

MFMA SECTION 52(d) REPORT FOR THE FOURTH QUARTER ENDING JUNE 2018

EXECUTIVE SUMMARY

PURPOSE

This report is on the financial performance of the municipality as per Section 52(d) of the MFMA for the quarter ending June 2018.

AUTHORITY

Municipal Finance Management Act No. 56 of 2003.

Municipal Budget and Reporting Regulations gazette No 32141

LEGAL/STATUTORY REQUIREMENTS

Sec 52(d) of the MFMA states; *“the Mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality.”*

The MFMA’s Municipal Budget and Reporting Regulations Sec 31 states *“ The quarterly 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.”*

OBJECTIVES OF IN YEAR REPORTING (SECTION 52(d) OF MFMA)

The gathering and reporting of in-year financial performance information is important for the following reasons:

- It focuses municipal council's attention on the revenue and expenditure trends, which should be taken into account when making key management decisions;
- It will facilitate the compilation of annual financial reports, meaning that these processes can be completed sooner and with less effort;
- It promotes greater transparency and more effective political oversight, and
- It serves as an early warning system or indicator to measure and detect fiscal stress in the municipality and the need for immediate intervention where necessary.

BACKGROUND

The C Schedule reflects the financial position and performance of Council, at the end of the quarter ending June 2018, in order to assist in making informed decisions. This report clearly shows the revenue and expenditure as at end of June 2018 comparing it with the approved budgeted amounts for the 2017/18 financial year per department, type and functional area.

The C Schedule is aligned with the municipality’s cash flows as an internal tool on reporting on section 71 of the MFMA and assists the management to analyse and scrutinise their budgets versus income and expenditure, and also reflects on performance variances. These quarterly reports are an indication on each directorate performance against the SDBIP. Also a monitoring tool on operating and capital budgets as well as financial risks in order to be able to manage them on time.

Reporting Analysis

Schedule C in year reporting regulated by National Treasury is aimed at assisting municipalities in making sound financial decisions and also assisting in the management of cash flows and performance in line with the IDP.

The CHDM council adopted budget policies in May 2018 and it is expected that explanations will be provided for 10% variances on income and expenditure against budget.

Financial Position

The **statement of financial position** lists all the Council's Current and Non-current Assets and liabilities together with their financial values representing the economic resources of the municipality. Table C6 is meant to improve the stakeholder's understanding and management of budget and the impact of actual expenditure in comparison to the budget implications on the financial position.

Current Assets reflect the financial assets that have cash value and are owned by Council and all other assets that are expected to provide financial benefit to Council within one financial year. The financial benefit is through the rendering of services to the community and revenue generation through water and sanitation services assets.

Largest **current assets** are **consumer and other debtors combined** at R 2 159.7 billion. **Cash and cash equivalent** at R 75.2 million. **Call investments deposits** are R 266.1 million. Current assets are highly liquid, in that they can easily be converted to cash when required to meet short term obligations which are paying salaries, allowances and suppliers for goods and services.

The largest **current liabilities** are Trade creditors and other payables at R 232.1 million, of which R 197.4 million relates to current Unspent Conditional Grants.

*The **current ratio** of the municipality is currently 10.3 which indicates a healthy financial position as the municipality's current assets are greater than current liabilities to that extent. The municipality is thus able to pay its employees and creditors. However attention should be given to the **collection of the debtors** as there are long outstanding balances owed by service consumers.*

The consumer deposits balance of R 327 thousand as reflected in the Statement of Financial Position, is only relating to new accounts that were opened with the district municipality since the beginning of the 2014 / 2015 financial year and as such it is grossly understated due to balances that were not transferable from the local municipalities.

Non-Current Assets are resources with a cash value which another party has made a legal commitment to hand over to Council over a period exceeding one financial year.

The Property, plant and equipment item remains the most material resource on the statement of financial position at R 4.3 billion.

