FINANCIAL OFFICER : SINEGUGU NCUBE SIGNATURE : _____ DATE : _____	(√)	(√)	(√)
EXECUTIVE MANAGER: INTERNAL AUDIT PORTIA NZIMAKWE SIGNATURE: _____ DATE : _____	(√)	(√)	(√)

Municipal Manager’s quality certification

I, **Terence L Sibusiso Khuzwayo**, the Municipal Manager of the uMgungundlovu District Municipality, hereby certify that -

the monthly **preliminary** report on the implementation of the budget and financial state affairs of the municipality for the month of **October 2014** has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name: Mr. T L S Khuzwayo_____

Municipal Manager: uMgungundlovu District Municipality

Signature: _____

Date: _____

Print name: Mr. Y Bhamjee_____

Mayor: uMgungundlovu District Municipality

Signature: _____

Date: _____