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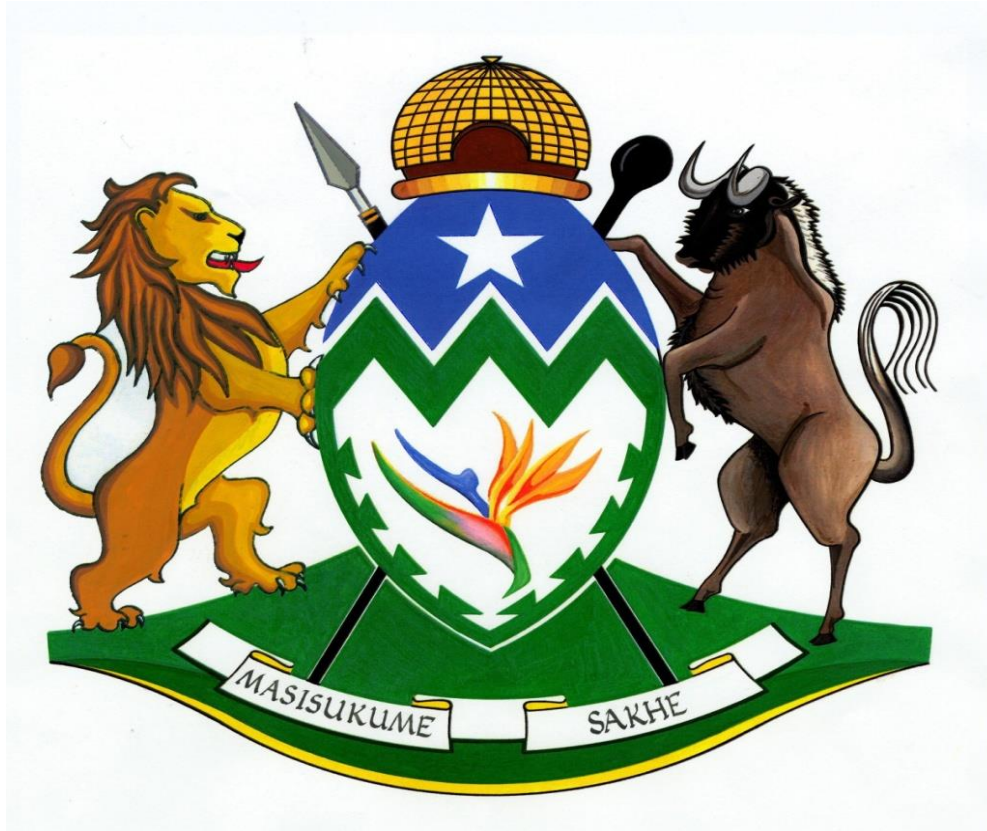
MUNICIPAL FINANCE MANAGEMENT 4th QUARTER REVIEW 2018/19 CLOSE-OUT REPORT



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KwaZulu-Natal Provincial Treasury, Municipal Finance Management, 2018/19 Close-out Report

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Data Source and Reliability

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The provincial overview and performance analysis against budget contained in this report is based on the MFMA Section 71 reports that each Accounting Officer (Municipal Manager) and Chief Financial Officer were required to sign and submit to National Treasury. Therefore, any queries on the budgeted and actual figures reflected in the publication must be referred to the relevant Municipal Manager or Chief Financial Officer.

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Methodology and Approach

The methodology and approach used for the compilation of this report included the following:

The data for the consolidated performance analysis at a district level (Provincial overview) and for the performance analysis per municipality in this report was extracted from the National Treasury Local Government Revenue and Expenditure published MFMA Section 71 report. The data for the non-delegated municipalities have been included in the report (namely: the eThekweni Metro, the Msunduzi and uMhlathuze Local Municipalities). It should be noted that the budget performance figures published by National Treasury are preliminary figures and do not take the year-end reconciliations into consideration. At the time of publishing the fourth quarter information by the National Treasury, some municipalities did not submit all the required monthly MFMA Section 71 performance returns. This has distorted the review of the budget performance as at the end of the fourth quarter for the respective municipalities, the district totals and the aggregated provincial totals for 2018/19.

In instances where reference has been made to the pre-audited 2018/19 Annual Financial Statements (AFS), it is probable that there will be material adjustments to the pre-audited AFS.

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Chapter 1: Introduction

As the MEC for Finance, I submit to the Provincial Legislature a consolidated review of the 4th Quarter Close-out Report for 2018/19 in terms of Section 71(7) of the Municipal Finance Management Act, Act 56 of 2003 (MFMA).

The aim of this report is to provide the reader with a holistic overview on the budget performance of the municipalities within the province and also to report on the compliance of municipalities with regards to some applicable sections of the MFMA and the Municipal Budget and Reporting Regulations (MBRR). The report not only covers the budget and expenditure performance of the municipalities, but also includes performance in other non-financial areas which are critical in ensuring sustainable improvements of municipalities in areas of internal controls, financial efficiency, governance as well as accurate reporting, all of which are necessary aspects for taking correct and informed decisions.

The report also reflects on the support provided by the various business units within Provincial Treasury. The supporting initiatives are aimed at ensuring that municipalities are sufficiently capacitated in order to provide economic, efficient and effective service delivery to the communities that they serve.

The report provides the reader with a balanced overview of the state of the budget performance of municipalities for the 2018/19 financial year while identifying amongst others, areas of financial weaknesses and risks which must be addressed in order to improve the financial position of municipalities. The assessments of the budget performance of municipalities could also serve as an early warning signal for the identification of municipalities facing financial challenges.

This report also allows municipalities to compare their performance to other municipalities within the same category of municipalities in their district or in other districts within the province.

The report is structured in the following format:

- Chapter 1 presents the introduction to the report;
- Chapter 2 presents an analysis on the socio-economic outlook of the districts in the KwaZulu-Natal Province;
- Chapter 3 provides an overview of the 2018/19 Budget performance of all municipalities (including the non-delegated municipalities), aggregated at a district level to provide a provincial perspective. The chapter also includes the sale of Bulk Resources of Water and Electricity by the Water Boards and Eskom respectively, the level of spending on Conditional grants and finally, the status of municipal Cash Flow positions for the 2017/18 financial year (based on the audited Annual financial Statements (AFS)) and the 2018/19 financial year (based on the Section 71 returns and pre-audited AFS);
- Chapter 4 provides an overview of each district with respect to their geographical location, basic services provided by municipalities in the district, employment status of the Accounting Officer (Municipal Manager) and Chief Financial Officer, 2017/18 audit opinions, as well as a budget performance analysis per delegated municipality in each district;
- Chapter 5 highlights the processes of the 2018/19 Mid-Year Budget and Performance Assessments Reports, Adjustments Budgets as well as the 2019/20 Budget Evaluations, followed by the status of Non-compliance with the MFMA, MBRR and the Division of Revenue Act (DoRA) reporting requirements, Implementation of the Municipal Regulations on Standard Chart of Accounts, Budget Steering Committees and the Financial Management Capability Maturity Model;

- Chapter 6 provides an overview of the support provided to municipalities by the various business units within Provincial Treasury which include the Municipal Support Program (MSP), Supply Chain Management (SCM), Banking, Risk and Advisory Services (Internal Audit), Norms and Standards, Municipal Accounting and Reporting, Public Private Partnerships (PPP) and Infrastructure (“Support Team”); and
- Chapter 7 concludes the report by highlighting some of the critical challenges that municipalities are encountering in their process of providing service delivery. These challenges require urgent and undivided attention to ensure that financial management at municipalities, amongst others, is sound and sustainable.

Therefore, as part of my responsibility as the MEC for Finance, I hereby submit to the Provincial Legislature, a consolidated statement as prescribed by Section 71(7) of the MFMA.

Chapter 2: Socio-economic Profile of KwaZulu-Natal Districts

1. Introduction

The purpose of this chapter is to highlight the current socio-economic status of the Province of KwaZulu-Natal (KZN), with a focus on demographics, economic performance, sector analysis, the labour market, development, social grants, education and household infrastructure. The key areas that are reviewed include, the ten districts and the eThekweni Metro over the past ten years. This analysis has been done in order to acquire a comprehensive understanding of the contribution of the province and its districts towards the aforementioned indicators. This understanding will assist in the allocation of scarce resources towards the unlimited needs of the province's communities. Also, a full understanding of these socio-economic factors will provide critical information to policy makers, enabling them to distribute funds in an equitable manner.

The chapter consist of nine sub-sections, whereby the first section deals with demographic profiles, looking at the population dynamics of the province as well as its districts. The economic performance of the municipalities are analysed, with the focus being on the global, national and the KZN Province's economic review and outlook. The economic sub-sections also include sector performance and an analysis of the position of the contribution of international trade towards the province and its districts. Sub-sections also look at the behaviour of the labour market, focussing on job scarcity, labour force participation rate, absorption rate and labour remuneration and productivity. Lastly, it analyses development indicators, social grants, education and household infrastructure.

2. Socio-Economic Review of KwaZulu-Natal

2.1 Demographic profile

2.1.1 Total population

The world population increased from 7.5 billion people in 2017 to approximately 7.6 billion in 2018. The increasing numbers of people reaching reproductive age have primarily driven the rise in global population growth. This has been accompanied by significant changes in fertility rates, increasing urbanisation and accelerated migration. Overpopulation is an undesirable condition where the number of the existing human population exceeds the carrying capacity of the earth. Among the factors that cause overpopulation are the decline in the death rate, better medical facilities and technological advancements in fertility treatment and lack of family planning. The world population is, however, expected to increase by 29 percent to 9.9 billion by 2050 (Population Reference Bureau, 2018).

Less developed countries constitute approximately 83.4 percent of the world population, where Asia and Africa are the most populous regions. Roughly, 60 percent of the world's population resides in Asia, with both China and India comprising 36.3 percent. An estimated 16.8 percent of the population lives in Africa followed by America and Europe, which have the lowest population among the regions at 13.3 percent and 9.8 percent, respectively.

South Africa (SA) is a diverse country, consisting of a wide variety of cultures, languages and religious beliefs. As per the Population Reference Bureau (2018), SA's population comprises 0.8 percent of the world population. The 2019 Mid-year Population Estimates by Statistics South Africa (Stats SA) reveals that the country's population is approximately 58.7 million, indicating an increase of 13.3 percent from 51.8 million recorded in 2011. The KZN Province is home to an estimated 11.3 million people which translates to 19.7 percent of the total South African population. Consequently, KZN is the second-most

populous province after the Gauteng province which has an estimated 15.2 million people, constituting 25.8 percent of the national population (Stats SA, 2019).

Table 2.1 illustrates the population size of the province and its districts, percentage share of KZN population by region (the eThekweni Metro and the ten districts in KZN), area in square kilometres (km²) and the population density. As expected, the eThekweni Metro is the most populous of all the regions in the province with approximately 3.9 million people which is 34.7 percent of the KZN population. The main contributing factor to this phenomenon is rural-urban migration. People migrate with the hope of finding jobs in the central economic hub of the province and also to improve education since most higher education institutions are located around the eThekweni Metro.

Table 2.1 Population size, area in square kilometres and population density in 2018

	Population size	% Share of KZN population	Area in square kms	% Share of KZN area	Population density
eThekweni	3 918 863	34.7	2 556	2.7	1 533.2
Ugu	741 886	6.6	4 791	5.1	154.8
uMgungundlovu	1 124 029	10.0	9 602	10.2	117.1
uThukela	714 718	6.3	11 134	11.8	64.2
uMzinyathi	560 055	5.0	8 652	9.2	64.7
Amajuba	547 630	4.9	7 102	7.5	77.1
Zululand	857 502	7.6	14 799	15.7	57.9
uMkhanyakude	687 330	6.1	13 855	14.7	49.6
King Cetshwayo	970 273	8.6	8 213	8.7	118.1
iLembe	668 154	5.9	3 269	3.5	204.4
Harry Gwala	498 452	4.4	10 386	11.0	48.0
KwaZulu-Natal	11 288 892	100	94 361	100	119.6

Source: IHS Markit, 2018 & Stats SA, 2019

It is therefore not surprising that the eThekweni Metro had the highest population density of 1533.2 per km² in 2018, given the size of the population in the metro. The uMgungundlovu District was the second most populous region in the province at approximately 1.1 million, which translates to 10 percent of the KZN population in 2018. The Harry Gwala District was the least populated region constituting 498 452 people and as a result had the least population density of 48 per km² in 2018.

Migration patterns within the province play a vital role in the variation of the population size in the regions. Although there had been an increase in the size of the population in KZN, an analysis of the period from 2011 to 2016 reveals that inter-provincial migration had negatively affected KZN. The out-migration exceeded in-migration by an estimated 70 152 people in the period of 2011 to 2016 and is expected to exceed by another 68 949 people between 2016 and 2021 (Table 2.2).

Table 2.2 Estimated provincial migration streams in 2011-2016 and 2016-2021

Provinces	2011-2016			2016-2021		
	Out - migrants	In - migrants	Net - migration	Out - migrants	In - migrants	Net - migration
Eastern Cape	505 803	181 242	-324 561	514 308	199 855	-314 453
Free State	158 603	128 327	-30 276	162 982	141 185	-21 797
Gauteng	505 574	1 519 244	1 013 670	574 705	1 643 590	1 068 885
KwaZulu-Natal	350 766	280 614	-70 152	372 681	303 732	-68 949
Limpopo	441 645	271 305	-170 340	464 848	302 226	-162 622
Mpumalanga	202 050	271 962	69 913	219 711	297 949	78 238
Northern Cape	71 460	82 321	10 861	76 193	89 252	13 059
North West	187 753	306 934	119 182	205 099	336 180	131 081
Western Cape	160 673	458 720	298 047	177 313	493 621	316 308

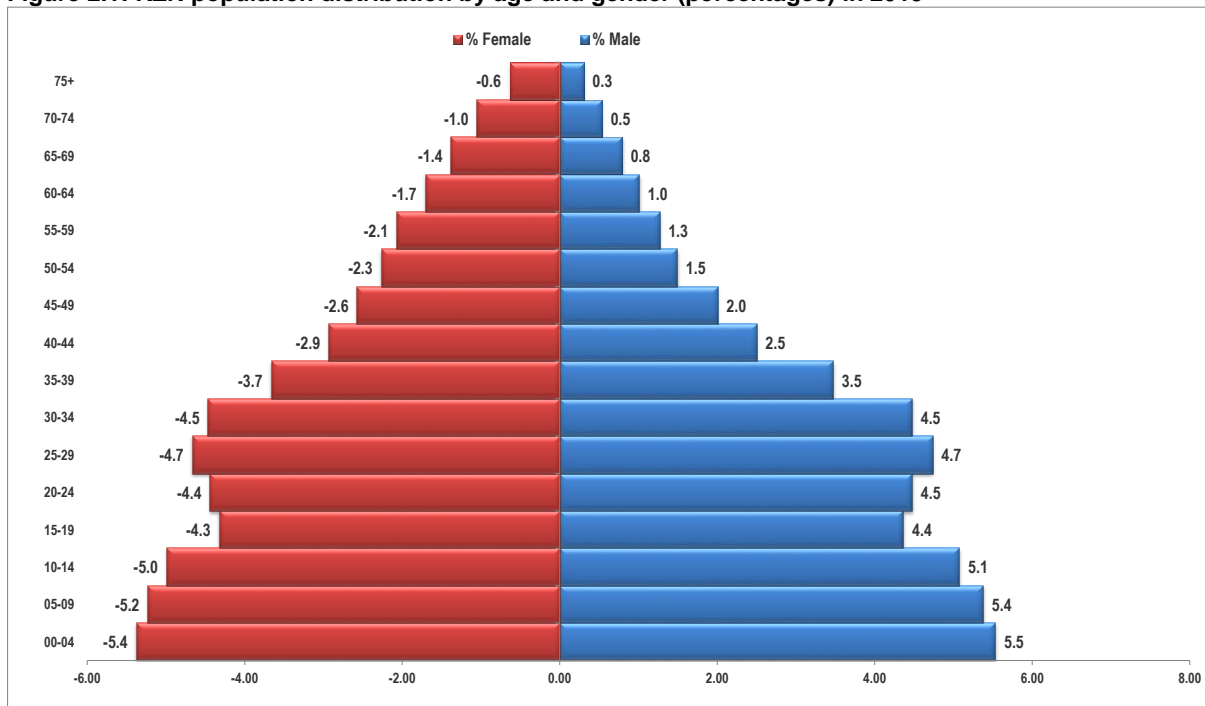
Source: Stats SA, 2019

Migration is cited as one of the main factors contributing to the decline in KZN's share of the national population, thus, affecting its Equitable Share Grant allocation. The Eastern Cape (EC) province suffered the highest net loss with 505 803 people migrating out of the province for the period 2011 to 2016, resulting in negative net-migration of 324 561 as per Table 2.2. The majority of the South African population migrate to the Gauteng and Western Cape Provinces, most probably in search of better job opportunities.

2.1.2 Population distribution by age and gender

Figure 2.1 illustrates the population distribution for KZN by age and gender in 2019. The population pyramid indicates that the largest population in 2019 ranges between the age group of 00-04 to 30-34, which is approximately 67.5 percent of the total KZN population. Approximately 31.6 percent of this group are children between 00 and 14 and 35.9 percent represents the economically active youth population (15-34), thus indicating that the province is predominantly youthful. It can be seen in the diagram that the male population decreased at a faster pace compared to their female counterparts. This could be attributed to factors such as migration patterns and higher mortality amongst males due to risky social behaviour.

Figure 2.1: KZN population distribution by age and gender (percentages) in 2019



Source: Stats SA, 2019

The total provincial dependent population is estimated at 4.1 million people, while the economically active population is estimated at 7.1 million people. The outcome of these estimates is a high dependency ratio of 59.9¹ percent. The dependency ratio is an age-population ratio of those workers that are typically not in the labour force. It is one of the critical factors that can impede economic growth and development of the country. The implications of a higher dependency ratio could bring pressures on government finances which could lead to higher tax rates on a declining working-age population and in turn, could create disincentives to work and reduce disposable income.

¹ South African dependency ratio = (number of people under 15 years) + (number of people aged 65 and over) / (number of people between 15 and 64) x 100 = ((3 564 173 + 689 966/7 098 737))*100 = 59.9 percent

The government may be forced to collect more revenue from indirect taxes or wealth taxes. If an economy experiences a sharp rise in the dependency ratio than that of the global average, its international competitiveness could be affected. This is likely to result in a smaller number of active workers and places more significant tax burden on the economically active population. Further, productivity may be lower which could lead to a decline in competitiveness. A low dependency ratio can be beneficial since people will receive better pensions and health care services and will automatically offload pressure from the government fiscus and also reduce the cost of incurring more debt.

2.2 Economic performance

This section provides the global, national and provincial economic performance. The analysis commences with an outline of the global, national and KZN economic review and outlook and is then followed by a brief review of the sector analysis in KZN.

2.2.1 Global economic review and outlook

The global economic activity continued to be under pressure since the beginning of 2019, with trade and manufacturing showing signs of slowing down. Consequently the global economic performance weakened significantly during the first half of the same year (International Monetary Fund [IMF], 2019). Table 2.3 depicts the world economic estimates and projections from 2016 to 2020. The IMF (2019) has since revised downward its global economic outlook for 2019 and 2020 to 3.2 percent and 3.5 percent, respectively.

Table 2.3: World economic estimates and projections (percentage), 2016 to 2020

	Estimates						Projections			
	IMF			World Bank			IMF		World Bank	
	2016	2017	2018	2016	2017	2018	2019	2020	2019	2020
World	3.1	3.7	3.6	2.6	3.1	3.0	3.2	3.5	2.6	2.7
Advanced Economies	1.6	2.4	2.2	1.7	2.3	2.1	1.9	1.7	1.7	1.5
United States of America	1.6	2.3	2.9	1.6	2.2	2.9	2.6	1.9	2.5	1.7
Euro Area	1.7	2.4	1.9	2.0	2.4	1.8	1.3	1.6	1.2	1.4
United Kingdom	1.8	1.8	1.4	-	-	-	1.3	1.4	-	-
Japan	0.9	1.7	0.8	0.6	1.9	0.9	0.9	0.4	0.8	0.7
Emerging countries	4.1	4.7	4.5	4.1	4.5	4.3	4.1	4.7	4.0	4.6
Russia	-0.6	1.5	2.3	0.3	1.6	2.3	1.2	1.9	1.2	1.8
China	6.7	6.9	6.6	6.7	6.8	6.6	6.2	6.0	6.2	6.1
India	6.6	6.7	6.8	8.2	7.2	7.2	7.0	7.2	7.5	7.5
Brazil	-3.5	1.0	1.1	-3.3	1.1	1.1	0.8	2.4	1.5	2.5
Sub-Saharan Africa	1.6	2.8	3.1	1.5	2.6	2.5	3.4	3.6	2.9	3.3
Nigeria	-1.6	0.8	1.9	-1.6	0.8	1.9	2.3	2.6	2.1	2.2
South Africa	0.3	1.3	0.8	0.6	1.4	0.8	0.7	1.1	1.1	1.5

Source: IMF, 2019 and the World Bank, 2019

The moderate global economic outlook shows a further deceleration in investment amid rising trade tensions, particularly between the United States of America (USA) and China. However, the principal risk factor to the global economy is the adverse developments, including further USA-China tariffs, and the USA auto tariffs. Further, a no-deal Brexit² could weaken investment, dislocate global supply chains, and severely slow global growth below the baseline (IMF, 2019).

² Brexit refers to the UK's withdrawal from the EU, after a successful referendum vote on the 23 June 2016. Brexit is expected to take place at the end of October 2019.

The World Bank's (2019) projections were more conservative at 2.6 percent and 2.7 percent over the same period. Meanwhile, the Organisation for Economic Co-operation and Development (OECD)³, expects the global economy to grow by 3.2 percent in 2019 and 3.4 percent in 2020.

The World Bank (2019) states that economic performance in advanced economies, which include the European Area (EA), Japan, and the USA, will continue to grow at a slower pace in 2019. This was further reiterated by the IMF (2019) which projects that economic growth in advanced economies will average at 1.9 percent in 2019 before moderating to 1.7 percent in 2020. The sluggish economic performance is, to a large extent, attributed to retaliation by trading partners and the prolonged uncertainty surrounding Brexit (IMF, 2019).

The IMF (2019) expects economic growth in the USA to average at 2.6 percent in 2019, but slow down slightly to 1.9 percent in 2020 as the fiscal stimulus is relaxed. The moderate projections in the USA are primarily due to the depressed domestic demand and weaker imports, which in part, reflects the effect of tariffs. For the Euro area, output growth is anticipated to slow down from 1.9 percent estimated in 2018 to 1.3 percent in 2019 before picking up moderately to 1.6 percent in 2020. The lacklustre economic outlook is attributable to a decline in exports, especially to China, the Europe Area, and the Central Asia region. Also, domestic demand has declined, although to a lesser degree due to decreasing unemployment and real wage growth (World Bank, 2019).

The real Gross Domestic Product (GDP) in the United Kingdom (UK) is expected to drop slightly from 1.4 percent recorded in 2018 to 1.3 percent in 2019 before picking up modestly to 1.4 percent in 2020. The forecast assumes an orderly Brexit followed by a gradual transition to the new regime (IMF, 2019). In Japan, the economy is projected to grow by 0.9 percent in 2019 and 0.4 percent in 2020 as per Table 2.3.

Economic growth in the Emerging Market and Developing Economies (EMDEs) is anticipated to decline markedly from 4.3 percent in 2018 to 4 percent in 2019 and is projected to improve to 4.6 percent in 2020. A modest recovery in EMDEs continues to be constrained by subdued investment which is dampening prospects and impeding progress toward achieving critical development goals. Further, the weakening external demand has weighed on export growth across the EMDE regions (World Bank, 2019).

In Russia, output growth picked up to a six-year high of 2.3 percent in 2018 despite tightening international economic sanctions and financial market pressures. According to the World Bank (2019), the acceleration of economic activity was supported by the rise in oil prices, a substantial contribution from net exports, as well as once off factors such as energy-related construction projects and the hosting of the 2018 soccer world cup. Economic activity in Russia is however projected to grow at 1.2 percent in 2019 and 1.9 percent in 2020, respectively, driven mainly by the intensified downside risks. The downside risks include, but not limited to, escalating trade and technology tensions. Further, geopolitical tensions and mounting disinflationary pressures that make adverse shocks more persistent are also critical contributors to the downward risk (IMF, 2019).

In China, economic growth is expected to grow by 6.2 percent in 2019, before declining to 6 percent in 2020. The expected weaker economic performance is the result of unfavourable effects of escalating tariffs, weakening external demand and the strengthening of the regulatory framework needed to control high dependence on debt (IMF, 2019).

India's economy is projected to maintain the highest growth rate of 7 percent in 2019 before picking up to 7.2 percent in 2020. According to the IMF (2019), business sentiment in Brazil has weakened considerably due to the persistent uncertainty about the approval of pension and other structural

³ OECD (2019): *OECD Economic Outlook, Volume 2019 Issue 1*, May 2019, available online: <http://www.oecd.org/economy/economic-outlook/>, accessed on 06/08/2019.

reforms. Subsequently, output growth in Brazil is expected to grow by 0.8 percent in 2019, down from 1.1 percent in 2018. This growth rate is however anticipated to rebound to a moderate 2.4 percent in 2020.

The GDP growth in the Sub-Saharan African (SSA) region is projected to increase moderately from 3.1 percent in 2018 to 3.4 percent and 3.6 percent in 2019 and 2020, respectively. The strong growth in many non-resource-intensive countries partially offsets the lacklustre performance of the region's largest economies. However, volatile and high oil prices have supported the outlook for Angola, Nigeria, and other oil-exporting countries in the region (IMF, 2019).

2.2.2 South African economic review outlook

South Africa continues to realise subdued economic performance despite the moderate recovery in many of its emerging market peers. In 2018, the domestic economic activity increased at a slower pace. This was the result of a technical recession reported in the first half of the year and lower than expected real economic activity in the final quarter of the year. According to Statistics South Africa (Stats SA, 2019), real GDP contracted at an annualised rate of 3.2 percent in the first quarter of 2019, the most substantial contraction since the global financial crisis of 2009⁴.

The sharp decline was exacerbated by severe electricity-supply disruptions and a prolonged strike at a large gold mine, among others (South African Reserve Bank [SARB], 2019). The industries that recorded substantial contraction which translated into a negative contribution toward national GDP, were the mining, manufacturing, trade, catering and accommodation sectors. The mining industry declined by 10.8 percent followed by the manufacturing industry at 8.8 percent, and the trade, catering and accommodation industries at 3.6 percent.

The three sectors that recorded a moderate increase in economic activity in the first quarter of 2019 are the general government services (1.2 percent), finance, real estate and business services (1.1 percent), and personal services (1.1 percent) (Stats SA, 2019). Nonetheless, GDP is expected to show a rebound in the second quarter of 2019, as revealed by positive short-term indicators of the mining and manufacturing sectors. The seasonally adjusted mining production increased by 3.5 percent while the seasonally adjusted manufacturing production improved by 0.6 percentage points in the second quarter of 2019. Four of the ten manufacturing divisions reported favourable growth rates over this period (Stats SA, 2019b). Finally, in the three months ended May 2019, seasonally adjusted retail trade sales increased by 1.1 percent compared with the previous three months (Stats SA, 2019c).

The overall GDP contraction in the first quarter of 2019 prompted the South African Reserve Bank (SARB) to revise downward its forecast for the national economy to 0.6 percent in 2019, while keeping projections for 2020 and 2021 unchanged at 1.8 percent and 2.0 percent, respectively (SARB, 2019). The downward revision is attributable to continued low business confidence, low Purchasing Managers' Index (PMI), and falling business cycle indicators. The June 2019 data published by RMB/BER shows that the Business Confidence Index (BCI) remained at a worryingly low 28 points. Meanwhile, the ABSA PMI at 46.3 points remains below the neutral level⁵ in the second quarter⁶ of 2019. The SARB's composite leading business cycle indicator continued to trend lower as it declined by 1.6 percent on a month-to-month basis in May 2019⁷.

The IMF (2019) also reduced its projections for the South African economy to 0.7 percent in 2019 and 1.1 percent in 2020 as per Table 2.3 due to a weaker than expected economic activity in the first quarter.

⁴ Real gross domestic product contracted by 6.1% in the first quarter of 2009.

⁵ The Absa Purchasing Managers' Index (PMI) compiled by the Bureau for Economic Research (BER) and sponsored by Absa, (<https://www.ber.ac.za/BER%20Documents/ABSA-PMI/?doctypeid=1066>) accessed on 23 July 2019

⁶ The composite RMB/BER Business Confidence Index (BCI) is the unweighted mean of five sectoral indices (See <https://www.ber.ac.za/BER%20Documents/FNB-Building-Confidence-Index/?doctypeid=1079>), accessed on 23 July 2019.

⁷ South African Reserve Bank Composite Business Cycle. <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/9396/Composite%20Business%20Cycle%20Indicators%20%E2%80%93%20July%202019.pdf>

The World Bank (2019) projected the domestic economy to average at 1.1 percent and 1.5 percent in 2019 and 2020, respectively. However, it should be noted that economic prospects by the World Bank preceded the release for first quarter GDP figures by Stats SA. This implies that the outlook was compiled using only fourth quarter information.

Government debt and severing credit rating

Government is already feeling the detrimental effects of the subdued economic performance in the country. According to the National Treasury (2019)⁸, the preliminary outcome of the budget estimates indicates that only 22.7 percent of the total projected revenue was collected in June 2019 which is a 0.7 percentage point's decrease when compared to 23.4 percent collected in June 2018. Over the same period, expenditure was slightly below revenue collection at 22.6 percent. Consequently, the budget deficit will remain wide in the short to medium term which thereby necessitating further borrowing by government to minimise the fiscal gap. The government debt stock has been on the rise over the past decade without a notable decline; with the government debt-to-GDP increasing from 26.5 percent in 2008 to 56.7 percent in 2018 (SARB, 2019).

The escalating government debt could negatively affect SA's final investment rating grade. Moody's Investors Service (Moody's), which has SA's debt one notch above non-investment status with a stable outlook, has repeatedly warned that SA's rising debt levels could result in a downgrade. Moody's baseline scenario projects the debt-to-GDP ratio to reach 65 percent of GDP by 2023. This could increase to 70 percent if there are potentially larger state-owned entity support packages than currently planned by the government coupled, with slower growth and higher interest rates. National Treasury's worst case scenario is for the debt-to-GDP ratio to deteriorate to 60.2 percent of GDP in 2023/24 if government does not rein in debt (National Treasury, 2019).

It must also be noted that Fitch has kept SA's long-term foreign and local currency on the first notch of non-investment grade. The agency has, however, downgraded the country's outlook from stable to negative. Fitch cites concerns about the government's financial support of Eskom (SA's power utility) and low economic growth as the main factors contributed to its decision. A further downgrade implies that the government and its state-owned entities (SOEs) have to pay more to borrow money both locally and internationally.⁹

Black Industrialist

While delivering his budget vote¹⁰ in Parliament in July 2019, Mr Ebrahim Patel, the national cabinet minister of *Trade and Industry & Economic Development*, reiterated government's programme on black industrialists aimed at stimulating the much needed economic growth. The government and other institutions plan to spend approximately R40 billion over the next five years in supporting hundreds of Black Industrialist (BI) projects. The funding will be derived from the budgets of various government departments, the Industrial Development Corporation (IDC), money raised through competition settlements and the equity equivalence investment programme of Broad-Based Black Economic Empowerment. The BI programme aims to open the economy of the country to more South Africans while enabling young people to find opportunities to participate in the mainstream economy. KZN government is, therefore, duty-bound to work with all stakeholders, including municipalities, to ensure that people of the province benefit from this programme.

⁸ National Treasury (2019): *Statement of the national and provincial governments' revenue, expenditure and national borrowing as at 30 June 2019*, issued by the director-general: National Treasury, 30 July 2019, available online: http://www.treasury.gov.za/comm_media/press/monthly/monthly_2019.aspx, accessed on 10/08/2019.

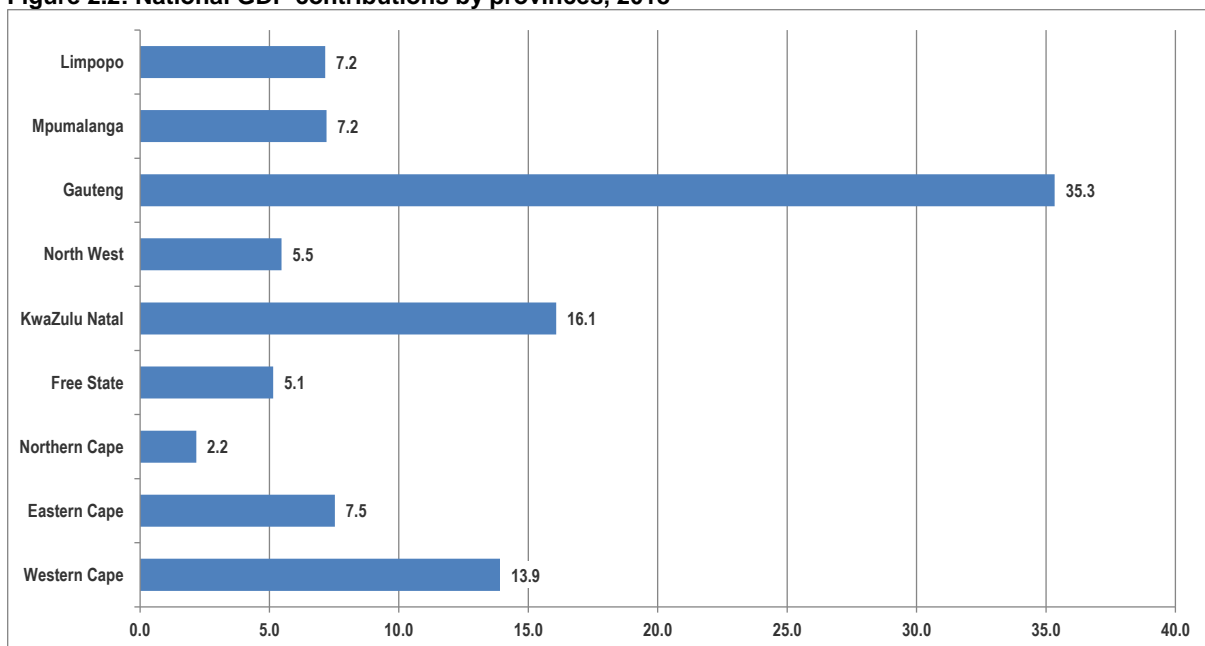
⁹ National Treasury (2019): *Government's response to the rating action by Fitch Ratings* (Fitch), *Media statement* issued by National Treasury on 26/07 2019, available online: <http://www.treasury.gov.za/>, accessed on 10/08/2019.

¹⁰ DTI (2019): Minister of Trade, Industry and Economic Development Tables His Department's Budget Vote, 12/07/2019, available online, accessed on 08/08/2019
<https://www.polity.org.za/article/sa-ebrahim-patel-address-by-minister-of-trade-and-industry-and-economic-development-budget-vote-speech-national-assembly-11072019-2019-07-12>

2.2.3 KwaZulu-Natal economic review and outlook

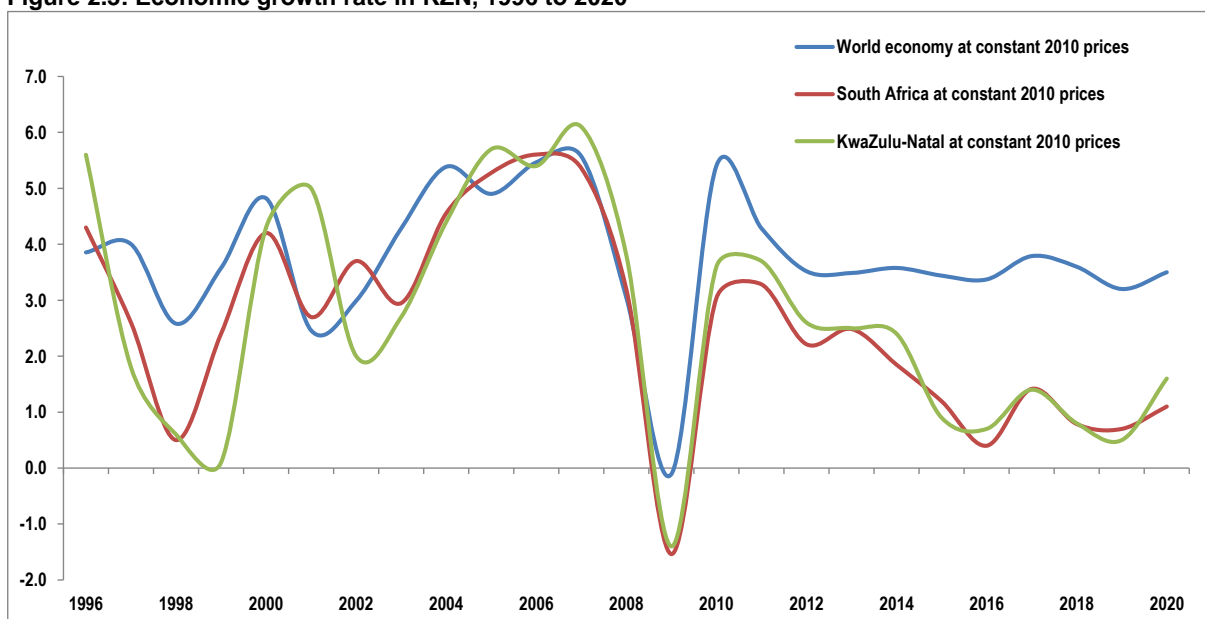
Similar to the national economy, real economic activity increased at an unacceptably slow rate in KZN, where GDP is estimated to have grown by 0.9 percent in 2018. Nonetheless, the province continues to play an integral role in the South African economy in terms of Regional Gross Domestic Product (GDP-R). The province of KZN generated real GDP-R amounting to R505.6 billion in 2018, which translates to a 16.1 percent proportion of the national aggregate output produced over the same period. Thus, KZN remains the second largest contributor to the national GDP after the Gauteng Province (GP) at 35.3 percent and is moderately above the Western Cape (WC) at 13.9 percent as per Figure 2.2. Moreover, as per Figure 2.3, KZN's economy is projected to grow by 0.5 percent and 1.6 percent in 2019 and 2020, respectively.

Figure 2.2: National GDP contributions by provinces, 2018



Source: IHS Markit, 2019

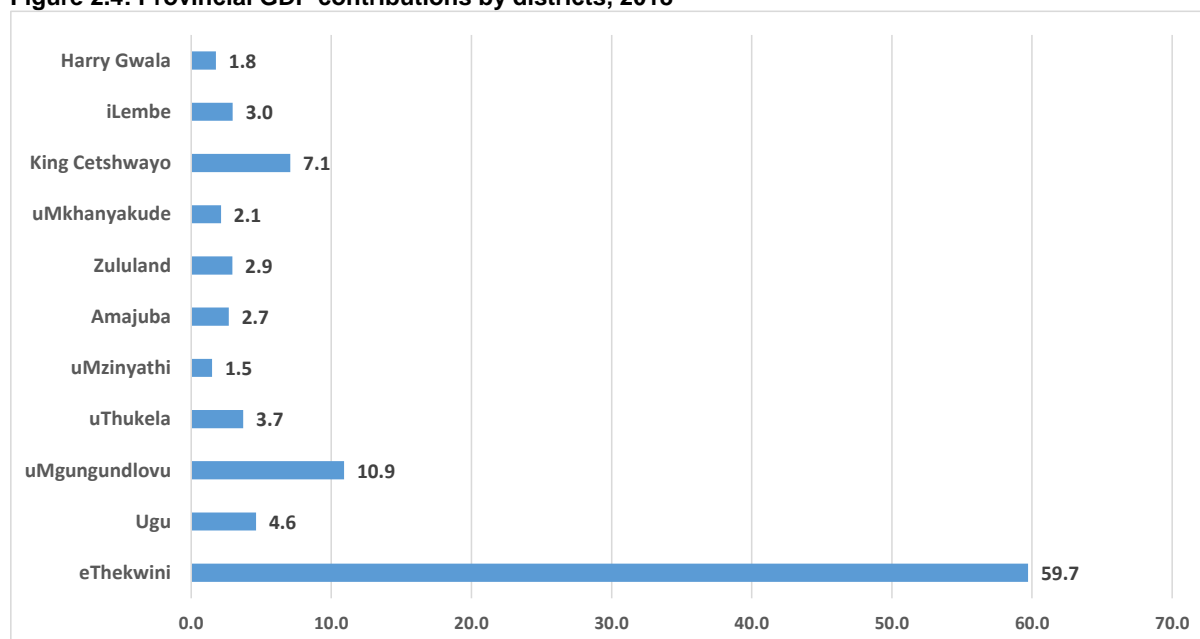
Figure 2.3: Economic growth rate in KZN, 1996 to 2020



Source: IHS Markit, 2019 and Stats SA, 2019

The provincial output is distributed unevenly across the ten districts and the eThekweni Metro. As expected, the eThekweni Metro is the central economic hub of the province with a 59.7 percent contribution to the provincial GDP-R. This is attributable to the economic activities that take place within the metro, such as tourism and the ports. The second largest contributor to the provincial economy is the uMgungundlovu District (10.9 percent) followed by the King Cetshwayo District (7.1 percent). The least contributing districts are the uMzinyathi, Harry Gwala and uMkhanyakude Districts at the estimated rates of 1.5 percent, 1.8 percent and 2.1 percent, respectively as per Figure 2.4.

Figure 2.4: Provincial GDP contributions by districts, 2018



Source: IHS Markit, 2019

2.2.4 Sector analysis

Table 2.4 provides a review of sector contribution towards the national and provincial GDP-R, in real terms, over the period 1996 to 2020. The table shows that the national economy is primarily driven by the tertiary sector, with an estimated contribution of 63.4 percent of the value added in 2018. The contribution by this sector has maintained an increasing trend for the past two decades and it is expected to continue to dominate the economy at an average 63.9 percent in 2019 and 2020.

Table 2.4: Gross value added by sector in SA and KZN, 1996 to 2020

	South Africa					KwaZulu-Natal				
	Estimates			Projections		Estimates			Projections	
	1996	2006	2018	2019	2020	1996	2006	2018	2019	2020
Primary sector	15.6	12.0	9.7	9.4	9.4	9.8	5.9	6.4	6.3	6.4
Agriculture	2.8	2.2	2.4	2.4	2.4	4.9	3.8	4.7	4.7	4.8
Mining	12.9	9.8	7.3	7.1	7.0	4.9	2.1	1.7	1.6	1.6
Secondary sector	19.6	19.6	17.8	17.7	17.6	25.3	25.2	22.2	22.0	21.9
Manufacturing	14.0	14.1	12.3	12.4	12.3	18.6	19.0	16.1	16.1	16.0
Electricity	3.1	2.7	2.1	2.1	2.1	3.3	2.9	2.0	2.0	2.0
Construction	2.4	2.8	3.4	3.2	3.2	3.4	3.4	4.1	3.9	3.9
Tertiary sector	54.8	59.0	63.4	63.9	63.9	55.1	59.7	62.6	63.0	63.0
Trade	12.3	13.4	13.7	13.8	13.8	11.9	14.0	14.2	14.2	14.2
Transport	6.1	8.2	8.7	8.8	8.9	8.6	10.9	11.5	11.5	11.6
Finance	13.9	18.1	20.4	20.6	20.8	12.2	15.7	17.0	17.2	17.4
Community services	22.5	19.3	20.6	20.7	20.4	22.4	19.1	20.0	20.1	19.8

Source: IHS Markit, 2019

On the contrary, contributions made by both the Primary and Secondary sectors have been deteriorating steadily over the same period. The Primary sector contributed 9.7 percent to the national GDP, while the Secondary sector contributed 17.8 percent in 2018. This shows a substantial decline when compared to the past two decades where the Primary and the Secondary sectors contributed 15.6 percent and 19.6 percent, respectively in 1996.

A similar trend is also pertinent to the provincial economy, in which the Tertiary sector continues to dominate at 62.7 percent in 2018, up from 55.1 percent in 1996. This trajectory is in stark contrast to both the Primary and Secondary sectors, which are on a downward trend. The Primary sector plummeted by 3.4 percent, down from 9.8 percent in 1996 to 6.4 percent in 2018. This contribution is expected to decline slightly to 6.3 percent in 2019 and pick up modestly to 6.4 percent in 2020. Over the same period, contribution by the Secondary sector dropped moderately from 25.3 percent in 1996 to 22.2 percent in 2018. The main drivers of this contraction are Manufacturing, dropping from 18.6 percent to 16.1 percent and Electricity, deteriorating from 3.3 percent to 2 percent.

Table 2.4 further shows that the Community services remains the highest contributing sector to the economy of the country despite its slight decline over the period under consideration. The contribution by this industry decreased moderately from 22.5 percent in 1996 to 20.6 percent in 2018. For both the national and provincial levels, growth by this subsector is expected to remain subdued but continue to dominate the economy. The dependence of the economy on Community services is of concern as the ideal economy should rely predominantly on the Manufacturing sector for job creation and export promotion purposes. It is of grave concern that the contribution by the Manufacturing sector has been deteriorating steadily on the national and provincial economy.