Infrastructural assets form 97 % of the total asset register and are mainly required to generate revenue and are crucial in service delivery for the district municipality. The municipality should prioritise the repairs and maintenance of the existing infrastructure assets to improve the service delivery capacity of the assets since the municipality is faced with ageing infrastructure.

Non-Current liabilities are legal commitments from other parties acquired to enhance service delivery. **Provisions** are the largest and currently the only existing non-current liability at R 43.2 million. These are **benefit obligations** which are based upon actuarial valuations for all the municipality's defined benefit pension plans and post-employment medical benefits.

The statement of financial position is currently showing the equity of CHDM at R 6.5 billion, most in accumulated surplus as at the end of June 2018. Most of the equity is held under fixed assets therefore it is a small portion that can be affected by inflation fluctuations.

(See Schedule C table C6 for Statement of Financial position below)

DC13 Chris Hani - Table C6 Consolidated Monthly Budget Statement - Financial Position - Q4 Fourth

Description	Ref	2016/17	Budget Year 2017/18			
		Audited Outcome	Original Budget	Adjusted Budget	YearTD actual	Full Year Forecast
R thousands	1					
ASSETS						
Current assets						
Cash		202,072	399,842	423,832	75,225	-
Call investment deposits		-	-	-	266,044	-
Consumer debtors		197,563	35,148	35,148	2,098,866	-
Other debtors		185,492	128,034	128,034	60,789	-
Current portion of long-term receivables		-	-	-	-	-
Inv entory		11,042	7,773	7,773	11,042	-
Total current assets		596,169	570,797	594,787	2,511,965	-
Non current assets						
Long-term receivables		-	-	-	-	-
Investments		1,500	1,500	1,500	1,500	-
Investment property		-	-	-	-	-
Investments in Associate		-	-	-	-	-
Property, plant and equipment		4,002,056	5,116,049	5,116,049	4,262,008	-
Agricultural		-	-	-	-	-
Biological assets		-	-	-	-	-
Intangible assets		5,100	481	481	5,100	-
Other non-current assets		-	-	-	-	-
Total non current assets		4,008,656	5,118,030	5,118,030	4,268,609	-
TOTAL ASSETS		4,604,825	5,688,827	5,712,817	6,780,574	-
LIABILITIES						
Current liabilities						
Bank overdraft		-	-	-	-	-
Borrowing		-	-	-	-	-
Consumer deposits		213	-	-	327	-
Trade and other payables		291,647	99,836	99,836	232,107	-
Provisions		9,366	9,555	9,555	9,366	-
Total current liabilities		301,225	109,391	109,391	241,800	-
Non current liabilities						
Borrowing		-	-	-	-	-
Provisions		42,323	49,509	49,509	42,323	-
Total non current liabilities		42,323	49,509	49,509	42,323	-
TOTAL LIABILITIES		343,549	158,900	158,900	284,123	-
NET ASSETS	2	4,261,277	5,529,927	5,553,917	6,496,451	-
COMMUNITY WEALTH/EQUITY						
Accumulated Surplus/(Deficit)		4,261,277	5,529,927	5,553,917	6,496,451	-
Reserves		-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	2	4,261,277	5,529,927	5,553,917	6,496,451	-

Financial Performance

The **statement of financial performance** is used to measure performance of the institution and also monitor the cash flow projections in comparison with actual expenditure and revenue for a specific period. This statement summarizes the revenue realised and expenditure incurred by the municipality on cash and non-cash items that affect performance of resources.

The table below shows an analysis of Operating and Capital income and expenditure against budget. During the quarter ending June 2018, ***the Municipality had an operating deficit of R 253.9 million year to date. The total expenditure forecast for the quarter is more than the anticipated total income as it shows a deficit of R 366.9 million.***

SUMMARY INCOME AND EXPENDITURE-JULY 2017 TO JUNE 2018						
DC 13 Chris Hani : Table C1 Consolidated Monthly Budget Statement Summary - 4 th Quarter						
Description	Original Budget	Adjusted Budget	Monthly actual	YearTD Budget	YearTD actual	Full Year focust
Total Operating Revenue (excluding capital transfers and contributions)	1,039,393	989,208	49,816	989,208	957,942	989,208
Transfers recognised - capital	514,254	540,260	88,561	540,260	404,657	540,260
Total Revenue	1,553,647	1,529,468	138,377	1,529,468	1,362,599	1,529,468
Total Operating Expenditure	1,285,881	1,277,002	174,585	1,277,002	1,179,259	1,277,002
Total Capital Expenditure	611,254	619,367	96,413	619,367	437,215	619,367
Total Expenditure	1,897,135	1,896,369	270,998	1,896,369	1,616,474	1,896,369
Surplus/(Deficit) after capital transfers & contributions	(343,488)	(366,901)	(132,621)	(366,901)	(253,875)	(366,901)

The following **revenue streams** were budgeted for in 2017/2018 financial year and YTD actual figures for the fourth quarter of 2018 are as follows; Service charges for water revenue are R 180.2 million with a variance of 7 % and sanitation revenue R 49.4 million with a variance of -4 %. There are still many challenges that need to be addressed in the water and sanitation services function by the district municipality since the take over from the local municipalities that began in 2014 / 2015 financial year. The cumulative total billing for the quarter is R 229.5 million. ***For the fourth quarter of 2018, billing has been done in all local municipalities within the district. The District municipality has to implement the revenue enhancement strategy to improve the revenue base and to ensure long term financial sustainability.***

Interest earned from external investments is R 0.0 million yielding a year to date variance of -34 % when compared to budgeted revenue, resulting from investments maturity dates that have been realised in this quarter.

Total grant operating revenue is currently R 633.7 million year to date, and this has resulted in -2 % variance resulting from the under expenditure on

DEDEAT and Rural Roads Assessment Management Systems (RRAMS) grants funding. The municipality managed to generate other revenue of R 58.3 million for the quarter, this comprises of income realized from selling of tender documents, commission fees etc, reflects a negative variance of -32 % resulting from Sundry revenue. The bigger portion of sundry revenue is input VAT from conditional grants.

The **expenditure incurred** in the fourth quarter of 2018 is as follows; spending on employee related costs at R 283.7 million with a variance of -13 % year to date resulting from existing vacancy rate. Depreciation and asset impairment at R 180 million in the fourth quarter based on the budgeted figures. The monthly depreciation calculations will be performed once the asset management module is fully installed and integrated with the financial accounting system. Debt impairment provision of R 200 million and is also based on budgeted figures. The finance charges are R 1.3 million showing a variance of 9 %. Bulk water purchases has currently spent R 14.3 million in the quarter due to delayed receipt of invoices from suppliers and has a year to date variances of -43 % .

The contracted services are currently over spending with a variance of 39 % resulting from budget alignment to MSCOA requirements that is underway. Transfers and grants are R 19.7 million currently with a year to date variance of -89 %.

Other expenditure incurred R 320.7 million with a year to date variance of 29 % and is also affected by the budget alignment to MSCOA requirements.

(See Schedule C table C4 below)

DC13 Chris Hani - Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure) - Q4 Fourth Quarter