2.3 Labour markets

It is almost a decade since the global financial crisis occurred but the South African economy has not recovered to its full capacity in terms of output growth. The GDP growth of the country has consistently been growing below 5 percent as envisioned in the National Development Plan (NDP). The protracted slow economic growth hurts the labour market in terms of unemployment. As correctly pointed out by Arthur Okun (1962), if economic growth is very low or negative, the unemployment rate tends to increase.

Another factor that contributes heavily to the challenges facing the South African labour market is an excess of unskilled labour. Apart from being needed to perform menial tasks, unskilled labour is mostly unemployable. Accepting that economic growth is a function of investment, labour and capital, it is necessary to create an environment conducive to satisfy each of the three components. High unemployment remains a critical challenge facing the country and has abruptly climbed to an 11-year high of 29 percent. Disturbingly, the youth population constitutes the most substantial proportion of total unemployment in the country and KZN alike.

2.3.1 Labour dynamics in South Africa

The lacklustre economic activity in SA has harmed labour market indicators such as the employment rate. Table 2.5 depicts the labour force characteristics in SA from the second quarter of 2018 to the second quarter of 2019. The total number of people employed increased at a slower pace in the second quarter of 2019. The table shows that employment rose slightly by 21 000 from 16.291 million to 16.313 million between the first and second quarters of 2019. According to Stats SA's (2019) Quarterly Labour Force Survey (QLFS), substantial job losses were reported in the formal sector (49 000) whereas the informal sector showed a significant increase of 114 000. The job shedding in the formal sector was reported in four industries which include private households (49 000), transport (42 000), manufacturing (36 000), and finance (21 000) which were offset by six industries that recorded employment gains. Of the industries that recorded increases, trade and community and social services reflected the most significant increases with 84 000 and 48 000, respectively.

Table 2.5 Labour force characteristics in SA, 2018: Q2 to 2019: Q2

	April - June 2018	Jan - March 2019	April - June 2019	Quarter - to - quarter change	Year - on - year change	Quarter - to - quarter change	Year - on - year change
	Thousand				Percentage		
South Africa							
Population 15-64 years	37 832	38 283	38 433	150	601	0.4	1.6
Labour force	22 370	22 492	22 968	476	598	2.1	2.7
Employed	16 288	16 291	16 313	21	25	0.1	0.2
Unemployed	6 083	6 201	6 655	455	573	7.3	9.4
Not economically active	15 462	15 791	15 465	(326)	3	(2.1)	-
Rates (%)							
Unemployment rate	27.2	27.6	29.0	1.4	1.8		
Employed/ population rate (Absorption)	43.1	42.6	42.4	(0.2)	(0.7)		
Labour force participation rate	59.1	58.8	59.8	1.0	0.7		

Source: Stats SA, 2019

Table 2.5 further shows that the number of unemployed persons increased by 455 000 from 6.2 million in the first quarter to 6.7 million in the second quarter of 2019. Therefore, the official unemployment rate rose to 29 percent in the second quarter, up from 27.6 percent in the first quarter of the same year. This is the highest unemployment rate since the QLFS was introduced in 2008. The scourge of the rising unemployment rate is attributable to the constrained economic activity, which results in the low capacity to absorb new entrants by industries. This is evident from the massive job losses in major industries such as manufacturing and transport.

The QLFS also shows that the rate of unemployment was even higher at 38.5 percent in the second quarter of 2019 using the expanded definition which includes discouraged job seekers. Therefore, SA has a huge gap between the narrow and expanded definition of the unemployment rate. Another concern is the number of corporate companies, including the banking sector, which have announced retrenchments plans, especially in July 2019. For instance, on 10 July 2019, ArcelorMittal SA announced that it might cut more than 2 000 jobs as part of a broader restructuring to cut costs. The company employed around 8 850 people in 2018¹¹. In its statement, ArcelorMittal raised concerns about the country's steel industry high costs for electricity and raw materials and has been negatively affected by the weak local economy.

Despite youth unemployment being a global challenge¹², it is disturbing that the youth population in the country constitutes the most significant proportion of the total unemployed population. The unemployment rate among young people aged 15 to 34 stood at 45.1 percent in the second quarter of 2019. This implies that four in every ten young people in the labour force did not have a job during this period. In terms of education levels, the QLFS indicates that unemployment is higher among those with less than matric at 57 percent followed by those with matric which only stood at 33.4 percent over the same period.

In contrast, the unemployment rate among graduates was relatively low, at 2.2 percent (Stats SA, 2019d). This indicates that lower education levels among most young people in the country are among the major contributing factors to the higher youth unemployment rate. The scourge of higher unemployment persists in spite of programs such as Youth Employment Service (YES)¹³ that was agreed to by the government, businesses, and civil societies in the Jobs Summit that was held in October

¹¹ Thomasson, L. (2019): *ArcelorMittal South Africa to Cut 2,000 Jobs*, Bloomberg article, 10/07/2019), available online: <https://www.bloomberg.com/news/articles/2019-07-10/arcelormittal-south-africa-falls-after-announcing-2-000-job-cuts>, accessed on 07/08/2019.

¹² According to the International Labour Organization (ILO), the global youth unemployment rate standing at 13 percent, or three times higher than the adult rate of 4.3 percent. Available online: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_615594.pdf, accessed on 05/08/2019

¹³ See YES programmes, available online: <https://www.yes4youth.co.za/>, accessed on 06/08/2019.

2018.¹⁴ One of the objectives of the YES programme, is for businesses to contribute in minimising retrenchments by providing for multi-skilling of employees and mechanisms for productivity bargaining.

The government has further committed itself towards revamping the education system to equip learners with the necessary skills required for the fourth industrial revolution. This is also the structural economic reform that is aimed at growing the economy and its capacity to absorb the new entrants into the job market. Moreover, mentorship, an opportunity to make a difference and a sense of personal empowerment, would be of utmost useful for the youth of the country. More support for the young and aspiring entrepreneurs could be critical in providing the much needed infrastructure such as telecom and back-office services, a network of contacts, a viable product, and knowledge about how to run a business.¹⁵

2.3.2 Labour dynamics in KZN

Similar to the national trend, employment grows at a slower pace in the Province of KZN. The QLFS indicates that the total number of people employed increased by 100 000 from 2.5 million in the first quarter to 2.6 million in the second quarter of 2019. Further, KZN was among the provinces that recorded the most substantial employment increases such as the Eastern Cape (EC) (80 000), Limpopo (LP) (55 000) and Mpumalanga (MP) (34 000). In contrast, the Gauteng and North West Provinces (NW) recorded the most considerable employment losses of 96 000 and 52 000, respectively. Although the Province of KZN recorded notable employment gains, it was offset by the increase in the total number of unemployed persons.

The total number of unemployed persons in the Province of KZN increased by 57 000 from 872 000 in the first quarter to 929 000 in the second quarter of 2019. Consequently, the official unemployment rate in the province has climbed by 1 percent from 25.1 percent to 26.1 percent over the same period (Stats SA, 2019d). It, however, increased substantially by 4.3 percent when compared to the same period in 2018, where it was estimated at 21.8 percent. Unemployment is persistently high among young people, both nationally and provincially. In addressing the challenge of high youth unemployment, the government of KZN launched the KZN Provincial Youth Business fund earlier in 2019. The programme aims at providing financial support to qualifying youth-owned businesses within the province. Nevertheless, KZN recorded the third lowest unemployment rate after the WC at 20.4 percent and the LP at 20.3 percent.

The QLFS further highlights that KZN has the third-lowest Absorption Rate (AR) at 37.1 percent after NW (35.3 percent) and EC (32.4 percent). This implies that most people of the Working-Age Population (WAP) are not readily absorbed into the labour market due to slow economic performance. In terms of the Labour Force Participation Rate (LFPR), KZN has the second-lowest rate at 50.1 percent followed by the LP at 48.3 percent. The lower LFPR shows that most people of the workforce within the province are not actively participating in economic activities.

Table 2.6 displays the unemployment rate trend across the districts and the eThekweni Metro in the province over the period 2008 to 2018. In 2018, the uMkhanyakude (37.7 percent), uThukela (31 percent), uMzinyathi (30.8 percent), Zululand (30.2 percent) and Amajuba (30.1 percent) Districts had the highest unemployment rates in the province. Conversely, the eThekweni Metro had the lowest unemployment rate at 17.1 percent which was far lower than the average provincial rate of 23.8 percent for the period under review.

¹⁴ See the Presidential jobs summit framework agreement 4 October 2018, available online: <http://nedlac.org.za/jobs-summit-2018/>, accessed on 06/08/2019.

¹⁵ See both State of the nation address (SONA, June 2019) and State of the province address (SOPA, June 2019).

Table 2.6: Unemployment rate trend (percentages), 2008 to 2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
eThekwini	21.0	18.7	17.7	16.8	16.6	16.1	16.3	17.4	18.0	17.4	17.1
Ugu	25.5	23.6	23.2	23.2	24.3	25.7	26.1	25.5	26.7	28.5	28.7
uMgungundlovu	22.7	20.9	20.3	20.0	20.5	21.5	21.7	21.2	22.0	23.5	23.7
uThukela	27.8	25.8	25.3	25.1	26.2	27.7	28.1	27.6	28.8	30.8	31.0
uMzinyathi	26.5	24.6	24.0	23.9	25.0	26.7	27.2	26.9	28.4	30.5	30.8
Amajuba	27.2	24.7	23.7	23.1	24.3	25.9	26.5	26.6	28.0	29.7	30.1
Zululand	25.1	23.3	23.0	22.9	24.2	26.0	26.5	26.2	27.7	29.8	30.2
uMkhanyakude	30.5	29.2	29.5	30.2	31.6	33.5	34.1	33.8	35.3	37.4	37.7
King Cetshwayo	22.9	21.7	21.7	22.2	23.5	24.9	25.3	24.9	26.0	27.7	27.8
iLembe	25.7	23.4	22.4	21.8	22.9	24.3	24.5	23.8	25.0	26.6	26.5
Harry Gwala	22.7	21.3	21.2	21.5	22.7	24.2	24.6	23.9	25.0	27.0	27.3
KwaZulu-Natal	23.4	21.3	20.6	20.2	20.7	21.4	21.7	22.0	23.0	23.8	23.8
South Africa	23.6	23.8	24.8	24.9	25.0	25.1	25.1	25.5	26.4	27.2	27.2

Source: IHS Markit, 2019

2.3.3 Job scarcity

Table 2.7 reflects job scarcity¹⁶ over the period 2008 to 2018. Job scarcity is one of the useful indicators in the analysis of labour market conditions. Similar to other indicators, such as poverty and education, job scarcity plays an integral role in the high levels of the unemployment rate. The table shows a consistent rise in job scarcity nationally, with the rate estimated at 27.2 percent in 2018, up from 23.5 percent in 2008. The trend is pertinent to the province of KZN, where job scarcity increased from 23.1 percent in 2008 to 24.4 percent in 2018. It should be noted that economic performance has remained subdued over this period thereby resulting in a low capacity to absorb new entrants by the industries.

Table 2.7: Job scarcity, 2008 to 2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
eThekwini	16.8	14.5	13.5	12.7	13.6	13.1	13.0	13.9	14.4	13.9	13.7
Ugu	25.6	23.4	22.7	22.6	24.2	25.7	26.2	25.9	27.1	28.7	28.9
uMgungundlovu	22.9	21.0	20.5	20.2	21.8	22.8	23.1	22.7	23.6	25.0	25.2
uThukela	24.7	22.4	21.6	21.3	23.6	25.1	25.6	25.1	26.3	28.4	28.6
uMzinyathi	39.4	37.5	36.6	36.3	38.1	39.5	40.1	39.9	41.1	42.8	43.1
Amajuba	28.3	25.9	25.0	24.3	26.4	27.9	28.5	28.5	29.9	31.6	31.9
Zululand	31.5	30.2	30.1	30.5	32.4	34.0	34.4	34.3	35.6	37.4	37.8
uMkhanyakude	35.0	33.5	33.5	34.2	36.2	38.0	38.6	38.4	39.8	41.8	42.0
King Cetshwayo	23.7	22.4	22.6	23.4	25.0	26.3	26.7	26.3	27.4	29.0	29.0
iLembe	33.7	31.6	30.5	29.7	31.5	32.7	33.1	32.8	33.9	35.2	35.1
Harry Gwala	26.6	25.3	25.2	25.5	27.6	29.0	29.3	28.7	29.7	31.5	31.9
KwaZulu-Natal	23.1	21.0	20.3	19.8	21.3	21.9	22.3	22.6	23.5	24.3	24.4
South Africa	23.5	23.7	24.7	24.9	25.0	25.1	25.1	25.5	26.4	27.2	27.2

Source: IHS Markit, 2019

The uMzinyathi District had the highest job scarcity over the period and recorded 43.1 percent in 2018 and this was followed by the uMkhanyakude and Zululand Districts at 42.0 percent and 37.8 percent, respectively. As expected, the eThekwini Metro had the lowest job scarcity at 13.7 percent in 2018. Taking into account the link between unemployment and job scarcity, it is apparent that the districts with a high unemployment rate also have high job scarcity.

¹⁶ *job scarcity rate* is the difference between the economically active population and formal employment. It should be noted that this is not an unemployment rate, but a useful indicator of an economy's job creation capacity. A higher rate means lower job creation capacity and vice versa (Mohr P, 2008).

2.3.4 Labour force participation rate

The Labour Force Participation Rate (LFPR)¹⁷ shows the extent to which the working population is economically active. A lower rate can be attributed to various factors ranging from a high number of discouraged work seekers, students, homemakers and others. Table 2.8 illustrates the labour force participation rate from 2008 to 2018. In 2018, the national average for LFPR was 38.5 percent which indicates that the most substantial proportion of WAP are not economically active as supported by the higher expanded unemployment rate. The province had realised a notable decline in LFPR from 32.6 percent in 2008 to 30.9 percent in 2018. The uMgungundlovu had the highest LFPR at 37.3 percent in 2018 followed by the eThekweni Metro and King Cetshwayo Districts at 36.1 percent and 32.1 percent, respectively. The districts with the lowest LFPR were the uMkhanyakude (19.5 percent) followed by the uMzinyathi (20 percent) and Zululand (22.6 percent) Districts.

Table 2.8: Labour force participation rate, 2008 to 2018

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
eThekweni	40.9	39.2	37.1	36.6	36.5	36.8	36.8	36.3	36.0	36.2	36.1
Ugu	27.8	26.3	24.6	24.0	24.4	25.3	26.5	27.2	27.6	27.9	27.8
uMgungundlovu	36.6	35.4	33.8	33.5	33.8	34.8	36.1	36.9	37.2	37.4	37.3
uThukela	28.0	26.1	24.1	23.2	23.6	24.4	25.6	26.3	26.6	26.8	26.8
uMzinyathi	21.5	19.9	18.2	17.4	17.6	18.2	19.1	19.7	19.9	20.1	20.0
Amajuba	30.7	29.4	27.9	27.5	27.7	28.5	29.6	30.2	30.4	30.6	30.5
Zululand	23.7	22.1	20.4	19.7	19.9	20.6	21.6	22.2	22.5	22.7	22.6
uMkhanyakude	21.3	19.5	17.6	16.7	17.0	17.7	18.6	19.1	19.3	19.6	19.5
King Cetshwayo	31.5	30.1	28.5	28.1	28.5	29.4	30.7	31.4	31.8	32.1	32.1
iLembe	28.8	27.6	26.2	25.9	26.2	27.1	28.4	29.1	29.4	29.7	29.7
Harry Gwala	28.2	26.7	25.1	24.5	24.8	25.6	26.7	27.5	27.8	28.0	27.9
KwaZulu-Natal	32.6	31.1	29.3	28.8	28.9	29.6	30.4	30.6	30.7	30.9	30.9
South Africa	37.5	36.8	35.7	35.6	35.8	36.3	37.2	37.8	38.3	38.6	38.5

Source: IHS Markit, 2019

2.3.5 Labour absorption rate

Another key indicator in the labour market analysis is the Labour Absorption Rate (LAR)¹⁸. The LAR provides an alternative indication to the unemployment rate regarding the lack of job opportunities in the labour market.

Table 2.9 illustrates labour absorption rate from 2008 to 2018. Overall, job creation capacity has shown a fluctuating marginal trend over the period under consideration. The South African labour market recorded a marginal decrease of 0.1 percent in the LAR between 2017 and 2018. Overall, the national LAR has maintained a stable trend over the period under review without significant changes. The provincial LAR remained unchanged at 23.4 percent in the 2017 and 2018 years. The table further shows that the LAR decreased marginally for seven districts in KZN from 2017 to 2018. The eThekweni Metro (31.1 percent), the uThukela (19.2 percent), and King Cetshwayo (22.8 percent) Districts recorded the same percentages as the previous year. The iLembe District experienced a slight increase from 19.2 percent in 2017 to 19.3 percent in 2018.

¹⁷ The LFPR is the proportion of the working-age population, which is economically active (Stats SA, 2011).

¹⁸ The labour absorption rate is the proportion of working-age group 15-64 that are employed (Stats SA, 2014).

Table 2.9: Labour absorption rate, 2008 to 2018

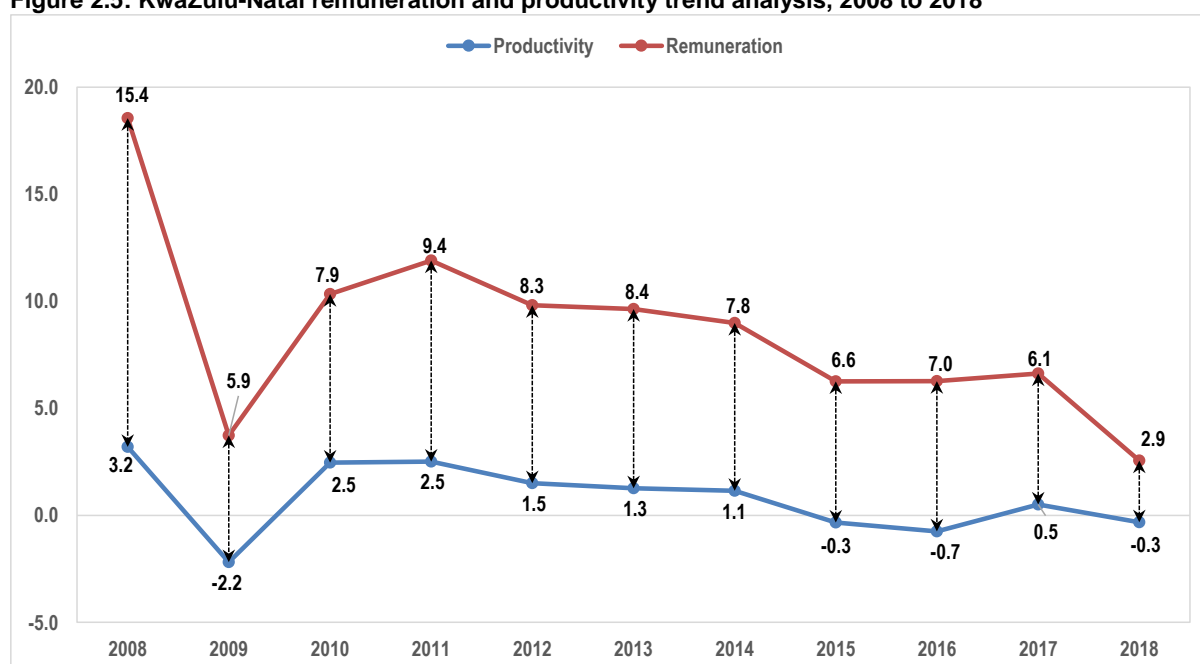
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
eThekweni	34.1	33.5	32.1	31.9	31.6	32.0	32.0	31.2	30.8	31.1	31.1
Ugu	20.7	20.1	19.0	18.6	18.5	18.8	19.5	20.2	20.1	19.9	19.8
uMgungundlovu	28.3	28.0	26.9	26.7	26.5	26.9	27.8	28.5	28.4	28.0	27.9
uThukela	21.1	20.2	18.9	18.3	18.0	18.3	19.0	19.7	19.6	19.2	19.2
uMzinyathi	13.1	12.5	11.5	11.1	10.9	11.0	11.5	11.8	11.7	11.5	11.4
Amajuba	22.0	21.8	20.9	20.8	20.4	20.6	21.2	21.6	21.3	21.0	20.8
Zululand	16.3	15.5	14.3	13.7	13.4	13.6	14.2	14.6	14.5	14.2	14.1
uMkhanyakude	13.8	13.0	11.7	11.0	10.8	11.0	11.4	11.8	11.6	11.4	11.3
King Cetshwayo	24.0	23.4	22.1	21.6	21.4	21.7	22.5	23.2	23.1	22.8	22.8
iLembe	19.1	18.9	18.2	18.2	18.0	18.2	19.0	19.6	19.4	19.2	19.3
Harry Gwala	20.7	20.0	18.8	18.3	17.9	18.2	18.9	19.6	19.5	19.2	19.0
KwaZulu-Natal	25.1	24.6	23.3	23.1	22.8	23.1	23.6	23.7	23.5	23.4	23.4
South Africa	28.7	28.1	26.9	26.7	26.8	27.2	27.9	28.2	28.1	28.1	28.0

Source: IHS Markit, 2019

2.3.6 Labour remuneration and productivity

Labour productivity is defined as the output per unit of labour. Labour remuneration is measured as remuneration per worker at current prices. It is a meaningful indicator since it helps reflect changes in the cost of labour. An improvement in this variable can be due to an accumulation of machinery, advancement in technology, investment in infrastructure, skills development and improvement in the health of organisations. Figure 2.5 shows a comparison of the labour productivity and labour remuneration from 2008 up to 2018 for the KZN Province.

Figure 2.5: KwaZulu-Natal remuneration and productivity trend analysis, 2008 to 2018



Source: IHS Markit, 2019

A rapid growth in remuneration per worker is not harmful as long as it is coupled with a proportional increase in productivity. This measure serves as an essential indicator of cost pressures, competitiveness and cost efficiency of labour. If unit labour costs increase faster than in the economies of its international competitors, the situation might be temporarily absorbed by reducing profit margins. However, in the long term, the deteriorating competitiveness will reduce exports, output and employment (Mohr, 2008).

As is evident in Figure 2.5, the trend shows a high magnitude between productivity and remuneration, whereby the latter variable is far higher than productivity in KZN. Labour remuneration growth in the province has outstripped the productivity growth. Inherently, productivity levels should be consistent with the remuneration trend. The discrepancy between the two variables implies that efficiency in production is low compared to the given costs of labour from 2008 to 2018.

2.4 International trade

South Africa has made significant progress towards improving international trade since the adoption of trade liberalisation in 1995 by joining the World Trade Organisation (WTO). The country has diversified and reinforced strong relationships with other regions through, for example; engaging in regional trade agreements and trade blocs like the Southern African Customs Union (SACU), the Southern African Development Community (SADC) as well as the recent African Continental Free Trade Area (AfCFTA). The AfCFTA aims to, among several other cardinal objectives, create a single market for goods and services and facilitate the free movement of people, capital, goods and services.

These regional trade blocs have the primary aim of economic co-operation, removal of tariffs and barriers to trade. Further, the country has developed strong partnerships by joining Brazil, Russia, India and China (BRICS). The EU is still South Africa's major trading partner through a Preferential Trade Agreement (PTA), whilst BRICS is still catching up (Onyekwena, 2014). This supports firms and consumers in South Africa to gain from imports through lower prices and a greater variety of goods and services, while exporters achieve economies of scale and increased competition due to trade which can spur innovation and productivity growth.

South Africa is one of the beneficiaries of the African Growth and Opportunity Act (AGOA) which was introduced in the year 2000 by the Clinton administration to boost trade and investment in granting Africa duty-free access to 6 500 exported products. The purpose of this legislation was to assist the economies of the Sub-Saharan Africa and to improve economic relations between the USA (African Growth and Opportunity Act, 2000). After completing its initial 15 year period of validity, the AGOA legislation was extended on 29 June 2015 by a further 10 years, to 2025. The South African economy benefits mainly from the export of steel and aluminium to the USA. However, the US market for steel and aluminium in the USA was threatened by the USA imposing a 25 percent tariff on steel and 10 percent on aluminium products and later in the 2018 year granted exemptions to some major exporting nations of steel, including SA. The exemption of tariffs on these products will contribute towards ensuring that jobs in companies producing these products are retained.

While it is important to acknowledge the remarkable progress the country has made with regard to international trade, it, however, remains with a huge challenge of reducing the current account deficit. This requires extreme production of exportable goods and competitiveness of domestic exports so as to ensure that exports exceed imports and thus shrink the deficit. However, the exchange rate and volumes of exports play a major role in this dynamic process. It is seen as an adjustment parameter to manage the transfer from a change in the capital account to the corresponding change in the current account.

Encouragingly, KZN is the second largest contributor to the South African's economy, as it is home to the busiest and largest ports being Durban and Richards Bay. This section therefore provides an analysis of international trade with reference to exports, imports, percentage share of KZN's exports as well as exports as a percentage of GDP-R and imports by KZN.

2.4.1 KwaZulu-Natal exports

KZN exported goods valued at R157.5 billion in 2018 which was 20.2 percent of the provincial real GDP-R. This was almost double the value of exports realised in 2008. The eThekweni Metro contributed 52.5 percent to KZN exports at an estimated value of R82.7 billion in 2018 which constituted 17.7 percent of the total GDP-R from the Metro. Resultantly, the eThekweni Metro remained the most

significant contributor to KZN exports in actual Rand values over the period under review. The King Cetshwayo District had the second largest exports after the eThekweni Metro with an estimated value of R45 billion in 2018. This translates to 28.6 percent of the KZN's exports and 84.3 percent of the district's GDP-R¹⁹. On the other hand, the uMgungundlovu District contributed 9.7 percent of KZN's exports and 18 percent of the district's GDP-R as per Table 2.10.

Table 2.10: KwaZulu-Natal value of exports (R'000) by district municipalities in 2008 and 2018

R'000	2008			2018		
	Exports	% Share of KZN exports	Exports as % of GDP	Exports	% Share of KZN exports	Exports as % of GDP
eThekweni	53 169 531	62.8	22.8	82 674 022	52.5	17.7
Ugu	83 056	0.1	0.4	397 267	0.3	1.1
uMgungundlovu	8 180 345	9.7	20.6	15 197 590	9.7	18.0
uThukela	196 950	0.2	1.3	994 929	0.6	3.3
uMzinyathi	299 493	0.4	5.1	261 491	0.2	2.3
Amajuba	793 880	0.9	6.6	247 793	0.2	1.2
Zululand	37 161	0.0	0.3	275 125	0.2	1.2
uMkhanyakude	2 099	0.0	0.0	79 578	0.1	0.5
King Cetshwayo	21 606 621	25.5	77.6	45 005 200	28.6	84.3
iLembe	291 735	0.3	2.6	12 302 630	7.8	52.5
Harry Gwala	34 879	0.0	0.5	19 604	0.0	0.1
KwaZulu-Natal	84 695 750	100	21.6	157 455 229	100	20.2

Source: IHS Markit, 2019

2.4.2 KwaZulu-Natal imports

KZN imported goods to the value of R154.7 billion in 2018 which grew by 82.8 percent from R84.6 billion realised in 2008. The eThekweni Metro was the largest importer in the province with an estimated value of R114.5 billion in 2018 which represents 74 percent of KZN imports. This was followed by the King Cetshwayo District with goods valued at R17.4 billion in 2018 constituting 11.3 percent of the total value of the provincial imports as per Table 2.11.

Table 2.11 KwaZulu-Natal value of imports (R'000) by district municipalities in 2008 and 2018

R'000	2008		2018	
	Imports	% Share of KZN Imports	Imports	% Share of KZN imports
eThekweni	68 451 700	80.9	114 485 082	74.0
Ugu	369 109	0.4	1 124 743	0.7
uMgungundlovu	4 936 083	5.8	12 573 501	8.1
uThukela	395 215	0.5	2 198 515	1.4
uMzinyathi	77 457	0.1	711 187	0.5
Amajuba	281 410	0.3	638 709	0.4
Zululand	14 918	0.0	135 415	0.1
uMkhanyakude	5 510	0.0	210 442	0.1
King Cetshwayo	9 068 445	10.7	17 447 798	11.3
iLembe	1 028 801	1.2	5 170 191	3.3
Harry Gwala	8 192	0.0	38 423	0.0
KwaZulu-Natal	84 636 840	100	154 734 006	100

Source: IHS Markit, 2019

¹⁹ Note that exports from King Cetshwayo District Municipality also comes from other regions.

2.4.3. Travel and tourism in KZN

In respect of travel and tourism, South Africa is ranked 107th out of 185 countries in terms of its total contribution to GDP. According to the World Travel and Tourism Council (WTTC, 2019), the total contribution of travel and tourism to GDP in 2018 was R425.5 billion or 8.6 percent, a diminution of 1.9 percentage points (R427.4 billion) compared to 2017. The decrease is primarily attributed to a decline in the number of international visitors to South Africa with the most notable declines being the Netherlands (-8.0 percent), France (-5.1 percent), India (-4.6 percent), China (-0.2 percent), the United States of America and Germany both at -0.7 percent and Australia (-0.4 percent) (Stats SA, 2019).

Safety, and peace of mind with respect to ones being and possessions are preeminent requirements sought by a tourist and it is in these spheres that South Africa tends to be negatively perceived, with crime having evolved into being a deterrent to international travellers. The magnitude of the problem has warranted the attention of the highest echelons, including that of the President, who in his State of the Nation Address (SONA, 2019) stated that ‘we are determined to ensure that tourists who come to our country are safe’.

Despite there being a decrease in overseas tourists, there was an increase in the number of travellers from seven out of the ten countries within the South African Development Community (SADC²⁰), these comprising of Angola (31.6 percent), Malawi (12.7 percent), Zimbabwe (8.3 percent), Mozambique (1.6 percent), Botswana (1.1 percent), Swaziland (0.8 percent) and Tanzania (0.5 percent). In respect of the number of tourists from the ten leading ‘other African countries’²¹, growth was experienced in the case of six being Ghana (18.6 percent), Côte d’Ivoire (9.7 percent), Nigeria (5.6 percent), Ethiopia (5 percent), Kenya (0.9 percent) and Cameroon (0.1 percent). In terms of personnel, the tourism sector employed 1.5 million people in 2018 and is projected to increase to 1.2 million by 2029 (WTTC, 2019).

In respect of international tourism, visits to multiple provinces within South Africa in the first quarter of 2019 compared to that of the first quarter of 2018 decreased from 21.8 percent to 20 percent. The period saw the total number of international tourist arrivals decreasing in six of the nine provinces which include the Northern Cape (-30 percent), Free State (-25.2 percent), North West (-21.4 percent), Eastern Cape (-11.4 percent), Western Cape (-7 percent) and Gauteng (-2.1 percent). In contradiction, Mpumalanga (12 percent), Limpopo (2.3 percent) and KZN (0.8 percent) all experienced increases during the said period [South African Tourism (SAT, 2019)]. The rationale underpinning both domestic and international travel is varied and includes trips to visiting friends and family, holiday travel, business and medical.

With regard to domestic tourism, 4.8 million trips were undertaken in the first quarter of 2019, up by 27.2 percent compared to the first quarter of 2018, with the total domestic spend for the first quarter of 2019 totalling R8.2 billion. Visiting friends and family constituted the main reason for domestic travel, at some 64 percent, whilst holiday travel grew to 23 percent from 17 percent over the said period. With the exception of North West, Mpumalanga and the Eastern Cape, all provinces saw an increase in visitors during the first quarter of 2019 compared to that of 2018. In this regard, KZN hosted some 842 784 visitors during the first quarter of 2019 compared to 448 211 travellers in the same period in 2018 which is an increase of 88 percent (SAT, 2019). Primary areas of appeal in KZN include the Drakensberg, the iSimangaliso wetlands and Oribi Gorge; all three being popular with eco-tourists. From a traditional perspective, KZN’s beaches, the Battle Fields, Ushaka Marine World and various game and nature reserves serve as attractions.

²⁰ SADC comprises of Zimbabwe, Lesotho, Mozambique, Swaziland, Botswana, Namibia, Malawi, Zambia, Angola and Tanzania.

²¹ Nigeria, Kenya, Ghana, Uganda, Ethiopia, Egypt, Gabon, Congo and Côte d’Ivoire.

2.5 Development

2.5.1 Poverty

SA is characterised by high levels of poverty and inequality. Poverty is a multidimensional phenomenon that extends beyond the economic arena to encompass factors such as the inability to participate in social and political life (Sen, 1987). In this regard, poverty has numerous manifestations which includes a lack of income and productive resources sufficient to ensure sustainable livelihoods, hunger and malnutrition, poor health conditions and limited or a complete lack of access to education and other basic services. People confronted by such circumstances are usually found to be living in poverty. It therefore comes as no surprise that many of them rely on social security assistance offered by the government to meet their basic living needs such as shelter, clothing and food.

SA uses three measures of poverty, which is the Food Poverty Line (FPL), the Lower-Bound Poverty Line (LBPL) and the Upper-Bound Poverty Line (UBPL) for statistical reporting. The data reported assists with the identification of patterns which facilitates in the planning, implementation, monitoring and evaluation of poverty reduction programmes (Stats SA, 2018). Ideally, the primary purpose of the poverty lines approach is to provide a consistent benchmark against which progress on a money-metric or expenditure based dimension of poverty can be monitored.

Stats SA defines the food poverty line as the level of consumption below which individuals are unable to purchase sufficient food to provide them with an adequate diet. Those living below this line are consuming insufficient calories for their nourishment²². The LBPL denotes food and non-food items required by households, however, those living below this line must sacrifice some food to get these non-food items such as transport and airtime²³. Finally, individuals living below the UBPL²⁴ are those who are able to consume both food and non-food items, but are unable to meet other necessities such as shelter, education, security and healthcare (Stats SA, 2018).

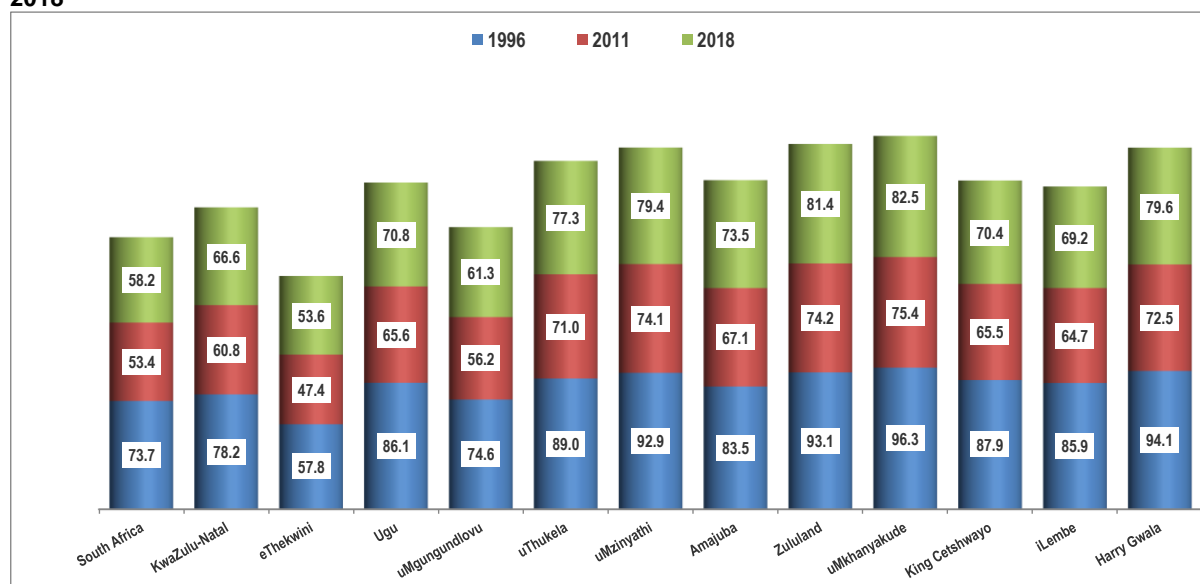
Figure 2.6 shows the share of KZN households living below the UBPL per district for 1996, 2011 and 2018. In 2018, the uMkhanyakude District (82.5 percent) had the highest share of individuals living below the UBPL and was followed by the Zululand (81.4 percent), Harry Gwala (79.6 percent) and uMzinyathi Districts (79.4 percent), while the eThekweni Metro (53.6 percent) had the lowest share of individuals living below the poverty line.

²² NPL (2018): Food poverty line – R547 (in April 2018 prices) per person per month, available online: <https://www.southafricanmi.com/National-poverty-lines-31jul2018.html>, accessed on 30/07/2019

²³ NPL (2018): Lower-bound poverty line – R785 (in April 2018 prices) per person per month, available online: <https://www.southafricanmi.com/National-poverty-lines-31jul2018.html>, accessed on 30/07/2019

²⁴ NPL (2018): Upper-bound poverty line – R1 183 (in April 2018 prices) per person per month, available online: <https://www.southafricanmi.com/National-poverty-lines-31jul2018.html>, accessed on 30/07/2019

Figure 2.6: Percentage of population living in poverty in KZN and districts municipalities in 1996, 2011 and 2018



Source: IHS Markit, 2019

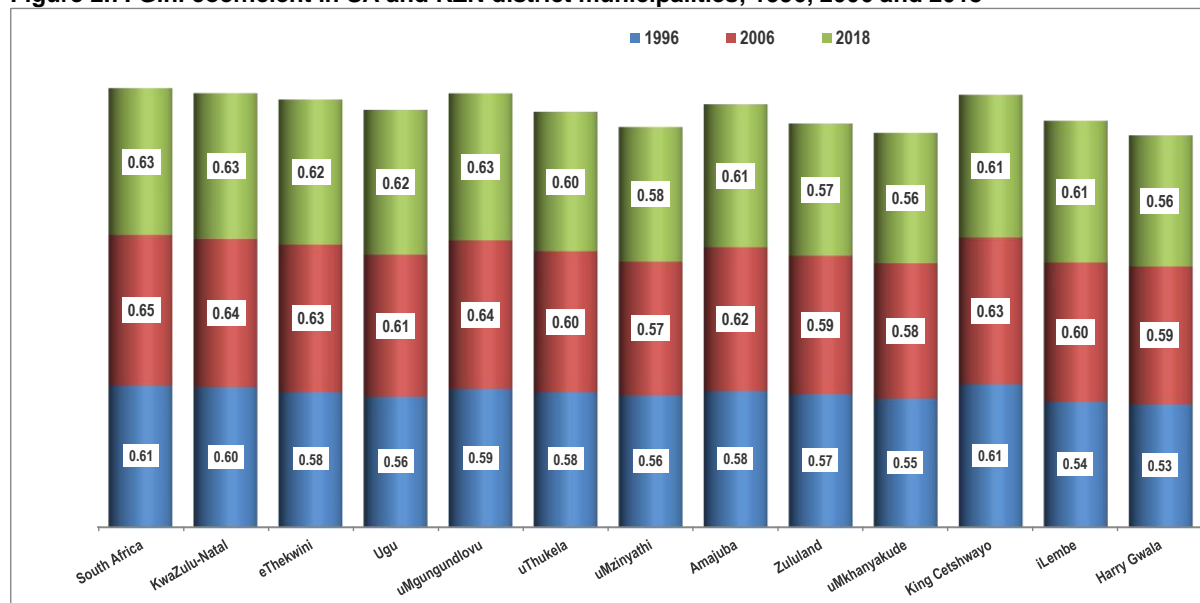
2.5.2 Income inequality

Income inequality has increased in nearly all world regions in recent decades but at different speeds. The fact that inequality levels are so different among countries, even when countries share similar levels of development, highlights the crucial roles that national policies and institutions play in shaping inequality (World Inequality Report, 2018).

The Gini Coefficient is a measure of income inequality, where 0 represents a perfectly equal distribution of income and a coefficient of 1 represents perfectly unequal distribution (Todaro, 2011). South Africa continues to face the challenge of high rates of poverty, unemployment and income inequality. It is evident that inequality has remained persistently high, having increased from 0.61 in 1996 to 0.63 in 2018. The significant inequality levels in the country are perpetrated by a legacy of exclusion and the prevailing economic circumstances of stagnant growth which hinders opportunities for job creation.

In 2018, KZN had a Gini coefficient of 0.63 which has increased by approximately 0.03 index points from 1996. This indicates that there has been a slight broadening of the inequality gap within the province over the last 21 years. This is a trend which is evident throughout all the districts, bar the Zululand and King Cetshwayo Districts which remained the same for the period under review. The highest increase in inequality occurred in the iLembe District, where the Gini coefficient increased by 0.07 index points from 0.54 in 1996 to 0.61 in 2018. This was closely followed by Ugu District whose Gini coefficient increased by 0.06 index points from 0.56 in 1996 to 0.62 in 2018. The uMgungundlovu District (0.63), the eThekweni Metro (0.62), the Amajuba and King Cetshwayo Districts (0.61) had the highest coefficients, whilst the uMkhanyakude and Harry Gwala (0.56) Districts have the lowest level of inequality as per Figure 2.7.

Figure 2.7: Gini coefficient in SA and KZN district municipalities; 1996, 2006 and 2018



Source: IHS Markit, 2019

Ideally, inequality could be reduced by accelerating the supply of skilled labour in an economy that had become increasingly capital intensive. The persistence of inequality requires government to take decisions that broaden opportunities for local investment, attract foreign direct investment and create inclusive employment through economic growth.

2.5.3 Human Development Index

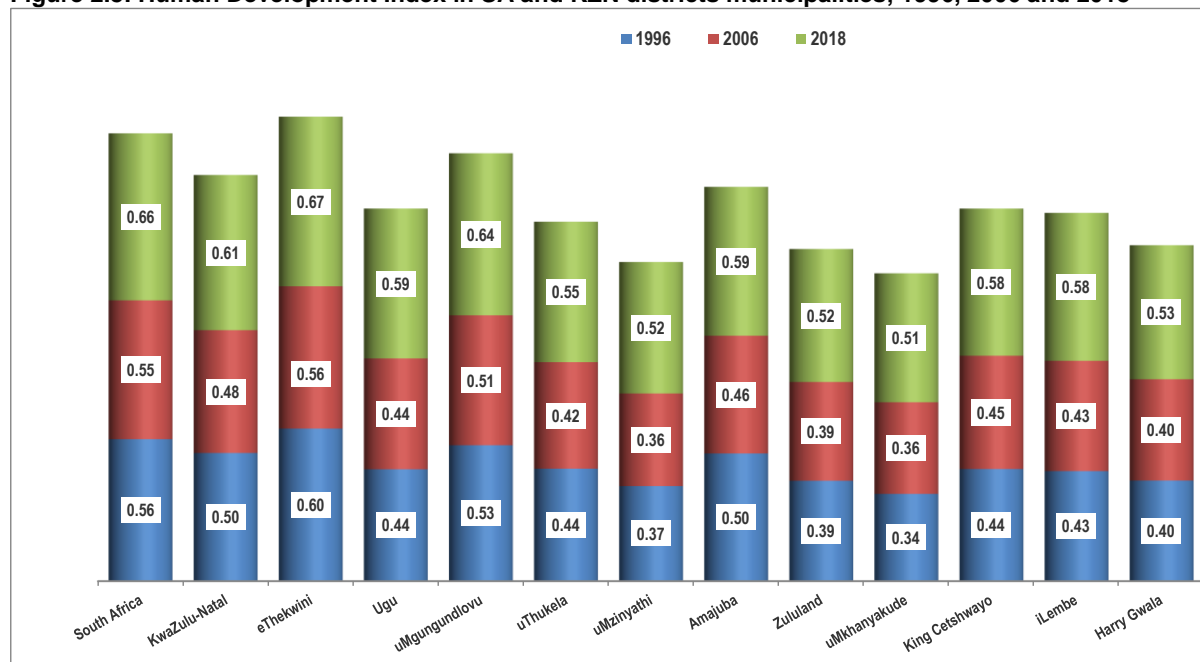
The Human Development Index (HDI) is an aggregated indicator designed by the United Nations Development Programme (UNDP, 2016). It is being used to track the progress of development among countries to provide useful and accurate information to policymakers for them to make sound and informed decisions. The HDI is calculated on three key measures, namely, health, education and income.

The aim is to reflect, using specific criteria, the multidimensional nature of development by introducing elements that, for various reasons, are considered to be of utmost importance in the creation of human capabilities, opportunities and choices such as mean years of schooling (expected years of schooling), life expectancy at birth and gross national income per capita. The Human Development Report (2016) categorises an HDI of 0.8 and above as a high development status, 0.5 to 0.8 as medium development and low human development as anything less than 0.5.

In 2018, SA recorded a medium HDI of 0.66, which is marginally above the world average of 0.63. As depicted in Figure 2.8, SA's HDI value increased from 0.56 in 1996 to 0.66 in 2018. This performance is even more impressive when compared to the rest of Sub-Saharan Africa, which has an average HDI of 0.53, as was observed in 2017.