Description	Ref	2016/17	Budget Year 2017/18							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	
R thousands										
Revenue By Source										
Property rates				-		-	-	-		
Property rates - penalties & collection charges				-		-	-	-		
Service charges - electricity revenue				-		-	-	-		
Service charges - water revenue		128,569	151,560	168,466	14,196	180,150	168,466	11,684	7%	-
Service charges - sanitation revenue		43,006	35,940	51,176	4,113	49,380	51,176	(1,796)	-4%	-
Service charges - refuse revenue				-		-	-	-		
Service charges - other				-		-	-	-		
Rental of facilities and equipment				-		-	-	-		
Interest earned - external investments		37,255	33,154	33,154		22,018	33,154	(11,136)	-34%	-
Interest earned - outstanding debtors			103,234	6,471	1,728	11,355	6,471	4,885	75%	-
Dividends received				-		-	-	-		
Fines				-		-	-	-		
Licences and permits				-		-	-	-		
Agency services				-		-	-	-		
Transfers recognised - operational		532,896	629,804	644,557	17,136	633,692	644,557	(10,866)	-2%	-
Other revenue		93,758	85,502	85,184	12,642	58,256	85,184	(26,928)	-32%	-
Gains on disposal of PPE		904	200	200		3,091	200	2,891	1445%	-
Total Revenue (excluding capital transfers and contributions)		836,388	1,039,393	989,208	49,816	957,942	989,208	(31,265)	-3%	-
Expenditure By Type										
Employee related costs		245,075	349,187	325,660	23,195	283,672	325,660	(41,989)	-13%	-
Remuneration of councillors		9,577	12,578	10,544	957	11,022	10,544	477	5%	-
Debt impairment		44,876	200,000	200,000	16,667	200,000	200,000	0	0%	-
Depreciation & asset impairment		119,621	180,000	180,000	15,000	180,000	180,000	-		-
Finance charges		271	1,200	1,200	38	1,313	1,200	113	9%	-
Bulk purchases		21,589	24,894	24,894	1,450	14,296	24,894	(10,598)	-43%	-
Other materials				-		-	-	-		
Contracted services		78,783	32,956	106,836	35,062	148,570	106,836	41,733	39%	-
Transfers and grants		246,619	20,198	179,165		19,680	179,165	(159,485)	-89%	-
Other expenditure		224,998	464,868	248,702	82,217	320,707	248,702	72,005	29%	-
Loss on disposal of PPE				-		-	-	-		
Total Expenditure		991,410	1,285,881	1,277,002	174,585	1,179,259	1,277,002	(97,743)	-8%	-
Surplus/(Deficit)		(155,022)	(246,487)	(287,794)	(124,769)	(221,317)	(287,794)	66,477	(0)	-
Transfers recognised - capital		756,557	514,254	540,260	88,561	404,657	540,260	(135,603)	(0)	-
Contributions recognised - capital				-		-	-	-		-
Contributed assets				-		-	-	-		-
Surplus/(Deficit) after capital transfers & contributions		601,535	267,767	252,466	(36,208)	183,340	252,466			-
Taxation								-		
Surplus/(Deficit) after taxation		601,535	267,767	252,466	(36,208)	183,340	252,466			-
Attributable to minorities										
Surplus/(Deficit) attributable to municipality		601,535	267,767	252,466	(36,208)	183,340	252,466			-
Share of surplus/ (deficit) of associate										
Surplus/ (Deficit) for the year		601,535	267,767	252,466	(36,208)	183,340	252,466			-

Capital Revenue and Expenditure

The table below shows capital expenditure and sources of capital funding, quarterly and year to date, compared to budget. The capital expenditure for the fourth quarter of 2018 from grant funding and internal funds is R 404.7 million and R 32.6 million respectively. The two resulted in variances of -25 % and - 59 % year to date.

(See Schedule C table C5 below)

DC13 Chris Hani - Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding - Q4 Fourth Quarter