As per the HDI, the province is classified as having medium human development status. The eThekweni Metro (0.67) had the highest HDI, followed by uMgungundlovu District (0.64), while uMzinyathi and Zululand (0.52) and uMkhanyakude (0.51) Districts had the lowest HDIs, respectively. These were marginally outshined by Harry Gwala (0.53). The highest increase in the HDI between 2006 and 2018 occurred in uMkhanyakude District (0.17) followed by the iLembe, uMzinyathi and Ugu Districts at 0.15 index points each as per Figure 2.8.

Figure 2.8: Human Development Index in SA and KZN districts municipalities; 1996, 2006 and 2018



Source: IHS Markit, 2019

A remarkable increase in the human development status of KZN can be noted from 1996 to 2018. eThekweni's high development status of (0.67) may be attributed to the high rate of urbanisation in the metro. Urbanisation is regarded as one of the essential ingredients that low development can be tackled with. This occurs as a result of the positive relationship between urbanisation and development which is achieved through acceleration in the process of industrialisation (Anisujjaman, 2015). This shows that effective urbanisation at the eThekweni Metro has resulted in higher levels of economic activity and greater productivity which have ultimately bolstered economic growth.

2.6 Social grants

South Africa has the largest and most well developed social security system in Africa with social grants benefitting approximately 18 million people (31.2 percent of the national population). In a country like SA, where inequality levels are high and labour market participation is low, social grants have played an essential role in supporting households to attain some minimum standard of living.

According to National Treasury (2017), the number of social grant beneficiaries is expected to reach 18.1 million by the end of the 2019/20 financial year. The Child support grant will reach an estimated 12.8 million beneficiaries and the Old age grant 3.6 million recipients. On the other hand, Social grants, as a percentage of GDP is 3.2 percent over the 2018/19 Medium Term Expenditure Framework (MTEF) period. Due to increases in beneficiary numbers and inflationary adjustments to grant amounts, expenditure on grants is expected to increase at an average annual rate of 8.2 percent over the medium term, reaching R175.6 billion in the 2019/20 financial year.

Table 2.12 shows the number and percentage of grant beneficiaries in South Africa by provinces as at the end of April 2019. KZN continued to have the highest number of social grant beneficiaries in the country at 3.97 million people, followed by the Eastern Cape at 2.8 million people and Gauteng at 2.7 million people. KZN had the highest share of beneficiaries of the Old age grant (19.7 percent), Disability grant (21.6 percent), Grant-in-aid (29.7 percent), Care dependency grant (26 percent), and the Child support grant (22.8 percent). Within the province, 71.8 percent of the total grant spend was allocated to the Child support grant, while 17.7 percent was for the Old age grant, and 5.7 percent was allocated towards the Disability grant.

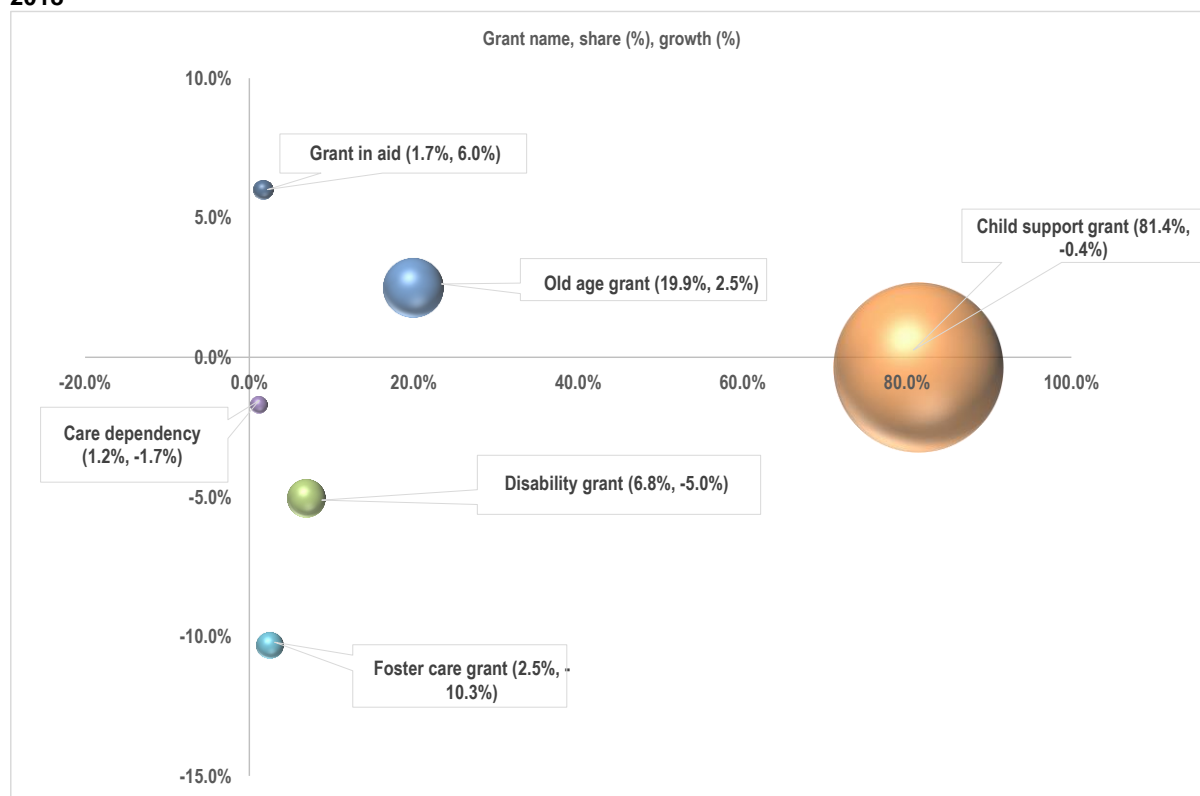
Table 2.12: Grant beneficiaries by provinces as at 30 April 2019

	Old Age Grant		War Veterans' Grant		Disability Grant		Grant -in-aid		Care Dependency Grant		Foster Child Grant		Child Support Grant		Total	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Eastern Cape	583 798	16.3	14	16.1	183 589	17.5	26 214	11.4	22 916	15.3	92 188	22.9	1 917 868	15.3	2 826 587	15.8
Free State	207 577	5.8	1	1.1	74 480	7.1	6 759	2.9	8 550	5.7	30 111	7.5	695 857	5.6	1 023 335	5.7
Gauteng	627 990	17.6	30	34.5	117 713	11.2	7 600	3.3	19 886	13.3	49 181	12.2	1 882 419	15.0	2 704 819	15.1
KwaZulu-Natal	703 710	19.7	9	10.3	227 670	21.6	68 203	29.7	38 908	26.0	79 818	19.8	2 849 159	22.8	3 967 477	22.1
Limpopo	476 279	13.3	3	3.4	97 352	9.3	51 344	22.3	16 039	10.7	46 044	11.4	1 855 830	14.8	2 542 891	14.2
Mpumalanga	258 467	7.2	2	2.3	79 089	7.5	20 865	9.1	11 661	7.8	29 358	7.3	1 111 628	8.9	1 511 070	8.4
Northern Cape	89 632	2.5	3	3.4	48 223	4.6	13 519	5.9	5 928	4.0	12 393	3.1	315 727	2.5	485 425	2.7
North- West	266 336	7.5	1	1.1	67 344	6.4	12 777	5.6	9 948	6.6	30 950	7.7	861 382	6.9	1 248 738	7.0
Western Cape	357 132	10.0	24	27.6	156 282	14.9	22 595	9.8	15 868	10.6	32 705	8.1	1 027 763	8.2	1 612 369	9.0
South Africa	3 570 921	100.0	87	100.0	1 051 742	100.0	229 876	100.0	149 704	100.0	402 748	100.0	12 517 633	100.0	17 922 711	100.0

Source: SASSA, 2019

Figure 2.9 further demonstrates the growth rates of grant beneficiary numbers between 30 April 2018 and 30 April 2019. There was an increase in the percentage of grant beneficiaries in the Grant-in-aid (6 percent) and Old age grant (2.5 percent). However, the province experienced a decrease in the number of beneficiaries for the Child support grant (-0.4 percent) and Care dependency grant (-1.7 percent). The highest growth which was realised in the Grant-in-aid indicates that there was an increase in people who were already beneficiaries of either Old age grant, Disability grant or War veteran's grant who needed full-time care from someone else.

Figure 2.9: KZN's share of grant beneficiaries by grant type as at 30 April 2019 and growth from 30 April 2018



Source: SASSA, 2019

2.7 Education

Education is an investment in human capital that has both direct effects on the educated person and benefits for society as a whole. According to Luis (2000), education alone does not cause observable differences among people. The author maintains that there are many factors, such as natural ability and family background, which interact with formal schooling in the development of the preferences that guide people's economic behaviour. However, other things being equal, evidence reveals that better-educated people generally have better jobs and higher incomes than those with less schooling. The lesser the dependency on subsidies from the government in educated communities, the higher the benefits in terms of reduction in costs to the taxpayers. This makes education one of the investment decisions in addition to investing in fixed capital that can generate a return on investment in the long run, through quality early childhood education which builds an employable and educated workforce which can improve productivity.

It is from this backdrop that one of the objectives for the National Development Plan of SA is to make Early Childhood Development (ECD) a priority among the measures to improve the quality of education and long-term prospects of future generations. It is a critical foundation for children to reach their full potential and be able to develop holistically (physical, socio-emotional, language and cognitive), therefore, shaping their subsequent school attainment, performance, health, and future earning as well as assisting in discouraging antisocial behaviour (Heckman, Pinto and Savelyev, 2013).

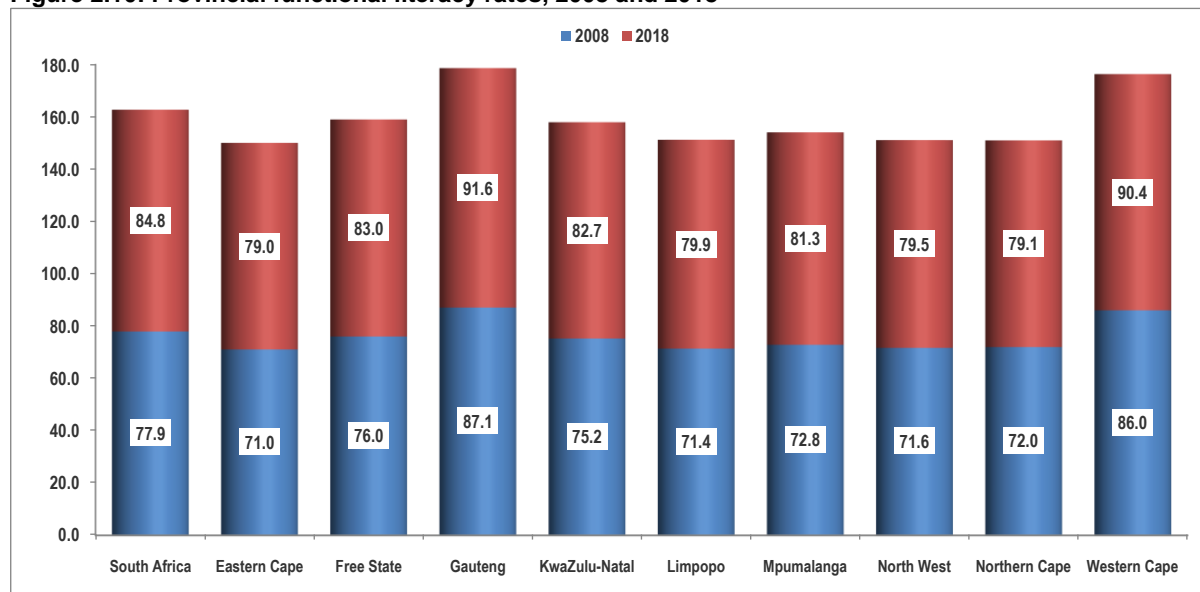
This is further supported by Georgieff (2007), Grantham et al, (2007) and Walker et al, (2007) who argue that critical brain development occurs during the early years and nutritional deficiencies during this time are associated with delayed cognitive ability and hence negatively affect school progress. These studies provide evidence that early childhood development gives a sound basic education foundation. It is from this backdrop that quality basic education is one of the fourteen national outcomes, as indicated in the Medium Term Strategic Framework (MTSF) of SA. It is, therefore, not surprising that education is receiving the most significant budget allocation, both nationally and in KZN (R54 billion), which constitutes 41.4 percent of the total provincial budget.

2.7.1 Literacy rate and matric results

Literacy also has an influence on human capital and the ability of individuals, society and nations to adapt and change along with technological and other developments in the global market. Literate people tend to have high social status (since they can obtain employment and earn income) and economic status (since they can be more productive as they are less costly to train and gain economic skills).

Figure 2.10 shows the functional literacy rate in SA by provinces in 2008 and 2018. In KZN, the literacy rate increased from 75.2 percent in 2008 to 82.7 percent in 2018. However, it was still 2.1 percent below the national level of 84.8 percent in 2018. In 2018, functional literacy was the highest in the Gauteng (91.6 percent) followed by the Western Cape (90.4 percent). The provinces that fell below the literacy level of 80 percent included the Eastern Cape, Limpopo, North West and the Northern Cape.

Figure 2.10: Provincial functional literacy rates, 2008 and 2018



Source: IHS Markit, 2019

2.7.2 School and educator: Learner ratios in 2011 and 2016

The Learner-to-educator ratio (LER) provides a proxy of the likely intensity of interaction between learners and educators. The LER indicates an average number of learners per educator at a given point in time. Educators are a fundamental part of the educational system as they have an essential and decisive role in the quality of education and how well learners can learn. The effectiveness of educators in providing education to learners is a significant factor which has an impact on improving the learners' performance. It is therefore essential to examine the factors which impact the quality of educators and their effectiveness in imparting knowledge to the learners and how the learners' academic achievements are affected. The problem of a high LER is one of the challenges affecting the effectiveness of educators and academic performance for learners. This was confirmed by Cortes, Moussa and Winstein (2012) who found that class size affects learners' performance due to misbehaviour and other disciplinary problems in large classes. They further state that learners in smaller classes learn more as they do not experience disruptions during lessons.

This is further supported by Betts and Shkolnik, (1999), Glass and Smith, (1979) and OECD, (2014) who found a positive relationship between smaller classes and more innovative practices since educators react more strongly to class size changes. The more crowded the classrooms, the more difficult it is for educators to give personal attention to learners to help them along in the learning process. Learners in overcrowded classrooms may find it difficult to follow the lesson, or ask questions when they do not understand the material being taught. Furthermore, Monyatsi (2016) found that factors that contribute to the academic performance of the learner are parental involvement, a medium of instruction, teaching and learning materials, infrastructure, the LER ratio, school libraries, motivation of teachers, qualification of teachers and learners' discipline.

Table 2.13 shows the number of learners, educators and schools across the various provinces for the years 2011 and 2016. A comparison of the years under review indicates that there was a marginal increase of 1.1 percent in the KZN's number of learners from 2.8 million in 2011 to 2.9 million in 2016. However, this is in contrast to the drop in the number of educators and schools by 3.7 percent and 0.6 percent, respectively. This resulted in an increase in both the LER and the Learner-to-school ratio (LSR) from 30.5 to 32 and 461 to 469, respectively. It appears that all the provinces recorded increasing LSRs and LERs except for Gauteng which maintained LER of 28.3 for both years under consideration.

Table 2.13: Learner-educator ratio (LER) and learner-school ratio (LSR) by provinces, 2011 and 2016

	2011					2016				
	No. of learners	No. of educators	No. of schools	LER	LSR	No. of learners	No. of educators	No. of schools	LER	LSR
South Africa	12 287 994	420 608	25 851	29.2	475	12 932 565	418 613	25 573	30.9	506
Eastern Cape	1 963 578	68 499	5 755	28.7	341	1 961 547	61 629	5 676	31.8	346
Free State	658 010	24 057	1 437	27.4	458	688 349	23 523	1 282	29.3	537
Gauteng	2 022 050	71 532	2 559	28.3	790	2 326 584	82 078	2 813	28.3	827
KwaZulu-Natal	2 847 378	93 266	6 180	30.5	461	2 877 544	89 799	6 142	32.0	469
Limpopo	1 695 524	58 016	4 073	29.2	416	1 765 555	54 418	4 018	32.4	439
Mpumalanga	1 046 551	34 623	1 931	30.2	542	1 074 352	34 404	1 847	31.2	582
Northern Cape	274 745	8 899	611	30.9	450	292 595	9 136	574	32.0	510
North West	765 120	25 897	1 669	29.5	458	829 467	26 108	1 534	31.8	541
Western Cape	1 015 038	35 819	1 636	28.3	620	1 116 572	37 518	1 687	29.8	662

Source: Department of Basic Education, 2016

Table 2.14 shows the NSC performance with the type of qualification achieved by grade 12 learners for the period 2017 and 2018. Approximately, 33.2 percent of learners achieved a bachelor pass in KZN while 43 percent achieved a diploma and higher certificate pass in 2018. The majority of school leavers either enter into vocationally oriented certificate and diploma programmes at public and private colleges or universities of technology (formerly technikons), or they enter the labour market as the unemployed.

Table 2.14: NSC performance by type qualification, 2017 and 2018

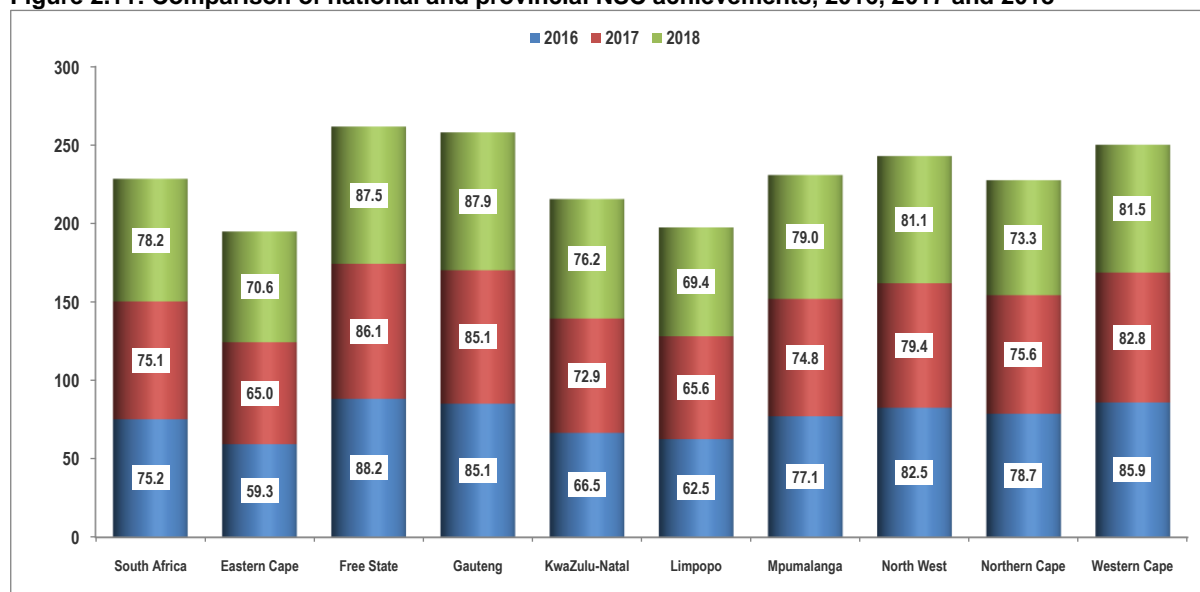
	2017				2018			
	No. of learners wrote	Bachelor	Diploma	Higher Certificate	No. of learners wrote	Bachelor	Diploma	Higher Certificate
South Africa	534 484	28.7	30.2	16.1	512 736	33.6	27.6	16.9
Eastern Cape	67 648	22.7	26.5	15.8	65 733	27.4	26.1	17.0
Free State	25 130	35.1	36.1	14.8	24 914	37.5	33.2	16.8
Gauteng	97 284	36.0	35.4	13.7	94 870	43.6	30.3	13.9
KwaZulu-Natal	124 317	28.7	29.3	14.8	116 152	33.2	26.9	16.1
Limpopo	83 228	21.4	24.0	20.2	76 730	23.5	24.6	21.3
Mpumalanga	48 483	23.4	32.2	19.2	44 612	29.6	29.7	19.6
Northern Cape	30 792	26.9	32.4	20.2	29 061	32.5	29.3	19.3
North West	8 735	25.2	32.2	18.2	9 909	26.1	27.1	20.1
Western Cape	48 867	39.1	30.8	12.9	50 754	42.3	25.4	13.6

Source: Department of Basic Education, NSC examination, 2019

Learners who complete matric and do not achieve a bachelor's pass can be absorbed by the Technical and Vocational Education and Training (TVET) colleges whereby they will gain technical skills which will enable them to qualify as artisans in various fields. This in turn, will enable them to work in a skilled position, thereby aiding the economy.

Figure 2.11 compares the National Senior Certificate (NSC) achievements in SA and among provinces from 2016 to 2018. Learner achievement rates in KZN improved by 9.7 percent from 66.5 percent in 2016 to 76.2 percent in 2018 while the national improvement was 3 percentage point improvement from 75.2 percent to 78.2 percent. In comparison with other provinces, KZN was fourth from the bottom after the Northern Cape, Eastern Cape and Limpopo.

Figure 2.11: Comparison of national and provincial NSC achievements, 2016, 2017 and 2018



Source: Department of Basic Education, NSC Examination, 2019

After much consideration and having considered the international practice in countries like Finland, Sweden, Denmark, Japan, Korea, Kenya and the United Kingdom; in 2013 the Minister of Education approved a policy that allows learners that have failed a grade for the second time to be promoted to the next grade, provided that he or she meets the specified criteria which indicate that he or she has a potential of coping in the next grade if provided with the necessary support. When considering the progressed learners, KZN had the third highest number of progressed learners after the Limpopo and Gauteng. The Province of KZN achieved the fourth highest pass rate after Gauteng (70.3 percent), Free State (65.2 percent), and Mpumalanga (64.7 percent). This is an improvement of 6.9 percent from 56.5 percent recorded in 2017 (Table 2.15).

Table 2.15: Number of learners wrote and achieved NSC, 2017 and 2018

	2017				2018					
	No. of learners wrote	No. of Progressed learners wrote	% Achieved	% Achieved-Progressed learners excluded	No. of learners wrote	No. of Progressed learners wrote	% Achieved	% Achieved-Progressed learners excluded	% Difference (Progressed learners)	% Difference (Progressed learners) excluded
South Africa	534 484	34 011	55.1	78.5	512 736	33 412	60.2	78.2	5.1	(0.3)
Eastern Cape	67 648	2 853	48.1	65.8	65 733	3 775	56.5	70.6	8.4	4.8
Free State	25 130	3 502	63.2	89.8	24 914	3 466	65.2	87.5	2.0	(2.3)
Gauteng	97 284	4 901	68.7	86.0	94 870	5 594	70.3	87.9	1.6	1.9
KwaZulu-Natal	124 317	5 356	56.5	73.6	116 152	5 097	63.4	76.2	6.9	2.6
Limpopo	83 228	7 681	47.8	67.4	76 730	6 279	55.9	69.4	8.1	2.0
Mpumalanga	48 483	4 315	56.4	76.6	44 612	4 074	64.7	79.0	8.3	2.4
Northern Cape	30 792	2 850	53.2	82.1	29 061	2 870	56.9	81.1	3.7	(1.0)
North West	9 735	691	52.8	77.6	9 909	532	40.2	73.3	(12.6)	(4.3)
Western Cape	48 867	1 862	42.3	84.4	50 754	1 725	33.6	81.5	(8.7)	(2.9)

Source: Department of Basic Education, NSC examination, 2019

2.8 Household Infrastructure

The provincial government is dedicated to service delivery with the key focus areas being on access to formal housing, water and electricity, the removal of refuse and sanitation services. Access to these services promotes good hygiene, which plays a vital role in preventing the spread of infectious diseases such as diarrhoea.

Table 2.16 illustrates that in 2018, the eThekweni Metro was the leading municipality in the province in terms of the delivery of services to households. Specifically, the eThekweni Metro led in the areas of; the share of households with hygienic toilets (86.6 percent), the share of households with piped water at or above the RDP level (90.7 percent), the percentage of households with electrical connections (95.5 percent) and the share of households with formal refuse removal (86.1 percent).

Table 2.16: Access to housing, sanitation, water, electricity and refuse removal, 2018

%	Share of household occupying formal dwellings	Share of households with Hygienic toilets	Share of households with piped water at or above RDP-level	Share of households with electrical connections	Share of households with formal refuse removal
eThekweni	84.1	86.6	90.7	95.5	86.1
Ugu	64.0	69.8	59.2	86.9	27.1
uMgungundlovu	72.7	82.6	83.7	93.9	45.1
uThukela	66.3	77.9	67.0	88.9	36.4
uMzinyathi	50.8	79.1	53.6	76.7	22.1
Amajuba	87.6	71.1	90.2	92.4	55.3
Zululand	68.4	71.9	57.8	88.0	25.8
uMkhanyakude	71.9	73.4	49.2	60.7	8.6
King Cetshwayo	71.7	77.5	76.3	91.5	33.8
iLembe	72.4	75.7	61.9	87.7	41.6
Harry Gwala	40.6	70.5	46.4	84.9	25.8
KwaZulu-Natal	74.2	80.0	76.1	90.0	54.0

Source: IHS Markit, 2019

At 87.6 percent, the Amajuba District was the leading district in terms of the share of households occupying formal dwellings, this followed by the eThekweni Metro at 84.1 percent. Districts with the lowest share of households occupying formal dwellings were the Harry Gwala District at 40.6 percent and the uMzinyathi District at 50.8 percent. The top four districts with poor access to sanitation compared to those of their peers were the Ugu District at 69.8 percent, the Harry Gwala District at 70.5 percent, and the Amajuba District at 71.1 percent and the Zululand District at 71.9 percent.

Concerning piped water at or above the RDP-level, after eThekweni at 90.7 percent, the Amajuba District followed at 90.2 percent and the uMgungundlovu District at 83.7 percent. The percentage of households with electrical connections in 2018 was the greatest in the eThekweni Metro (95.5 percent), followed by the uMgungundlovu District at 93.9 and the Amajuba District at 92.4 percent. In respect of the share of households with formal refuse removal, the Amajuba District was the highest at 55.3 percent, after that of the eThekweni Metro at 86.1 percent.

2.9 Crime

Crime that is committed under the influence of drugs is a major problem in South Africa and worldwide. The adverse effects of drug use and the resultant surge in crime levels are well documented as an impediment to progress as they lower the level of social and economic development. These social ills lower the quality of life for the inhabitants of a region and can cause skilled workers to migrate in search of a safer living environment. Drugs and crime also undermine development by deterring businesses from operating in the area due to high risk of owners or patrons falling victim to crimes such as theft, robbery, burglary, and assault. Mitigating such risks escalates the cost of doing business for foreign and domestic investors.

Table 2.17 illustrates the crime figures together with the growth rates in each crime category in KZN. The highest occurrence of crime in the period of 2017/18 fell under drug-related crime (53 987), followed by all theft not mentioned elsewhere (39 615) and burglary at residential premises (38 545). KZN experienced a decrease in the occurrence of most of its crime categories in 2016/17 to 2017/18.

Table 2.17 Crime per 100 000 people in KwaZulu-Natal, 2015 to 2018

Crime Category	April 2015 to March 2016	April 2016 to March 2017	April 2017 to March 2018	Comparison 2016/17 with 2017/18	
				Case Difference	% change
CONTACT CRIMES (CRIMES AGAINST THE PERSON)					
Murder	3 929	4 014	4 382	368	9.2
Sexual Offences	8 947	8 484	8 759	275	3.2
Attempted murder	4 041	3 914	4 099	185	4.7
Assault with the intent to inflict grievous bodily harm	28 665	26 824	26 693	(131)	(0.5)
Common assault	23 703	22 285	22 842	557	2.5
Common robbery	7 524	7 305	6 596	(709)	(9.7)
Robbery with aggravating circumstances	21 061	22 327	21 543	(784)	(3.5)
Total Contact Crimes (Crimes Against the Person)	97 870	95 153	94 914	(239)	(0.3)
SUBCATEGORIES OF AGGRAVATED ROBBERY					
Carjacking	2 493	3 029	2 698	(331)	(10.9)
Robbery at residential premises	4 082	4 255	4 174	(81)	(1.9)
Robbery at non-residential premises	2 825	2 951	3 047	96	3.3
Robbery of cash in transit	21	25	30	5	20.0
Bank robbery	-	1	3	2	200.0
Truck hijacking	71	81	52	(29)	(35.8)
CONTACT-RELATED CRIMES					
Arson	825	699	679	(20)	(2.9)
Malicious damage to property	14 709	14 010	12 958	(1 052)	(7.5)
Contact- Related Crimes	15 534	14 709	13 637	(1 072)	(7.3)
PROPERTY-RELATED CRIMES					
Burglary at non-residential premises	11 656	11 253	10 756	(497)	(4.4)
Burglary at residential premises	42 429	41 013	38 545	(2 468)	(6.0)
Theft of motor vehicle and motorcycle	8 673	8 413	8 240	(173)	(2.1)
Theft out of or from motor vehicle	17 896	16 854	16 344	(510)	(3.0)
Stock- theft	5 731	5 959	6 322	363	6.1
Property-Related Crimes	86 385	83 492	80 207	(3 285)	(3.9)
OTHER SERIOUS CRIMES					
All theft not mentioned elsewhere	43 573	42 577	39 615	(2 962)	(7.0)
Commercial crime	11 395	12 405	12 308	(97)	(0.8)
Shoplifting	13 648	12 302	11 620	(682)	(5.5)
Other Serious Crimes	68 616	67 284	63 543	(3 741)	(5.6)
17 Community- Reported Crimes	268 405	260 638	252 301	(8 337)	(3.2)
CRIME DETECTED AS A RESULT OF POLICE ACTION					
Illegal possession of firearms and ammunition	3 908	4 000	4 418	418	10.5
Drug related crime	46 354	50 429	53 987	3 558	7.1
Driving under the influence of alcohol or drugs	12 052	13 403	18 218	4 815	35.9
Sexual offences as result of police action	2 561	3 558	3 520	-38	(1.1)
Crime Detected As A Result Of Police Action	64 875	71 390	80 143	8 753	12.3

Source: SAPS, 2018

Chapter 3: Provincial Overview of Budget Performance

3.1 Operating Revenue

Table 3.1 shows the Original Budget, the Adjusted Budget and the Unaudited Actual Operating revenue per source and per district for the 2018/19 financial year.

Table 3.1: Operating revenue per revenue source and per district - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail						
					Property rates	Service charges			Transfers recognised - operational	Other own revenue	Other revenue ²
						Electricity revenue	Water revenue	Other ¹			
eThekweni	35 175 463	35 366 557	35 196 133	99.5	8 924 508	12 403 509	3 948 972	1 709 943	5 582 871	614 710	2 011 619
Ugu	2 512 249	2 419 867	2 531 749	104.6	742 389	144 690	269 820	152 206	1 065 563	51 393	105 689
uMgungundlovu	6 801 668	6 676 734	6 831 639	102.3	1 281 594	2 119 885	876 027	309 860	1 439 996	181 348	622 929
uThukela	2 281 594	2 318 301	2 284 460	98.5	295 746	570 290	173 851	168 432	874 061	31 980	170 101
uMzinyathi	1 404 141	1 404 440	1 307 388	93.1	172 925	197 448	32 513	40 240	723 885	16 481	123 898
Amajuba	2 225 933	2 243 528	2 281 149	101.7	318 761	641 745	198 121	203 143	820 678	40 151	58 550
Zululand	1 913 673	1 924 015	1 676 396	87.1	209 817	241 467	60 411	149 629	926 106	22 655	66 311
uMkhanyakude	1 216 650	1 260 634	1 192 905	94.6	137 458	4 929	27 697	27 268	894 981	14 059	86 514
King Cetshwayo	4 525 678	4 601 665	4 431 139	96.3	588 024	1 463 911	471 217	247 690	1 410 991	58 982	190 325
iLembe	2 769 234	2 865 382	2 784 729	97.2	518 907	775 677	114 585	104 265	1 059 244	69 161	142 890
Harry Gwala	1 346 237	1 416 949	1 170 887	82.6	189 560	106 191	48 228	51 949	673 521	14 879	86 560
Total	62 172 519	62 498 071	61 688 573	98.7	13 379 688	18 669 741	6 221 443	3 164 623	15 471 896	1 115 797	3 665 384

Source: NT Lgdatabase

1. Include Service charges for Sanitation revenue, Refuse revenue and Other.
2. Include Rental of facilities and equipment, Interest earned on external investments & outstanding debtors, Dividends received, Fines, Property rates-penalties and collection charges, Licences and permits, Agency services and Gains on disposal of PPE.

The total Operating revenue budget which includes the eThekweni Metro and the 10 districts in the province was R62.2 billion for the 2018/19 financial year. The budget was adjusted upwards by R325.6 million or 0.5 percent to R62.5 billion. Table 3.1 shows that the total Operating revenue of R61.7 billion or 98.7 was generated against the Adjusted Budget of R62.5 billion which resulted in a revenue shortfall of R809.5 million or 1.3 percent for the province. This was due to the under-generation of revenue within the districts where seven of the districts and the eThekweni Metro generated less than 100 percent of their Adjusted Budget for Operating revenue.

The Ugu, uMgungundlovu and Amajuba Districts were the only districts that generated more than 100 percent of their Adjusted Budget for Operating revenue with actual amounts of R2.5 billion (104.6 percent), R6.8 billion (102.3 percent) and R2.3 billion (101.7 percent) respectively.

Overall, there were 15 municipalities in the province which generated Operating revenue in excess of their Adjusted Budget as reflected in Appendix 1. The Richmond Local Municipality reported the highest over generated revenue of 303.2 percent, followed by the Amajuba District Municipality at 137.7 percent and the Nkandla Local Municipality at 120 percent. The over-generation in the Richmond Local Municipality was attributed to incorrect reporting in the monthly MFMA Section 71 reports. The Amajuba District Municipality overstated the *Transfers recognised operational* and *Other source of revenue* in the MFMA Section 71 report which resulted in the over-generation of 37.7 percent. The over-generation for the Nkandla Local Municipality was due to revenue generated from the newly established Traffic department which was not anticipated to be in operation in the 2018/19 financial year, hence was not budgeted for.

The districts which reported the lowest Operating revenue against their Adjusted Budgets included the Harry Gwala, Zululand and uMzinyathi Districts with amounts of R1.2 billion or 82.6 percent, R1.7 billion or 87.1 percent and R1.3 billion or 93.1 percent, respectively.

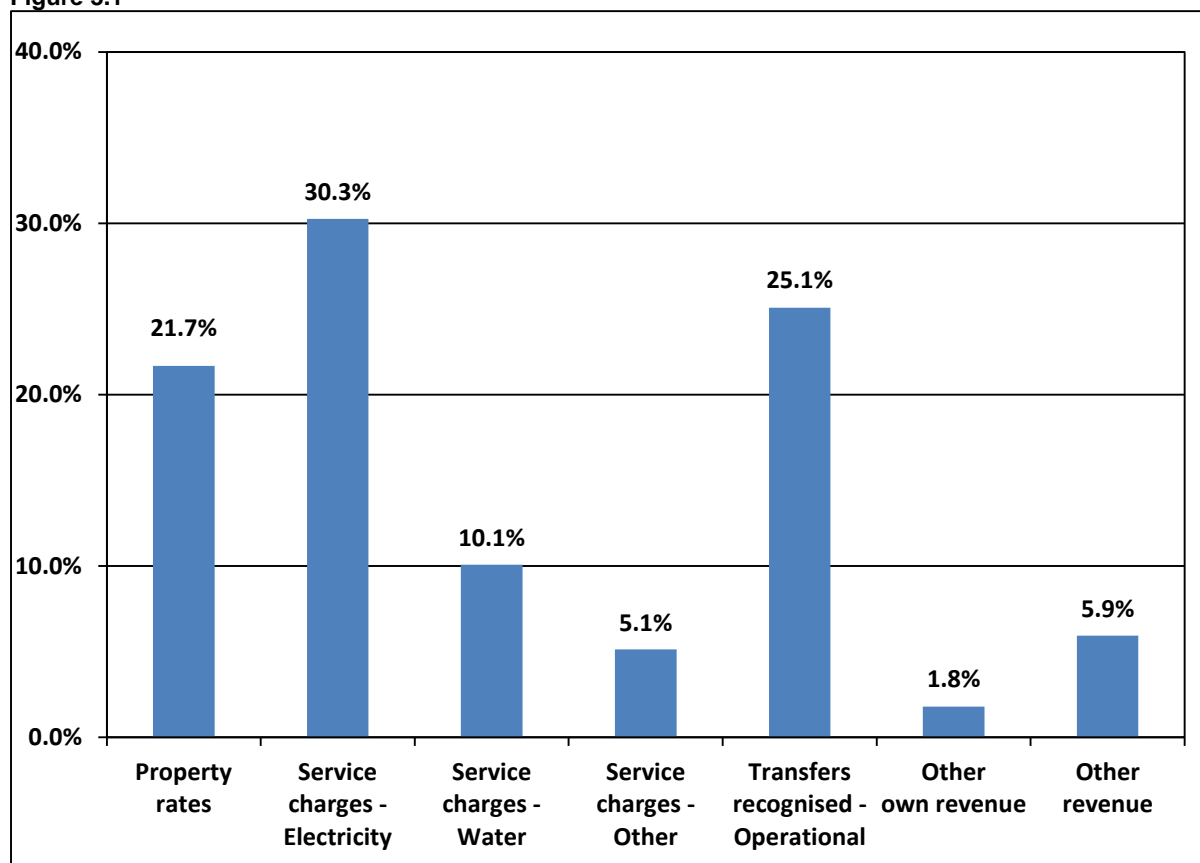
The low generation of revenue by the Harry Gwala District was mainly attributed to the Harry Gwala District Municipality having reported revenue of R274.9 million or 59.2 percent against the Adjusted Budget of R464.2 million. The Harry Gwala District Municipality attributed the under-generation of the operating revenue to billing errors.

The low generation of revenue in the Zululand District was due to the Ulundi Local Municipality (R240.3 million or 77.8 percent), Zululand District Municipality (R481.6 million or 82.2 percent) and eDumbe Local Municipality (R105.8 million or 84.2 percent) reporting low revenue generated against their respective Adjusted Budgets.

The low Operating revenue generated by the uMzinyathi District was attributed to the Nquthu and uMvoti Local Municipalities which generated the lowest revenue of R173.4 million (85.3 percent) and R259.5 million (89.7 percent) against their Adjusted Budgets, respectively.

Figure 3.1 shows the Operating revenue generated per source as a percentage of total Operating revenue generated as at 30 June 2019.

Figure 3.1



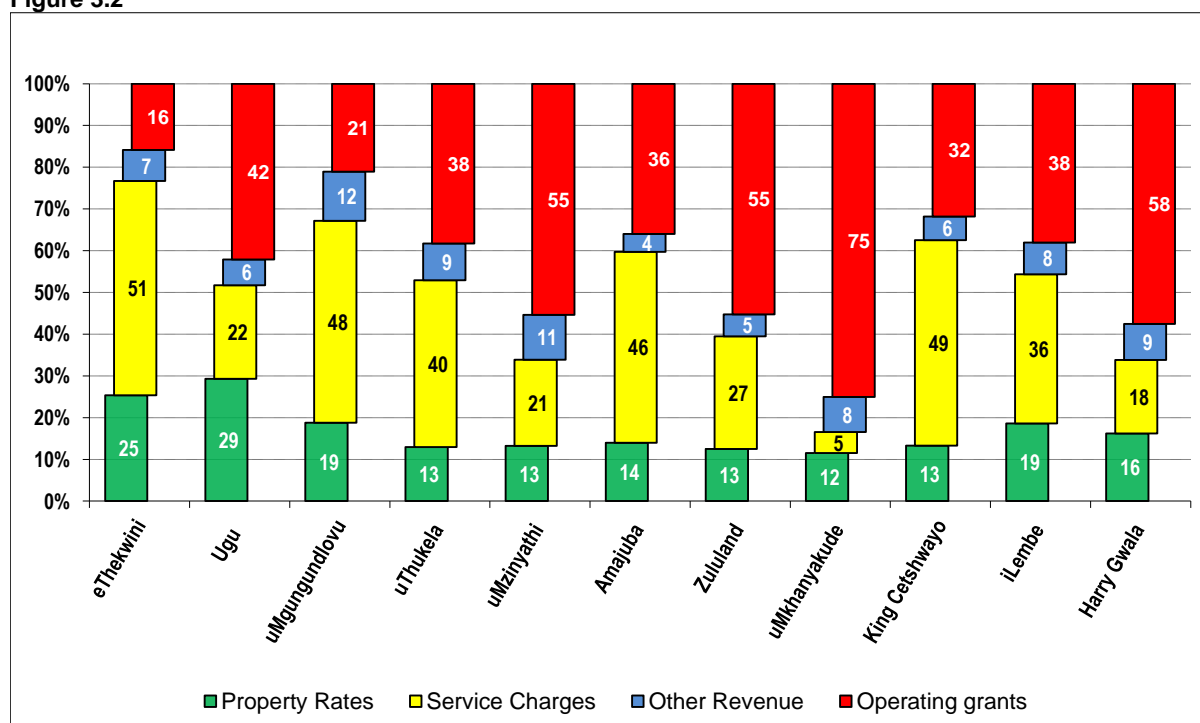
Service charges totaling R28.1 billion or 45.5 percent of actual revenue generated comprising of Electricity of R18.7 billion or 30.3 percent, Water of R6.2 billion or 10.1 percent and Other of R3.2 billion or 5.1 percent contributed the most towards the total Operating revenue for the 2018/19 financial year. This was followed by *Transfers recognised-operational* of R15.5 billion or 25.1 percent, *Property rates* of R13.4 billion or 21.7 percent and *Other revenue* of R3.7 billion or 5.9 percent. *Other own revenue* of R1.1 billion or 1.8 percent contributed the least towards Operating revenue and it is made up of *Property rates penalties and collection charges, Fines, Rental of facilities and equipment, Interest earned on external investments and outstanding debtors, Dividends received, Licences and permits, Agency fees and Gains on disposal of property, plant and equipment.*

The non-delegated municipalities are considered to be significant contributors to the total revenue generated as they are densely populated cities with a large number of paying customers. The eThekweni Metro contributed R35.2 billion or 57.1 percent of total Operating revenue whilst the Msunduzi and uMhlathuze Local Municipalities contributed R5 billion or 8.1 percent and R2.9 billion or 4.7 percent to the total Operating revenue, respectively.

When excluding the non-delegated municipalities from the district totals, the iLembe District (R2.8 billion or 4.5 percent), the Ugu District (R2.5 billion or 4.1 percent), the uThukela District (R2.3 billion or 3.7 percent) and the Amajuba District (R2.3 billion or 3.7 percent) contributed the most to the total Operating revenue generated.

Figure 3.2 shows a breakdown in terms of Operating revenue per district and per source for the 2018/19 financial year.

Figure 3.2



On comparison of the 10 districts and the eThekweni Metro, only the eThekweni Metro (R8.9 billion or 25 percent) and the Ugu District (R742.4 million or 29 percent) generated more than 20 percent of their total Operating revenue from *Property rates*; followed by uMgungundlovu District (R1.3 billion or 19 percent) and iLembe District (R518.9 million or 19 percent). The *Property rates* generated by the remaining seven districts range between 12 percent and 16 percent of their total Operating revenue.

The revenue generated from *Service charges* for the eThekweni Metro constituted 51 percent (R18.1 billion) of the total Operating revenue for the metro. With the exception of eThekweni Metro, the districts that generated most of their revenue from *Service charges* are the King Cetshwayo District with 49 percent (R2.2 billion), the uMgungundlovu District with 48 percent (R3.3 billion), the Amajuba District with 46 percent (R1 billion) and the uThukela District with 40 percent (R912.6 million).

The district which generated the least portion of their revenue from *Service charges* was the uMkhanyakude District at 5 percent (R59.9 million). This can be attributed to the fact that the district consists mainly of rural settlements and infrastructure for the provision of water and electricity is under-developed.

The *Service charges* generated by the remaining five districts range between 18 percent and 36 percent of their total Operating revenue.

A significant portion of the Operating revenue for the uMkhanyakude District (75 percent), the Harry Gwala District (58 percent), the uMzinyathi District (55 percent) and the Zululand District (55 percent) is made up of *Transfers recognised-operational*. This indicates a high dependency on grants by these districts. The Operating revenue of the eThekweni Metro (16 percent), the Msunduzi (12 percent), uMhlathuze (12 percent) and KwaDukuza (11 percent) Local Municipalities contributed the least towards *Transfers recognised-operational* as these municipalities are able to generate the bulk of their revenue from *Service charges* since they cover predominantly urban areas.

Other revenue (including *Other own revenue*) amounting to R4.8 billion or 7.8 percent contributed the least towards the total Operating revenue generated by the municipalities. The districts which generated the most revenue from the *Other revenue* source included the uMgungundlovu District (12 percent), the uMzinyathi District (11 percent), the uThukela District (9 percent), the Harry Gwala District (9 percent) and the uMkhanyakude District (8 percent). The district which generated the least revenue from Other revenue was the Amajuba District (4 percent).

The remaining five districts generated revenue within a range of between 5 percent and 8 percent against the *Other revenue*.

Table 3.2 shows the over and under-generation of Operating revenue against the Adjusted Budgets per district for the 2018/19 financial year.

Table 3.2: Over and Under-Generation of Operating revenue against budget per District - 2018/19

	Districts	Under			On Target		(Over)			Total No. of Municipalities in District
		More than 15%	Between 10% and 15%	Between 5% and 10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 10% and 15%	More than 15%	
1	eThekweni Metro	-	-	-	1	-	-	-	-	1
2	Ugu	-	1	1	2	-	-	-	1	5
3	uMgungundlovu	1	-	1	-	3	2	-	1	8
4	uThukela	-	-	-	2	1	1	-	-	4
5	uMzinyathi	-	2	2	-	1	-	-	-	5
6	Amajuba	1	-	-	2	-	-	-	1	4
7	Zululand	3	1	-	1	1	-	-	-	6
8	uMkhanyakude	2	-	-	2	-	-	1	-	5
9	King Cetshwayo	2	-	-	3	-	-	-	1	6
10	iLembe	-	-	1	4	-	-	-	-	5
11	Harry Gwala	1	1	1	1	1	-	-	-	5
	Totals	10	5	6	18	7	3	1	4	54

Source: NT Lgdatabase

From the 54 reporting municipalities:

- Eight (8) municipalities or 14.8 percent generated revenue in excess of their Adjusted Budgets and of the 8 municipalities indicated, 4 municipalities generated revenue in excess of 15 percent of their Adjusted Budget;
- Twenty five (25) municipalities or 46.3 percent were on target with their Adjusted Budgets which is within a range of 95 percent to 105 percent of the Adjusted Budget; and
- Twenty one (21) municipalities or 38.9 percent generated revenue lower than their Adjusted Budgets, of which 10 of these municipalities under-generated revenue by more than 15 percent.

The following are some of the reasons for the over and under-generation of revenue against budget noted in Table 3.2 above:

- Non-submission of returns;
- Incorrect population of Adjusted Budget returns and monthly returns;
- Municipalities not reflecting all the grants received as per the approved Gazettes;
- No revenue reported for revenue items budgeted for; and
- No budget for revenue items reported.

3.2 Operating Expenditure

Table 3.3 shows Original Budget, the Adjusted Budget and the Unaudited Actuals per item of Operating expenditure and per district for the 2018/19 financial year.

Table 3.3: Operating expenditure per item and per district - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail								
					Employee related costs	Remun. of councillors	Debt impairment	Depreciation and asset impairment	Finance charges	Bulk purchases	Contracted services	Other expenditure	Other ¹
eThekweni	35 227 111	35 417 436	32 768 677	92.5	10 169 071	125 715	13 391	2 221 497	685 220	11 236 316	4 595 849	2 101 537	1 620 081
Ugu	2 501 663	2 659 325	2 140 503	80.5	922 787	76 963	5 034	63 943	(4 189)	172 311	522 133	344 962	36 559
uMgungundlovu	6 751 660	6 777 409	6 963 233	102.7	1 666 185	91 157	382 147	540 436	80 592	2 428 447	1 040 353	408 199	325 718
uThukela	2 398 516	2 483 079	1 929 306	77.7	822 036	56 554	117 361	71 606	11 535	328 762	205 362	261 712	54 377
uMzinyathi	1 479 310	1 473 618	1 319 320	89.5	477 992	42 656	37 450	50 177	196	162 856	238 357	216 299	93 338
Amajuba	2 759 796	2 728 437	2 352 976	86.2	700 281	41 680	92 450	401 304	65 626	549 437	125 434	370 027	6 737
Zululand	2 059 806	2 104 372	1 850 436	87.9	752 156	66 720	11 087	81 550	(12 803)	318 155	309 253	271 793	52 523
uMkhanyakude	1 216 412	1 298 755	1 164 690	89.7	463 918	59 009	18 235	53 168	4 266	122 697	242 852	160 524	40 021
King Cetshwayo	4 666 531	4 859 729	4 521 362	93.0	1 244 889	91 847	81 301	514 826	65 714	1 058 258	861 823	419 420	183 284
iLembe	2 793 225	2 894 212	2 586 911	89.4	743 048	66 116	23 921	218 951	28 189	724 198	393 107	319 170	70 211
Harry Gwala	1 409 709	1 490 645	1 213 458	81.4	494 571	48 351	5 961	128 103	170	97 486	182 011	217 448	39 357
Total	63 263 739	64 187 016	58 810 872	91.6	18 456 934	766 767	788 339	4 345 561	924 517	17 198 924	8 716 534	5 091 090	2 522 206

Source: NT Lgdatabase

¹ Include Other materials, Transfers and Loss on disposal of PPE

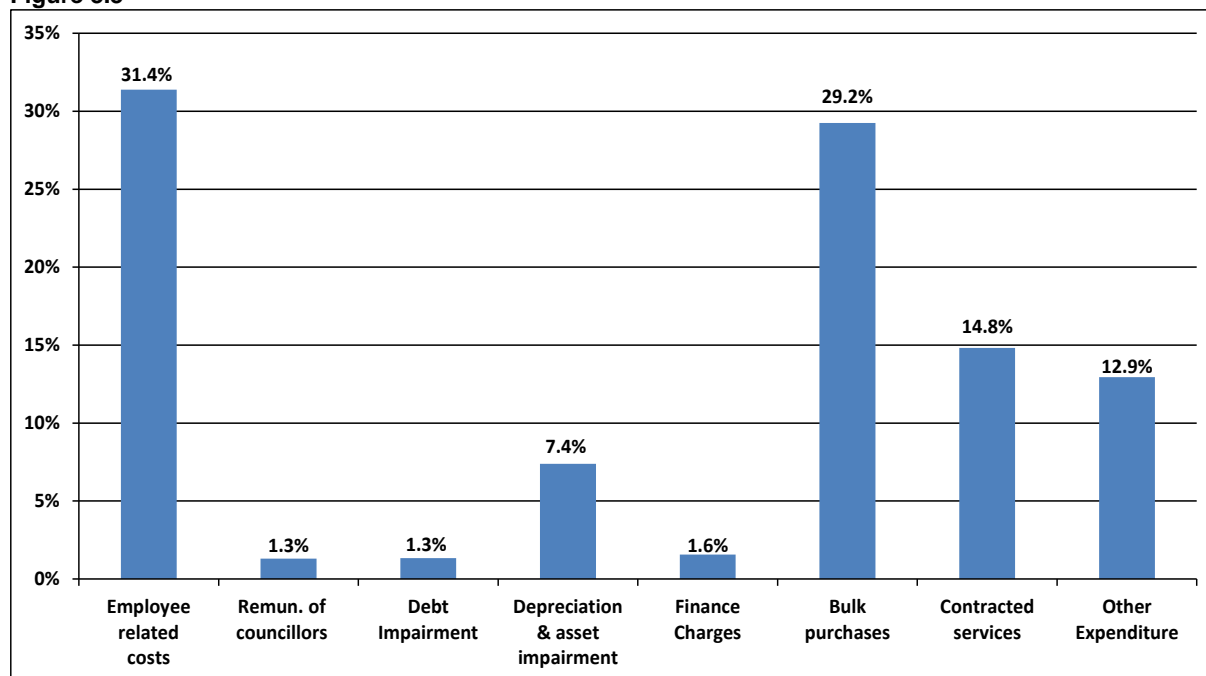
The total original Operating expenditure budget for all municipalities in the province was R63.3 billion for the 2018/19 financial year which was adjusted upwards by R923.3 million to R64.2 billion during the 2018/19 Adjustments Budget process. Table 3.3 shows that the consolidated performance for the Operating expenditure by all municipalities in the province was R58.8 billion or 91.6 percent against the Adjusted Budget of R64.2 billion. The Operating expenditure Adjusted Budget was under-spent by R5.4 billion or 8.4 percent. Compared to total operating budget expenditure performance for previous financial year of 2017/18, the operating expenditure increased by R5.2 billion from R53.6 billion in 2017/18 financial year to R58.8 billion in 2018/19 financial year.

As shown in Table 3.3, with exception of the uMgungundlovu District (R7 billion or 102.7 percent), all the districts at an aggregate level including the eThekweni Metro have recorded expenditure which is below the expected target of 100 percent at the end of the 2018/19 financial year. Five municipalities within the districts over-spent against their Adjusted Budgets which are as follows: the Richmond Local Municipality (R309 million or 263 percent); the Nongoma Local Municipality (R188 million or 110.4 percent); the Msunduzi Local Municipality (R5.2 billion or 104.9 percent), the Mtubatuba Local Municipality (R225.5 million or 104.8 percent) and the Mthonjaneni Local Municipality (R140.7 million or 100.9 percent).

The uThukela and the Ugu Districts spent the least of their Adjusted Budgets with R1.9 billion or 77.7 percent and R2.1 billion or 80.5 percent, respectively. It is noted with concern that the same districts were also reported with the least operating expenditure in the previous financial year of 2017/18.

Figure 3.3 shows the breakdown of Operating expenditure for the 2018/19 financial year.

Figure 3.3



Employee related costs of R18.5 billion or 31.4 percent contributed the largest portion of Operating expenditure. This was followed by *Bulk purchases* of R17.2 billion or 29.2 percent, *Contracted services* of R8.7 billion or 14.8 percent, *Other expenditure* (which includes *Other materials*, *Transfers and grants*, *Other expenditure* and *Loss of disposal of PPE*) of R7.6 billion or 12.9 percent, *Depreciation and asset impairment* of R4.3 billion or 7.4 percent and *Finance Charges* of R924.5 million or 1.6 percent. *Remuneration of councillors* and *Debt impairment* contributed the least towards Operating budget expenditure at the same rate of 1.3 percent as shown in Figure 3.3.

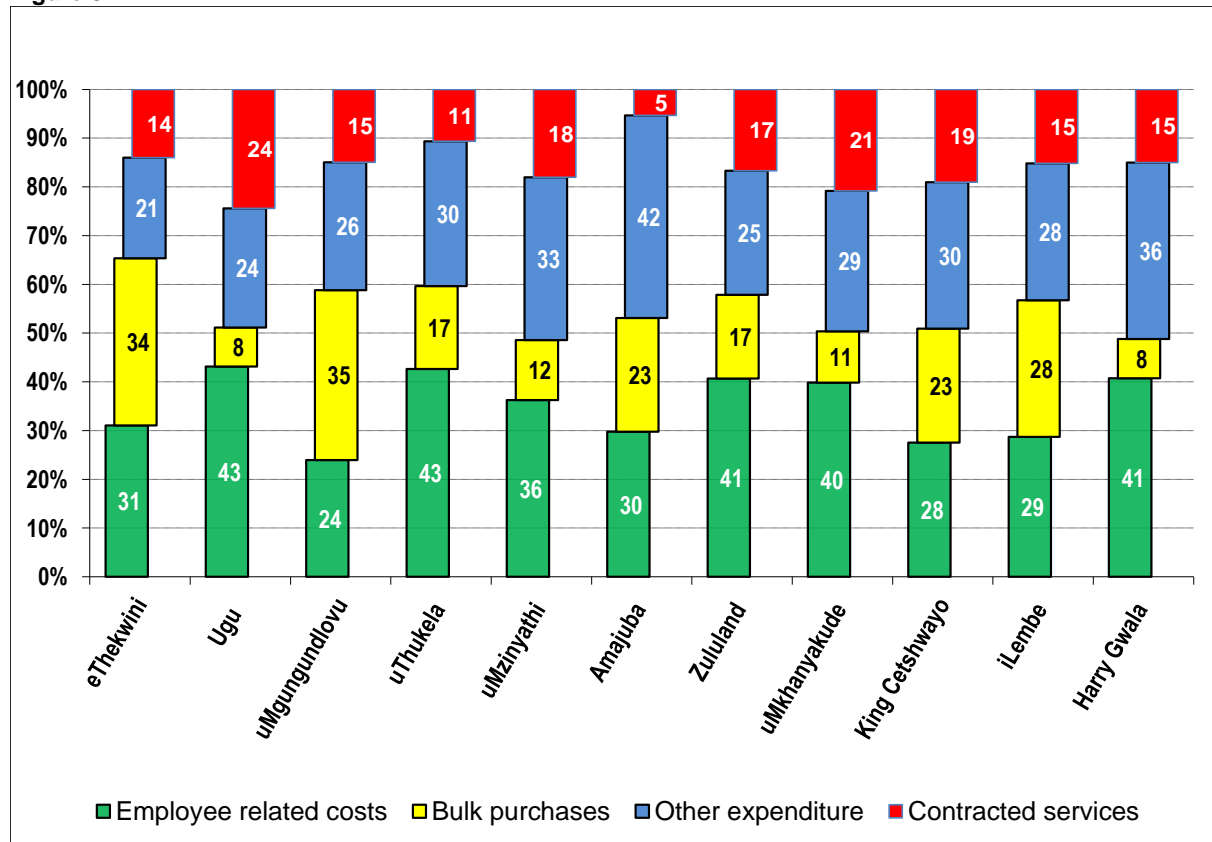
In many districts in the province, *Water* and *Sanitation* services are provided by the district municipalities while the *Electricity* service is provided by Eskom. Hence, it was noted that 20 local municipalities (refer to Appendix 2) did not report on *Bulk purchases* for water and electricity.

Of the 54 municipalities in the province, 24 municipalities or 44.4 percent did not report on *Debt impairment*. The reason for municipalities' failure to report on their *Debt impairment* expense is due to the fact that municipalities tend to submit preliminary figures in their MFMA Section 71 returns prior to effecting all the necessary year end adjustments for the Annual Financial Statements (AFS). In light of the uncertainty with regards to the recoverability of municipal debt, municipalities that provide services should review the recoverability of their *Debtor's* balances and adequately provide for *Debt impairment* continuously throughout the financial year.

It was also noted that 13 or 24.1 percent of the municipalities did not report on *Depreciation and asset impairment* thereby contributing to an incorrect status of the performance against this item. Similar to *Debt impairment*, municipalities do not report their *Depreciation and asset impairment* due to the fact that municipalities tend to submit preliminary figures in their MFMA Section 71 returns prior to effecting all the necessary year end adjustments for their AFS. This is despite the advice by Provincial Treasury to municipalities that they should account for this expenditure on a monthly basis.

Figure 3.4 shows a breakdown of Operating expenditure per district and per item of expenditure for the 2018/19 financial year.

Figure 3.4



At a consolidated district level, municipalities spent between 24 and 43 percent of their Adjusted Budgets on *Employee related costs*. The districts with the largest expenditure on *Employee related costs* are the Ugu District and the uThukela District at 43 percent, followed by the Harry Gwala District and the Zululand District at 41 percent. The districts which spent the least on *Employee related costs* are the uMgungundlovu District (24 percent), King Cetshwayo District (28 percent) and the iLembe District (29 percent)

The uMgungundlovu District (35 percent) spent the highest percentage on *Bulk purchases* followed by the eThekweni Metro (34.3 percent) and the iLembe District (28 percent). The high spending in the uMgungundlovu District was mainly influenced by the Msunduzi Local Municipality which spent R2.1 billion or 87.8 percent of the district total for *Bulk purchases* while the iLembe District was influenced by the KwaDukuza Local Municipality which spent R564.4 million or 77.9 percent of the district total for *Bulk purchases*.

A significant portion of *Other expenditure* which includes *Remuneration of councillors, Debt impairment, Depreciation and asset impairment, Finance charges, Other materials, Transfers and grants, Loss on disposal of PPE* and *Other expenditure* was reported by the Amajuba (42 percent), the Harry Gwala (36 percent), the uMzinyathi (33 percent), the King Cetshwayo (30 percent) and the uThukela (30 percent) Districts. The eThekweni Metro (21 percent) and the Ugu District (24 percent) contributed the least of their total Operating expenditure to *Other expenditure*.

At a consolidated level, municipalities spent between 5 and 24 percent of their Adjusted Budgets on *Contracted service*. The districts with the largest expenditure on *Contracted service* are the Ugu District

(24 percent) followed by the uMkhanyakude District (21 percent), the King Cetshwayo District (19 percent) and the uMzinyathi District (18 percent).

The districts which spent the least on *Contracted services* are the Amajuba District (5 percent) and the uThukela District (11 percent)

Table 3.4 shows the over and under-generation of Operating expenditure against the Adjusted Budgets per district for the 2018/19 financial year.

Table 3.4: Over and Under-Spending of Operating expenditure budget per District - 2018/19

	Districts	Under			On Target		(Over)			Total No. of Municipalities in District
		More than 15%	Between 10% and 15%	Between 5% and 10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 10% and 15%	More than 15%	
1	eThekweni Metro	-	-	1	-	-	-	-	-	1
2	Ugu	4	-	1	-	-	-	-	-	5
3	uMgungundlovu	3	1	2	-	1	-	-	1	8
4	uThukela	2	1	1	-	-	-	-	-	4
5	uMzinyathi	2	1	1	1	-	-	-	-	5
6	Amajuba	2	1	1	-	-	-	-	-	4
7	Zululand	2	-	3	-	-	-	1	-	6
8	uMkhanyakude	2	-	2	-	1	-	-	-	5
9	King Cetshwayo	1	2	1	1	1	-	-	-	6
10	iLembe	1	2	-	2	-	-	-	-	5
11	Harry Gwala	3	2	-	-	-	-	-	-	5
	Totals	22	10	13	4	3	0	1	1	54

Source: NT Lgdatabase

Of the 54 reporting municipalities:

- Forty five (45) municipalities or 83.3 percent under-spent their Adjusted Budgets for Operating expenditure, of which 22 of the municipalities or 40.7 percent under-spent their budgets by more than 13 percent.
- Seven (7) or 13 percent of municipalities were on target, which is between 95 percent (-5 percent) and 105 percent (+5 percent), against their Adjusted Budgets.
- Only two (2) municipalities or 3.7 percent recorded over-expenditure of more than 10 percent against their Adjusted Budgets.

3.3 Capital Revenue (Source of Finance) and Expenditure

The aggregated municipal Adjusted Capital Budget for the 54 municipalities in KwaZulu-Natal was R14.3 billion for the 2018/19 financial year. Aggregated Capital expenditure and the corresponding revenue recognised against the Adjusted Capital Budget for all municipalities in the province amounted to R10.4 billion or 72.5 percent against the total Adjusted Budget. This equates to an under-spending of R3.9 billion (27.5 percent) for the 2018/19 financial year (R4.9 billion in the 2017/18 financial year).

3.3.1 Capital Revenue

Table 3.5 shows the Original Budget, the Adjusted Budget and the Unaudited Actual per source of revenue and per district for the 2018/19 financial year.

Table 3.5: Capital Revenue (Source of Finance) per district - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail			
					Transfers recognised - capital ¹	Borrowing	Internally generated funds	Public contr. and donations
eThekweni	7 110 162	7 100 361	5 113 119	72.0	2 157 683	-	2 955 436	-
Ugu	725 523	769 720	561 106	72.9	543 213	-	12 269	5 624
uMgungundlovu	920 069	987 197	812 835	82.3	701 010	43 729	68 084	12
uThukela	624 802	528 713	413 343	78.2	378 587	-	34 756	-
uMzinyathi	682 174	604 734	505 651	83.6	447 254	-	58 398	-
Amajuba	426 061	479 327	334 041	69.7	261 752	7 360	64 234	694
Zululand	661 824	787 761	474 911	60.3	453 560	-	21 351	-
uMkhanyakude	426 037	426 135	359 365	84.3	349 369	-	9 996	-
King Cetshwayo	1 044 990	1 153 865	832 454	72.1	425 947	246 652	131 783	28 071
iLembe	870 824	801 403	444 860	55.5	357 542	0	87 355	(37)
Harry Gwala	672 183	690 572	544 005	78.8	428 410	-	115 595	-
Total	14 164 647	14 329 788	10 395 691	72.5	6 504 328	297 741	3 559 258	34 364

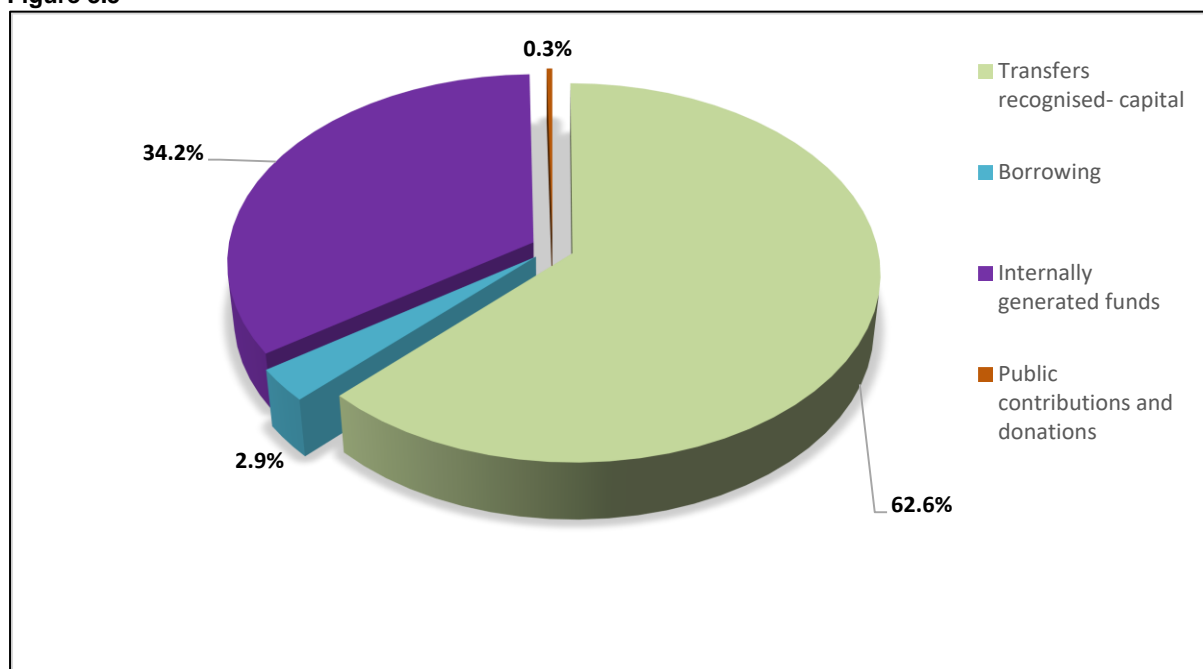
Source: NT Igdatabase

¹ Include National Government, Provincial Government, District Municipality and Other transfers and grants.

The eThekweni Metro with R5.1 billion contributed the most to the total Capital revenue of R10.4 billion. The eThekweni Metro financed their Capital expenditure with *Transfers recognised – capital* of R2.2 billion and *Internally generated funds* of R3 billion. With the exception of the eThekweni Metro, the King Cetshwayo District contributed the most to total Capital revenue with R832.5 million followed by the uMgungundlovu District with R812.8 million. The Amajuba District contributed the least to Capital sources of revenue with R334 million.

Figure 3.5 provides an overview of the contributions per funding source to total Capital sources of funding as at 30 June 2019.

Figure 3.5



An overview of the Capital source of funding per district indicates that municipalities in the province are dependent on grants to fund their Capital expenditure as *Transfers recognised – capital* contributed 62.6 percent or R6.5 billion of the total Capital source of funding of R10.4 billion as at the end of the 2018/19 financial year.

The second largest source of funding was *Internally generated funds* at 34.2 percent or R3.6 billion followed by *Borrowing* at 2.9 percent or R297.7 million and *Public contributions and donations* at 0.3 percent or R34.4 million. It should however be noted that the uMuziwabantu Local Municipality within the Ugu District reflected negative R14.9 million under the *Internally generated funds* and negative R30 000 under *Public contributions and donations* Capital sources of funding due to incorrect reporting.

Municipalities within four districts utilised *Borrowings* to fund their Capital expenditure amounting to a total of R297.7 million as at the end of the 2018/19 financial year. The King Cetshwayo District utilised the highest *Borrowings* at R246.7 million followed by the uMgungundlovu District at R43.7 million and the Amajuba District at R7.4 million.

Public contributions and donations of R34.4 million were recognised by five districts to fund their Capital expenditure. The King Cetshwayo District and the Ugu District reported the most significant amounts against this revenue source amounting to R28.1 million and R5.6 million, respectively. It should be noted that *Public contributions and donations* reported for the iLembe District are inaccurate. Despite not budgeting for *Public contributions and donations*, the Mandeni Local Municipality reported a negative amount of R37 000. The Mandeni Local Municipality confirmed that the reported amount was due to inaccurate reporting.

3.3.2 Capital Expenditure

Table 3.6 shows the Original Budget, Adjusted Budget and Unaudited Actual per standard classification and per district for the 2018/19 financial year.

Table 3.6: Capital Expenditure per standard classification and per district - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail									
					Governance and Admin. ¹	Community and Public Safety			Economic and Environmental Services		Trading Services			Other
						Housing	Health	Other ²	Road Transport	Other ³	Electricity	Water and Waste Water Mgt.	Waste Mgt	
eThekweni	7 110 162	7 100 361	5 113 119	72.0	356 127	993 835	13 076	377 526	845 983	278 691	647 151	1 499 536	100 199	995
Ugu	725 523	769 720	561 106	72.9	45 548	37 074	–	33 905	129 165	62 969	8 097	242 509	1 841	–
uMgungundlovu	920 069	987 197	812 835	82.3	12 291	33 260	–	62 993	261 636	40 346	53 199	339 524	5 546	4 040
uThukela	624 802	528 713	413 343	78.2	19 648	970	–	15 955	47 109	56 508	21 619	251 301	232	2
uMzinyathi	682 174	604 734	505 651	83.6	9 909	–	–	28 609	119 949	6 649	26 664	311 158	2 713	–
Amajuba	426 061	479 327	334 041	69.7	3 862	44	–	6 858	103 408	72 631	8 824	138 415	–	–
Zululand	661 824	787 761	474 911	60.3	207 051	6 749	–	46 894	127 200	6 446	37 621	42 951	–	–
uMkhanyakude	426 037	426 135	359 365	84.3	9 162	–	–	25 754	80 241	12 771	–	231 365	73	–
King Cetshwayo	1 044 990	1 153 865	832 454	72.1	144 788	–	–	99 063	144 759	39 199	90 302	304 183	10 052	108
iLembe	870 824	801 403	444 860	55.5	13 634	2 077	–	29 274	158 991	9 526	15 204	215 430	726	–
Harry Gwala	672 183	690 572	544 005	78.8	17 502	2 221	–	23 107	117 047	71 871	27 167	283 206	1 884	–
Total	14 164 647	14 329 788	10 395 691	72.5	839 521	1 076 229	13 076	749 938	2 135 488	657 605	935 847	3 859 577	123 266	5 144

Source: NT Igdatabase

1 Include Executive & Council, Budget & Treasury Office and Corporate Services.

2 Include Community & Social Services, Sports And Recreation and Public Safety.

3 Include Planning and Development and Environmental Protection.

All districts within the province as well as the eThekweni Metro reported Capital expenditure below the 85 percent level against their respective Adjusted Budgets. Only 3 districts achieved more than 80 percent of their Adjusted Budget, namely: the uMkhanyakude District at 84.3 percent followed by the uMzinyathi District at 83.6 percent and the uMgungundlovu District at 82.3 percent. The iLembe District reported the lowest percentage of the Capital budget spent at 55.5 percent followed by the Zululand District at 60.3 percent and the Amajuba District at 69.7 percent. It should be noted that Capital expenditure is directly linked to service delivery and under-spending on Capital expenditure negatively impacts on service delivery.

Under-spending of the Adjusted Budget for Capital can be attributed to poor planning by certain municipalities, over-budgeting for capital projects, poor management of the procurement processes and the non-submission of the monthly Capital expenditure returns for the 2018/19 financial year.

On the other hand, a few municipalities (Appendix 4) reported Capital expenditure which exceeded their respective Adjusted Capital budgets, namely, the uMuziwabantu Local Municipality (167.6 percent), the uMgungundlovu District Municipality (120.9 percent) and the eDumbe (113.8 percent), Okhahlamba (107.2 percent) Big Five Hlabisa (101.3 percent) and uMfolozi (101.1 percent) Local Municipalities. Over-expenditure against the Adjusted Budget for Capital expenditure could be attributed to the acceleration of multi-year projects, under-estimation of project costs at the budget stage, understatement of the Adjusted Budget and the inaccurate completion of monthly Capital expenditure returns for the 2018/19 financial year.

It should be noted that due to the fact that some municipalities are still in the process of re-aligning their Adjusted Budget returns to the adopted B Schedules, the percentage completion against budget may be inaccurate. Provincial Treasury is currently assisting municipalities in this regard.

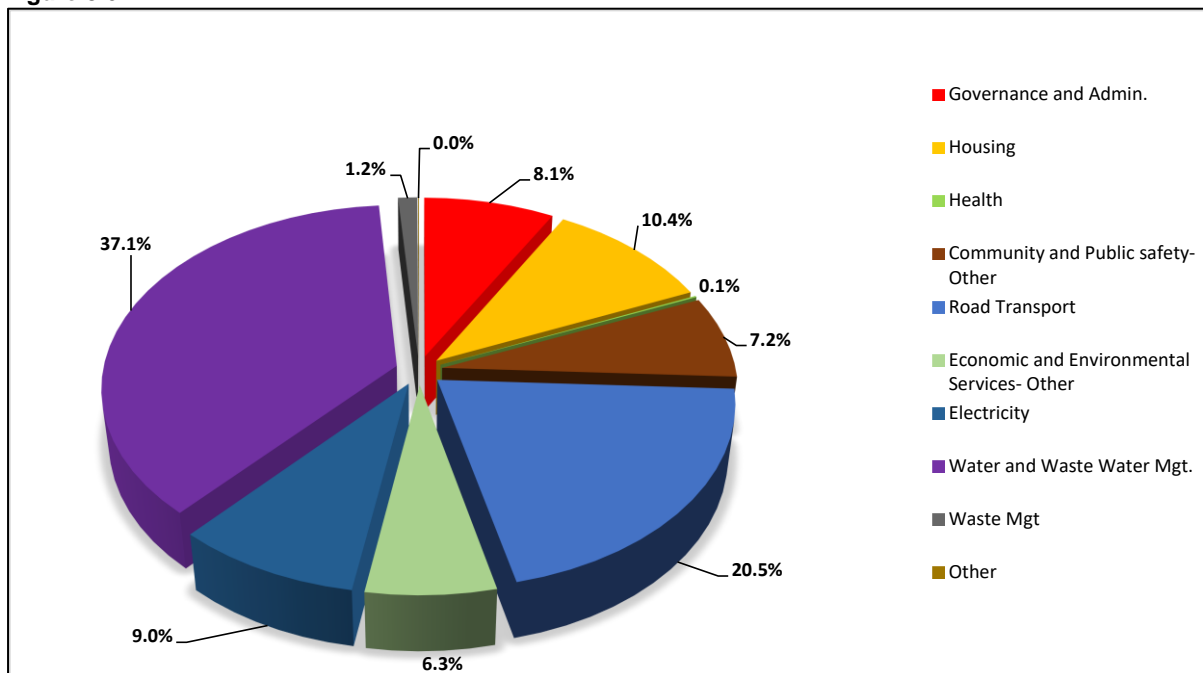
Furthermore, municipalities are in the process of finalising their 2018/19 AFS which includes the updating and balancing of their asset registers with the latest available financial information and factoring in accounting journal entries such as accruals. Thus, the year-end adjustments to the Capital expenditure figures would not have been included in the MFMA Section 71 reports submitted to the National Treasury Local Government Database. This could result in the final figures being significantly different from those reported in the MFMA Section 71 reports. The low spending on Capital expenditure projects will delay the delivery of infrastructure for basic services and exacerbate the current backlogs.

Provincial Treasury Circular PT/MF 01 of 2019/20, dated 07 August 2019, was issued to remind municipalities of the 31 August 2019 deadline for the submission of rollover applications/motivations to National Treasury to retain Unspent conditional grant funding, as required in terms of the Division of Revenue Act (DoRA).

In terms of the Section 22 of the 2018 DoRA, any conditional allocation that is not spent at the end of a municipal financial year reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of National Treasury, that the unspent allocation is committed to identifiable projects. Therefore, it is imperative that municipalities adopt appropriate monitoring systems and take corrective steps where under-spending of their Capital budget (mainly funded by capital grants) is recorded.

Figure 3.6 provides an overview Capital expenditure per standard classification line item. The bulk of Capital expenditure amounting to R3.9 billion was spent on *Water and Waste Water Management* capital projects which constitutes 37.1 percent of the total Unaudited Actual expenditure for the 2018/19 financial year. The second highest category of Capital Expenditure was on *Road Transport* with R2.1 billion (20.5 percent) followed by *Housing* with R1.1 billion (10.4 percent), *Electricity* with R935.8 million (9 percent), *Governance and Administration* with R839.5 million (8.1 percent) and *Community and Public safety - Other* with R749.9 million (7.2 percent).

Figure 3.6



The lowest contributor to Capital expenditure incurred as compared to the total Unaudited Actual expenditure was against *Other* with R5.1 million (0.05 percent) and *Health* with R13.1 million (0.1 percent) for the 2018/19 financial year.

None of the municipalities under the uMzinyathi, uMkhanyakude and King Cetshwayo Districts spent on *Housing* as the function is performed by the KwaZulu-Natal Department of Human Settlements and furthermore, these municipalities do not perform this function on behalf of the Department of Human Settlements. The eThekweni Metro and the Ray Nkonyeni Local Municipality within the Ugu District and the Msunduzi Local Municipality within the uMgungundlovu District reflected the highest expenditure of R993.8 million, R37.1 million and R33.3 million against *Housing* as at the end of the 2018/19 financial year, respectively.

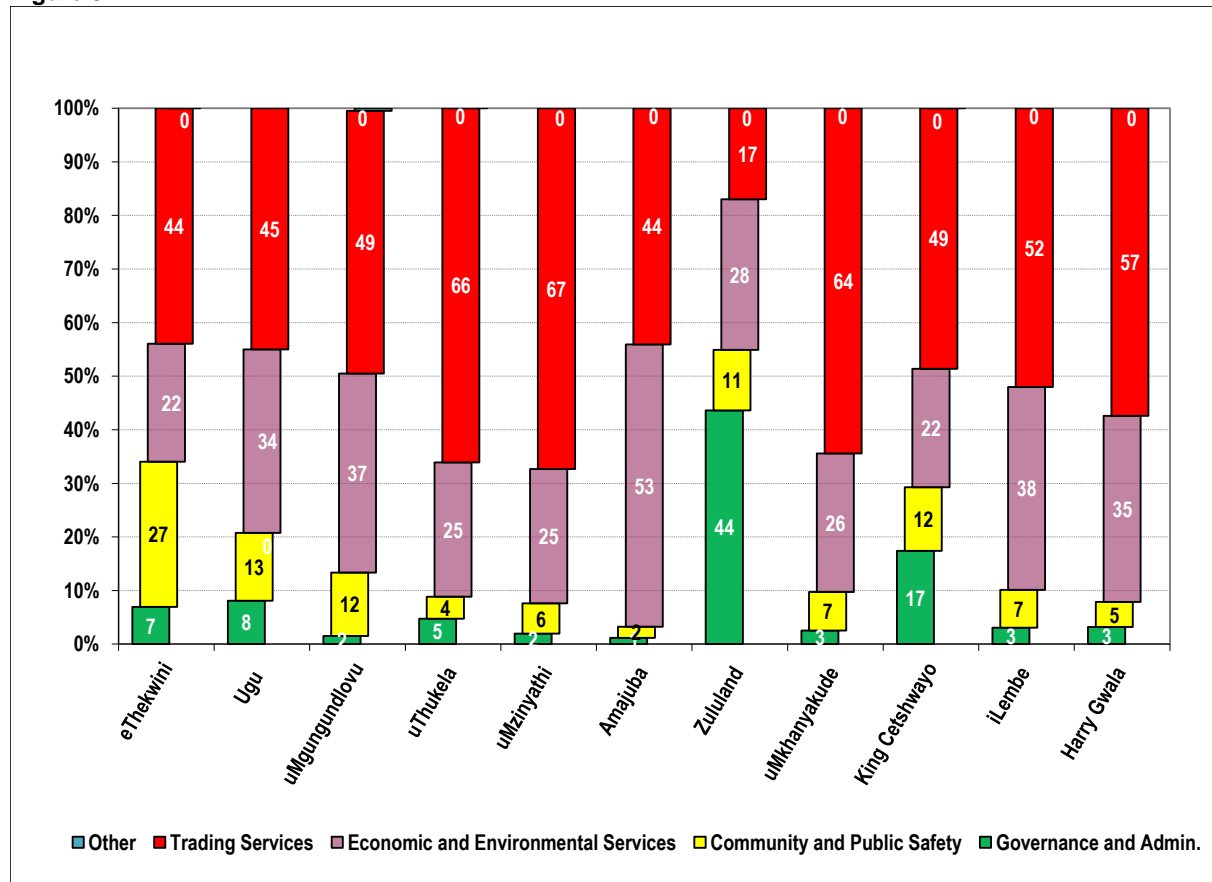
The uPhongolo Local Municipality within the Zululand District, the Greater Kokstad Local Municipality within the Harry Gwala District, the KwaDukuza Local Municipality within the iLembe District, the iNkosi Langelibalele Local Municipality within the uThukela District and the Newcastle Local Municipality within the Amajuba District spent R6.7 million, R2.2 million, R2.1 million, R970 000 and R44 000 against *Housing*, respectively.

The expenditure on *Housing* was largely related to municipalities performing the function as an agent on behalf of the KwaZulu-Natal Department of Human Settlements. Agency functions include overseeing the work of the service providers appointed by the KwaZulu-Natal Department of Human Settlements, inspecting the completed units to verify that the service providers complied with the tender specifications and the transfer of payments to the service providers upon instruction from the KwaZulu-Natal Department of Human Settlements.

Road Transport ranked second in terms of Capital expenditure in the 2018/19 financial year. The Alfred Duma Local Municipality inaccurately reflected R13 million for *Road Transport* which amounted to 13 024.2 percent of the Adjusted Budget of R99 996 due to misallocations of expenditure during the 2018/19 financial year.

Figure 3.7 shows a breakdown in terms of Capital expenditure per district and by standard classification for the 2018/19 financial year.

Figure 3.7



The largest portion of Capital spending by standard classification was against *Trading services* with R4.9 billion or 47.3 percent of total Capital expenditure. All districts with the exception of the Amajuba and Zululand Districts spent the largest portion of their Capital expenditure on *Trading services*. The districts with the highest spending on *Trading services* were the uMzinyathi (67 percent), uThukela (66 percent) and uMkhanyakude (64 percent) Districts.

The second highest expenditure was against *Economic and Environmental Services* with spending of R2.8 billion or 26.9 percent of the total Capital expenditure. The Amajuba District (53 percent) spent the bulk of their Capital expenditure on *Economic and Environmental Services*.

The third largest portion of spending per standard classification of R1.8 billion or 17.7 percent of total Capital expenditure was against *Community and Public Safety* with the eThekweni Metro and the Ugu District spending 27 percent and 13 percent of their Capital expenditure against this standard classification, respectively.

Lastly, the lowest portion of spending per standard classification of R5.1 million or 0.05 percent of total Capital expenditure was against *Other* and R839.5 million or 8.1 percent against *Governance and Administration*. The uMgungundlovu District spent 0.5 percent of their total Capital expenditure against the *Other* category whilst the Zululand District spent 44 percent of their total Capital expenditure against *Governance and Administration* followed by the King Cetshwayo District at 17.4 percent.

Table 3.7 shows the range of over and under-spending against the Adjusted Capital Budgets per district for the 2018/19 financial year.

Table 3.7: Over and Under-spending against the Adjusted Capital Budgets per district - 2018/19

	Districts	Under			On Target		(Over)			Total No. of Municipalities in District
		More than 15%	Between 10% and 15%	Between 5% and 10%	Between 0% and -5%	Between 0% and 5%	Between 5% and 10%	Between 10% and 15%	More than 15%	
1	eThekweni Metro	1	-	-	-	-	-	-	-	1
2	Ugu	4	-	-	-	-	-	-	1	5
3	uMgungundlovu	5	2	-	-	-	-	-	1	8
4	uThukela	2	-	-	1	-	1	-	-	4
5	uMzinyathi	3	1	1	-	-	-	-	-	5
6	Amajuba	3	-	-	1	-	-	-	-	4
7	Zululand	3	1	1	-	-	-	1	-	6
8	uMkhanyakude	2	-	1	1	1	-	-	-	5
9	King Cetshwayo	5	-	-	-	1	-	-	-	6
10	iLembe	5	-	-	-	-	-	-	-	5
11	Harry Gwala	4	1	-	-	-	-	-	-	5
	Totals	37	5	3	3	2	1	1	2	54

Source: NT Igdatabase

Under-spending on the Capital Budget is a common and concerning trend amongst municipalities and of the 54 municipalities:

- Forty-five (45) of the 54 municipalities or 83.3 percent under-spent their Adjusted Budgets by at least five percent and more and is a slight improvement from the 46 municipalities which reported significant under-expenditure in the 2017/18 financial year;
- Five (5) of the 54 municipalities or 9.3 percent were on target as they achieved a spending rate that was between 95 and 105 percent as at the end of the 2018/19 financial year which is the same number of municipalities which were on target in the 2017/18 financial year; and
- The remaining four (4) of the 54 municipalities or 7.4 percent over-spent their Adjusted Capital Budgets by five percent and more in the 2018/19 financial year as compared to three in the 2017/18 financial year.

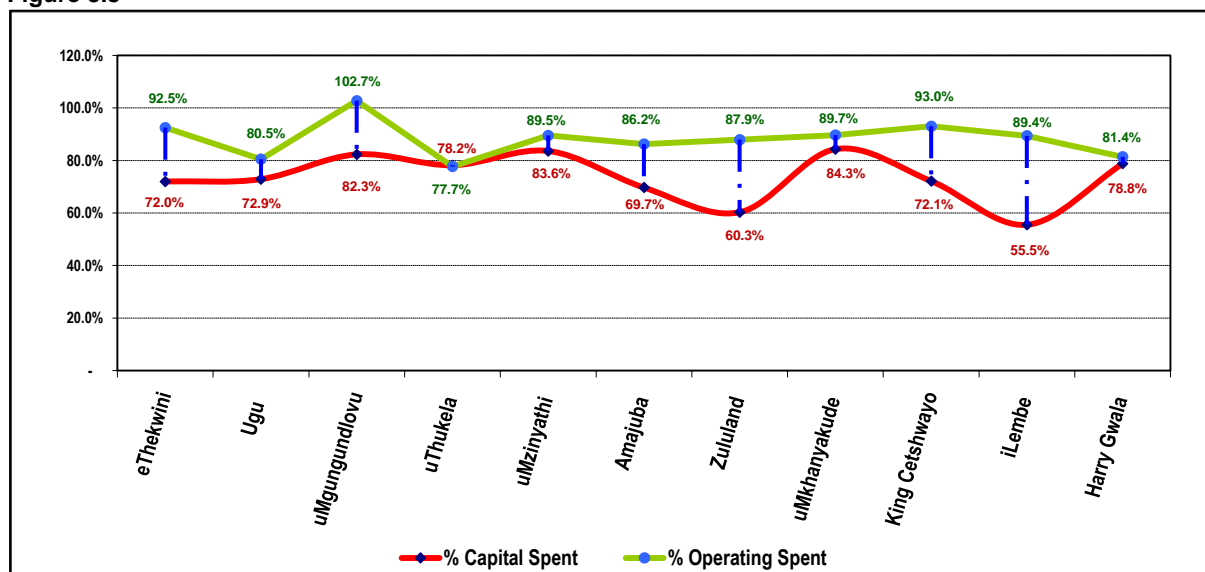
The low spending on capital projects impacts negatively on service delivery by municipalities. Moreover, renewal of municipal infrastructure to ensure reliability and quality of municipal services to support economic growth within their jurisdictions will be affected.

3.4 Capital and Operating Expenditure Comparatives

Analysing Capital expenditure in relation to Operating expenditure provides an insight into expenditure trends at municipalities.

Figure 3.8 shows the comparatives of Capital expenditure against Operating expenditure for the reporting municipalities, aggregated at a district level. The graph reveals the district performance against the Adjusted budget and thus reflects Capital expenditure as a percentage of the Adjusted Capital Budget together with Operating expenditure as a percentage of the Adjusted Operating expenditure Budget for the 2018/19 financial year.