Vote Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1									
Multi-Year expenditure appropriation	2									
Vote 1 - Council		-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury		-	-	-	-	-	-	-	-	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services		-	-	-	-	-	-	-	-	-
Vote 6 - Planning & Development		-	-	-	-	-	-	-	-	-
Vote 7 - Technical Services		639,076	514,254	540,260	88,561	404,657	540,260	(135,603)	-25%	-
Vote 8 - Roadworks		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital Multi-year expenditure	4,7	639,076	514,254	540,260	88,561	404,657	540,260	(135,603)	-25%	-
Single Year expenditure appropriation	2									
Vote 1 - Council		-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-
Vote 3 - Budget & Treasury		1,059	42,000	42,000	7,852	32,558	42,000	(9,442)	-22%	-
Vote 4 - Community Services		-	-	-	-	-	-	-	-	-
Vote 5 - Corporate Services		-	55,000	37,107	-	-	37,107	(37,107)	-100%	-
Vote 6 - Planning & Development		-	-	-	-	-	-	-	-	-
Vote 7 - Technical Services		-	-	-	-	-	-	-	-	-
Vote 8 - Roadworks		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Capital single-year expenditure	4	1,059	97,000	79,107	7,852	32,558	79,107	(46,549)	-59%	-
Total Capital Expenditure		640,135	611,254	619,367	96,413	437,215	619,367	(182,152)	-29%	-
Capital Expenditure - Standard Classification										
Governance and administration		1,059	97,000	79,107	7,852	32,558	79,107	(46,549)	-59%	-
Executive and council		-	-	-	-	-	-	-	-	-
Budget and treasury office		1,059	42,000	42,000	7,852	32,558	42,000	(9,442)	-22%	-
Corporate services		-	55,000	37,107	-	-	37,107	(37,107)	-100%	-
Community and public safety		-	-	-	-	-	-	-	-	-
Community and social services		-	-	-	-	-	-	-	-	-
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-
Economic and environmental services		-	-	-	-	-	-	-	-	-
Planning and development		-	-	-	-	-	-	-	-	-
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		639,076	514,254	540,260	88,561	404,657	540,260	(135,603)	-25%	-
Electricity		-	-	-	-	-	-	-	-	-
Water		629,729	514,254	540,260	88,561	404,657	540,260	(135,603)	-25%	-
Waste water management		9,347	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard Classification	3	640,135	611,254	619,367	96,413	437,215	619,367	(182,152)	-29%	-
Funded by:										
National Government		639,076	514,254	540,260	88,561	404,657	540,260	(135,603)	-25%	-
Provincial Government		-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-
Transfers recognised - capital		639,076	514,254	540,260	88,561	404,657	540,260	(135,603)	-25%	-
Public contributions & donations	5	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-
Internally generated funds		1,059	97,000	79,107	7,852	32,558	79,107	(46,549)	-59%	-
Total Capital Funding		640,135	611,254	619,367	96,413	437,215	619,367	(182,152)	-29%	-

Executive Sum

Debtor's Age Analysis

The municipality has a total consumer debtors balance of R 1 249.3 billion, ranging between 0 days to over a year, detailed below by age of total debtors balance:

DC13 Chris Hani - Supporting Table SC3 Monthly Budget Statement - aged debtors - M12 June

Description	NT Code	Budget Year 2017/18										Actual Bad Debts Written Off against Debtors	Impairment - Bad Debts i.t.o Council Policy
		0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Dys	151-180 Dys	181 Dys-1 Yr	Over 1Yr	Total	Total over 90 days		
R thousands													
Debtors Age Analysis By Income Source													
Trade and Other Receivables from Exchange Transactions - Water	1200	2	29 109	15 344	20 058	16 136	15 115	13 766	736 280	845 811	801 356		
Trade and Other Receivables from Exchange Transactions - Electricity	1300	-	-	-	-	-	-	-	-	-	-		
Receivables from Non-exchange Transactions - Property Rates	1400	-	-	-	-	-	-	-	-	-	-		
Receivables from Exchange Transactions - Waste Water Management	1500	0	8 716	4 588	4 341	4 251	4 188	4 106	373 385	403 576	390 271		
Receivables from Exchange Transactions - Waste Management	1600	-	-	-	-	-	-	-	-	-	-		
Receivables from Exchange Transactions - Property Rental Debtors	1700	-	-	-	-	-	-	-	-	-	-		
Interest on Arrear Debtor Accounts	1810	-	-	-	-	-	-	-	-	-	-		
Recoverable unauthorised, irregular, fruitless and wasteful expenditure	1820	-	-	-	-	-	-	-	-	-	-		
Other	1900	-	-	-	-	-	-	-	-	-	-		
Total By Income Source	2000	2	37 825	19 932	24 400	20 387	19 303	17 872	1 109 665	1 249 387	1 191 627		
2016/17 - totals only													
Debtors Age Analysis By Customer Group													
Organs of State	2200	-	2 543	1 570	2 295	1 706	1 783	1 368	45 543	56 807	52 694		
Commercial	2300	2	1 556	909	968	933	974	636	35 095	41 072	38 605		
Households	2400	1	33 589	17 382	21 044	17 661	16 477	15 742	1 020 643	1 142 538	1 091 566		
Other	2500	-	138	71	92	88	69	127	8 385	8 970	8 761		
Total By Customer Group	2600	2	37 825	19 932	24 400	20 387	19 303	17 872	1 109 665	1 249 387	1 191 627		