Figure 3.8



The variance between the average Capital expenditure against the Adjusted Capital Budget and the average Operating expenditure against the Adjusted Operating Budget is 14.6 percent for the 2018/19 financial year and has increased from the average of 13.2 percent reported in the 2017/18 financial year. The uThukela District was the only district which reported Capital expenditure performance against the Adjusted Capital expenditure Budget that exceeded their Operating expenditure performance against the Adjusted Operating expenditure Budget. The remaining districts have spent significantly less of their Adjusted Capital expenditure Budget in relation to their Adjusted Operating expenditure Budget for the 2018/19 financial year with the largest differences noted in the iLembe District (33.9 percent) and the Zululand District (27.6 percent). The least difference was noted in the uThukela District with 0.5 percent.

The average Capital expenditure across districts, including the eThekweni Metro, against their respective Adjusted Capital expenditure Budgets was 73.6 percent for the 2018/19 financial year which is an improvement when compared to the average of 73.2 percent in the 2017/18 financial year. The uMkhanyakude District (84.3 percent), the uMzinyathi District (83.6 percent), the uMgungundlovu District (82.3 percent), the Harry Gwala District (78.8 percent) and the uThukela District (78.2 percent) reported to have spent more than the average Capital expenditure at a district level at the end of the 2018/19 financial year, while the remainder reported to have spent less than the average of 73.6 percent, including the eThekweni Metro.

The average Operating expenditure against the respective Adjusted Operating expenditure Budgets across all districts, including the eThekweni Metro, was 88.2 percent for the 2018/19 financial year and represents an increase of 1.7 percent from the average of 86.5 percent for the 2017/18 financial year. The uMgungundlovu District (102.7 percent), the King Cetshwayo District (93 percent), the eThekweni Metro (92.5 percent), the uMkhanyakude District (89.7 percent), the uMzinyathi District (89.5 percent) and the iLembe District (89.4 percent) spent more than the average, whilst the remainder spent less than the average at the end of the 2018/19 financial year. Significant under-spending against their Adjusted Operating expenditure Budgets could be attributed to incomplete reporting on the non-cash items such as *Depreciation and asset impairment* and *Debt impairment*.

3.5 Debtors

3.5.1 Debtors by age analysis

Table 3.8 shows the Debtors Age Analysis per district as at 30 June 2019.

Table 3.8: Debtor Age Analysis per district (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61- 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	1 695 431	14.5	703 090	6.0	626 280	5.4	8 636 357	74.1	11 661 159
Ugu	32 932	4.9	28 282	4.2	18 768	2.8	590 197	88.1	670 179
uMgungundlovu	676 902	14.4	21 629	0.5	110 210	2.4	3 877 972	82.7	4 686 712
uThukela	83 437	4.9	38 114	2.2	37 811	2.2	1 537 122	90.6	1 696 484
uMzinyathi	15 921	2.8	16 497	2.9	17 066	3.0	510 580	91.2	560 064
Amajuba	77 446	5.6	46 810	3.4	37 156	2.7	1 226 646	88.4	1 388 059
Zululand	48 432	8.1	9 717	1.6	12 681	2.1	527 245	88.2	598 075
uMkhanyakude	25 177	5.5	772	0.2	6 481	1.4	426 006	92.9	458 435
King Cetshwayo	315 804	42.2	20 878	2.8	22 214	3.0	390 322	52.1	749 218
iLembe	82 031	9.9	29 838	3.6	31 776	3.8	689 083	82.8	832 728
Harry Gwala	27 015	8.8	16 791	5.5	11 759	3.8	250 851	81.9	306 416
Total	3 080 530	13.0	932 418	3.9	932 201	3.9	18 662 380	79.1	23 607 529

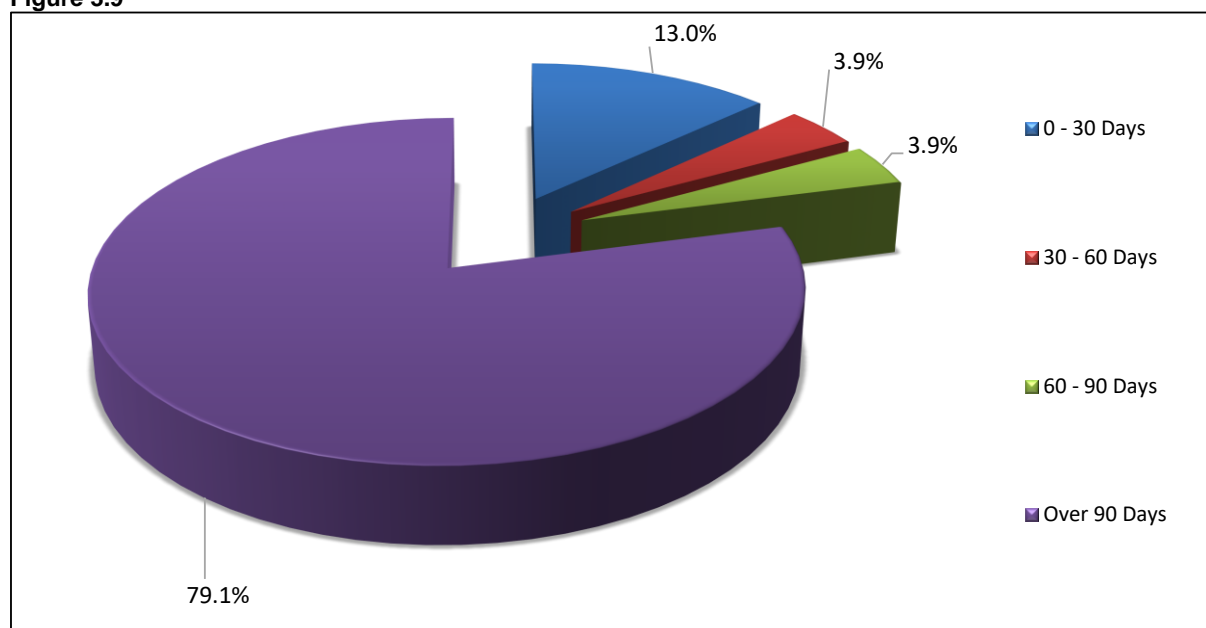
Source: NT Lgdatabase

The total debt owed to municipalities at the end of the fourth quarter of the 2018/19 financial year was R23.6 billion and represents an increase of 19.1 percent from the R19.8 billion owed to municipalities in the 2017/18 financial year.

The eThekwini Metro had the largest amount of outstanding debt (R11.7 billion) followed by the uMgungundlovu District (R4.7 billion), the uThukela District (R1.7 billion) and the Amajuba District (R1.4 billion). The Harry Gwala District recorded the lowest amount of outstanding debt (R306.4 million).

Figure 3.9 further illustrates the Debtors Age Analysis as at 30 June 2019.

Figure 3.9



At the end of the 2018/19 financial year, a substantial amount of debt totaling R18.7 billion (79.1 percent) was outstanding in the *Over 90 Days* category, representing an increase of R3.6 billion in the same category in the 2017/18 financial year (R15.1 billion). In the 2018/19 financial year, the debtors per age category were as follows: *0-30 Days*: R3.1 billion (13 percent), *31-60 Days*: R932.4 million (3.9 percent), and *61-90 Days*: R932.2 million (3.9 percent).

All of the districts had more than 70 percent of their outstanding debt in the *Over 90 Days* category with the exception of the King Cetshwayo District, that had 52.1 percent of their total outstanding debt in this age category. It should be noted that the high level of debt across the districts is influenced by a number of factors, such as the social economic environment, economic factors including the high level of indigents, state social grants dependency and the unemployment rate.

Municipalities need to implement effective debt collection strategies and policies in order to improve their collection rates and to ensure that debt owed to them does not become irrecoverable. All municipalities in the province reported on their debt, with the exception of the Amajuba District Municipality, the Ray Nkonyeni, the Richmond, the Dannhauser, the uPhongolo and the uBuhlebezwe Local Municipalities. This represents a regression from the 2017/18 financial year where only four municipalities did not report on their outstanding Debtors.

3.5.2 Debtors by Customer Group

Table 3.9 shows Debtors by Customer Group per district as at 30 June 2019.

Table 3.9: Debtors by Customer Group (Total) – 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	752 007	6.4	2 693 776	23.1	8 193 817	70.3	21 559	0.2	11 661 159
Ugu	84 280	12.6	107 736	16.1	466 808	69.7	11 355	1.7	670 179
uMgungundlovu	299 424	6.4	603 288	12.9	3 289 277	70.2	494 723	10.6	4 686 712
uThukela	121 017	7.1	62 748	3.7	969 097	57.1	543 622	32.0	1 696 484
uMzinyathi	86 308	15.4	65 568	11.7	393 077	70.2	15 111	2.7	560 064
Amajuba	65 182	4.7	141 420	10.2	1 160 269	83.6	21 188	1.5	1 388 059
Zululand	103 563	17.3	66 981	11.2	350 180	58.6	77 351	12.9	598 075
uMkhanyakude	136 458	29.8	104 290	22.7	207 751	45.3	9 937	2.2	458 435
King Cetshwayo	139 917	18.7	332 079	44.3	256 309	34.2	20 913	2.8	749 218
iLembe	48 279	5.8	141 561	17.0	554 136	66.5	88 752	10.7	832 728
Harry Gwala	27 877	9.1	36 844	12.0	218 926	71.4	22 769	7.4	306 416
Total	1 864 312	7.9	4 356 290	18.5	16 059 646	68.0	1 327 281	5.6	23 607 529

Source: NT Lgdatabase

With the exception of the King Cetshwayo District, all districts within the province had the bulk of their Debtors reflected against the *Household* customer group. The Amajuba, Harry Gwala, uMgungundlovu and uMzinyathi Districts recorded more than 70 percent of their Debtors outstanding in the *Household* customer group.

The uMkhanyakude District is the only district that reflected a decrease in the *Household* customer group from the 2017/18 financial year (R283.9 million) to the 2018/19 financial year (R207.8 million).

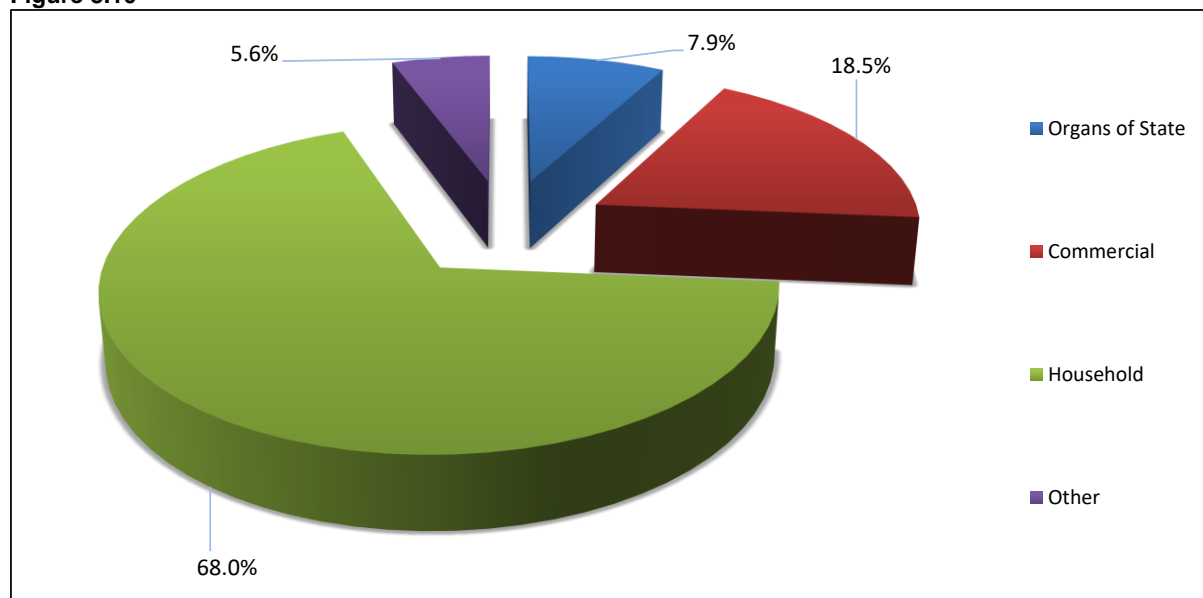
The eThekwini Metro contributed the largest amount to Debtors in the *Commercial* category with R2.7 billion or 61.8 percent of the total *Commercial* Debtors of R4.4 billion. Other significant contributors to this category were the uMgungundlovu and King Cetshwayo Districts with R603.3 million and R332.1 million, respectively.

It was noted that the *Other* customer group increased from the 2017/18 financial year of R1.2 billion to R1.3 billion in the 2018/19 financial year, contributing 5.6 percent of the total debt outstanding in the 2018/19 financial year. Municipalities are encouraged to ensure that they classify debt correctly under

the relevant customer group. The uThukela and the uMgungundlovu Districts classified R543.6 million and R494.7 million, respectively as *Other* and contributed the largest amounts to total debt classified as *Other*. The iLembe District (R88.8 million) and the Zululand District (R77.4 million) were other significant contributors to total debt in the *Other* category

Figure 3.10 shows Debtors by Customer Group as at 30 June 2019.

Figure 3.10



The largest portion of outstanding debtors in the province as at 30 June 2019 was owed by the *Household* customer group amounting to R16.1 billion (68 percent). This customer group is followed by Debtors classified as *Commercial*: R4.4 billion (18.5 percent), *Organs of State*: R1.9 billion (7.9 percent) and *Other*: R1.3 billion (5.6 percent) (Figure 3.10).

The *Household* debt increased by 23.7 percent from R13 billion in the 2017/18 financial year to R16.1 billion in the 2018/19 financial year. However, these amounts may not be a true reflection due to some municipalities not reporting on Debtors for Month 12 in the 2018/19 financial year.

3.6 Creditors

Table 3.10 shows the Creditors Age Analysis per district as at 30 June 2019.

Table 3.10 Creditors age analysis per district (Total) - 2018/19

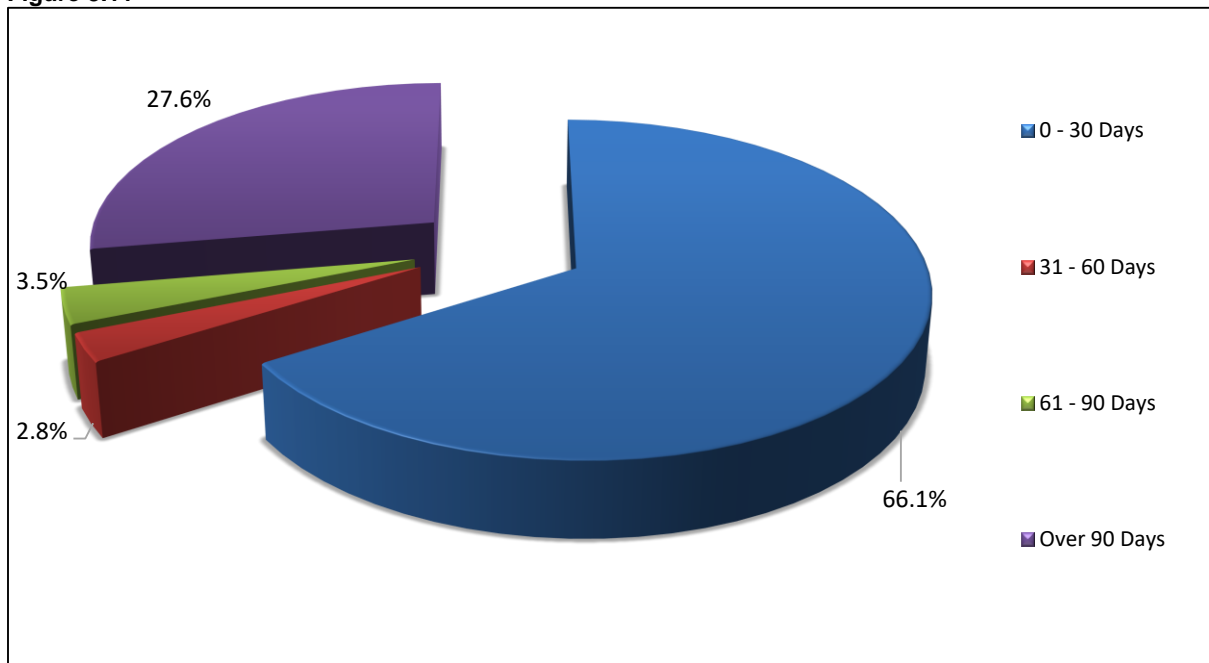
R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eThekweni	2 307 917	66.0	18 743	0.5	106 673	3.1	1 064 062	30.4	3 497 396
Ugu	39 256	34.7	16 223	14.3	40 336	35.7	17 283	15.3	113 098
uMgungundlovu	1 047 985	84.1	47 353	3.8	15 311	1.2	134 979	10.8	1 245 628
uThukela	75 886	41.2	3 179	1.7	357	0.2	104 711	56.9	184 133
uMzinyathi	61 365	49.5	2 862	2.3	2 934	2.4	56 767	45.8	123 929
Amajuba	140 177	39.4	43 954	12.4	39 770	11.2	131 520	37.0	355 422
Zululand	36 513	31.1	(773)	(0.7)	13 881	11.8	67 693	57.7	117 315
uMkhanyakude	15 460	10.3	17 454	11.6	(526)	(0.4)	117 639	78.4	150 027
King Cetshwayo	236 829	71.1	23 137	6.9	2 447	0.7	70 731	21.2	333 142
iLembe	229 579	98.4	1 317	0.6	836	0.4	1 486	0.6	233 217
Harry Gwala	35 094	91.8	2 838	7.4	-	-	316	0.8	38 248
Total	4 226 061	66.1	176 286	2.8	222 019	3.5	1 767 189	27.6	6 391 555

Source: NT Igdatabase

The total debt owed by municipalities at the end of the 2018/19 financial year was R6.39 billion and represents a decrease of 0.4 percent from the R6.42 billion owed by municipalities as at 30 June 2018. The total reported appears to be understated as nine municipalities reported Rnil *Creditors* at 30 June 2019. These municipalities as per Appendix 7 are as follows: the Amajuba District Municipality, the Ray Nkonyeni, the uMshwathi, the iMpindle, the Richmond, the Dannhauser, the uPhongolo, the AbaQulusi and the Dr. Nkosazana Zuma Local Municipalities. Furthermore, the Nkandla and Greater Kokstad Local Municipalities inaccurately reported negative *Creditors* thereby further understating the total for the province. It should be noted that if the negative creditors relate to overpayment of creditors, the municipality must reclassify it as debtors for disclosure purposes when preparing Annual Financial Statements. Any other creditors balance reflected as negative must be investigated by the municipality and corrected accordingly.

The eThekweni Metro had the largest amount of debt owed to *Creditors* at R3.5 billion which was followed by the uMgungundlovu, Amajuba and King Cetshwayo Districts with R1.2 billion, R355.4 million and R333.1 million, respectively. Figure 3.11 further illustrates the *Creditors* age analysis as at 30 June 2019.

Figure 3.11



Section 65(1) and (2)(e) of the MFMA reads:

- (1) *The Accounting Officer of a municipality is responsible for the management of the expenditure of the municipality.*
- (2) *The Accounting Officer must for the purpose of subsection (1) take all reasonable steps to ensure—*
 - (e) *that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.*

Whilst the majority of debt owed by KwaZulu-Natal (KZN) municipalities was in the *0-30 Days* category (66.1 percent), it is however concerning that 33.9 percent of the debt owed by municipalities, which amounts to R2.2 billion, was outstanding for longer than 30 days in contravention of Section 65(2)(e) of the MFMA. In some cases, municipalities have indicated that unpaid invoices and creditors in the over *30 Days* category are due to disputes with suppliers, while in other cases, it could be an indication of cash flow challenges being experienced by municipalities. Non-payment of *Creditors* within 30 days is of serious concern to Provincial Treasury as the municipalities could be liable for

penalties and interest incurred as a result thereof, which is tantamount to fruitless and wasteful expenditure.

Table 3.11 shows the categorisation of the R6.4 billion owed by KZN municipalities as at 30 June 2019.

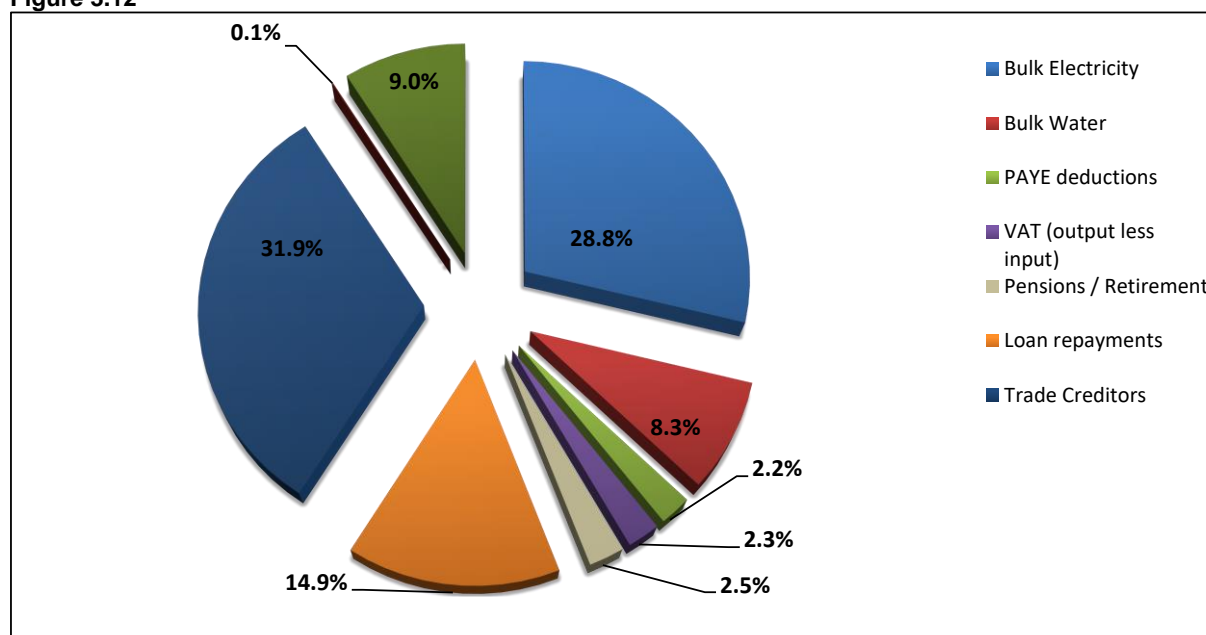
Table 3.11 Creditors age analysis by category per district (Total) – 2018/19

R thousands	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Creditor Age Analysis										
Bulk Electricity	1 411 126	76.7	23 961	1.3	58 288	3.2	345 815	18.8	1 839 190	28.8
Bulk Water	397 173	74.6	27 486	5.2	30 689	5.8	76 782	14.4	532 130	8.3
PAYE deductions	143 441	100	-	-	-	-	-	-	143 441	2.2
VAT (output less input)	146 434	100	(1)	-	-	-	-	-	146 433	2.3
Pensions / Retirement	157 191	100	-	-	-	-	-	-	157 191	2.5
Loan repayments	157 827	16.6	-	-	60 860	6.4	733 094	77.0	951 780	14.9
Trade Creditors	1 287 421	63.1	113 958	5.6	68 725	3.4	568 616	27.9	2 038 720	31.9
Auditor-General	746	16.6	311	6.9	109	2.4	3 329	74.1	4 495	0.1
Other	524 703	90.8	10 571	1.8	3 348	0.6	39 553	6.8	578 175	9.0
Total	4 226 061	66.1	176 286	2.8	222 019	3.5	1 767 189	27.6	6 391 555	100

Source: NT Igdatabase

Figure 3.12 further illustrates the categorisation of debt owed by KZN municipalities.

Figure 3.12



The majority of the outstanding *Creditors* relates mainly to *Trade Creditors* of R2 billion or 31.9 percent followed by *Bulk Electricity* of R1.8 billion or 28.8 percent and *Loan repayments* which contributes R951.8 million or 14.9 percent to total *Creditors*.

The top five municipalities who contributed to the *Trade creditors* total of R2 billion are the eThekweni Metro (R1 billion), the Msunduzi Local Municipality (R201.5 million), the Newcastle Local Municipality (R104.9 million), the uMkhanyakude District Municipality (R102.5 million) and the uMhlathuze Local Municipality (R81 million).

The top five municipalities who contributed to the *Bulk Electricity* total of R1.8 billion are the eThekweni Metro (R963.1 million), the Msunduzi Local Municipality (R209.5 million), the Newcastle

Local Municipality (R182.9 million), the Mpofana Local Municipality (R131.9 million) and the Ulundi Local Municipality (R92.7 million) (Appendix 8).

The Newcastle, the Mpofana and the Ulundi Local Municipalities are the three municipalities amongst the top contributors to *Bulk Electricity* which have *Bulk Electricity* owing for more than 30 days. The Newcastle, the Mpofana and the Ulundi Local Municipalities experienced cash flow challenges and were therefore unable to make full payments on invoices owed to Eskom.

3.7 Bulk Resources

The MFMA promotes a co-operative approach to fiscal and financial management across all spheres of government. In the spirit of co-operative governance, Section 41(2) of the MFMA states that, *each organ of the state providing bulk resources to a municipality must within 15 days after the end of each month furnish the National Treasury with a written statement setting out, for each municipality or for each municipal entity providing municipal services on behalf of such municipalities:*

- (a) *the amount to be paid by the municipality or municipal entity for such bulk resources for that month, and for the financial year up to the end of that month;*
- (b) *the arrears owing and the aged profile of such arrears; and*
- (c) *any action taken by that organ of the state to recover arrears.*

The organs of state providing bulk services in KwaZulu-Natal are the Umgeni Water Board and the Mhlathuze Water Board for the provision of *Bulk water* and Eskom for the provision of *Bulk electricity*.

The amounts shown in Table 3.12 to Table 3.18 are based on the Umgeni Water Board, the Mhlathuze Water Board and Eskom's MFMA Section 41 reports as at 30 June 2019 which were submitted to National Treasury. Municipalities are required to pay for their *Bulk purchases* from the Water Boards and Eskom within 30 days of receiving the invoice or statement as per Section 65(2)(e) of the MFMA.

3.7.1 Sale of Bulk Water

Table 3.12 shows the sale of *Bulk water* to municipalities by the Umgeni Water Board for the month of June 2019 and the actual year to date sales amount.

Table 3.12: Sale of bulk water to municipalities - Umgeni Water Board - 2018/19

Name of municipality	Sale of Bulk Water (R'000)	
	June 2019	YTD
eThekwini	277 103	2 694 045
Msunduzi	58 602	581 466
uMgungundlovu DM	16 367	167 213
Ugu DM	11 696	117 126
uThukela DM	13 620	59 170
iLembe DM	15 551	152 094
Harry Gwala DM	1 034	8 542
Total	393 973	3 779 656

Source: Umgeni Water Board MFMA Section 41 Report

The sale of *Bulk water* to municipalities from the Umgeni Water Board for the year under review amounted to R3.8 billion which is an increase of R628.2 million or 19.9 percent when compared to R3.2 billion for the 2017/18 financial year. The increase was attributed to increases in both the volume and unit price of water sold. The eThekwini Metro (R2.7 billion) and the Msunduzi Local Municipality (R581.5 million) were the largest purchasers of *Bulk water* at the end of the 2018/19 financial year, contributing 71.3 percent and 15.4 percent of total sales, respectively. This was mainly due to the fact that they provide water to the most densely populated regions in the province. The Harry Gwala District Municipality purchased the least amount of water (R8.5 million or 0.2 percent) for the 2018/19 financial

year. The Umgeni Water Board has reported selling *Bulk water* since October 2018 to the uThukela District Municipality that purchased R59.2 million or 1.6 percent of *Bulk water* as at the end of June 2019.

The uMhlathuze Local Municipality purchases *Bulk water* from the Mhlathuze Water Board. The uMhlathuze Local Municipality purchased R37.7 million of *Bulk water* for the month of June 2019 and a total of R349.4 million for the 2018/19 financial year. The King Cetshwayo District Municipality incurred costs of R56 801 from the Mhlathuze Water Board for water testing done during the 2018/19 financial year.

The *Capital unit charge* is based on the volume of water sold to municipalities. The Umgeni Water Board invoices and collects these amounts from the municipalities on behalf of the Department of Water and Sanitation (DWS) using a tariff which is provided by the department. The *Capital unit charge* is mainly for the construction of the Spring Grove Dam.

Table 3.13 shows the *Capital unit charge* incurred by municipalities for the month of June 2019 and the actual year to date amount.

Table 3.13: Capital Unit Charge - Umgeni Water Board - 201819

Name of municipality	Capital Unit Charge (R'000)	
	June 2019	YTD
eThekwini	21 911	213 073
Msunduzi	4 539	45 021
uMgungundlovu DM	1 259	12 945
Ugu DM	866	8 843
iLembe DM	1 205	11 815
Harry Gwala DM	80	733
Total	29 861	292 430

Source: Umgeni Water Board MFMA Section 41 Report

The *Capital unit charge* to municipalities for the year under review amounted to R292.4 million. The eThekwini Metro (R213.1 million) and the Msunduzi Local Municipality (R45 million) incurred the highest *Capital unit charge* at the end of the 2018/19 financial year, contributing 72.9 percent and 15.4 percent of the total charges, respectively. The Harry Gwala District Municipality incurred the least amount of the total *Capital unit charge* (R732 652 or 0.3 percent) for the 2018/19 financial year.

The Umgeni Water Board also reports on the Mkhomazi Bulk Water Scheme (MBWS) which is a charge for the construction of the Mkhomazi water scheme and is based on the volume of water sold to municipalities. The Umgeni Water Board invoices and collects these amounts from the municipalities on behalf of the DWS using a tariff which is provided by the department.

Table 3.14 shows the charges incurred by municipalities in relation to the MBWS for the month of June 2019 and the actual year to date amount.

Table 3.14: Mkomazi Bulk Water Scheme – 2018/19

Name of municipality	Mkomazi Bulk Water Scheme (R'000)	
	June 2019	YTD
eThekwini	5 483	53 305
Msunduzi	1 162	11 519
uMgungundlovu DM	322	3 312
Ugu DM	222	2 263
iLembe DM	308	3 023
Harry Gwala DM	20	187
Total	7 517	73 609

Source: Umgeni Water Board MFMA Section 41 Report

The MBWS charges incurred by municipalities for the 2018/19 financial year amounted to R73.6 million. The eThekweni Metro (R53.3 million) and the Msunduzi Local Municipality (R11.5 million) incurred the highest charges, contributing 72.4 percent and 15.6 percent to the total charges, respectively. This was mainly due to the fact that they provide water to the most densely populated regions in the province. The Harry Gwala District Municipality incurred the least charges (R187 458 or 0.3 percent) for the 2018/19 financial year.

Debtors Age Analysis - Umgeni Water Board

Table 3.15 shows the age analysis of the Umgeni Water Board (*Bulk water*) - MFMA Section 41 report as at 30 June 2019.

Table 3.15 Umgeni Water Board - Debtors Age Analysis per municipality (Bulk water)

Name of municipality R'000	Current	30 Days	60 Days	90 Days	120 Days +	Total
eThekweni	277 103	–	–	–	–	277 103
Msunduzi	58 602	51 269	–	–	–	109 871
uMgungundlovu DM	16 367	14 224	14 232	–	–	44 823
Ugu DM	11 696	10 010	9 917	9 148	44 632	85 404
uThukela DM	13 620	12 038	11 172	7 583	7 019	51 433
iLembe DM	15 551	13 762	–	–	–	29 313
Harry Gwala DM	1 034	903	(1)	–	–	1 937
Total	393 973	102 207	35 321	16 731	51 651	599 883

Source: Umgeni Water Board MFMA Section 41 Report

As per the MFMA Section 41 report that was submitted to National Treasury by the Umgeni Water Board, R599.9 million was owed to the Umgeni Water Board as at 30 June 2019. With the exception of the eThekweni Metro, all municipalities as shown in Table 3.15 had amounts owing for longer than 30 days.

The Umgeni Water Board is currently in negotiations with the Ugu District Municipality to finalise a payment arrangement for their long outstanding debt.

Table 3.16 shows the debtors age analysis of the Umgeni Water Board (*Capital unit charge*) MFMA Section 41 report as at 30 June 2019.

Table 3.16 Umgeni Water Board - Debtors Age Analysis per municipality (Capital Unit Charge)

Name of municipality R'000	Current	30 Days	60 Days	90 Days	120 Days +	Total
eThekweni	21 911	–	–	–	–	21 911
Msunduzi	4 539	3 975	–	–	(30)	8 484
uMgungundlovu DM	1 259	1 102	1 102	–	–	3 463
Ugu DM	866	740	740	664	3 412	6 423
iLembe DM	1 205	1 066	984	931	38 420	42 605
Harry Gwala DM	80	70	–	–	–	150
Total	29 861	6 953	2 827	1 595	41 802	83 037

Source: Umgeni Water Board MFMA Section 41 Report

In terms of the MFMA Section 41 report submitted to National Treasury by the Umgeni Water Board, R83 million was owed to the Umgeni Water Board as at 30 June 2019 for the *Capital unit charge*. With the exception of the eThekweni Metro, all municipalities as shown in Table 3.16 had their *Capital unit charge* in arrears for more than 30 days.

Despite iLembe District Municipality requesting that they commence making payments in July 2018 for the *Capital unit charge*, an agreement has not yet been reached with the Department of Water and Sanitation on the amount payable by the municipality.

Table 3.17 shows the age analysis of the Umgeni Water Board (*Mkomazi Bulk Water Scheme*) MFMA Section 41 report as at 30 June 2019.

Table 3.17: Umgeni Water Board - Debtors Age Analysis per municipality (Mkomazi Bulk Water Scheme)

Name of municipality	Current	30 Days	60 Days	90 Days	120 Days +	Total
R'000						
eThekwini	5 483	–	–	–	–	5 483
Msunduzi	1 162	1 016	–	–	–	2 178
uMgungundlovu DM	322	282	282	–	–	886
Ugu DM	222	189	189	170	874	1 644
iLembe DM	308	273	–	–	–	581
Harry Gwala DM	20	18	–	–	–	38
Total	7 517	1 778	472	170	874	10 811

Source: Umgeni Water Board MFMA Section 41 Report

In terms of the MFMA Section 41 report submitted to National Treasury by the Umgeni Water Board, R10.8 million was owed to the Umgeni Water Board as at 30 June 2019 for the MBWS. With the exception of the eThekwini Metro, all municipalities as shown in Table 3.17 were in arrears for more than 30 days for their MBWS debts.

Debtors Age Analysis - Mhlathuze Water Board (Municipal Debt)

As per the MFMA Section 41 report submitted to the National Treasury by the Mhlathuze Water Board, R38.3 million was owed to the Mhlathuze Water Board as at 30 June 2019, relating to the uMhlathuze Local Municipality. The municipality had an amount of R615 309 outstanding for over 30 days.

3.7.2 Sale of bulk electricity

Table 3.18 shows the sale of *Bulk electricity* to municipalities by Eskom for the month of June 2019 and the actual year to date sales amount.

Table 3.18: Sale of bulk electricity to municipalities – 2018/19

Name of municipality	June 2019	YTD
R'000		
eThekweni	1 108 266	10 222 020
uMdoni	260	3 157
uMzombe	191	2 402
uMuziwabantu	2 565	33 768
Ray Nkonyeni	11 384	108 568
Ugu DM	5 047	63 656
uMshwathi	137	1 696
uMngeni	12 482	115 434
Mpoofana	7 518	74 341
iMpindle	375	4 236
Msunduzi	209 144	1 812 016
Mkhambathini	35	437
Richmond	66	809
uMgungundlovu DM	7	85
Okhahlamba	177	1 617
Alfred Duma	32 092	275 940
iNkosi Langalibalele	23 312	207 126
uThukela DM	3 717	38 309
eNdumeni	12 541	103 172
Nquthu	2 669	24 626
uMsinga	27	315
uMvoti	7 476	57 914
uMzinyathi DM	1 280	13 633
Newcastle	46 774	492 908
eMadlangeni	1 418	14 199
Dannhauser	96	1 138
Amajuba DM	311	3 091
eDumbe	3 396	25 457
uPhongolo	2 648	32 429
AbaQulusi	20 742	180 582
Nongoma	18	523
Ulundi	6 559	80 058
Zululand DM	2 149	30 496
uMhlabuyalingana	29	351
Jozini	78	966
Big Five Hlabisa	43	526
Mtubatuba	35	431
uMkhanyakude DM	4 322	48 637
uMfolozi	122	1 509
uMhlathuze	92 621	961 221
uMlalazi	6 973	62 502
Mthonjaneni	2 170	26 577
Nkandla	1 550	13 773
King Cetshwayo	1 785	21 432
Mandeni	2 508	26 595
KwaDukuza	76 203	726 158
Ndwedwe	58	697
Maphumulo	157	1 158
iLembe DM	1 141	12 422
Dr. Nkosazana Dlamini Zuma	218	2 565
Greater Kokstad	7 568	107 504
uBuhlebezwe	56	967
uMzimkhulu	424	4 545
Harry Gwala DM	472	5 086
Total	1 723 412	16 051 775

Source: Eskom MFMA Section 41 Report

As per the MFMA Section 41 report submitted to National Treasury by Eskom, R16.1 billion in sales were made to KZN municipalities during the 2018/19 financial year which is an increase of R1.1 billion or 7.6 percent as compared to the 2017/18 financial year of R14.9 billion.

The eThekweni Metro (R10.2 billion), the Msunduzi Local Municipality (R1.8 billion) and the uMhlathuze Local Municipality (R961.2 million) were the highest purchasers of *Bulk electricity* at the end of the 2018/19 financial year, contributing 63.7 percent, 11.3 percent and 6 percent of total sales, respectively.

Age Profile of Municipal Eskom Debtors

Table 3.19 shows the debtors age analysis of Eskom's MFMA Section 41 report as at 30 June 2019.

Table 3.19: Age analysis of municipal Eskom debtors – 2018/19

Name of municipality R'000	Current	30 Days	60 Days	90 Days	120 Days +	Total
eThekweni	1 107 524	10	-	-	-	1 107 534
uMuziwabantu	304	-	-	-	-	304
Ray Nkonyeni	11 171	-	-	-	-	11 171
Ugu DM	(161)	4 729	119	-	-	4 687
uMngeni	11 178	-	-	-	-	11 178
Mpofana	9 094	-	6 074	6 347	110 884	132 399
Msunduzi	209 166	-	26	23	1 860	211 075
uMgungundlovu DM	7	-	-	-	-	7
Okhahlamba	40	-	-	-	-	40
Alfred Duma	32 087	-	-	-	-	32 087
iNkosi Langalibalele	38 850	-	-	-	64 190	103 040
eNdumeni	12 520	-	-	-	-	12 520
uMvoti	7 281	-	-	-	-	7 281
uMzinyathi DM	436	202	2	-	-	640
Newcastle	82 322	-	30 981	-	119 164	232 468
Amajuba DM	312	-	-	-	-	312
eDumbe	5 006	-	-	-	-	5 006
uPhongolo	2 649	-	-	-	-	2 649
AbaQulusi	33 606	-	4 977	-	41 317	79 899
Nongoma	13	-	-	-	-	13
Ulundi	16 533	-	76	11 651	85 523	113 783
Zululand DM	1 595	-	-	-	-	1 595
Jozini	25	-	-	-	-	25
uMkhanyakude DM	2 643	63	-	-	-	2 707
uMfolozi	86	-	-	-	-	86
uMhlathuze	91 740	-	-	-	-	91 740
uMlalazi	6 670	-	-	-	-	6 670
Mthonjaneni	2 244	-	1 969	2 109	1 511	7 833
Nkandla	2 519	-	10	-	-	2 528
King Cetshwayo	-	4	-	-	-	4
KwaDukuza	76 112	-	-	-	-	76 112
iLembe DM	967	60	-	-	-	1 028
Total	1 764 539	5 069	44 234	20 130	424 448	2 258 420

Source: Eskom MFMA Section 41 Report

As per the MFMA Section 41 report submitted to National Treasury by Eskom, R2.3 billion was owed to Eskom as at 30 of June 2019 by KZN municipalities of which, R493.9 million has been outstanding for more than 30 days, which is in contravention of Section 65(2)(e) of the MFMA.

The Amajuba, uMkhanyakude, Ugu, iLembe and Harry Gwala District Municipalities as well as the eThekweni Metro settled their total outstanding debt owed to Eskom in July 2019 as per the MFMA Section 41 report as at 30 June 2019.

The Newcastle, AbaQulusi, and iNkosi Langalibalele Local Municipalities have payment arrangements in place with Eskom for their arrear debts and have honoured their payments in accordance with the agreement. The Ulundi Local Municipality honoured their payment arrangement but have requested that

a new payment arrangement be negotiated. Eskom effected the disconnection of electricity to the Mpfana Local Municipality in terms of the Promotion of Administrative Justice Act No.3 of 2000 (PAJA) on 08 July 2019, however a court interdict was served to Eskom. The municipality committed to pay the current amounts due for the next three months while applying for a stay of legal proceedings in terms of Section 152 of the MFMA.

Eskom has requested an intervention from the Department of Co-Operative Governance and Traditional Affairs (CoGTA) to assist with outstanding amounts owing from both the Msunduzi and Mthonjaneni Local Municipalities.

3.8 National Conditional Grants

3.8.1 National Conditional Grants - Provincial Total (Summary)

In terms of the Division of Revenue Act, Act No. 1 of 2018 (DoRA), direct allocations to all 54 KwaZulu-Natal municipalities amounted to R6.9 billion, while allocations in-kind amounted to R941.7 million, totaling R7.9 billion.

A total of R6.86 billion or 99.3 percent of the direct allocations was transferred to municipalities as at the end of the 2018/19 financial year.

Municipalities reported spending of R6 billion or 87.5 percent against the total amount transferred of R6.86 billion. However, when compared to the total DoRA allocation of R6.9 billion, 86.9 percent has been spent.

Table 3.20 shows the total National Conditional Grants transferred to all 54 municipalities in KwaZulu-Natal for the 2018/19 financial year and the related expenditure against the DoRA allocation.

Table 3.20: National Conditional Grants - Summary – 2018/19

R'000	DoRA 2018 Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual	
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
Local Government Financial Management Grant	107 885	107 885	107 885	96 944	89.9	103 287	95.7
Infrastructure Skills Development Grant	37 300	37 300	37 300	37 077	99.4	31 751	85.1
Integrated City Development Grant	45 596	-	-	-	-	45 596	100.0
Neighbourhood Development Partnership (Schedule 5B)	52 787	52 787	50 787	18 570	35.2	29 286	55.5
Municipal Systems Improvement Grant (Schedule 5B)	6 330	6 330	6 330	2 365	37.4	1 223	19.3
Municipal Disaster Recovery Grant	117 662	117 662	117 662	-	-	-	-
Public Transport Network Grant	1 024 981	1 024 981	1 024 981	715 395	69.8	715 394	69.8
Rural Road Assets Management Systems Grant	24 180	24 180	24 180	20 727	85.7	22 149	91.6
Expanded Public Works Programme Integrated Grant (Municipality)	204 011	204 011	204 011	200 111	98.1	203 454	99.7
Integrated National Electrification Programme (Municipal) Grant	482 500	482 500	482 500	202 498	42.0	437 641	90.7
Energy Efficiency and Demand Side Management (Municipal) Grant	38 000	38 000	38 000	23 309	61.3	34 886	91.8
Regional Bulk Infrastructure Grant (Schedule 5B)	481 944	481 944	481 944	356 032	73.9	388 010	80.5
Water Services Infrastructure Grant (Schedule 5B)	966 668	966 668	966 668	467 748	48.4	818 685	84.7
Municipal Infrastructure Grant	3 311 354	3 311 354	3 311 354	3 166 670	95.6	3 171 835	95.8
Municipal Emergency Housing Grant	10 826	10 826	10 826	-	-	-	-
Sub-Total Direct Grants	6 912 024	6 866 428	6 864 428	5 307 446	76.8	6 003 197	86.9
Neighbourhood Development Partnership (Schedule 6B)	1 774	1 774	-	-	-	-	-
Municipal Systems Improvement Grant (Schedule 6B)	12 200	12 200	-	-	-	-	-
Integrated National Electrification Programme (Allocation in-kind) Grant	885 288	885 288	-	-	-	-	-
Regional Bulk Infrastructure Grant (Schedule 6B)	42 403	42 403	-	-	-	-	-
Sub-Total Indirect Grants	941 665	941 665	-	-	-	-	-
Total Grants	7 853 689	7 808 093	6 864 428	5 307 446	76.8	6 003 197	86.9

Source: NT Lgdatabase

3.8.2 Local Government Financial Management Grant

As per DoRA, the purpose of the Local Government Financial Management Grant (FMG) is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Municipalities also utilise the FMG to pay for the stipend of municipal finance interns.

Table 3.21 shows the total FMG transferred to KwaZulu-Natal, per district, for the 2018/19 financial year and the related expenditure against the transfer.

Table 3.21: Expenditure on Local Government Financial Management Grant – 2018/19

	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual	
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
eThekwini	1 000	1 000	1 000	1 000	100.0	1 000	100.0
Ugu	13 580	13 580	13 580	13 400	98.7	13 678	100.7
uMgungundlovu	14 180	14 180	14 180	11 335	79.9	12 036	84.9
uThukela	10 715	10 715	10 715	9 983	93.2	10 458	97.6
uMzinyathi	8 760	8 760	8 760	8 482	96.8	8 893	101.5
Amajuba	7 140	7 140	7 140	6 465	90.5	7 029	98.4
Zululand	10 550	10 550	10 550	7 094	67.2	8 359	79.2
uMkhanyakude	10 710	10 710	10 710	9 519	88.9	10 839	101.2
King Cetshwayo	12 140	12 140	12 140	12 058	99.3	12 149	100.1
iLembe	8 570	8 570	8 570	7 860	91.7	8 305	96.9
Harry Gwala	10 540	10 540	10 540	9 748	92.5	10 540	100.0
Total	107 885	107 885	107 885	96 944	89.9	103 287	95.7

Source: NT Lgdatabase

Municipalities have reported spending of R103.3 million or 95.7 percent against a transfer of R107.9 million for the 2018/19 financial year. The uMzinyathi District recorded the highest percentage spent against the amount transferred of 101.5 percent or R8.9 million whilst the Zululand District recorded the lowest percentage spent against the amount transferred of 79.2 percent or R8.4 million.

The uMsinga Local Municipality was the largest contributor towards over-spending in the uMzinyathi District with reported spending of R2 million (106.4 percent). The uPhongolo and AbaQulusi Local Municipalities were the largest contributors towards the under-spending in the Zululand District with reported spending of R761 000 (38.6 percent) and R716 000 (40.4 percent), respectively.

As per Appendix 9, a total of six municipalities reported over-expenditure on their FMG allocations for the 2018/19 financial year, with 38 municipalities having spent exactly the amount that was allocated and transferred to them. The remaining ten municipalities reported under-expenditure on their FMG allocations for the 2018/19 financial year.

3.8.3 Municipal Infrastructure Grant

As per DoRA, the purpose of the Municipal Infrastructure Grant (MIG) is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities.

The total MIG allocation to municipalities within the province was R3.3 billion, including allocations to two of the three non-delegated municipalities; namely the uMhlathuze and Msunduzi Local Municipalities. The eThekwini Metro receives the Urban Settlements Development Grant and therefore does not receive the MIG.

Table 3.22 shows the total MIG transferred to KwaZulu-Natal, per district, for the 2018/19 financial year and the related expenditure against the transfer.

Table 3.22: Expenditure on Municipal Infrastructure Grant - 201819

	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual	
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
eThekwini	-	-	-	-	-	-	-
Ugu	386 655	386 655	386 655	379 671	98.2	358 805	92.8
uMgungundlovu	405 872	405 872	405 872	357 049	88.0	393 380	96.9
uThukela	319 223	319 223	319 223	307 220	96.2	293 818	92.0
uMzinyathi	309 575	309 575	309 575	307 526	99.3	308 969	99.8
Amajuba	127 132	127 132	127 132	126 038	99.1	120 772	95.0
Zululand	379 373	379 373	379 373	359 791	94.8	379 986	100.2
uMkhanyakude	333 496	333 496	333 496	333 495	100.0	333 232	99.9
King Cetshwayo	403 367	403 367	403 367	401 654	99.6	389 355	96.5
iLembe	331 884	331 884	331 884	331 884	100.0	303 044	91.3
Harry Gwala	314 777	314 777	314 777	262 342	83.3	290 474	92.3
Total	3 311 354	3 311 354	3 311 354	3 166 670	95.6	3 171 835	95.8

Source: NT Lgdatabase

During the 2018/19 financial year, R3.3 billion was transferred to municipalities according to the data supplied by National Treasury. A total of R3.2 billion or 95.8 percent was spent against the allocation for the 2018/19 financial year.

The uMgungundlovu and King Cetshwayo Districts received the largest MIG transfers of more than R400 million per district.

As per Appendix 9, a total of nine municipalities have spent more than the amount transferred to them. The Greater Kokstad Local Municipality within the Harry Gwala District incurred the highest over-spending of 133.3 percent of their total MIG allocation; followed by the AbaQulusi Local Municipality at 125.7 percent within the Zululand District.

A total of 23 municipalities spent 100 percent of their grant allocation. The remaining 21 municipalities reported under-expenditure on their MIG for the 2018/19 financial year. The Alfred Duma and uPhongolo Local Municipalities spent less than 70 percent of their MIG allocations as at the end of the 2018/19 financial year. The uPhongolo Local Municipality's expenditure was by far the lowest at 54.8 percent while the expenditure rate was 63.7 percent for the Alfred Duma Local Municipality.

3.8.4 Integrated National Electrification Programme (Municipal) Grant

As per DoRA, the purpose of the Integrated National Electrification Programme (Municipal) Grant (INEP) is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings (including upgrade of informal settlements, new and normalisation), and the installation of relevant bulk infrastructure.

A total of 38 municipalities in the province received the INEP Grant for the 2018/19 financial year. Municipalities have reported spending of R437.6 million or 90.7 percent against a transfer of R482.5 million.

Table 3.23 shows the total INEP allocation transferred to KwaZulu-Natal, per district, for the 2018/19 financial year and the related expenditure against the transfer.

Table 3.23: Expenditure on Integrated National Electrification Programme (Municipal) Grant – 2018/19

	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual	
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
eThekwini	27 000	27 000	27 000	9 794	36.3	27 000	100.0
Ugu	47 880	47 880	47 880	25 855	54.0	40 091	83.7
uMgungundlovu	43 484	43 484	43 484	10 370	23.8	28 665	65.9
uThukela	36 582	36 582	36 582	9 905	27.1	29 412	80.4
uMzinyathi	52 994	52 994	52 994	22 298	42.1	53 110	100.2
Amajuba	21 000	21 000	21 000	3 816	18.2	15 983	76.1
Zululand	69 800	69 800	69 800	22 260	31.9	48 751	69.8
uMkhanyakude	34 600	34 600	34 600	19 280	55.7	45 939	132.8
King Cetshwayo	54 000	54 000	54 000	32 335	59.9	54 964	101.8
iLembe	32 706	32 706	32 706	10 724	32.8	31 449	96.2
Harry Gwala	62 454	62 454	62 454	35 861	57.4	62 276	99.7
Total	482 500	482 500	482 500	202 498	42.0	437 641	90.7

Source: NT Lgdatabase

As per Appendix 9, a total of 19 municipalities reported having spent exactly the amount that was allocated and transferred to them. The following five local municipalities exceeded the spending against their INEP grant allocation: Nquthu (125.3 percent), Nongoma (105.3 percent), Mtubatuba (161.7 percent), Nkandla (109.3 percent) and uMzimkhulu (121.2 percent).

Of the 38 municipalities that were allocated the INEP Grant in the 2018/19 financial year, 14 municipalities did not fully spend their allocations, with the Richmond and the AbaQulusi Local Municipalities reporting no spending against their INEP grant allocations of R10.5 million and R15 million, respectively.

The Jozini Local Municipality reported INEP Grant spending of R3.6 million whereas no INEP Grant allocation was received. This has also contributed to the uMkhanyakude District's overall spending exceeding the total allocation in the 2018/19 financial year. It should be noted that the municipality was initially allocated R15 million for INEP, which was subsequently stopped as per the 2018 Adjusted DoRA.

3.8.5 Expanded Public Works Programme Integrated Grant

In terms of the DoRA, the purpose of the Expanded Public Works Programme Integrated Grant (EPWP) is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas in compliance with the EPWP guidelines.

Municipalities have reported spending R203.5 million or 99.7 percent against a transfer of R204 million for the 2018/19 financial year.

Table 3.24 shows the total EPWP allocation transferred to KwaZulu-Natal, per district, for the 2018/19 financial year and the related expenditure against the transfer. As per Appendix 9, out of the 10 municipalities that reported over-expenditure on their EPWP grant for the 2018/19 financial year, four significantly overspent (uMuziwabantu - 120.6 percent, Richmond - 162.6 percent, Nquthu - 114.9 percent and Greater Kokstad Local Municipalities - 149 percent), with 31 municipalities having spent exactly the amount that was allocated and transferred to them. The remaining 13 municipalities reported under-expenditure on their EPWP grant for the 2018/19 financial year.

Table 3.24: Expenditure on Expanded Public Works Programme Integrated Grant – 2018/19

	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual	
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
eThekwini	75 333	75 333	75 333	75 333	100.0	75 333	100.0
Ugu	11 269	11 269	11 269	11 198	99.4	11 722	104.0
uMgungundlovu	14 335	14 335	14 335	12 010	83.8	13 629	95.1
uThukela	14 344	14 344	14 344	14 344	100.0	14 328	99.9
uMzinyathi	13 366	13 366	13 366	13 326	99.7	13 478	100.8
Amajuba	6 819	6 819	6 819	6 529	95.7	6 479	95.0
Zululand	16 309	16 309	16 309	15 893	97.4	15 427	94.6
uMkhanyakude	12 716	12 716	12 716	12 716	100.0	13 075	102.8
King Cetshwayo	22 303	22 303	22 303	21 547	96.6	22 314	100.0
iLembe	7 878	7 878	7 878	7 877	100.0	7 898	100.3
Harry Gwala	9 339	9 339	9 339	9 338	100.0	9 770	104.6
Total	204 011	204 011	204 011	200 111	98.1	203 454	99.7

Source: NT Lgdatabase

The Abaqulusi Local Municipality, within the Zululand District, contributed the least towards the total spending of EPWP and reported spending of R714 000 or 55.1 percent of the total allocated and transferred amount of R1.3 million.

3.8.6 Water Services Infrastructure Grant

As per DoRA, the purpose of the Water Services Infrastructure Grant (WSIG) is to facilitate the planning and implementation of various water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection and groundwater development; support municipalities in implementing Water Conservation and Water Demand Management projects; support the existing bucket eradication programme intervention in formal residential areas; support drought relief projects in affected municipalities. The total WSIG allocation to the district municipalities within the province was R966.7 million, including allocations to the Msunduzi and Newcastle Local Municipalities.

Table 3.25 shows the total WSIG transferred to KwaZulu-Natal, per district, for the 2018/19 financial year and the related expenditure against the transfer.

Table 3.25: Expenditure on Water Services Infrastructure Grant – 2018/19

	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual	
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
eThekwini	-	-	-	-	-	-	-
Ugu	55 000	55 000	55 000	41 607	75.6	61 481	111.8
uMgungundlovu	157 947	157 947	157 947	43 405	27.5	157 947	100.0
uThukela	108 493	108 493	108 493	56 809	52.4	91 420	84.3
uMzinyathi	70 800	70 800	70 800	55 000	77.7	70 800	100.0
Amajuba	124 400	124 400	124 400	53 192	42.8	97 033	78.0
Zululand	87 828	87 828	87 828	27 152	30.9	87 828	100.0
uMkhanyakude	73 000	73 000	73 000	46 191	63.3	58 917	80.7
King Cetshwayo	88 300	88 300	88 300	45 260	51.3	70 667	80.0
iLembe	100 500	100 500	100 500	39 141	38.9	49 175	48.9
Harry Gwala	100 400	100 400	100 400	59 991	59.8	73 416	73.1
Total	966 668	966 668	966 668	467 748	48.4	818 685	84.7

Source: NT Lgdatabase

During the 2018/19 financial year, R966.7 million was transferred to municipalities according to the data supplied by National Treasury. A total of R818.7 million or 84.7 percent was expended against the allocation for the 2018/19 financial year.

The uMgungundlovu and Amajuba Districts received the largest WSIG transfers of more than R120 million per district as a result of the Msunduzi (within the uMgungundlovu District) and Newcastle (within the Amajuba District) Local Municipalities also receiving the WSIG grants as mentioned above.

As per Appendix 9, only the Ugu District Municipality exceeded their WSIG allocation at 111.8 percent. A total of only four municipalities (including the Msunduzi Local Municipality), have spent 100 percent of their grant allocation. The remaining seven municipalities (including the Newcastle Local Municipality) reported under-expenditure on their WSIG for the 2018/19 financial year. The iLembe District Municipality's expenditure was the lowest at 48.9 percent.

The uMhlathuze Local Municipality reflected spending of R5.8 million as at the end of the 2018/19 financial year despite not having received the WSIG allocation. It should be noted that the municipality was initially allocated R16 million for WSIG and was subsequently stopped as per the 2018 Adjusted DoRA.

3.9 Unspent Conditional Grants

Section 214 of the Constitution of the Republic of South Africa provides for National Government to transfer funds to municipalities in terms of the Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions. In this regard, the National Government allocates monies to municipalities for specific purposes and the use of the allocated monies is subject to various conditions.

In general, conditional grant transfers aim to:

- Address the structural imbalance between revenue available to municipalities and the expenditure responsibilities assigned to them;
- Support national and provincial priorities, as outlined through different sector policies, in particular, those focused on providing universal and sustainable access to services; and
- Establish incentives for good governance and building local government capacity within a sound fiscal framework.

It was established that some municipalities do not fully utilise their conditional grants received by the end of the financial year. In course of preparing their Annual Financial Statements (AFS), a municipality must determine what portion of each national conditional allocation remained unspent as at the end of the financial year. In terms of Section 22 of DoRA, Unspent conditional grants revert to the National Revenue Fund (NRF) unless, the relevant municipality can prove to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

National Treasury will then confirm in writing whether or not the municipality may retain, as a rollover, any of the unspent funds or whether it has agreed to any alternative payment method or schedule. Municipalities are then required to appropriate the approved rollover funds in an Adjustments Budget in terms of Regulation 23 of the Municipal Budget and Reporting Regulations (MBRR). Furthermore, municipalities must report spending on conditional grants that are rolled over on a separate National Treasury customised template.

In the event that municipalities fail to apply for a rollover or where a rollover motivation is rejected by National Treasury and the Unspent conditional grants are not refunded to the NRF, National

Treasury will offset such amounts against the municipality's current year Equitable Share allocation and recover the funds accordingly. The inability of the municipality to refund these amounts is a consequence of them using those monies for purposes other than in accordance with the conditions of the grant.

3.9.1 Unspent Conditional Grants – 2016/17

Unspent conditional grants of R300.1 million were offset against the Equitable Share payments of municipalities.

On the 03 December 2018, National Treasury released the second tranche of Equitable Share for the 2018/19 financial year to KZN municipalities after offsetting unspent conditional grants of R5.9 million relating to the 2016/17 financial year. The amount related to the 2016/17 financial year unspent grant rollovers for the KwaDukuza Local Municipality.

Consequently, total Unspent conditional grants of R306.9 million was returned to the NRF by KZN municipalities for the 2016/17 financial year.

3.9.2 Unspent Conditional Grants – 2017/18

During 2018, 29 municipalities submitted rollover motivations to National Treasury in respect of Unspent conditional grants for the 2017/18 financial year. Of the 29, 2 were incorrectly addressed to National Treasury whereas they related to Provincial Unspent grants. On the 25th and 26th of September 2018, National Treasury together with key stakeholders, consisting of KZN Provincial Treasury, the Department of Co-operative Governance and Traditional Affairs (CoGTA), the Department of Sport and Recreation, the Department of Water and Sanitation and the Department of Energy, jointly assessed the rollover applications received from municipalities as at 31 August 2018.

On 23 October 2018, National Treasury sent letters to the Accounting Officers of the respective municipalities notifying them as to whether their request for rollover of the Unspent conditional grants were approved or rejected in terms of Section 22 of the DoRA and provided them with the reasons for the rejection based on the criteria as per annexure to National Treasury MFMA Circular No.86 and No.91.

National Treasury approved rollovers for 12 municipalities in KZN amounting to a total of R98.1 million for the 2017/18 financial year. Appendix 10 shows the respective municipalities and the detailed outcomes of the rollover applications per specific grant for the 2017/18 financial year.

National Treasury subsequently sent letters to the affected Accounting Officers on 05 November 2018 advising them of the following:

“National Treasury has finalised the unspent conditional grant process for the 2017/18 financial year and has determined the unspent amount to be repaid to the National Revenue Fund.

National Treasury has used the 2018 pre-audited Annual Financial Statements to update the unspent conditional grant dataset for the 2017/18 financial year. Please note that in the absence of the AFS, National Treasury used the Section 71 report for the fourth quarter of 2017/18 to determine the amount to be surrendered to the National Revenue Fund.”

Municipalities were notified of their final unspent amount and were reminded that it reverts to the NRF, were provided with the bank account details and were requested to return the unspent grants by 19 November 2018.

Municipalities were warned that failing to return the unspent grants or comply with Section 22(1) of the 2017 DoRA by 19 November 2018 would result in National Treasury deducting the entire unspent

amount from the respective municipality's Equitable Share instalment to be received on 03 December 2018 in terms of Section 22(4) of the 2017 DoRA.

In terms of Section 22(4) of the 2017 DoRA, municipalities were also given 14 days upon receipt of the letter to propose an alternative repayment arrangement for the unspent grants to be repaid into the NRF.

In December 2018, National Treasury offset Unspent conditional grants of R590.9 million against the second installment of the Equitable Share of the affected municipalities. This amount was in respect of unspent grants of:

- R5.9 million for the 2016/17 financial year; and
- R585 million for the 2017/18 financial year.

Subsequent engagements with the municipalities resulted in National Treasury reimbursing R16.6 million in relation to unspent grants for the 2017/18 financial year that were offset against the December 2018 Equitable Share tranche. The affected municipalities were the Mpofana Local Municipality (R4.5 million) and the Newcastle Local Municipality (R12.1 million). Further National Treasury upon receipt of the audited AFS increased the Abaqulusi Local Municipality's unspent grants from R14.1 million to R18.2 million.

The iNkosi Langalibalele Local Municipality and the uMgungundlovu District Municipality entered into payment arrangements with National Treasury whereby unspent funds would be offset against future Equitable Share payments. This resulted in following amounts, as shown in Table 3.26, being offset against the March and July 2019 Equitable Share tranches.

Table 3.26: Payment arrangement of unspent grants

No	Name of the municipality	Mar-19	Jul-19
1	iNkosi Langalibalele	R4.4 million	R4.4 million
2	uMgungundlovu DM	R3.7 million	R3.8 million

Source: NT Lgdatabase

This consequently resulted in total unspent grants for the 2017/18 financial year amounting to R588.8 million.

Appendix 12 shows the total amount offset and/or returned of R588.8 million and provides a further breakdown per grant offset. It is of great concern that the largest amounts offset are in respect of the infrastructure grants, namely the Public Transport Network Grant (PTNG) of R332.7 million, the Water Services Infrastructure Grant (WSIG) of R96.8 million, the Regional Bulk Infrastructure Grant (RBIG) of R46.4 million and the Integrated National Electrification Programme (INEP) of R44.5 million, the result of which will negatively impact infrastructure development and consequently, impede crucial service delivery while also contracting economic growth in the province.

Appendix 13 shows that the total Unspent conditional grants of R2.1 billion was returned to the NRF for the period 2013/14 to 2017/18. These are funds that could have been used by our municipalities to develop infrastructure and provide essential services but has now left the province due to poor grant management. The eThekweni Metro (R925.2 million), the Msunduzi Local Municipality (R374.7 million) and the uThukela District Municipality (R114.2 million) have surrendered the highest amounts of Unspent conditional grants to the NRF in the past five years.

Provincial Treasury has made every effort to assist municipalities in the rollover process for the 2017/18 financial year. This was evidenced by the issuing of Provincial Treasury Circular PT/MF 2 of 2018/19

on 06 August 2018 which provided guidance, summarised legislation and key deadlines on the conditional grant management and rollover process. Following the release of the circular, Provincial Treasury officials engaged with municipalities in order to reiterate the importance of following the rollover process correctly and offered direction and support on the preparation of their rollover motivations.

Provincial Treasury was one of the key stakeholders together with National Treasury involved in comprehensively evaluating municipalities' 2017/18 financial year grant rollover motivations. In addition, Provincial Treasury assisted numerous municipalities that raised queries or required clarity regarding the rejection of rollover motivations.

3.9.3 Unspent Conditional Grants – 2018/19

Municipalities are required to submit their 2018/19 AFS to the Auditor-General by 31 August 2019. During this process, they are required to determine the unspent portion of their National Conditional grants for the 2018/19 financial year which will be subject to the scrutiny of the Auditor- General when they perform the 2018/19 audit.

Municipalities were also requested to submit their rollover applications and supporting documentation to National Treasury by 31 August 2019 in accordance with the 2018 DoRA and National Treasury MFMA Circular No.94.

Provincial Treasury also issued Circular PT/MF 01 of 2019/20 on the 07 August 2019 providing guidance and key deadlines on the conditional grant management and the rollover process.

Furthermore, Provincial Treasury identified the need to instill the practice of effective grant management in a municipal environment and thus took the lead in developing a guide in line with the principles set out in applicable legislation and standards. Provincial Treasury is currently providing structured support, initiated by the rollout of the guide in conjunction with an intensive training programme at selected municipalities aimed at presenting a holistic approach to effective grant management with the intention of embedding key foundation principles in a municipal environment, covering areas such as municipal planning, budgeting, financial accounting, cash management, compliance and document management.

3.9.4 Stopping of Conditional Grants

In terms of Section 38 of the MFMA and Section 19 of the 2018 DoRA, National Treasury may, at its discretion or at the request of a transferring officer, stop the transfer of funds to a municipality for the following reasons:

- Persistent and material non-compliance with the DoRA; or
- If National Treasury anticipates that a municipality will substantially under-spend on the programme or allocation in the financial year; or
- Non submission / late submission of monthly reports.

In terms of Section 38(2)(a) of the MFMA, municipalities are requested to submit written representations regarding the proposed stopping of the allocated funds.

In terms of Section 19 of the DoRA and Section 38 of the MFMA, National Treasury notified four municipalities on 13 December 2018 of its intention to stop a portion of the 2018/19 Integrated INEP allocation. The affected municipalities were given seven days to make representation regarding the stopping of these grants. Government Gazette number 42243 issued on 21 February 2019 provided confirmation that the INEP grant would be stopped for three municipalities.

Further to this, National Treasury notified 14 municipalities on the 08 February 2019 of its intention to stop a portion of their 2018/19 allocations due to poor performance for the following grants:

- Municipal Infrastructure Grant,
- Water Services Infrastructure Grant,
- Regional Bulk Infrastructure Grant,
- Public Transport Network Grant,
- Urban Settlements Development Grant, and
- Infrastructure Skills Development Grant

Government Gazette number 42318 issued on 18 March 2019 provided confirmation of the municipalities for which the affected grants would be officially stopped.

Appendix 14 shows the municipalities and respective amounts stopped. In summary, grants to the total value of R397.6 million was stopped in the 2018/19 financial year.

The failure to fully or appropriately utilise conditional grants negatively impacts the development of infrastructure and exacerbates the current backlogs thus impeding economic growth and the provision of service delivery by municipalities. It therefore becomes essential that municipalities engage in proper management of conditional grant funding and strictly adhere to the requirements regarding reporting as well as the submission of their motivations for rollovers.

3.10 Cash Flow Position - 2017/18

Cash, the lifeblood of an organisation, is a vital element in the success and continuity of a municipality.

Cash is the fuel that drives municipalities and a municipality's cash flow is one of the most important indicators of financial health. A well-managed flow of cash, like a strong heart, is usually indicative of a healthy municipality, while a poorly managed cash flow, or weak heart, can cause problems that affect the entire operation of the municipality. The proper management of cash resources is thus paramount in ensuring financial viability and sustainable growth and development.

Municipalities are required, at a very minimum to maintain a positive cash position. Provincial Treasury conducted an analysis of the cash resources of the municipalities in KZN by assessing their Net available cash and their Cash coverage ratio using the audited 2017/18 AFS. The results of the analysis are detailed below.

3.10.1 Net Available Cash

Net available cash is calculated as *Cash and investments* less *Unspent conditional grants*, where *Cash and investments* comprises of cash, bank, call investment deposits, short term investments and long term investments.

If Net available cash is positive, it indicates that the municipality's *Unspent conditional grants* are cash backed. If the Net available cash is negative, it indicates that the *Unspent conditional grants* are not cash backed.

Table 3.27 shows seven municipalities with a negative Net available cash (red) position in the 2017/18 financial year (10 municipalities, 2016/17).

Table 3.27 Negative Net Available Cash – 2016/17 and 2017/18

R'000	2016/17			2017/18		
	Cash and Investments	Unspent Conditional Grants	Net Available Cash	Cash and Investments	Unspent Conditional Grants	Net Available Cash
Mpofana	497	17 429	(16 932)	2 390	16 624	(14 235)
uMgungundlovu DM	94 043	53 721	40 322	49 366	72 184	(22 818)
iNkosi Langalibalele	(16 703)	15 810	(32 512)	2 429	16 757	(14 328)
uThukela DM	5 998	69 711	(63 713)	6 011	63 223	(57 212)
eDumbe	565	1 458	(893)	10 038	6 591	3 447
AbaQulusi	12 077	14 245	(2 168)	11 939	30 213	(18 274)
Big Five Hlabisa	1 903	2 374	(472)	3 053	1 695	1 358
uMkhanyakude DM	34 578	64 576	(29 998)	62 296	24 930	37 365
uMfolozi	1 614	6 044	(4 431)	428	5 223	(4 795)
Nkandla	807	1 991	(1 184)	1 513	1 742	(229)
Harry Gwala DM	24 273	49 300	(25 028)	96 962	61 986	34 976

Source: Auditor-General: Audited 2017/18 Annual Financial Statements

It is imperative to further evaluate if the negative cash balances are reflecting a deteriorating trend. In other words, is the negative cash balance temporary or is it an indication of deeper rooted financial difficulties prevalent at the municipality. Table 3.27 also shows that six of the seven municipalities also had negative cash balances in the 2016/17 financial year.

3.10.2 Unspent Conditional Grants - Not Cash-backed

Table 3.28 shows the Net available cash after making provision to cash back the Unspent conditional grants and whether the Unspent conditional grants were cash backed for the 2016/17 and 2017/18 financial years.

Based on the analysis of the 2017/18 audited AFS in Table 3.28, the following were noted:

- Seven (7) of the 54 municipalities' *Unspent conditional grants* are not cash backed.
- Two of the 7 municipalities' *Unspent conditional grants* are not cash backed by less than R5 million.
- Five of the 7 municipalities' *Unspent conditional grants* are not cash backed by more than R10 million.

The following is a detailed breakdown per district for 2017/18, with the relevant amounts by which the municipalities unspent grants are not cash backed.

- The uMgungundlovu District: Mpofana Local Municipality (R14.2 million) and uMgungundlovu District Municipality (R22.8 million)
- The uThukela District: iNkosi Langalibalele Local Municipality (R14.3 million) and uThukela District Municipality (R57.2 million)
- The Zululand District: AbaQulusi Local Municipality (R18.3 million)
- The King Cetshwayo District: uMfolozi Local Municipality (R4.8 million) and Nkandla Local Municipality (R229 000)

Based on the figures in the 2017/18 audited AFS, the *Unspent conditional grants* for all municipalities in the Ugu, uMzinyathi, Amajuba, uMkhanyakude, iLembe and Harry Gwala Districts were cash backed.

Table 3.28 Unspent Conditional Grants Not Cash Backed – 2016/17 and 2017/18

R'000	2016/17				2017/18			
	Cash and Investments	Unspent Conditional Grants	Net Available Cash	Cash Coverage Ratio - No of months	Cash and Investments	Unspent Conditional Grants	Net Available Cash	Cash Coverage Ratio - No of months
eThekweni Metro	6 305 316	867 988	5 437 328	2.4	6 098 226	1 269 669	4 828 557	2.0
uMdoni	205 733	21 210	184 523	11.0	200 097	2 167	197 930	11.2
uMzombe	169 217	511	168 706	17.8	181 381	511	180 870	18.1
uMuziwabantu	129 931	3 510	126 421	12.6	164 834	1 953	162 881	14.7
Ray Nkonyeni	93 557	26 475	67 082	1.2	95 257	24 615	70 642	1.1
Ugu DM	180 353	400	179 953	3.0	41 801	117	41 685	0.6
uMshwathi	6 437	1 400	5 037	0.5	11 191	-	11 191	1.1
uMngeni	15 353	1 169	14 184	0.6	11 985	4 266	7 719	0.3
Mpofana	497	17 429	(16 932)	(1.6)	2 390	16 624	(14 235)	(1.2)
iMpendle	3 273	814	2 459	0.6	4 281	2 673	1 608	0.4
Msunduzi	683 566	81 694	601 872	1.9	473 068	122 350	350 718	1.1
Mkhambathini	52 816	5 435	47 380	11.0	58 973	966	58 008	11.2
Richmond	32 099	5 377	26 722	4.0	34 342	4 271	30 071	3.7
uMgungundlovu DM	94 043	53 721	40 322	0.8	49 366	72 184	(22 818)	(0.4)
Okhahlamba	31 376	19 725	11 651	1.0	29 592	10 491	19 101	1.5
iNkosi Langalibalele	(16 703)	15 810	(32 512)	(0.9)	2 429	16 757	(14 328)	(0.4)
Alfred Duma	262 208	25 110	237 098	5.1	274 266	53 391	220 875	4.0
uThukela DM	5 998	69 711	(63 713)	(1.3)	6 011	63 223	(57 212)	(1.4)
eNdumeni	53 374	5 820	47 553	2.3	39 811	4 105	35 706	1.5
Nquthu	168 059	1 216	166 844	20.3	231 170	4 916	226 254	23.1
uMsinga	36 743	1 634	35 109	2.9	34 379	1 650	32 729	2.4
uMvoti	11 976	4 714	7 262	0.4	13 748	5 744	8 004	0.4
uMzinyathi DM	68 851	36 749	32 101	1.0	150 841	55 738	95 103	2.6
Newcastle	50 508	41 556	8 952	0.1	57 465	56 317	1 148	0.0
eMadlangeni	14 828	6 218	8 610	1.6	7 538	669	6 869	1.3
Dannhauser	47 891	198	47 693	5.8	53 086	197	52 889	7.0
Amajuba DM	21 009	6 055	14 953	1.0	54 079	34 744	19 335	1.2
eDumbe	565	1 458	(893)	(0.1)	10 038	6 591	3 447	0.4
uPhongolo	1 604	1 179	424	0.0	450	11	440	0.0
AbaQulusi	12 077	14 245	(2 168)	(0.1)	11 939	30 213	(18 274)	(0.5)
Nongoma	3 678	175	3 504	0.3	2 142	1 007	1 135	0.1
Ulundi	1 947	1 141	806	0.0	865	-	865	0.0
Zululand DM	7 436	1 500	5 936	0.2	13 201	553	12 648	0.3
uMhlabuyalingana	18 261	6 080	12 181	0.8	34 628	3 326	31 303	2.6
Jozini	56 964	6 179	50 785	3.8	14 228	412	13 816	0.8
Mtubatuba	7 575	2 448	5 127	0.4	12 297	4 534	7 763	0.5
Big Five Hlabisa	1 903	2 374	(472)	(0.1)	3 053	1 695	1 358	0.1
uMkhanyakude DM	34 578	64 576	(29 998)	(0.9)	62 296	24 930	37 365	1.2
uMfobozi	1 614	6 044	(4 431)	(0.4)	428	5 223	(4 795)	(0.4)
uMhlatuze	715 116	10 596	704 520	3.4	460 422	15 676	444 746	2.2
uMlalazi	86 123	1 025	85 097	3.9	99 771	932	98 839	4.2
Mthonjaneni	20 282	17	20 265	2.2	3 680	17	3 663	0.4
Nkandla	807	1 991	(1 184)	(0.1)	1 513	1 742	(229)	(0.0)
King Cetshwayo DM	503 357	16 960	486 397	9.7	498 283	2 941	495 342	7.9
Mandeni	15 157	8 445	6 712	0.4	35 876	10 479	25 397	1.7
KwaDukuza	391 670	47 200	344 470	3.4	510 781	52 234	458 547	4.5
Ndwedwe	111 731	6 148	105 583	11.7	122 283	1 007	121 276	11.8
Maphumulo	32 588	16 705	15 883	2.7	22 057	12 591	9 466	1.3
iLembe DM	5 767	1 200	4 567	0.1	70 703	15 780	54 923	1.2
Greater Kokstad	125 285	13 998	111 287	5.7	114 262	12 035	102 227	4.8
uBuhlebezwe	118 301	1 164	117 137	14.7	134 944	1 164	133 780	15.2
uMzimkhulu	175 498	40 919	134 579	11.5	206 384	41 927	164 457	12.1
Dr Nkosazana Dlamini Zuma	91 923	25 088	66 835	7.5	88 836	12 954	75 882	8.0
Harry Gwala DM	24 273	49 300	(25 028)	(0.8)	96 962	61 986	34 976	1.0
Total	11 294 387	1 669 808	9 624 579		11 013 932	2 152 268	8 861 664	

Source: Auditor General: Audited 2017/18 Annual Financial Statements

Table 3.28 also shows that cumulatively R2.2 billion for National, Provincial and other conditional grants were unspent as per the 2017/18 audited AFS as compared to R1.7 billion in 2016/17. It is of great concern that the unspent grants figure is increasing year on year. These funds could have been used to provide much needed services and utilities for our communities.

Table 3.29 shows the Regression of Net available cash from 2016/17 to 2017/18. It is noted that the eThekweni Metro, the uMhlathuze and Msunduzi Local Municipalities have regressed the most in 2017/18.

Table 3.29: Regression of Net Available Cash

R'000	2016/17			2017/18			Movement in Net Cash - 2016/17 to 2017/18
	Cash and Investments	Unspent Conditional Grants	Net Available Cash	Cash and Investments	Unspent Conditional Grants	Net Available Cash	
eThekweni Metro	6 305 316	867 988	5 437 328	6 098 226	1 269 669	4 828 557	(608 771)
uMhlathuze	715 116	10 596	704 520	460 422	15 676	444 746	(259 774)
Msunduzi	683 566	81 694	601 872	473 068	122 350	350 718	(251 154)
Ugu DM	180 353	400	179 953	41 801	117	41 685	(138 269)
uMgungundlovu DM	94 043	53 721	40 322	49 366	72 184	(22 818)	(63 140)
Jozini	56 964	6 179	50 785	14 228	412	13 816	(36 969)
Mthonjaneni	20 282	17	20 265	3 680	17	3 663	(16 602)
Alfred Duma	262 208	25 110	237 098	274 266	53 391	220 875	(16 223)
AbaQulusi	12 077	14 245	(2 168)	11 939	30 213	(18 274)	(16 106)
eNdameni	53 374	5 820	47 553	39 811	4 105	35 706	(11 847)
Greater Kokstad	125 285	13 998	111 287	114 262	12 035	102 227	(9 060)
Newcastle	50 508	41 556	8 952	57 465	56 317	1 148	(7 804)
uMngeni	15 353	1 169	14 184	11 985	4 266	7 719	(6 465)
Maphumulo	32 588	16 705	15 883	22 057	12 591	9 466	(6 417)
uMsinga	36 743	1 634	35 109	34 379	1 650	32 729	(2 380)
Nongoma	3 678	175	3 504	2 142	1 007	1 135	(2 368)
eMadlangeni	14 828	6 218	8 610	7 538	669	6 869	(1 740)
iMpendle	3 273	814	2 459	4 281	2 673	1 608	(851)
uMfobozi	1 614	6 044	(4 431)	428	5 223	(4 795)	(364)

Source: Auditor General: Audited 2017/18 Annual Financial Statements

3.10.3 Cash Coverage Ratio

Whilst a positive cash balance is a good indicator of the financial health of a municipality, a major challenge facing municipalities is to ensure that there is sufficient cash available to cover their monthly fixed operating commitments.

A negative ratio indicates that the municipality has insufficient cash available to meet its monthly fixed operating commitments, i.e. it has a negative Net available cash position (Cash coverage is calculated excluding the effect of long term investments). A positive ratio confirms that there is sufficient cash available to cover monthly fixed payments. Although a municipality may have a positive ratio, the guideline is a ratio of greater than or equal to three, i.e. a cash coverage of three months.

Using the 2017/18 audited AFS, Table 3.30 shows the period that each municipality can meet its monthly fixed operating commitments without collecting any additional revenue during those months. The results of this analysis are as follows:

- 16 of the 54 municipalities have a cash coverage ratio of three months or greater.
- 31 of the 54 municipalities have a cash coverage ratio between zero and less than three months.
- 7 of the 54 municipalities have a cash coverage ratio of less than zero.

Table 3.30: Cash Coverage Ratio (Ranking)

Municipalities with a negative cash coverage ratio (7 Municipalities - 13%)	Municipalities with a cash coverage ratio between 0 and <3 months (31 Municipalities - 57%)		Municipalities with a cash coverage ratio of greater than =3 months (16 Municipalities - 30%)
Mpofana	eThekweni Metro	Zululand DM	uMdoni
uMgungundlovu DM	Ray Nkonyeni	uMhlabuyalingana	uMzumbhe
iNkosi Langalibalele	Ugu DM	Jozini	uMuziwabantu
uThukela DM	uMshwathi	Mtubatuba	Mkhambathini
AbaQulusi	uMngeni	Big Five Hlabisa	Richmond
uMfolozi	iMpendle	uMkhanyakude DM	Alfred Duma
Nkandla	Msunduzi	uMhlathuze	Nquthu
	Okhahlamba	Mthonjaneni	Dannhauser
	eNdumeni	Mandeni	uMlalazi
	uMsinga	Maphumulo	King Cetshwayo DM
	uMvoti	iLembe DM	KwaDukuza
	uMzinyathi DM	Harry Gwala DM	Ndwedwe
	New castle		Greater Kokstad
	eMadlangeni		uBuhlebezwe
	Amajuba DM		uMzimkhulu
	eDumbe		Dr Nkosazana Dlamini Zuma
	uPhongolo		
	Nongoma		
	Ulundi		

Source: Auditor General: Audited 2017/18 Annual Financial Statements

As shown in Table 3.30, 70 percent of the municipalities in the province do not have a healthy Cash coverage ratio i.e. municipalities with a negative cash coverage and a cash coverage of less than 3 months. Furthermore Table 3.28 shows the 21 municipalities that do not have sufficient cash available to cover at least one month of fixed commitments. This indicates that these municipalities may not be financially sustainable.

The analysis of the KZN municipalities' Net available cash and their Cash coverage ratio highlighted three major challenges facing a number of municipalities:

1. Unspent conditional grants are not cash backed

- Municipalities have insufficient available cash to ensure that *Unspent conditional grants* are cash backed, and/or
- Municipalities are utilising *Unspent conditional grants* to fund both Operating and Capital expenditure without prior approval of National and/or Provincial Treasury, and/or
- Municipalities are not complying with the conditions of the grant, and/or
- Poor management and reporting on conditional grants.

2. Cash Coverage

Municipalities have insufficient funds available to meet their fixed monthly commitments, hence the negative cash coverage ratio. This results in municipalities depending on conditional grants to fund Operating expenditure.

The Auditor-General had identified matters relating to the going concern of six municipalities namely; the Mpofana, Ulundi, Big Five Hlabisa, Nkandla Local Municipalities and the Ugu and uThukela District Municipalities. Going concern matters were raised by the Auditor-General based on the following:

- Conditional grants not being cash backed;
- Repayments as per loan agreements that could not be met;
- Non-payment of current liabilities;
- Current liabilities exceeded cash resources;
- Poor cash coverage ratios;
- Poor current ratios; and
- Net loss for the year.

These issues may stem from municipalities incurring material losses, high levels of material impairments and poor debt collection processes. The root causes of the going concern issues must be identified and addressed.

3. Section 71 Reporting

When evaluating the cash position of the municipalities, it was also identified that for many municipalities, there was no alignment between the cash information in the Section 71 Reports and the annual AFS figures. Possible reasons include:

- Municipalities do not regularly prepare and/or review bank reconciliations throughout the year and usually defer this important control process to the financial year end. This indicates that the Section 71 reporting of the cash position is incomplete; and
- Municipalities have not implemented the practice of closing off their general ledger either monthly or quarterly. This results in transactions that continue to be processed for historical periods (e.g. previous months) throughout the financial year. This practice leads to actual financial information that is constantly changing or incomplete. Reporting appears to only stabilise at year end when journals are processed and figures are finalised for submission of the AFS to the Auditor-General.

The current state of municipal finances in KZN reflects a deterioration in the cash position of a significant number of municipalities and major challenges being experienced in cash flow management. Municipalities therefore need to take a proactive approach to avoid moving into a state of financial distress.

3.10.4 Challenges faced by municipalities which are negatively impacting the cash position of municipalities:

- The increasing *Property rates* and municipal service tariffs together with the slow recovery of the economy have negatively impacted on consumers' ability to pay their debts. This has resulted in a significant deterioration in revenue collections. Many of the municipalities affected by cash flow problems also service an increasing number of indigent and poor communities who are the victims of continued service delivery backlogs and challenges;

- The high debtor levels at municipalities indicate poor implementation of debt collection and credit control policies and practices. This may also further reflect a failure on the part of mayors and councillors to provide political backing to revenue enhancement programmes. Municipalities are failing to collect revenues promptly and pursue debtors with due rigour;
- Municipalities have demonstrated an inability to prepare and/or implement credible budgets resulting in unrealistic revenue and cash projections, excessive Operating expenditure or a Capital budget which is over ambitious. Many municipalities are still preparing budgets incorrectly by first planning their spending and thereafter projecting their income. They are not accounting for the timing differences between when revenue is billed and when actual cash is collected. This results in major cash flow difficulties as municipalities become vulnerable due to exhausting their historical cash reserves.;
- Municipalities experience poor management, monitoring and reporting of conditional grant funding. Municipalities regularly utilise conditional grant funds to supplement Operating expenditure requirements instead of using the funds in accordance with the applicable grant conditions;
- The deteriorating system of governance resulting from the high vacancy rates and insufficient municipal capacity due to lack of skills has negatively affected the cash position, budgeting and financial management at municipalities. The skills shortage and poor capacity at municipalities have compromised the implementation of proper cash flow management;
- Major unresolved disputes by consumers coupled with poor service delivery have resulted in increasing ratepayer/ consumer boycotts and have lead to resistance from communities to pay their accounts owing to the municipalities;
- The failure to optimise tariffs to ensure that they are cost reflective together with the cash flow difference between the increasing cost of bulk electricity/water and poor revenue collection further impacts negatively on the cash position of municipalities;
- Weak billing system reflecting poor data integrity, failure to timeously update consumer information and inaccurate or delayed invoicing further contributes to the poor cash position. Failure to bill consumers accurately or on time results in delays in revenue collections; and
- Municipalities are incurring significant water and electricity distribution losses caused by theft and/or poor infrastructure. This results in material revenue losses and negatively impacts the overall cash position.

3.10.5 Risks associated with a negative or low cash position

- A poor cash position may result in existing staff not getting paid and may make it difficult for a municipality to hire and retain employees. This could further lead to labour disputes at the municipality resulting in a disruption of operations;
- Contractors, suppliers and service providers may also not get paid or experience extensive delays in receiving payment due to a lack of funds. This can result in poor service delivery and further backlogs in infrastructure development;
- Municipalities suffering from cash flow difficulties have no margin of safety in the case of unanticipated expenses;
- Deteriorating cash positions makes it more expensive for municipalities to borrow funds from financial institutions. Municipalities will therefore experience problems obtaining financing for expansion and development;
- A poor cash position indicates ineffective cash management which further implies poor processes and systems and therefore exposes the municipality to the risk of theft, corruption and fraud;

- When a municipality experiences a deteriorating financial position, *Repairs and maintenance* is usually one of the first categories of expenses that is reduced. This results in shortening the useful life of assets while reducing the reliability and quality of services; and
- A poor cash position could ultimately lead to technical insolvency which could further impact the going concern position and negatively impact the audit opinion of a municipality.

Municipalities facing cash flow crises simply throw money at the problem by means of grant funding or additional borrowing which is a temporary solution at best. A cash flow crisis is usually a symptom of a broader issue facing the municipality. Cash management requires more than just a financial fix; it requires a holistic approach that focuses on making a municipality operate more efficiently.

A cash management process allows a municipality to control its cash and manage its operations economically, efficiently and effectively. In this way, the municipality can reduce operational disruptions, operate in a smooth and efficient manner and provide for ongoing growth and development. Effective cash management optimises the use of cash in a municipality.

3.10.6 The collective objectives of cash management can be summarised as follows:

- To ensure the availability, at all times, of adequate liquid resources for operational purposes and investment in assets. In effect, generating positive cash flow by applying effective techniques for collecting cash due to the municipality and expending no more cash than necessary;
- To have a positive cash buffer as a safety net against any unforeseen crises or emergencies;
- To take advantage of opportunities that arise by attaining the highest possible return at the lowest risk on investments of surplus cash; and
- To demonstrate proper stewardship, accountability and implementation of effective controls on cash resources – i.e. to ensure the safety of public funds.

Municipalities need to perform a cash management analysis in order to address short falls, increase revenue collection and curtail spending. Understanding and managing cash is not nearly as complicated as it first seems as there are only limited places where municipalities can look to identify opportunities to generate more cash inflows or reduce cash outflows. Implementing sound cash management may require harsh measures but it will minimise cash flow problems, help maintain continued financial viability and invariably, ensure the sustainability and survival of the municipality. Every municipality has its own unique cash needs but good cash management is universally essential to a financially healthy municipality.