The total debt with a potential to be irrecoverable amounts to R 1 191.6 billion, determined on the basis of being more than 90 days in arrears and this is 95 % of total debtors balance.

The **increasing debtors balances** by each municipality is evident **from the low collection rates** as shown per the table below , comparing actual billing to amounts collected as at 30 June 2018 yielding an average collection rate of 12.2 %.

BILLING AND COLLECTION SUMMARY REPORT - JULY 2017 TO MAY 2018					
Municipality	Water	Sewerage	Total Billing	Collection to date	Collection Rate
Enock Mgijima-Komani	63,068,532.28	19,298,885.98	82,367,418.26	17,375,749.92	21%
Enoch Mgijima-Inkwanca	4,884,613.17	2,834,604.81	7,719,217.98	236,281.24	3.1%
Sakhisizwe	7,695,589.65	2,498,382.64	10,193,972.29	1,469,509.63	14.4%
Enoch Mgijima-Tsolwana	4,174,051.10	2,559,532.14	6,733,583.24	431,823.76	6.4%
Emalahleni	8,389,000.44	4,037,964.10	12,426,964.54	1,349,269.96	10.9%
Engcobo	4,034,906.51	454,225.21	4,489,131.72	383,575.08	8.5%
Inxuba Yethemba	58,202,106.19	11,350,746.87	69,552,853.06	2,800,162.15	4.0%
Intsika Yethu	4,761,897.88	1,957,055.29	6,718,953.17	333,441.26	5.0%
TOTAL	155,210,697.22	44,991,397.04	200,202,094.26	24,379,813.00	12.2%
Plus total output VAT			29,278,295.38		
Total billing inclusive of VAT			229,480,389.64		10.6%
Billing Report	155,210,697.22	44,991,397.04	200,202,094.26	24,379,813.00	
Water Delivery	-	-	-	-	
Waste Water removal		23,315.04	23,315.04	23,315.04	
Water Connect/Re connect	4,381.75		4,381.75	4,381.75	
General Ledger Adjustments	10,739,354.56	252,390.35	10,991,744.91		
Total Service Charges	165,954,433.53	45,267,102.43	211,221,535.96	24,407,509.79	

The VAT claims made to SARS **remain significantly unpaid**. The reported balance of R 60.8 million forming part of other debtors in the statement of financial position needs to be investigated for possible recovery.

Creditors Age Analysis

The municipality should strive to pay suppliers within 30 Days to avoid interest payments. In terms of the MFMA s65 (2) (e) all creditors should be paid within 30 days and **the municipality has failed to comply in this regard to the extent of 17 % (5.94 million) being creditors from 31 days to 1 year old compared to total creditors balance of R 15.3 million per the table below..**

DC13 Chris Hanu - Supporting Table SC4 Monthly Budget Statement - aged creditors - M12 June