3.11 Cash Flow Position - 2018/19 (Unaudited)

3.11.1 Net available cash position for the 2018/19 financial year

Municipalities reflected total *Cash and cash equivalents* of R11.8 billion as at 30 June 2019 as per the unaudited 2018/19 AFS that were submitted to Provincial Treasury by 31 August 2019. The *Cash and cash equivalents* of R11.8 billion as per the unaudited 2018/19 AFS is not a true reflection of the cash position for the province as the balance contains conditional transfers which are earmarked for specific purposes and should be returned to the transferring officers if the funds are unspent at the end of the financial year. Alternatively, the municipalities are allowed to apply for rollovers, however the funds can only be utilised once the rollovers are approved.

Table 3.31 shows that the municipalities in the province have *Unspent conditional transfers* of R2.5 billion as per the unaudited 2018/19 AFS. Thus, the Net available cash position is R9.3 billion which is an increase of R457 million as compared to the Net cash position of R8.9 billion as per the 2017/18 audited AFS in Table 3.28 (Net Available Cash (2016/17 – 2017/18)).

Table 3.31 Net available cash based on the 2018/19 unaudited AFS

R'000	2018/19 Unaudited AFS		
	Closing Cash and cash equivalents	Unspent Conditional Grants	Net available cash
eThekwini	6 656 248	1 579 501	5 076 747
uMdoni	204 372	8 788	195 584
uMzumbi	196 622	6 864	189 758
uMuziwabantu	164 628	4 832	159 796
Ray Nkonyeni	89 840	31 283	58 557
Ugu DM	54 874	21 354	33 520
uMshwathi	35 265	-	35 265
uMngeni	25 255	6 076	19 179
Mpofana	8 841	15 263	(6 422)
iMpindle	8 221	5 183	3 038
Msunduzi	306 461	127 959	178 502
Mkhambathini	63 941	469	63 472
Richmond	23 259	8 378	14 881
uMgungundlovu DM	46 262	23 085	23 176
Okhahlamba	26 658	11 133	15 525
iNkosi Langalibalele	25 349	7 156	18 193
Alfred Duma	302 500	63 589	238 911
uThukela DM	43 906	10 539	33 367
eNdumeni	43 181	13 753	29 429
Nquthu	246 870	1 973	244 897
uMsinga	30 158	589	29 569
uMvoti	12 654	7 241	5 412
uMzinyathi DM	56 807	-	56 807
Newcastle	9 999	33 439	(23 440)
eMadlangeni	14 462	1 142	13 320
Dannhauser	16 725	268	16 457
Amajuba DM	70 435	27 736	42 700
eDumbe	3 070	1 040	2 030
uPhongolo	7 167	7 057	109
AbaQulusi	17 871	18 220	(349)
Nongoma	7 139	449	6 690
Ulundi	4 147	-	4 147
Zululand DM	12 478	-	12 478
uMhlabuyalingana	49 652	9 423	40 229
Jozini	39 299	7 663	31 636
Mtubatuba	47 248	47 213	35
Big Five Hlabisa	5 512	2 511	3 002
uMkhanyakude DM	40 140	26 371	13 769
uMfolozi	5 221	3 100	2 122
uMhlathuze	461 155	10 801	450 354
uMlalazi	113 168	4 459	108 710
Mthonjaneni	2 694	17	2 677
Nkandla	5 268	4 942	326
King Cetshwayo DM	495 583	92 895	402 688
Mandeni	60 607	9 875	50 732
KwaDukuza	698 696	42 569	656 127
Ndwedwe	99 082	168	98 914
Maphumulo	16 212	10 981	5 231
iLembe DM	174 703	73 744	100 958
Greater Kokstad	116 071	5 878	110 193
uBuhlebezwe	155 455	1 286	154 170
uMzimkhulu	182 834	18 230	164 605
Dr. Nkosazana Dlamini Zuma	121 685	4 545	117 140
Harry Gwala DM	58 363	44 633	13 730
Total	11 784 315	2 465 659	9 318 656

Source: 2018/19 Unaudited Annual Financial Statements as at 31 August 2019

It is concerning to note that three municipalities reflected negative Net available cash which implies that those municipalities only reflected positive *Cash and cash equivalent* balances as at the end of the 2018/19 financial year due to unspent grant funding. The highest negative Net available cash position was reflected by the Newcastle Local Municipality with negative R23.4 million, followed by the Mpofana (negative R6.4 million) and AbaQulusi (negative R348 927) Local Municipalities.

Chapter 4: Performance Analysis against Budget per municipality

The monthly budget reports produced by municipalities in terms of Section 71 of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) are the core of the In-Year Monitoring (IYM) process that National and Provincial Treasury have implemented. The objectives of the IYM process are amongst others:

- to improve the quality and the credibility of the information provided;
- to assist municipalities in identifying financial problems facing municipalities, including any emerging or impending financial problems (early warning system); and
- to allow for appropriate and timeous action to be taken should there be an indication of substantial over or under-spending against the budget, or any other financial problems.

The information provided by municipalities through the MFMA Section 71 reports is often not credible. The following factors contribute to the poor quality of these reports:

- MFMA Section 71 reports are not submitted on time. Some reports were outstanding for a few municipalities and as a result, these were not included in the MFMA Section 71 publication for the year ended 30 June 2019. Those municipalities are listed in Chapter 5: Non-compliance with Division of Revenue Act (DoRA) and MFMA;
- Non-submission of Signed Verification Schedules for MFMA Section 71 and Conditional Grants Reports for the fourth quarter of 2018/19. This implies that the affected municipalities did not scrutinise and verify their information for accuracy prior to National Treasury publishing the MFMA Section 71 figures;
- Municipalities with municipal entities, especially the district municipalities, are failing to submit the consolidated performance reports which include the budget performance results of their municipal entities. In terms of Section 87(11) of the MFMA, Accounting Officers of municipal entities are expected to submit to their parent municipality by no later than seven working days after the end of each month, a statement in the prescribed format on the state of the entity's budget performance;
- Accruals are not processed on a monthly basis;
- A large number of municipalities do not account for *Depreciation and asset impairment* as well as *Debt impairment* in their financial performance returns on a monthly basis; and
- The MFMA Section 71 figures, although signed off by certain municipalities are not always reviewed before submission to the National Treasury Local Government Database (NT Igdatabase).

The above indicates that, it is probable that there will be material differences between the NT Igdatabase published MFMA Section 71 report figures and the 2018/19 pre-audited Annual Financial Statements (AFS) figures to be submitted to the Auditor-General by the end of August 2019.

While every attempt has been made in this chapter to provide a high level analysis of the budget performance of all the delegated municipalities, Provincial Treasury's assessment has been limited to a large extent due to lack of accuracy and credibility of the figures submitted by municipalities, as indicated above. Thus, all queries on the budgeted and actual figures reflected in this report must be referred to the relevant Municipal Manager (MM) and Chief Financial Officer (CFO) as they were required to sign off the MFMA Section 71 reports as part of the quarterly verification process undertaken by National Treasury. Furthermore, the reasons for over or under-performance were obtained directly from the municipalities. Where plausible reasons could not be obtained, it has been stated as such in the report.

4.1 Ugu District

The Ugu District comprises of four local municipalities namely; the uMdoni, uMzumbe, uMuziwabantu and Ray Nkonyeni Local Municipalities. The district is located in the South Coast of the KwaZulu-Natal Province and covers a geographical area of 4 791 km² (KZNCOGTA, 2017)¹ with a coastline of 112 kilometres. Well established commercial bases are found at the Ray Nkonyeni and uMdoni Local Municipalities while the uMzumbe and uMuziwabantu Local Municipalities are rural.

The core trading services rendered by the Ugu District Municipality are *Water* and *Sanitation* services. The uMuziwabantu and Ray Nkonyeni Local Municipalities provide *Electricity* and *Refuse removal* services whilst the uMdoni and uMzumbe Local Municipalities only render *Refuse removal* services.

The position of the Chief Financial Officer (CFO) has been vacant at the uMuziwabantu Local Municipality since 2 November 2015, while all the remaining municipalities in the district had CFOs during the 2018/19 financial year. The uMzumbe Local Municipality has a vacancy in its Municipal Manager (MM) position since 20 May 2019, while all the remaining municipalities in the district currently do not have vacancies in the MM and CFO positions.

The uMzumbe, uMuziwabantu and Ray Nkonyeni Local Municipalities regressed from a clean audit opinion in the 2016/17 financial year to an unqualified audit opinion with findings in the 2017/18 financial year. The uMdoni Local Municipality maintained an unqualified audit opinion with findings from the 2016/17 financial year to the 2017/18 financial year. The Ugu District Municipality regressed from a qualified audit opinion with findings in the 2016/17 financial year to an adverse audit opinion with findings in the 2017/18 financial year.

It should be noted that the budget performance figures published by National Treasury are preliminary figures and do not take the year-end reconciliations into consideration. The figures could also change during the preparation and the audit of the 2018/19 Annual Financial Statements.

4.1.1 Overview of Ugu District Performance

Table 4.1(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMdoni	296 829	306 278	277 037	90.5
uMzumbe	156 383	156 383	148 578	95.0
uMuziwabantu	177 023	170 439	152 684	89.6
Ray Nkonyeni	987 501	891 255	1 061 080	119.1
Ugu DM	894 514	895 513	892 370	99.6
Total	2 512 249	2 419 867	2 531 749	104.6

Source: NT Igdatabase

Table 4.1(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMdoni	296 829	306 278	278 984	91.1
uMzumbe	190 255	190 255	154 139	81.0
uMuziwabantu	184 351	182 164	142 339	78.1
Ray Nkonyeni	945 363	872 543	685 935	78.6
Ugu DM	884 865	1 108 085	879 106	79.3
Total	2 501 663	2 659 325	2 140 503	80.5

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.1(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMdoni	50 485	54 589	39 327	72.0
uMzumbe	71 392	77 396	43 829	56.6
uMuziwabantu	79 353	72 795	122 023	167.6
Ray Nkonyeni	223 131	227 653	103 237	45.3
Ugu DM	301 163	337 286	252 690	74.9
Total	725 523	769 720	561 106	72.9

Source: NT Igdatabase

Table 4.1(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	615	0.7	2 660	3.2	1 691	2.0	78 908	94.1	83 875
uMzumbe	(2)	(0.0)	-	-	-	-	23 149	100.0	23 147
uMuziwabantu	3 395	13.6	1 773	7.1	1 141	4.6	18 609	74.7	24 918
Ray Nkonyeni	-	-	-	-	-	-	-	-	-
Ugu DM	28 924	5.4	23 849	4.4	15 936	3.0	469 531	87.2	538 239
Total	32 932	4.9	28 282	4.2	18 768	2.8	590 197	88.1	670 179

Source: NT Igdatabase

Table 4.1(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	33 824	40.3	7 547	9.0	41 781	49.8	723	0.9	83 875
uMzumbe	14 827	64.1	4 133	17.9	775 977.0	3.4	3 411	14.7	23 147
uMuziwabantu	6 813	27.3	7 489	30.1	10 616	42.6	-	-	24 918
Ray Nkonyeni	-	-	-	-	-	-	-	-	-
Ugu DM	28 816	5.4	88 566	16.5	413 636	76.8	7 221	1.3	538 239
Total	84 280	12.6	107 736	16.1	466 808	69.7	11 355	1.7	670 179

Source: NT Igdatabase

Table 4.1(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	16 242	100.0	-	-	-	-	-	-	16 242
uMzumbe	1 345	101.7	-	-	27	2.1	(49)	-3.7	1 323
uMuziwabantu	37	97.4	1	2.6	0	0.1	-	-	38
Ray Nkonyeni	-	-	-	-	-	-	-	-	-
Ugu DM	21 631	22.7	16 222	17.0	40 308	42.2	17 333	18.2	95 494
Total	39 256	34.7	16 223	14.3	40 336	35.7	17 283	15.3	113 098

Source: NT Igdatabase

4.1.2 Analysis per Municipality: uMdoni Local Municipality

Table 4.1 (g) Operating Revenue and Expenditure Performance - uMdoni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	91 849	91 849	92 406	100.6	
Service Charges ¹	9 152	9 152	9 370	102.4	
Transfers recognised - operational	127 912	128 575	140 823	109.5	The Adjusted Budget amount of R128.6 million for Transfers recognised - operational reflected in the 2018/19 Approved Adjustments budget does not agree to an amount of R148.7 million as per the 2018 Division of Revenue Act (DoRA) and Provincial allocations gazette No. 1940 dated 05 April 2018. As a result, the correct performance for this line item is 94.6 percent. The municipality attributed the under-performance to the year-end journals for the recognition of grant revenue that were not processed at the time of the MFMA Section 71 reporting.
Other sources of Revenue ²	67 917	76 702	34 437	44.9	The municipality has indicated that this under-performance is mainly due to the erroneous inclusion of the Reserves income amount of R37.5 million in the Other revenue budget during the 2018/19 Adjustments budget process. Furthermore, the reported poor performance was also attributed to the error in the MFMA Section 71 reporting. The municipality erroneously reported a negative amount of R9.2 million for Interest earned - outstanding debtors.
Total Operating Revenue	296 829	306 278	277 037	90.5	
Operating Expenditure					
Employee related costs	115 747	110 747	102 643	92.7	
Remuneration of councillors	15 569	15 569	14 488	93.1	
Debt impairment	1 657	1 657	1 270	76.6	The municipality attributed the low expenditure to the fact that the comprehensive calculations for the Debt impairment are only performed at the end of the financial year, a correct amount will be reported in the 2018/19 AFS.
Depreciation and asset impairment	39 000	39 000	39 293	100.8	
Bulk purchases	-	-	-	-	
Contracted services	68 270	87 304	72 172	82.7	The municipality attributed the low expenditure to the savings realised after the implementation of Cost containment measures.
Other expenditure items ³	56 585	52 000	49 118	94.5	
Total Operating Expenditure	296 829	306 278	278 984	91.1	
Operating surplus/(deficit)	1	-	(1 947)		The municipality has reported an Operating deficit of R1.9 million in the 2018/19 financial year. It must be noted however, that this figure is subject to change after the correction of the above mentioned errors.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.1 (h) Capital, Cash and Conditional grant Performance - uMdoni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	29 418	30 438	24 532	80.6	The municipality indicated that all the capital grants have been fully spent and has attributed the under-performance on this line item to the year-end accruals not being processed at the time of the MFMA Section 71 reporting. The municipality indicated that the correct amount will be reported in the 2018/19 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	21 067	24 151	14 795	61.3	The under-performance of this line item was attributed to the delays in the implementation of the capital projects.
Total Capital Revenue	50 485	54 589	39 327	72.0	
Capital Expenditure					
Governance and Administration	210	2 586	1 630	63.0	The municipality attributed the under-spending to the delays in the Supply chain management (SCM) processes as certain bids were referred to the Bid appeals tribunal, resulting in project consultants being appointed late.
Community and Public Safety	10 233	11 150	5 391	48.3	Refer to the comment above.
Eco. & Environmental Services	39 362	40 173	30 520	76.0	Refer to the comment above.
Trading Services	680	680	1 787	262.9	The municipality attributed the over-performance in this line item to the misallocation of expenditure in the MFMA Section 71 reports and indicated that the correct amount will be reported in the 2018/19 AFS.
Other	-	-	-	-	
Total Capital Expenditure	50 485	54 589	39 327	72.0	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	60	60	200 097		
Cash/cash equiv. at the year end:	13 434	44 709	197 499		
Net Increase/(Decrease) in cash held	13 374	44 649	(2 598)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	4 315	4 315	100.0%	-	
Expanded Public Works Programme	1 219	1 219	100.0%	-	
Municipal Infrastructure Grant	30 118	30 118	100.0%	-	
Integrated National Electrification Programme Grant	14 000	6 212	44.4%	7 788	The municipality attributed the under-expenditure to the delays caused by the dispute between the municipality and the appointed contractor regarding the scope of work. The municipality indicated that the dispute has since been resolved.

¹ Expenditure by munis.

Table 4.1 (i) Debtors, Creditors and Key ratios - uMdoni Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	76 247		
Debtors as at 30 June 2019	83 875	10.0%	The Debtors balance has increased by R7.6 million or 10 percent from R76.2 million as at 30 June 2018 to R83.9 million as at 30 June 2019. The municipality did not provide the reasons for the increase in Debtors.
<u>By age analysis</u>			
0-30 days	615	0.7%	
31-60 days	2 660	3.2%	
61-90 days	1 691	2.0%	
>90 days	78 908	94.1%	The municipality has R78.9 million or 94.1 percent of Debtors that are in the "Over 90 days" category as at 30 June 2019. This raises concerns regarding the municipality's ability to collect its billed revenue. The municipality did not provide the reasons for the increase in Debtors.
Total by age analysis	83 875	100.0%	
<u>By customer group</u>			
Organs of state	33 824	40.3%	The municipality reported R33.8 million or 40.3 percent of its debtors outstanding from Organs of state. The municipality has indicated that it is currently in discussion with the Department of Public Works regarding the settlement of the outstanding amounts.
Commercial	7 547	9.0%	
Households	41 781	49.8%	The Households category owed R41.8 million or 49.8 percent of total Debtors, which is attributed to the culture of non payment within the municipal area.
Other	723	0.9%	
Total by customer group	83 875	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	53 266		
Creditors as at 30 June 2019	16 242	-69.5%	
<u>By age analysis</u>			
0-30 days	16 242	100.0%	
>30 days	-	-	
Total by age analysis	16 242	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	42.0%	The municipality attributed the high ratio to the Council's decision to absorb the employees who were previously contracted through the service provider into the municipality.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	49.2%	
Own funded capital expenditure	-	37.6%	
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	12.4%	

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.1.3 Analysis per Municipality: uMzumbe Local Municipality

Table 4.1 (j) Operating Revenue and Expenditure Performance - uMzumbe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	4 158	4 158	-	-	The municipality indicated that the revenue generated from Property rates was not reported in the MFMA Section 71 reports due to an error in the financial system that was only corrected after the Local Government database was closed.
Service Charges ¹	21	21	-	-	The municipality indicated that the local hospital closed down in the 2018/19 financial year, which was the only customer being billed for Service charges - refuse revenue. Hence, there was no revenue generated for Service charge - refuse revenue during the 2018/19 financial year.
Transfers recognised - operational	138 930	138 930	131 424	94.6	The municipality has attributed the under-generation of revenue to the year-end accruals for Integrated National Electrification Programme Grant (INEP) not being processed at the time of the MFMA Section 71 reporting.
Other sources of Revenue ²	13 274	13 274	17 154	129.2	The municipality attributed the over-generation of revenue to the additional funds received from the Local Government Sector Education and Training Authority (LGSETA), which were not budgeted for in the Adjustments Budget.
Total Operating Revenue	156 383	156 383	148 578	95.0	
Operating Expenditure					
Employee related costs	58 168	58 168	45 869	78.9	The municipality attributed this under-spending to the funded vacant posts not being filled during the year due to slow recruitment processes.
Remuneration of councillors	16 478	16 478	14 874	90.3	
Debt impairment	500	500	-	-	The municipality indicated that the finalised figures were not available at the time of MFMA Section 71 reporting. Debt impairment will be calculated during the preparation of the 2018/19 AFS.
Depreciation and asset impairment	35 000	35 000	24 649	70.4	The municipality attributed the low expenditure to the fact that the comprehensive calculations for Depreciation and asset impairment are only performed at the end of the financial year and a correct amount will be reflected in the 2018/19 AFS.
Bulk purchases	-	-	-	-	
Contracted services	3 933	3 933	31 306	796.0	The municipality incorrectly reported the Adjusted Budget for this line item as R3.9 million instead of R34.8 million as per the 2018/19 approved Adjustments Budget. Therefore, the correct performance for this line item is 89.9 percent. The municipality attributed the under-expenditure to the implementation of Cost containment measures.
Other expenditure items ³	76 176	76 176	37 441	49.1	The municipality incorrectly reported the Adjusted Budget for this line item as R76.2 million instead of R37.3 million as per the 2018/19 approved Adjustments Budget. Therefore, the correct performance for this line item is 100.2 percent.
Total Operating Expenditure	190 255	190 255	154 139	81.0	
Operating surplus/(deficit)	(33 872)	(33 872)	(5 561)		The municipality has reported an Operating deficit of R5.6 million in the 2018/19 financial year. It must be noted however, that this figure is subject to change with the inclusion of Debt impairment and Depreciation and asset impairment.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.1 (k) Capital, Cash and Conditional grant Performance - uMzombe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	31 770	35 720	43 800	122.6	The municipality indicated that an amount of R12.5 million has been incorrectly included under this line item instead of Internally generated funds. Therefore, the correct Unaudited actual for Transfers recognised - capital is R31.3 million which results in 87.6 percent of revenue generated. The municipality attributed the low performance on capital revenue to the fact that the expenditure on certain capital projects was delayed due to service delivery protests at the municipality during the 2018/19 financial year.
Public contributions and donations	–	–	28	–	The municipality indicated that the amount reported for Public contributions and donations was as a result of an error in the MFMA Section 71 reports.
Borrowing	–	–	–	–	
Internally generated funds	39 622	41 677	–	–	The municipality indicated that an amount of R12.5 million for Internally generated funds has been incorrectly included under Transfers recognised - capital. Therefore, the correct Unaudited actual for Internally generated funds is R12.5 million or 29.9 percent. The municipality attributed the low performance on capital revenue to the fact that the expenditure on certain capital projects was delayed due to service delivery protests at the municipality during the 2018/19 financial year.
Total Capital Revenue	71 392	77 396	43 829	56.6	
Capital Expenditure					
Governance and Administration	4 620	18 549	1 904	10.3	
Community and Public Safety	3 150	31 152	401	1.3	
Eco. & Environmental Services	63 622	27 695	41 524	149.9	
Trading Services	–	–	–	–	
Other	–	–	–	–	
Total Capital Expenditure	71 392	77 396	43 829	56.6	The municipality attributed the low Capital expenditure to the fact that the expenditure on certain capital projects was delayed due to service delivery protests at the municipality during the 2018/19 financial year.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	107 334	120 107	181 381		
Cash/cash equiv. at the year end:	523 242	84 896	174 586		
Net Increase/(Decrease) in cash held	415 908	(35 212)	(6 794)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	–	
Expanded Public Works Programme	1 526	1 526	100.0%	–	
Municipal Infrastructure Grant	37 392	31 292	83.7%	6 100	The municipality attributed the under-expenditure to the delays in certain capital projects funded by Municipal Infrastructure Grant due to service delivery protests at the municipality during the 2018/19 financial year.
Integrated National Electrification Programme Grant	14 880	14 880	100.0%	–	

¹ Expenditure by munis.

Table 4.1 (I) Debtors, Creditors and Key ratios - uMzumbe Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
Debtors as at 30 June 2018¹	15 807		
Debtors as at 30 June 2019	23 147	46.4%	The Debtors balance has increased by R7.3 million or 46.4 percent from R15.8 million as at 30 June 2018 to R23.1 million as at 30 June 2019. The municipality attributed the increase to the incorrect customer information in the system and indicated that it is currently undertaking a data cleansing exercise to correct the Debtors balance.
<u>By age analysis</u>			
0-30 days	(2)	-	- The municipality has attributed the negative balance to Debtors paying their accounts in advance. These amounts will only be allocated as and when the debt becomes payable.
31-60 days	-	-	
61-90 days	-	-	
>90 days	23 149	100.0%	The municipality reported R23.1 million or 100 percent of Debtors that are in the "Over 90 days" category as at 30 June 2019. The municipality attributed the increase to the incorrect customer information in the system and indicated that it is currently undertaking a data cleansing exercise to correct the Debtors balance.
Total by age analysis	23 147	100.0%	
<u>By customer group</u>			
Organs of state	14 827	64.1%	The municipality reported R14.8 million or 64.1 percent of its debtors outstanding from Organs of state. The municipality has attributed this debt to unverified properties, farm land and forests which are assumed to be belonging to the state.
Commercial	4 133	17.9%	
Households	776	3.4%	
Other	3 411	14.7%	The municipality indicated that this category mainly relates to Agriculture, Public benefit organisations and Vacant land.
Total by customer group	23 147	100.0%	
Creditors			
Creditors as at 30 June 2018¹	19 837		
Creditors as at 30 June 2019	1 324	-93.3%	
<u>By age analysis</u>			
0-30 days	1 345	101.6%	
>30 days	(22)	-	- The municipality attributed this amount to unallocated payments and indicated that it will be corrected during the preparation of the 2018/19 AFS.
Total by age analysis	1 324	100.0%	
Key Ratios			
	Norm/Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	39.4%	
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	11.5%	This ratio suggest that the municipality is highly dependent on grants to fund some of the operating expenditure. The municipality indicated that as a rural municipality, the sources of revenue are very limited and as a result they are highly grant dependent.
Own funded capital expenditure	-	-	- This ratio is distorted by the understatement of Internally generated funds as discussed in Table 4.1(k).
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	22.1%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(j).

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.1.4 Analysis per Municipality: uMuziwabantu Local Municipality

Table 4.1 (m) Operating Revenue and Expenditure Performance - uMuziwabantu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	24 904	25 904	26 580	102.6	The municipality indicated that the over-generation of revenue against Property rates was due to the under-estimation of the Adjusted Budget amount.
Service Charges ¹	38 444	38 551	25 308	65.6	The municipality indicated that the actual revenue for Service charges of R25.3 million or 65.6 percent reported against the Adjusted Budget of R38.6 million is incorrect. The correct unaudited actual for Service charges of R33.4 million or 86.7 percent was not finalised at the time of reporting for MFMA Section 71. The under-generation of revenue of 86.7 percent for Service charges was due to over-budgeting during the Adjustments Budget process.
Transfers recognised - operational	98 239	87 675	86 787	99.0	
Other sources of Revenue ²	15 435	18 308	14 009	76.5	The municipality indicated that the actual revenue for Other sources of revenue of R14 million or 76.5 percent is incorrect. The correct unaudited actual for Other sources of Revenue of R18 million or 98.3 percent was not finalised at the time of the reporting for MFMA Section 71.
Total Operating Revenue	177 023	170 439	152 684	89.6	
Operating Expenditure					
Employee related costs	62 852	62 296	42 995	69.0	The municipality indicated that the actual expenditure for Employee related costs of R43 million or 69 percent is incorrect. The correct unaudited actual for Employee related costs of R60 million or 96.3 percent was not finalised at the time of the reporting for MFMA Section 71.
Remuneration of councillors	10 152	10 152	8 275	81.5	The municipality indicated that the actual expenditure for Remuneration of councillors of R8.3 million or 81.5 percent is incorrect. The correct unaudited actual for Remuneration of councillors of R9.9 million or 97.4 percent was not finalised at the time of the reporting for MFMA Section 71.
Debt impairment	196	196	-	-	The municipality indicated that Debt impairment figures were not finalised at the time of the MFMA Section 71 reporting and will be incorporated in the 2018/19 AFS.
Depreciation and asset impairment	14 604	15 604	-	-	The municipality indicated that the asset verification process was not finalised at the time of reporting for MFMA Section 71 and the final amount for Depreciation and asset impairment will be incorporated in the 2018/19 AFS.
Bulk purchases	32 962	32 962	23 788	72.2	The municipality indicated that the actual expenditure for Bulk purchases of R23.8 million or 72.2 percent is incorrect. The correct unaudited actual for Bulk purchases of R28 million or 85 percent was not finalised at the time of the reporting for MFMA Section 71. The under-expenditure of 85 percent was due to a lower demand for electricity by consumers.
Contracted services	3 759	5 524	7 987	144.6	The municipality indicated that the figures for the actual expenditure for Contracted services of R8 million or 144.6 percent and the reported Adjusted Budget of R5.5 million, are incorrect. The correct Council approved Adjusted Budget for this line item is R10.3 million and the municipality has spent R8.7 million or 85 percent for the period ended 30 June 2019. The municipality has attributed the under-expenditure of 85 percent to over-budgeting during the Adjustments Budget process.
Other expenditure items ³	59 826	55 431	59 294	107.0	The municipality indicated that the figures for the actual expenditure for Other expenditure items of R59.3 million or 107 percent and the reported Adjusted Budget of R55.4 million, are incorrect. The correct Council approved Adjusted Budget for this line item is R50.7 million and the municipality has spent R35.2 million or 69.5 percent for the period ended 30 June 2019. The municipality has attributed the under-expenditure of 69.5 percent to over-budgeting during the Adjustments Budget process.
Total Operating Expenditure	184 351	182 164	142 339	78.1	
Operating surplus/(deficit)	(7 328)	(11 725)	10 345		The municipality reported an Operating surplus of R10.3 million which is overstated since the expenditure for Debt impairment and Depreciation and asset impairment has not been reported.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.1 (n) Capital, Cash and Conditional grant Performance - uMuziwabantu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	27 686	22 940	136 933	596.9	The municipality has attributed the over-generation of capital revenue to errors and misallocations reported in the MFMA Section 71 reports. The 2018/19 AFS will correctly reflect 100 percent revenue recognised for this line item.
Public contributions and donations	–	–	(31)	-	The negative R31 000 reported for Public contributions and donations has been attributed to errors and misallocations in the MFMA Section 71 reports.
Borrowing	–	–	–	-	
Internally generated funds	51 667	49 855	(14 879)	-	The municipality indicated that the correct unaudited actual for Internally generated funds is R17.9 million for the period ended 30 June 2019. The under-expenditure against the correct amount of R17.9 million or 35.9 percent was due to the slow progress in the Building of Municipal Offices project that was budgeted at R25 million and tender objections of the Mazakhele Excess Road project budgeted at R11 million, under this line item.
Total Capital Revenue	79 353	72 795	122 023	167.6	
Capital Expenditure					
Governance and Administration	1 295	2 295	(449)	-	The municipality has attributed the reported negative R449 000 to errors and misallocations in the MFMA Section 71 reports. This line item will be correctly reflected in the 2018/19 AFS as R1.5 million or 66.8 percent capital expenditure. The under-spending on this line item is due to over-budgeting during the Adjustments budget process.
Community and Public Safety	37 589	15 127	12 036	79.6	The municipality has attributed the under-spending on capital expenditure for this line item to errors and misallocations in the MFMA Section 71 reports. The 2018/19 AFS will correctly reflect 100 percent capital expenditure for this line item.
Eco. & Environmental Services	33 379	50 173	109 714	218.7	The municipality indicated that the actual capital expenditure for Economic & environmental services of R109.7 million or 218.7 percent is incorrect. The correct unaudited actual of R21.9 million or 43.7 percent was not finalised at the time of the reporting for MFMA Section 71. The under-expenditure of 43.7 percent was due to slow progress in the Building of Municipal Offices project that was budgeted at R25 million and tender objections of the Mazakhele Excess Road project budgeted at R11 million, under this line item.
Trading Services	7 090	5 200	721	13.9	The municipality did not provide Provincial Treasury with a reason for under-spending on capital expenditure under this line item.
Other	–	–	–	-	
Total Capital Expenditure	79 353	72 795	122 023	167.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	129 931	129 931	164 834		
Cash/cash equiv. at the year end:	72 548	84 682	(151 474)		The reported negative R151.5 million for Cash and cash equivalents at year end does not agree to the closing balance of R163.6 million as per the Bank Reconciliation and the Investment Register for the period ended 30 June 2019, submitted to Provincial Treasury. The municipality has attributed this negative amount to errors contained in the MFMA Section 71 reports.
Net Increase/(Decrease) in cash held	(57 383)	(45 249)	(316 308)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	–	
Expanded Public Works Programme	1 213	1 462	120.6%	(249)	The municipality has attributed the over-expenditure on the Expanded Public Works Programme to errors and misallocations in the figures reported in the MFMA Section 71 reports. The municipality further indicated that the grant has been fully spent.
Municipal Infrastructure Grant	22 940	25 693	112.0%	(2 753)	The municipality has attributed the over-expenditure on the Municipal Infrastructure Grant to errors and misallocations in the figures reported in the MFMA Section 71 reports. The municipality further indicated that the grant has been fully spent.
Integrated National Electrification Programme Grant	5 000	5 000	100.0%	–	

¹ Expenditure by munis.

Table 4.1 (o) Debtors, Creditors and Key ratios - uMuziwabantu Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	20 776		
Debtors as at 30 June 2019	24 918	19.9%	The municipality reported R24.9 million for Debtors as at 30 June 2019, which is a R4.1 million or 19.9 percent increase from the 2017/18 financial year. The municipality attributed the increase in Debtors to the culture of non payment in the municipal area and indicated that it has approached a third party to assist in the collection of long outstanding debts.
By age analysis			
0-30 days	3 395	13.6%	
31-60 days	1 773	7.1%	
61-90 days	1 141	4.6%	
>90 days	18 609	74.7%	The municipality reported R18.6 million or 74.7 percent for Debtors outstanding for over 90 days of which R7.7 million or 41.1 percent relates to Households; R5.9 million or 31.7 percent relates to Organs of State and R5.1 million or 27.2 percent relates to Commercial. The municipality has attributed this long outstanding ageing Debtors to a culture of non payment within the municipal area.
Total by age analysis	24 918	100.0%	
By customer group			
Organs of state	6 813	27.3%	
Commercial	7 489	30.1%	
Households	10 616	42.6%	Households owed R10.6 million or 42.6 percent of the total Debtors. The municipality attributed this percentage to a high unemployment rate and the overall socio-economic environment since the municipal boundaries are predominantly rural in nature.
Other	-	-	
Total by customer group	24 918	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	14 718		
Creditors as at 30 June 2019	38	-99.7%	The municipality has reported R38 000 for Creditors as at 30 June 2019 which does not appear reasonable when compared to R14.7 million reported in the 2017/18 Audited AFS. The municipality has indicated that there are accruals which were not taken into account at the time of reporting for MFMA Section 71.
By age analysis			
0-30 days	37	97.4%	
>30 days	1	2.6%	
Total by age analysis	38	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
Expenditure management			
Remuneration as a % ... of Total operating expenditure	25% - 40%	36.0%	
Grant dependency			
Own sources of revenue ... to total operating revenue	-	43.2%	The reported ratio of 43.2 percent is an indication that the sustainability of the municipality is dependent on grants to fund most of the Operating expenditure.
Own funded capital expenditure	-	-	The municipality has not reported a ratio on Own funded capital expenditure due to errors and misallocations reported in the MFMA Section 71 reports. The municipality indicated that R17.9 million of capital expenditure was funded from Internally generated funds. This equates to 24.6 percent of the budgeted capital expenditure.
Asset Management			
Capital Expenditure ... to Total expenditure	10% - 20%	46.2%	The municipality has reported Capital expenditure to Total expenditure ratio of 46.2 percent which is attributed to the overstatement of capital expenditure in the MFMA Section 71 reports.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.1.5 Analysis per Municipality: Ray Nkonyeni Local Municipality

Table 4.1 (p) Operating Revenue and Expenditure Performance - Ray Nkonyeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	404 757	405 289	623 402	153.8	The municipality indicated that the actual revenue generated for Property rates of R623.4 million or 153.8 percent is incorrect. The correct unaudited actual for Property rates of R405.5 million or 100 percent was not finalised at the time of reporting for MFMA Section 71.
Service Charges ¹	187 052	189 052	170 709	90.3	
Transfers recognised - operational	232 938	221 763	209 138	94.3	
Other sources of Revenue ²	162 754	75 151	57 831	77.0	The municipality indicated that the actual revenue for Other sources of revenue of R57.8 million or 77 percent is incorrect. The correct unaudited actual for Other sources of revenue of R58.8 million or 78.3 percent was not finalised at the time of reporting for MFMA Section 71. The under-generation of revenue of 78.3 percent was attributed to an unanticipated decline in Traffic fine revenue as per the Magistrate Court ruling that reprimanded the municipality from generating outstanding fines as well as a reduction in the sale of fuel from the Margate Airport since the aircraft operations has temporarily been halted.
Total Operating Revenue	987 501	891 255	1 061 080	119.1	
Operating Expenditure					
Employee related costs	366 621	378 898	334 235	88.2	The municipality indicated that the actual expenditure for Employee related costs of R334.2 million or 88.2 percent is incorrect. The correct unaudited actual for Employee related costs of R375.5 million or 99.1 percent was not finalised at the time of the reporting for MFMA Section 71.
Remuneration of councillors	30 943	28 856	30 672	106.3	The municipality indicated that the actual expenditure for Remuneration of councillors of R30.7 million or 106.3 percent is incorrect. The correct unaudited actual for Remuneration of councillors of R28.7 million or 99.6 percent was not finalised at the time of the reporting for MFMA Section 71.
Debt impairment	83 712	5 989	3 765	62.9	The municipality indicated that the actual expenditure for Debt impairment of R3.8 million or 62.9 percent is incorrect. The correct unaudited actual for Debt impairment of R7.8 million or 130.9 percent was not finalised at the time of the reporting for MFMA Section 71. The municipality has attributed the over-expenditure to under-budgeting during the Adjustments Budget process.
Depreciation and asset impairment	63 800	58 900	-	-	The municipality indicated that the asset verification process was not finalised at the time of reporting for MFMA Section 71 and the final amount for Depreciation and asset impairment will be incorporated in the 2018/19 AFS.
Bulk purchases	86 620	86 620	79 329	91.6	
Contracted services	157 367	150 827	114 473	75.9	The municipality indicated that the actual expenditure for Contracted services of R114.5 million or 75.9 percent is incorrect. The correct unaudited actual for Contracted services of R133.8 million or 88.7 percent was not finalised at the time of the reporting for MFMA Section 71. The municipality has attributed the under-expenditure of 88.7 percent to over-budgeting during the Adjustments Budget process.
Other expenditure items ³	156 300	162 454	123 461	76.0	The municipality indicated that the figures for the actual expenditure for Other expenditure items of R123.5 million or 76 percent and the reported Adjusted Budget of R162.5 million, are incorrect. The correct Council approved Adjusted Budget for this line item is R249.1 million and the municipality has spent R234.4 million or 94.1 percent for the period ended 30 June 2019.
Total Operating Expenditure	945 363	872 543	685 935	78.6	
Operating surplus/(deficit)	42 137	18 711	375 145		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.1 (q) Capital, Cash and Conditional grant Performance - Ray Nkonyeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	182 163	205 317	95 439	46.5	The municipality attributed the under-generation of capital revenue to the unanticipated reduction in the Housing grant from the KZN Department of Human Settlement from R134 million to R63.2 million.
Public contributions and donations	-	-	5 626	-	The unaudited actual of R5.6 million reported for Public contributions and donations has been attributed to errors and misallocations in the figures reported in the MFMA Section 71 reports.
Borrowing	-	-	-	-	
Internally generated funds	40 968	22 336	2 172	9.7	The municipality has attributed the under-generation of capital revenue to errors and misallocations reported in the MFMA Section 71 reports. The 2018/19 AFS will reflect the correct amount of 100 percent revenue recognised for this line item.
Total Capital Revenue	223 131	227 653	103 237	45.3	
Capital Expenditure					
Governance and Administration	875	1 095	32 282	2 947.8	The municipality has attributed the over-spending on capital expenditure for this line item to errors and misallocations in the MFMA Section 71 reports. The 2018/19 AFS will reflect the correct amount of 100 percent revenue recognised for this line item.
Community and Public Safety	158 548	151 015	53 151	35.2	The municipality has attributed the under-spending for this line item to slow progress in the housing projects since the grant funding from the KZN Department of Human Settlement was reduced from R134 million to R63.2 million.
Eco. & Environmental Services	34 535	48 622	10 375	21.3	The municipality has attributed the under-spending for this line item to errors and misallocations in the figures reported in the MFMA Section 71 reports. The 2018/19 AFS will reflect the correct amount of 100 percent revenue recognised for this line item.
Trading Services	26 123	26 921	7 429	27.6	The municipality has attributed the under-spending on capital expenditure for this line item to errors and misallocations in the figures reported in the MFMA Section 71 reports. The 2018/19 AFS will reflect the correct amount of 100 percent revenue recognised for this line item.
Other	3 051	-	-	-	
Total Capital Expenditure	223 131	227 653	103 237	45.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	93 557	95 257	95 215		The reported Cash/cash equivalents at the year begin of R95.2 million does not agree to R95.3 million as reflected in the 2017/18 Audited AFS. The municipality was unable to correct this error before the closure of the Local government database but a correct amount of R95.3 million will be reflected in the 2018/19 AFS.
Cash/cash equiv. at the year end:	80 083	65 248	43 342		
Net Increase/(Decrease) in cash held	(13 474)	(30 010)	(51 874)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	3 600	3 698	102.7%	(98)	The municipality has attributed the over-expenditure to errors and misallocations in the figures reported in the MFMA Section 71 reports. The municipality further indicated that the grant has been fully spent.
Expanded Public Works Programme	4 061	4 061	100.0%	-	
Municipal Infrastructure Grant	60 317	60 317	100.0%	-	
Integrated National Electrification Programme Grant	14 000	14 000	100.0%	-	

1 Expenditure by munis.

Table 4.1 (r) Debtors, Creditors and Key ratios - Ray Nkonyeni Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	209 503		
Debtors as at 30 June 2019	-	-100.0%	The municipality did not submit their month 12 MFMA Section 71 Report on Debtors. However, the municipality indicated that the 2018/19 AFS will reflect R244.7 million which equates to R35.2 million or 16.8 percent increase from the 2017/18 financial year. The 16.8 percent increase in ageing Debtors is attributed to a culture of non payment within the municipal area.
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	
<u>By customer group</u>			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	-	-	
Total by customer group	-	-	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	139 450		
Creditors as at 30 June 2019	-	-100.0%	The municipality did not submit their month 12 MFMA Section 71 Report on Creditors and further indicated that accruals relating to this line item will be incorporated in the 2018/19 AFS.
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-	-	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	53.2%	The municipality attributed the high ratio to labour intensive mechanisms used to deliver municipal services and the implementation of the Expanded Public Works Programme which is also labour intensive.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	80.3%	
Own funded capital expenditure	-	2.1%	The municipality indicated that R22.3 million of capital expenditure was funded from Internally generated funds which equates to 9.8 percent of the budgeted capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	13.1%	

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.1.6 Analysis per Municipality: Ugu District Municipality

Table 4.1 (s) Operating Revenue and Expenditure Performance - Ugu District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	–	–	–	–	
Service Charges ¹	429 111	429 111	361 329	84.2	The municipality indicated that the actual revenue generated for Service charges of R361.3 million or 84.2 percent is incorrect due to errors in the MFMA Section 71 reports. The correct unaudited actual for Service charges of R404.6 million or 94.2 percent was not finalised at the time of reporting for MFMA Section 71. The municipality has indicated that the correct amount will be reported in the 2018/19 AFS.
Transfers recognised - operational	451 693	452 692	497 391	109.9	The municipality indicated that the actual revenue generated for Transfers recognised - operational of R497.4 million or 109.9 percent is incorrect due to errors in the MFMA Section 71 reports. The correct unaudited actual for Service charges of R444.1 million or 98 percent was not finalised at the time of reporting for MFMA Section 71. The municipality has attributed the under-performance to the unspent grants.
Other sources of Revenue ²	13 709	13 709	33 651	245.5	The municipality has attributed the over-performance of this line item to the inaccurate budgeting during the Adjustments Budget process as most revenue line items were under-budgeted.
Total Operating Revenue	894 514	895 513	892 370	99.6	
Operating Expenditure					
Employee related costs	347 306	347 306	397 045	114.3	The municipality attributed the over-expenditure to the increased Overtime incurred due to unexpected infrastructure breakdowns during the financial year.
Remuneration of councillors	13 125	13 125	8 653	65.9	The municipality indicated that the under-expenditure was due to the position of the Mayor becoming vacant during the financial year.
Debt impairment	3 159	3 159	–	–	The municipality indicated that the finalised figures were not available at the time of MFMA Section 71 reporting. The correct Debt impairment amount will be reported in the 2018/19 AFS.
Depreciation and asset impairment	58 301	58 301	–	–	The municipality indicated that the finalised figures were not available at the time of MFMA Section 71 reporting. The correct Depreciation and asset impairment amount will be reported in the 2018/19 AFS.
Bulk purchases	75 000	125 000	69 194	55.4	The municipality attributed the under-expenditure to the 2018/19 year-end accruals which were not processed at the time of MFMA Section 71 reporting. The municipality indicated that the correct amount will be reported in the 2018/19 AFS.
Contracted services	41 018	265 578	296 196	111.5	The municipality has attributed the over-expenditure on this line item to the inaccurate budgeting during the Adjustments Budget process as this line item was under-budgeted.
Other expenditure items ³	346 956	295 616	108 018	36.5	The municipality attributed the under-expenditure to the 2018/19 year-end accruals which were not processed at the time of MFMA Section 71 reporting. The municipality indicated that the correct amount will be reported in the 2018/19 AFS.
Total Operating Expenditure	884 865	1 108 085	879 106	79.3	
Operating surplus/(deficit)	9 649	(212 572)	13 264		The municipality has reported an Operating surplus of R13.3 million in the 2018/19 financial year. It must be noted however, that this figure is subject to change after the correction of the above mentioned errors.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.1 (t) Capital, Cash and Conditional grant Performance - Ugu District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	276 389	281 388	242 509	86.2	The municipality attributed the low performance on capital revenue to the 2018/19 year-end accruals that were not processed at the time of MFMA Section 71 reporting. The municipality indicated that the correct amount for this line item is R281.4 million.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	24 774	55 898	10 181	18.2	The municipality attributed the low performance on Internally generated funds to the fact that certain capital projects were deferred to the 2019/20 financial year due to financial constraints.
Total Capital Revenue	301 163	337 286	252 690	74.9	
Capital Expenditure					
Governance and Administration	24 500	55 200	10 181	18.4	The municipality attributed the under-expenditure to the fact that certain capital projects were deferred to the 2019/20 financial year due to financial constraints.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	274	698	-	-	Refer to the comment above.
Trading Services	276 389	281 388	242 509	86.2	The municipality attributed the under-expenditure to the 2018/19 year-end accruals which were not processed at the time of MFMA Section 71 reporting. The municipality indicated that the correct amount will be reported in the 2018/19 AFS.
Other	-	-	-	-	
Total Capital Expenditure	301 163	337 286	252 690	74.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	52 363	41 801	41 801		The cash flow opening balance of R41.8 million does not agree to the Cash and cash equivalents closing balance of R51.9 million as per the 2017/18 audited AFS. The municipality has however indicated that the correct amount will be reported in the 2017/18 AFS.
Cash/cash equiv. at the year end:	5 396	(5 166)	38 710		Based on the error noted above, the Cash and cash equivalents at the year end amount of R38.7 million is not correct and may vary after the correction of the error.
Net Increase/(Decrease) in cash held	(46 967)	(46 967)	(3 092)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 865	1 865	100.0%	-	
Expanded Public Works Programme	3 250	3 454	106.3%	(204)	The municipality has attributed the over-performance of this line item to the errors in the MFMA Section 71 reports. The correct amount spent for Expanded Public Works Programme grant as per the signed grants register dated 30 June 2019 is R3.3 million. The municipality has indicated that the correct amount will be reported in the 2018/19 AFS.
Municipal Infrastructure Grant	235 888	211 385	89.6%	24 503	The municipality attributed the low performance on capital revenue to the fact that the 2018/19 year-end accruals were not processed at the time of MFMA Section 71 reporting. The correct amount spent for Municipal Infrastructure Grant as per the signed grants register 30 June 2019 is R235.9 million. The municipality has indicated that the correct amount will be reported in the 2018/19 AFS.
Water Services Infrastructure Grant	55 000	61 481	111.8%	(6 481)	The municipality has attributed the over-performance of this line item to the errors in the MFMA Section 71 reports. The correct amount spent for Municipal Infrastructure Grant as per the signed grants register 30 June 2019 is R55 million. The municipality has indicated that the correct amount will be reported in the 2018/19 AFS.