Description R thousands	NT Code	Budget Year 2017/18									Prior year totals for chart (same period)	
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total		
Creditors Age Analysis By Customer Type												
Bulk Electricity	0100										-	
Bulk Water	0200		-								-	
PAYE deductions	0300										-	
VAT (output less input)	0400							-			-	
Pensions / Retirement deductions	0500										-	
Loan repayments	0600										-	
Trade Creditors	0700	13 604	1 506	19	204	4	-	50	-	15 386	-	
Auditor General	0800										-	
Other	0900	-	-								-	
Total By Customer Type	1000	13 604	1 506	19	204	4	-	50	-	15 386	-	

The Unspent conditional grants of R 197.5 million are not included on the age analysis but accounted for on the statement of financial position.

The outstanding trade creditor balances would attract interest on the overdue accounts, which implies a cash out flow that becomes unauthorised and wasteful expenditure. The delay in the payment of trade creditors negatively affect the current ratio of the municipality.

The correct and complete accounting for creditors will be achieved once the creditor's module of the financial accounting system is fully operational.

Cash flow Statement

The table below highlights the cash flow position of the municipality for the fourth quarter of 2018. The year to date cash flow statement of the municipality depicts that the municipality has a favourable cash position. This is indicated below by the operating revenue exceeding expenditures for the period ending June 2018. The cash and cash equivalents to date show positive cash outlay of the municipality.

(See attached Schedule C 7)

DC13 Chris Hani - Table C7 Consolidated Monthly Budget Statement - Cash Flow - Q4 Fourth Quarter

Description	Ref	2016/17	Budget Year 2017/18							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
CASH FLOW FROM OPERATING ACTIVITIES										
Receipts										
Property rates, penalties & collection charges			-	-						
Service charges		11,671	65,625	65,625	3,299	27,702	65,625	(37,923)	-58%	-
Other revenue			76,951	76,951	10,602	11,280	76,951	(65,671)	-85%	-
Government - operating		532,896	629,804	644,557		622,286	644,557	(22,272)	-3%	-
Government - capital		756,557	514,254	540,260	-	542,299	540,260	2,039	0%	-
Interest		37,255	33,154	33,154	-	22,018	33,154	(11,136)	-34%	-
Dividends			-	-	-	-	-	-		-
Payments										
Suppliers and employees		(785,875)	(757,431)	(716,637)	(142,880)	(778,266)	(716,637)	61,629	-9%	-
Finance charges		(271)	(1,200)	(1,200)	(38)	(1,313)	(1,200)	113	-9%	-
Transfers and Grants			(20,198)	(179,165)	-	(19,680)	(179,165)	(159,485)	89%	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		552,233	540,959	463,546	(129,017)	426,326	463,546	37,220	8%	-
CASH FLOWS FROM INVESTING ACTIVITIES										
Receipts										
Proceeds on disposal of PPE		3,407	-	-						
Decrease (Increase) in non-current debtors										
Decrease (increase) other non-current receivables										
Decrease (increase) in non-current investments										
Payments										
Capital assets		(711,751)	(580,691)	(598,536)	(96,413)	(437,215)	(598,536)	(161,322)	27%	-
NET CASH FROM/(USED) INVESTING ACTIVITIES		(708,345)	(580,691)	(598,536)	(96,413)	(437,215)	(598,536)	(161,322)	27%	-
CASH FLOWS FROM FINANCING ACTIVITIES										
Receipts										
Short term loans										
Borrowing long term/refinancing										
Increase (decrease) in consumer deposits										
Payments										
Repayment of borrowing		14								
NET CASH FROM/(USED) FINANCING ACTIVITIES		14	-	-	-	-	-	-	-	-
NET INCREASE/ (DECREASE) IN CASH HELD		(156,098)	(39,732)	(134,990)	(225,430)	(10,889)	(134,990)			-
Cash/cash equivalents at beginning:		358,171	432,849	432,849		202,072	432,849			202,072
Cash/cash equivalents at month/year end:		202,072	393,117	297,859		191,184	297,859			202,072