¹ Expenditure by munis.

Table 4.1 (u) Debtors, Creditors and Key ratios - Ugu District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	462 874		
Debtors as at 30 June 2019	538 239	16.3%	The Debtors balance has increased by R75.4 million or 16.3 percent from R462.9 million as at 30 June 2018 to R538.2 million as at 30 June 2019. The municipality attributed the increase to the incorrect customer information in the system and indicated that it is currently undertaking a data cleansing exercise to correct the Debtors balance.
<u>By age analysis</u>			
0-30 days	28 924	5.4%	
31-60 days	23 849	4.4%	
61-90 days	15 936	3.0%	
>90 days	469 531	87.2%	The municipality reported R469.5 million or 87.2 percent of Debtors that are in the "Over 90 days" category as at 30 June 2019. The municipality attributed the increase to the incorrect customer information in the system and indicated that it is currently undertaking a data cleansing exercise to correct the Debtors balance.
Total by age analysis	538 239	100.0%	
<u>By customer group</u>			
Organs of state	28 816	5.4%	
Commercial	88 566	16.5%	
Households	413 636	76.8%	The Households category owed R413.6 million or 76.8 percent of total Debtors, which is attributed to the culture of non payment within the municipal area.
Other	7 221	1.3%	
Total by customer group	538 239	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	178 497		
Creditors as at 30 June 2019	95 494	-46.5%	
<u>By age analysis</u>			
0-30 days	21 631	22.7%	
>30 days	73 863	77.3%	The R73.9 million of the municipality's Creditors were outstanding for more than 30 days as at 30 June 2019. This constitutes non compliance with Section 65(2)(e) of the MFMA. The municipality attributed this to the financial constraints currently being experienced by the municipality.
Total by age analysis	95 494	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	46.1%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(s).
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	44.3%	
Own funded capital expenditure	-	4.0%	The municipality attributed the low performance to the fact that certain capital projects funded by Internally generated funds were deferred to the 2019/20 financial year due to financial constraints.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	22.3%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(s).

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.2 uMgungundlovu District

The uMgungundlovu District comprises of seven local municipalities namely; the uMshwathi, uMngeni, Mpofana, iMpindle, Msunduzi, Mkhambathini and Richmond Local Municipalities. The district covers a geographical area of 9 602 km² (KZNCOGTA, 2017)¹. There are four municipalities classified as low capacity namely; the uMshwathi, Mpofana, iMpindle and Richmond Local Municipalities, whilst the uMngeni and Mkhambathini Local Municipalities and the uMgungundlovu District Municipality are classified as medium capacity. The Msunduzi Local Municipality is classified as a high capacity municipality. The Msunduzi Local Municipality is a well-established commercial hub and the capital of KwaZulu-Natal whilst the remaining municipalities are more rural in nature.

The main trading services rendered by the uMgungundlovu District Municipality are *Water* and *Sanitation* services. The uMngeni and Mpofana Local Municipalities provided *Electricity* and *Refuse removal* services whilst the uMshwathi, iMpindle, Richmond and Mkhambathini Local Municipalities only rendered *Refuse removal* services during the 2018/19 financial year.

During the 2018/19 financial year, the uMshwathi and uMngeni Local Municipalities had both, a permanent Municipal Manager (MM) and Chief Financial Officer (CFO) in office; while there were movements in the position of MM and CFO in the remaining municipalities within the district. The iMpindle, Mpofana, Msunduzi and Richmond Local Municipalities had both acting MM's and acting CFO during the 2018/19 financial year. The Mkhambathini Local Municipality had a permanent CFO and an acting MM since 01 March 2018. The uMgungundlovu District Municipality had a permanent MM and an acting CFO since 01 June 2018.

The uMshwathi and Mkhambathini Local Municipalities maintained their unqualified audit opinion with findings in the 2017/18 financial year from the previous financial year. uMngeni Local Municipality improved from a qualified audit opinion in 2016/17 to an unqualified audit opinion with findings in the 2017/18 financial year. The remainder of the municipalities regressed in the 2017/18 financial year. Mpofana Local Municipality regressed from a qualified to a disclaimer audit opinion in the 2017/18 financial year. iMpindle Local Municipality regressed from an unqualified with findings audit opinion in the 2016/17 financial year to qualified audit opinion in the 2017/18 financial year. Msunduzi Local Municipality improved from a disclaimer in the 2016/17 financial year to an adverse audit opinion in the 2017/18 financial year. Richmond Local Municipality regressed from unqualified with findings audit opinion to an adverse audit opinion in the 2017/18 financial year. The uMgungundlovu District Municipality regressed from an unqualified with findings audit opinion to a qualified audit opinion in the 2017/18 financial year.

The Mpofana and Msunduzi Local Municipalities were both placed under intervention in terms of Section 139(1)(b) of the Constitution of the Republic of South Africa, 1996 since 8 December 2017 and 9 April 2019 respectively. Administrators were appointed by the KZN Department of Co-operative Governance and Traditional Affairs (CoGTA) to the municipalities.

It should be noted that the budget performance figures published by National Treasury are preliminary figures and do not take the year-end reconciliations into consideration. The figures could also change during the preparation and the audit of the 2018/19 Annual Financial Statements.

The tables in this report reflect budget and actual figures for the delegated municipalities, as well as the non-delegated municipality. However, the budget performance of the Msunduzi Local Municipality is not analysed as this municipality reports directly to National Treasury.

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

4.2.1 Overview of uMgungundlovu District Performance

Table 4.2(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMshwathi	159 192	165 797	172 417	104.0
uMngeni	391 818	394 347	363 035	92.1
Mpofana	149 754	158 424	80 684	50.9
iMpendle	44 674	44 808	47 141	105.2
Msunduzi	5 032 038	4 969 234	5 008 502	100.8
Mkhambathini	93 577	87 318	92 861	106.3
Richmond	103 545	93 481	283 417	303.2
uMgungundlovu DM	827 071	763 324	783 583	102.7
Total	6 801 668	6 676 734	6 831 639	102.3

Source: NT Igdatabase

Table 4.2(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMshwathi	153 299	158 883	148 225	93.3
uMngeni	391 608	394 164	347 542	88.2
Mpofana	177 452	214 226	130 031	60.7
iMpendle	54 633	54 651	43 752	80.1
Msunduzi	4 928 912	4 925 581	5 167 662	104.9
Mkhambathini	112 650	117 165	75 659	64.6
Richmond	124 459	117 503	308 992	263.0
uMgungundlovu DM	808 648	795 236	741 371	93.2
Total	6 751 660	6 777 409	6 963 233	102.7

Source: NT Igdatabase

Table 4.2(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMshwathi	32 842	34 012	29 267	86.0
uMngeni	34 500	44 842	29 884	66.6
Mpofana	16 878	18 878	14 802	78.4
iMpendle	12 265	19 188	16 861	87.9
Msunduzi	571 382	595 676	426 052	71.5
Mkhambathini	19 285	34 370	26 033	75.7
Richmond	25 389	29 403	14 968	50.9
uMgungundlovu DM	207 528	210 828	254 968	120.9
Total	920 069	987 197	812 835	82.3

Source: NT Igdatabase

Table 4.2(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	4 843	3.9	3 009	2.4	2 097	1.7	114 941	92.0	124 889
uMngeni	5 537	4.2	4 539	3.5	3 435	2.6	117 845	89.7	131 355
Mpofana	(1 474)	(1.0)	386	0.3	4 462	3.0	145 041	97.7	148 414
iMpendle	273	3.3	172	2.1	159	1.9	7 603	92.6	8 207
Msunduzi	620 166	17.4	13 068	0.4	83 498	2.3	2 843 368	79.9	3 560 100
Mkhambathini	1 131	4.2	834	3.1	687	2.5	24 582	90.3	27 234
Richmond	-	-	-	-	-	-	-	-	-
uMgungundlovu DM	46 426	6.8	(379)	(0.1)	15 874	2.3	624 592	91.0	686 513
Total	676 902	14.4	21 629	0.5	110 210	2.4	3 877 972	82.7	4 686 712

Source: NT Igdatabase

Table 4.2(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	55 701	44.6	23 589	18.9	45 599	36.5	-	-	124 889
uMngeni	7 283	5.5	3 210	2.4	100 606	76.6	20 256	15.4	131 355
Mpofana	-	-	-	-	-	-	148 414	100.0	148 414
iMpendle	6 882	83.9	812	9.9	512	6.2	-	-	8 207
Msunduzi	202 549	5.7	549 229	15.4	2 568 465	72.1	239 858	6.7	3 560 100
Mkhambathini	322	1.2	11 369	41.7	3 176	11.7	12 367	45.4	27 234
Richmond	-	-	-	-	-	-	-	-	-
uMgungundlovu DM	26 687	3.9	15 079	2.2	570 918	83.2	73 829	10.8	686 513
Total	299 424	6.4	603 288	12.9	3 289 277	70.2	494 723	10.6	4 686 712

Source: NT Igdatabase

Table 4.2(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	-	-	-	-	-	-	-	-	-
uMngeni	11 178	100.0	-	-	-	-	-	-	11 178
Mpofana	5 118	3.5	5 939	4.0	6 152	4.2	130 835	88.4	148 044
iMpendle	-	-	-	-	-	-	-	-	-
Msunduzi	984 873	99.4	1 806	0.2	1 056	0.1	2 982	0.3	990 717
Mkhambathini	3 131	99.3	16	0.5	1	-	5	0.2	3 154
Richmond	-	-	-	-	-	-	-	-	-
uMgungundlovu DM	43 685	47.2	39 591	42.8	8 101	8.8	1 158	1.3	92 535
Total	1 047 985	84.1	47 353	3.8	15 311	1.2	134 979	10.8	1 245 628

Source: NT Igdatabase

4.2.2 Analysis per Municipality: uMshwathi Local Municipality

Table 4.2 (g) Operating Revenue and Expenditure Performance - uMshwathi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	36 200	42 250	45 505	107.7	
Service Charges ¹	2 070	2 250	2 402	106.8	
Transfers recognised - operational	108 122	107 972	107 972	100.0	
Other sources of Revenue ²	12 800	13 325	16 537	124.1	The municipality indicated that the over-generation of Other sources of revenue is as a result of the under-budgeted Interest on external investments and Interest on outstanding debtors. Furthermore, the municipality generated income from Gains on disposal of assets which was not budgeted for.
Total Operating Revenue	159 192	165 797	172 417	104.0	
Operating Expenditure					
Employee related costs	64 757	67 618	67 348	99.6	
Remuneration of councillors	9 720	9 620	9 915	103.1	The municipality indicated that the over-expenditure on the Remuneration of councillors is due to misallocations. The correct amount will be reported in the 2018/19 AFS.
Debt impairment	-	-	-	-	
Depreciation and asset impairment	13 500	14 000	13 420	95.9	
Bulk purchases	-	-	-	-	
Contracted services	37 131	37 921	24 932	65.7	The municipality indicated that the under-expenditure on Contracted services is due to the misallocation of expenditure incurred to the Other expenditure line item. The correct amounts for these line items will be reported in the 2018/19 AFS.
Other expenditure items ³	28 191	29 724	32 611	109.7	The municipality indicated that the over-expenditure on Other expenditure items is due to the misallocation of Contracted services to the Other expenditure line item. The correct amounts for these line items will be reported in the 2018/19 AFS.
Total Operating Expenditure	153 299	158 883	148 225	93.3	
Operating surplus/(deficit)	5 893	6 914	24 192		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.2 (h) Capital, Cash and Conditional grant Performance - uMshwathi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	27 098	29 470	27 686	93.9	The municipality erroneously reported Transfers recognised - capital as R29.5 million in the Adjusted Budget return whereas according to the 2018 DoRA, Transfers recognised - capital are R27.1 million. Therefore, the performance on Transfers recognised - capital spent is 102.2 percent. The municipality indicated that there were some MIG funded projects that were overspent as well as misallocations in the MFMA Section 71 reports. The correct amount will be reported in the 2018/19 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	5 744	4 542	1 581	34.8	The municipality indicated that the under-expenditure against Internally generated funds is as a result of the municipality not acquiring the motor vehicles that were budgeted for due to the transversal contract not being finalised by the end of the financial year.
Total Capital Revenue	32 842	34 012	29 267	86.0	
Capital Expenditure					
Governance and Administration	3 792	3 792	1 411	37.2	The municipality indicated that the under-expenditure in the Governance and Administration vote is as a result of the municipality not acquiring the motor vehicles that were budgeted for due to the transversal contract not being finalised by the end of the financial year.
Community and Public Safety	10 100	16 200	12 719	78.5	The municipality indicated that the under-expenditure in the Community and Public Safety vote is as a result of the delay of some projects due to the under-performance of service providers. Furthermore, there was a misallocation of expenditure on the Taxi rank project to the Economic and Environmental Services vote. The correct amount will be reported in the 2018/19 AFS.
Eco. & Environmental Services	18 950	14 020	15 137	108.0	The municipality indicated that the over-expenditure in the Economic and Environmental Services vote is as a result of the misallocation of expenditure on the Taxi rank project from the Community and Public Safety vote. The correct amount will be reported in the 2018/19 AFS.
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	32 842	34 012	29 267	86.0	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	11 525	11 191	1 200		The Cash and cash equivalents at year beginning of R1.2 million for the Unaudited actual is not equivalent to the closing Cash and cash equivalents of R11.2 million in the 2017/18 audited AFS resulting in an understatement of R10 million.
Cash/cash equiv. at the year end:	19 748	25 517	1 741		The municipality has reported Cash and cash equivalents at year end of R1.7 million. However, according to the Bank reconciliation and Investment register, the Cash and cash equivalents as at 30 June 2019 amount to R35.3 million. Therefore, the municipality's Cash and cash equivalents at year end appears to be understated by R33.6 million.
Net Increase/(Decrease) in cash held	8 223	14 326	541		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	1 970	100.0%	-	
Expanded Public Works Programme	1 471	1 574	107.0%	(103)	The municipality indicated that there were misallocations of the source of funding for the EPWP employees. The EPWP grant is fully spent.
Municipal Infrastructure Grant	27 098	31 596	116.6%	(4 498)	The municipality indicated that there were MIG funded projects that were overspent as well as misallocations in the MFMA Section 71 reports. The correct amount will be reported in the 2018/19 AFS.
Integrated National Electrification Programme Grant	10 000	5 681	56.8%	4 319	The municipality indicated that the unspent amount is fully committed as contractors are on site for four electrification projects which are expected to be completed by the end of July.

¹ Expenditure by munis.

Table 4.2 (i) Debtors, Creditors and Key ratios - uMshwathi Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			% Increase/ Decrease
Debtors as at 30 June 2018 ¹	108 065		
Debtors as at 30 June 2019	124 889	15.6%	The municipality reported R124.9 million for Debtors as at 30 June 2019, which is a R16.8 million or 15.6 percent increase from the 2017/18 financial year. The municipality indicated that the increase in Debtors is due to the current economic climate and unemployment.
<u>By age analysis</u>			
0-30 days	4 843	3.9%	
31-60 days	3 009	2.4%	
61-90 days	2 097	1.7%	
>90 days	114 941	92.0%	The municipality indicated that the large number of Debtors over 90 days is attributable to a major portion of the Government debt outstanding from the Department of Water and Sanitation and the Ingonyama Trust.
Total by age analysis	124 889	100.0%	
<u>By customer group</u>			
Organs of state	55 701	44.6%	The municipality indicated that a major portion of the Government debt outstanding from the Department of Water and Sanitation and the Ingonyama Trust.
Commercial	23 589	18.9%	
Households	45 599	36.5%	The municipality indicated that it has embarked on a process to hand over long outstanding accounts to debt collectors.
Other	-	-	
Total by customer group	124 889	100.0%	
Creditors			% Increase/ Decrease
Creditors as at 30 June 2018 ¹	2 807		
Creditors as at 30 June 2019	-	-100.0%	The municipality reported that there were zero Creditors in the Section 71 monthly reports as at 30 June 2019. However, the municipality indicated that there may be outstanding Creditors after accruals have been taken into account during the preparation of the 2018/19 AFS.
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-	-	
Key Ratios			% Actual
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	52.1%	The municipality indicated that it has reviewed its organogram by removing and combining some posts in an attempt to reduce the ratio of Remuneration as a percentage of Total operating expenditure.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	37.4%	The municipality indicated that the average grant dependency over the past 3 years has been approximately 55 percent to 60 percent. This is mainly because apart from grants, the municipality has only Property rates and Refuse revenue as its other main sources of income.
Own funded capital expenditure	-	5.4%	The municipality is highly dependant on grant funding for capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	16.5%	

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.2.3 Analysis per Municipality: uMngeni Local Municipality

Table 4.2 (j) Operating Revenue and Expenditure Performance - uMngeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	199 346	199 880	190 156	95.1	
Service Charges ¹	89 874	95 899	76 576	79.9	The municipality attributed the under-generation of revenue from Service charges to the lower than anticipated billing of electricity due to electricity theft and illegal connections within the municipal area.
Transfers recognised - operational	75 373	76 749	75 231	98.0	The municipality attributed the under-generation of Transfers recognised - operational to conditional grants which have not been fully spent by the end of the 2018/19 financial year.
Other sources of Revenue ²	27 225	21 820	21 072	96.6	
Total Operating Revenue	391 818	394 347	363 035	92.1	
Operating Expenditure					
Employee related costs	112 197	113 965	104 802	92.0	The municipality indicated that the under-expenditure of Employee related costs is due to the Employee benefits that have not yet been processed in the financial system. The correct amount will be reported in the 2018/19 AFS.
Remuneration of councillors	9 517	9 071	8 736	96.3	
Debt impairment	9 878	9 878	-	-	The municipality indicated that the calculation for Debt impairment will be finalised during the preparation of the 2018/19 AFS.
Depreciation and asset impairment	32 340	32 340	32 340	100.0	
Bulk purchases	110 422	110 422	95 167	86.2	The municipality attributed the under-expenditure on Bulk purchases to the reduction of penalties by Eskom after the upgrade of energy charge for Mpophomeni township.
Contracted services	25 132	67 192	62 664	93.3	
Other expenditure items ³	92 122	51 297	43 833	85.4	The municipality attributed the under-expenditure on Other expenditure items to the savings realised after the implementation of cost containment measures.
Total Operating Expenditure	391 608	394 164	347 542	88.2	
Operating surplus/(deficit)	210	183	15 492		The municipality reported an Operating surplus of R15.5 million which is overstated since the expenditure for Debt impairment has not been reported.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.2 (k) Capital, Cash and Conditional grant Performance - uMngeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	27 646	38 288	28 682	74.9	The municipality indicated that the Adjustments Budget for this line item is incorrect and the correct amount of R34.9 million results in spending of 82.2 percent. The municipality attributed the under-expenditure against Transfers recognised - capital to KZN CoGTA not transferring a portion of the allocation for the Nelson Mandela capture site project as well as the under-spending of MIG.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	6 854	6 554	1 202	18.3	The municipality attributed the under-expenditure against Internally generated funds to the delay in the purchase of vacant land to erect RDP houses due to the ongoing negotiations with the land owner.
Total Capital Revenue	34 500	44 842	29 884	66.6	
Capital Expenditure					
Governance and Administration	583	712	552	77.5	The municipality indicated that the procuring of some assets has been halted due to cash flow constraints as they are funded through Internally generated funds.
Community and Public Safety	5 280	5 180	70	1.4	The municipality attributed the under-expenditure to the delay in the purchase of vacant land to erect RDP houses due to the ongoing negotiations with the land owner.
Eco. & Environmental Services	27 774	26 651	28 860	108.3	
Trading Services	300	12 300	-	-	The municipality indicated that the Adjusted Budget amount of R12.3 million is in respect of the Storm water infrastructure which is allocated to Waste water management due to mSCOA classifications. The expenditure incurred in this line item was erroneously allocated to the Economic and Environmental services vote.
Other	564	-	402	-	The municipality has not budgeted for this line item in the 2018/19 Adjusted Budget. The municipality indicated that the expenditure reported against the Other vote is as a result of a misallocation.
Total Capital Expenditure	34 500	44 842	29 884	66.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	9 635	11 985	11 985		
Cash/cash equiv. at the year end:	4 970	3 716	24 374		
Net Increase/(Decrease) in cash held	(4 665)	(8 270)	12 388		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 770	1 770	100.0%	-	
Expanded Public Works Programme	1 000	1 000	100.0%	-	
Municipal Infrastructure Grant	22 646	19 787	87.4%	2 859	The municipality attributed the under-expenditure against MIG to the delay in the SCM processes resulting in the late appointment of contractors.
Integrated National Electrification Programme Grant	8 000	8 000	100.0%	-	

¹ Expenditure by munis.

Table 4.2 (I) Debtors, Creditors and Key ratios - uMngeni Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	106 944		
Debtors as at 30 June 2019	131 355	22.8%	The municipality reported R131.4 million for Debtors as at 30 June 2019, which is a R24.4 million or 22.8 percent increase from the 2017/18 financial year. The municipality has indicated that the increase in Debtors is due to the current economic climate and unemployment.
<u>By age analysis</u>			
0-30 days	5 537	4.2%	
31-60 days	4 539	3.5%	
61-90 days	3 435	2.6%	
>90 days	117 845	89.7%	The municipality has reported that R117.9 million or 89.7 percent of Debtors have been outstanding for over 90 days. Households owed R90.2 million or 90 percent of the Debtors in the over 90 days category. The municipality has indicated that the increase in Debtors is due to the current economic climate and unemployment.
Total by age analysis	131 355	100.0%	
<u>By customer group</u>			
Organs of state	7 283	5.5%	
Commercial	3 210	2.4%	
Households	100 606	76.6%	The municipality has indicated that the R100.6 million or 76.6 percent of total outstanding Debtors attributable to Households is due to the culture of non payment of municipal debt by ratepayers. The municipality has indicated that the large amount of the outstanding Debtors from Households have been handed over to debt collectors.
Other	20 256	15.4%	
Total by customer group	131 355	100.0%	
Creditors		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	35 381		
Creditors as at 30 June 2019	11 178	-68.4%	
<u>By age analysis</u>			
0-30 days	11 178	100.0%	
>30 days	-	-	
Total by age analysis	11 178	100.0%	
Key Ratios		Norm/ Range	% Actual
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%		32.7%
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-		79.3%
Own funded capital expenditure	-		4.0%
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%		7.9%

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.2.4 Analysis per Municipality: Mpfana Local Municipality

Table 4.2 (m) Operating Revenue and Expenditure Performance - Mpfana Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	16 690	16 725	17 306	103.5	
Service Charges ¹	68 996	75 827	29 568	39.0	The municipality indicated that the under-generation of Service charges is due to the manual billing of the customers that use bulk electricity. Therefore, the reported information does not include all the billings made in the 2018/19 financial year. The outstanding billings will be processed into the financial system during the preparation of the 2018/19 AFS.
Transfers recognised - operational	44 022	44 072	14 141	32.1	The municipality indicated that its Transfer recognised - operational were not fully recognised in the monthly Section 71 reports. The correct amount will be reported in the 2018/19 AFS.
Other sources of Revenue ²	20 046	21 800	19 669	90.2	The municipality attributed the under-generation of revenue from Other sources of revenue to budgeted income from SANRAL and N3TC which has not yet been billed. The outstanding billings will be processed into the financial system during the preparation of the 2018/19 AFS.
Total Operating Revenue	149 754	158 424	80 684	50.9	
Operating Expenditure					
Employee related costs	37 257	43 834	41 043	93.6	
Remuneration of councillors	2 691	2 691	2 764	102.7	
Debt impairment	19 000	17 891	-	-	The municipality indicated that the expenditure for Debt Impairment will be accounted for during the preparation of the 2018/19 AFS.
Depreciation and asset impairment	13 700	16 712	-	-	The municipality indicated that the expenditure for Depreciation and asset impairment will be accounted for during the preparation of the 2018/19 AFS.
Bulk purchases	71 250	80 000	53 529	66.9	The municipality indicated that the under-expenditure on Bulk purchases is as a result of the Accruals for the outstanding Eskom invoices that have not been paid. The municipality indicated that all Accruals will be processed during the preparation of the 2018/19 AFS.
Contracted services	8 344	12 567	10 650	84.7	The municipality indicated that the under-expenditure on Contracted services is due to invoices that have not been captured into the financial system and will be captured during the preparation of the 2018/19 AFS.
Other expenditure items ³	25 210	40 531	22 044	54.4	The municipality attributed the under-expenditure on Other expenditure items to the savings realised after the implementation of cost containment measures.
Total Operating Expenditure	177 452	214 226	130 031	60.7	
Operating surplus/(deficit)	(27 698)	(55 802)	(49 347)		The municipality reported an Operating deficit of R49.3 million. However, the Deficit is misstated since the expenditure for Debt impairment and Depreciation and asset impairment has not been reported and the errors noted in the MFMA Section 71 reported figures. The reflected figures will change during the preparation of the 2018/19 AFS.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.2 (n) Capital, Cash and Conditional grant Performance - Mpopana Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	11 878	18 878	14 802	78.4	The municipality reported Transfers recognised - capital as R18.9 million in the Adjusted Budget return whereas according to Government Gazette No. 42318, the municipality received an additional MIG allocation of R2 million. Therefore, Transfers recognised - capital are R20.9 million. The municipality indicated that Transfers recognised - capital was not fully recognised in the monthly Section 71 reports while the MIG grant was fully spent. The correct amount will be reported in the 2018/19 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	5 000	-	-	-	
Total Capital Revenue	16 878	18 878	14 802	78.4	
Capital Expenditure					
Governance and Administration	-	1 731	-	-	The municipality indicated that the budgeted projects were completed; however, some invoices were not processed on the financial system at the time of the MFMA Section 71 reporting.
Community and Public Safety	-	2 224	-	-	The municipality indicated that the budgeted projects were completed; however, some invoices were not processed on the financial system at the time of the MFMA Section 71 reporting.
Eco. & Environmental Services	16 878	12 864	14 802	115.1	The municipality has attributed the over-expenditure in the Economic and Environmental services vote to the misallocation of capital expenditure from other votes. The correct amount will be reported in the 2018/19 AFS.
Trading Services	-	2 059	-	-	The municipality indicated that the budgeted projects were completed; however, some invoices were not processed on the financial system at the time of the MFMA Section 71 reporting.
Other	-	-	-	-	
Total Capital Expenditure	16 878	18 878	14 802	78.4	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	497	2 390	2 390		
Cash/cash equiv. at the year end:	(60 683)	(51 508)	(20 558)		The reported negative R20.6 million for Cash and cash equivalents at year end does not agree to the closing balance of R5.4 million as per the Bank statements submitted to Provincial Treasury for the period ended 30 June 2019.
Net Increase/(Decrease) in cash held	(61 179)	(53 898)	(22 948)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	928	47.1%	1 042	The municipality indicated that the under-expenditure is due to inaccurate reporting in the monthly Section 71 reports as the grant has been fully spent.
Expanded Public Works Programme	1 000	941	94.1%	59	The municipality indicated that the under-expenditure is due to inaccurate reporting in the monthly Section 71 reports as the grant has been fully spent.
Municipal Infrastructure Grant	13 878	11 923	85.9%	1 955	The municipality indicated that the under-expenditure is due to inaccurate reporting in the monthly Section 71 reports as the grant has been fully spent.
Integrated National Electrification Programme Grant	6 984	6 984	100.0%	-	

¹ Expenditure by munis.

Table 4.2 (o) Debtors, Creditors and Key ratios - Mpfana Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors		% Increase/ Decrease	
Debtors as at 30 June 2018¹	106 165		
Debtors as at 30 June 2019	148 414	39.8%	The municipality reported R148.4 million for Debtors as at 30 June 2019, which is a R42.2 million or 39.8 percent increase from the 2017/18 financial year. The municipality has indicated that the increase in Debtors is due to the current economic climate and unemployment.
By age analysis			
0-30 days	(1 474)	-	The municipality indicated that the negative R1.5 million is due to the incorrect capturing of amounts in the monthly Section 71 reports. The correct amount will be reported in the 2018/19 AFS.
31-60 days	386	0.3%	
61-90 days	4 462	3.0%	
>90 days	145 041	97.7%	The municipality has reported that R145 million or 97.7 percent of Debtors have been outstanding for over 90 days. The municipality has indicated that a large amount of the outstanding Debtors are from Households which have been handed over to debt collectors.
Total by age analysis	148 414	100.0%	
By customer group			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	148 414	100.0%	The municipality has indicated that the financial system has not yet been configured to categorise its Debtors by customer group.
Total by customer group	148 414	100.0%	
Creditors		% Increase/ Decrease	
Creditors as at 30 June 2018¹	114 318		
Creditors as at 30 June 2019	148 044	29.5%	The municipality reported R148 million for Creditors as at 30 June 2019, which is a R33.7 million or 29.5 percent increase from the 2017/18 financial year. The municipality has attributed this to its inability to pay its Creditors timeously due to its cash flow constraints. Eskom was owed R132.4 million as at 30 June 2019 by the municipality.
By age analysis			
0-30 days	5 118	3.5%	
>30 days	142 927	96.5%	The municipality has reported Creditors outstanding for more than 30 days of R142.9 million which is in contravention Section 65(2)(e) of the MFMA. The municipality has attributed this to its inability to pay its Creditors timeously due to its cash flow constraints.
Total by age analysis	148 044	100.0%	
Key Ratios		Norm/ Range	% Actual
Expenditure management			
Remuneration as a % ... of Total operating expenditure	25% - 40%		33.7%
Grant dependency			
Own sources of revenue ... to total operating revenue	-		82.5%
			This ratio indicates that the municipality is not highly grant dependant.
Own funded capital expenditure	-		-
			The municipality has funded its capital expenditure using grants due to the municipality's cash flow constraints.
Asset Management			
Capital Expenditure ... to Total expenditure	10% - 20%		10.2%

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.2.5 Analysis per Municipality: iMpendle Local Municipality

Table 4.2 (p) Operating Revenue and Expenditure Performance - iMpendle Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	5 174	5 174	2 526	48.8	The municipality indicated that the MFMA Section 71 reports were incorrect due to errors in their financial system which reflects negative amounts therefore reducing the revenue generated for Property rates. The correct amount of R4.9 million will be reported in the 2018/19 AFS.
Service Charges ¹	(218)	61	61	99.7	
Transfers recognised - operational	37 582	37 582	23 584	62.8	The municipality has indicated that the under-generation of revenue for this line item is due to the misallocation of grants revenue from Transfers recognised - operational to Other sources of Revenue. The municipality indicated that these transactions will be correctly accounted for in the 2018/19 AFS.
Other sources of Revenue ²	2 136	1 991	20 969	1 053.4	The municipality has attributed the over-generation of revenue for this line item to the misallocation of grants revenue to Other revenue in the MFMA Section 71 reports. The municipality indicated that these transactions will be correctly accounted for in the 2018/19 AFS.
Total Operating Revenue	44 674	44 808	47 141	105.2	
Operating Expenditure					
Employee related costs	26 957	28 025	29 378	104.8	
Remuneration of councillors	2 553	2 490	2 089	83.9	The municipality has attributed the under-spending of Remuneration of councillors to the fact that some of the expenditure in this line item has been misallocated to Employee related costs. The correct amount will be reported in the 2018/19 AFS.
Debt impairment	1 552	1 552	-	-	The municipality indicated that the finalised Debt impairment figures were not available at the time of the MFMA Section 71 reporting. The calculations for Debt impairment will be finalised during the preparation of the AFS.
Depreciation and asset impairment	8 417	8 417	-	-	The municipality indicated that the finalised Depreciation and asset impairment figures were not available at the time of the MFMA Section 71 reporting. The calculations for Depreciation and asset impairment will be finalised during the preparation of AFS.
Bulk purchases	-	-	-	-	
Contracted services	5 386	5 165	3 218	62.3	The municipality has attributed the under-spending on Contracted services to the strict implementation of cost containment measures.
Other expenditure items ³	9 767	9 001	9 066	100.7	
Total Operating Expenditure	54 633	54 651	43 752	80.1	
Operating surplus/(deficit)	(9 959)	(9 844)	3 389		The municipality's reported Operating surplus of R3.4 million may change as the expenditure for Debt impairment and Depreciation and asset impairment have not been accounted for. The correct operating performance amount will be reported in the 2018/19 AFS.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.2 (q) Capital, Cash and Conditional grant Performance - iMpendle Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	11 572	18 745	16 861	90.0	The municipality has attributed the under-performance of capital revenue to the fact that the Infrastructure - Sport Facilities grant was not fully spent.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	693	443	-	-	The municipality indicated that the Computer software, Furniture and fittings were not purchased due to the cash constraints experienced by the municipality.
Total Capital Revenue	12 265	19 188	16 861	87.9	
Capital Expenditure					
Governance and Administration	238	238	-	-	The municipality indicated that they could not acquire the budgeted Computer equipment and Furniture and fittings due to cash constraints.
Community and Public Safety	190	11 760	2 403	20.4	The municipality indicated that some of the capital expenditure for the construction of Nxamalala Sports field and Community halls was misallocated to the Economic and environmental services vote in the MFMA Section 71 report. The misallocated amounts will be reported correctly in the 2018/19 AFS.
Eco. & Environmental Services	11 587	7 189	14 458	201.1	The municipality indicated that the budget of R7.2 million that was allocated for the construction of Roads transport was fully spent. However, the over-spending reported was attributed to the misallocation of capital expenditure in the MFMA Section 71 reports from the Community and Public Safety vote.
Trading Services	-	-	-	-	
Other	250	-	-	-	
Total Capital Expenditure	12 265	19 188	16 861	87.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	3 500	4 281	4 281		
Cash/cash equiv. at the year end:	2 263	1 061	6 340		
Net Increase/(Decrease) in cash held	(1 237)	(3 219)	2 059		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 500	79.0%	400	The municipality has indicated that the Financial Management Grant has been fully spent. The under-spending is as a result of errors in the MFMA Section 71 reports and were corrected after the Local Government database was closed. The grant will be correctly accounted for in the 2018/19 AFS.
Expanded Public Works Programme	1 160	1 021	88.0%	139	The municipality has indicated that the Expanded Public Works Programme has been fully spent. The under-spending is as a result of errors in the MFMA Section 71 reports and were corrected after the Local Government database was closed. The grant will be correctly accounted for in the 2018/19 AFS.
Municipal Infrastructure Grant	11 572	11 350	98.1%	222	The municipality has indicated that the Municipal Infrastructure Grant has been fully spent. The under-spending is as a result of errors in the MFMA Section 71 reports and were corrected after the Local Government database was closed. The grant will be correctly accounted for in the 2018/19 AFS.
Integrated National Electrification Programme	-	-	-	-	

¹ Expenditure by munis.

Table 4.2 (r) Debtors, Creditors and Key ratios - iMpendle Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	8 516		
Debtors as at 30 June 2019	8 207	-3.6%	The decrease in Debtors is due to the recovery of some government debt. The municipality has indicated that they are continuing to engage all other government departments to recover the outstanding debtors.
<u>By age analysis</u>			
0-30 days	273	3.3%	
31-60 days	172	2.1%	
61-90 days	159	1.9%	
>90 days	7 603	92.6%	The municipality indicated that a significant amount of outstanding debtors over 90 days is from government and the relevant departments have been engaged to recover the outstanding amounts.
Total by age analysis	8 207	100.0%	
<u>By customer group</u>			
Organs of state	6 882	83.9%	The municipality indicated that they are engaging with the relevant government departments to recover the outstanding amounts.
Commercial	812	9.9%	
Households	512	6.2%	
Other	-	-	
Total by customer group	8 207	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	3 329		
Creditors as at 30 June 2019	-	-100.0%	The municipality indicated that they had challenges with the submission of Month 12 Creditors return and which were resolved after the Local Government database was closed for publication. According to the municipality, the return reflects an outstanding balance of R908 457 as at 30 June 2019.
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-	-	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	71.9%	Although the ratio of 71.9 percent is significantly above the norm, the municipality indicated that the ratio could be distorted due to the fact that the Total operating expenditure is understated since the Debt impairment and Depreciation and asset impairment line items were understated as discussed in Table 4.2 (p).
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	50.0%	The ratio of 50 percent is incorrect due to the misallocation of grant revenue to Other revenue. The low rate of Own sources of revenue to total operating revenue is an indication that the municipality is highly grant dependent. Furthermore, Own sources of revenue is highly based on Property rates while the Service charges - refuse revenue contributes an insignificant portion of 0.1 percent toward revenue.
Own funded capital expenditure	-	-	The municipality indicated that the Computer software, Furniture and fittings were not purchased due to the cash constraints experienced by the municipality.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	27.8%	The ratio of 50 percent is incorrect due to Debt impairment and Depreciation and asset impairment not being captured, the correction of which result in ratio being closer to norm.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.2.6 Analysis per Municipality: Mkhambathini Local Municipality

Table 4.2 (s) Operating Revenue and Expenditure Performance - Mkhambathini Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	14 272	14 272	14 465	101.4	
Service Charges ¹	562	562	787	139.9	The municipality attributed the over-generation of revenue to the fact that the municipality under-budgeted for this line item during the Adjustments Budget process.
Transfers recognised - operational	68 167	60 217	62 274	103.4	The municipality attributed the over-generation of revenue for Transfers recognised - operational to the over-spending of the Expanded Public Works Programme and the Integrated National Electrification Programme Grant which were incorrectly accounted for in the MFMA Section 71 reports.
Other sources of Revenue ²	10 575	12 267	15 335	125.0	The municipality has generated excess revenue in this line item as a result of Interest earned - external investments which exceeded the budgeted amount.
Total Operating Revenue	93 577	87 318	92 861	106.3	
Operating Expenditure					
Employee related costs	32 227	32 227	33 966	105.4	
Remuneration of councillors	5 864	5 864	6 096	104.0	
Debt impairment	700	700	700	100.0	
Depreciation and asset impairment	6 466	7 113	7 113	100.0	
Bulk purchases	-	-	-	-	
Contracted services	-	16 806	15 998	95.2	
Other expenditure items ³	67 393	54 455	11 787	21.6	The municipality has attributed the under-spending in this line item to the savings realised after the implementation of cost containment measures.
Total Operating Expenditure	112 650	117 165	75 659	64.6	
Operating surplus/(deficit)	(19 073)	(29 847)	17 202		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.2 (t) Capital, Cash and Conditional grant Performance - Mkhambathini Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	15 835	19 385	19 385	100.0	
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	3 450	14 985	6 648	44.4	The municipality indicated that during the 2018/19 financial year prioritised its spending on the grant funded capital projects resulting in the under-spending on the projects funded by Internally generated funds.
Total Capital Revenue	19 285	34 370	26 033	75.7	
Capital Expenditure					
Governance and Administration	2 450	2 750	2 716	98.7	
Community and Public Safety	7 452	19 371	14 576	75.2	The municipality has attributed the under-spending to delays in the completion of the Camperdown and Nkosi Mdluli community halls which were budgeted to be funded by Internally generated funds.
Eco. & Environmental Services	9 383	12 249	8 742	71.4	The municipality has attributed the under-spending to delays in the completion of the Road projects that were budgeted to be funded internally.
Trading Services	–	–	–	–	
Other	–	–	–	–	
Total Capital Expenditure	19 285	34 370	26 033	75.7	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	47 668	58 973	58 973		
Cash/cash equiv. at the year end:	58 573	58 343	42 139		
Net Increase/(Decrease) in cash held	10 905	(630)	(16 834)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	1 970	100.0%	–	
Expanded Public Works Programme	1 034	1 034	100.0%	–	
Municipal Infrastructure Grant	19 385	19 385	100.0%	–	
Integrated National Electrification Programme Grant	8 000	8 000	100.0%	–	

¹ Expenditure by munis.

Table 4.2 (u) Debtors, Creditors and Key ratios - Mkhambathini Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	27 818		
Debtors as at 30 June 2019	27 234	-2.1%	The municipality indicated that the slight decrease in Debtors was as a result of the Debtors that have settled their accounts after being handed over to attorney's for collection.
<u>By age analysis</u>			
0-30 days	1 131	4.2%	
31-60 days	834	3.1%	
61-90 days	687	2.5%	
>90 days	24 582	90.3%	The municipality indicated that the outstanding debtors over 90 days is largely influenced by the high unemployment rate and the overall socio-economic environment within the municipal area. The municipality has embarked on a debt collection strategy which includes handing over Debtors to attorneys for collection.
Total by age analysis	27 234	100.0%	
<u>By customer group</u>			
Organs of state	322	1.2%	
Commercial	11 369	41.7%	The municipality indicated that they handed over non paying Debtors to attorneys for collection to fast track the recovery of the outstanding amounts.
Households	3 176	11.7%	
Other	12 367	45.4%	The municipality indicated that the Other debtors includes Debtors that should have been classified as Organs of State. The municipality has engaged the private institutions and Organs of State such as the Department of Public Works and Land Affairs to recover the outstanding amounts. Other debtors also includes Ingonyama Trust properties and the municipality has indicated that it is working with the Department of Co-operative Governance and Traditional Affairs (COGTA) in resolving challenges with recovering these debts.
Total by customer group	27 234	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	8 383		
Creditors as at 30 June 2019	3 154	-62.4%	
<u>By age analysis</u>			
0-30 days	3 131	99.3%	The municipality indicated that the amount of R3.1 million for Creditors was due to invoices that were not processed on the financial system at the time of the MFMA Section 71 reporting.
>30 days	23	0.7%	The municipality indicated that the invoices that were not paid within 30 days were as a result of disputes with suppliers at the time of MFMA Section 71 reporting which were subsequently resolved.
Total by age analysis	3 154	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	53.0%	The municipality attributed the high percentage of 53 percent to labour intensive mechanisms that are used to deliver municipal services.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	32.9%	The low rate of Own sources of revenue to total operating revenue is an indication that the municipality is highly grant dependent. Furthermore, Own sources of revenue is highly based on Property rates while the Service charges - refuse revenue contributes only 0.8 percent to the Total revenue. The municipality is rural and the affordability of services is still a concern.
Own funded capital expenditure	-	25.5%	The ratio indicates that the municipality is funding 25.5 percent Capital expenditure from own funds, therefore, the municipality is still reliant on grants to fund its Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	25.6%	The municipality has increased its Capital expenditure by utilising its own funds to ensure that the municipal services are delivered to the community.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.2.7 Analysis per Municipality: Richmond Local Municipality

Table 4.2 (v) Operating Revenue and Expenditure Performance - Richmond Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	16 040	16 040	93 064	580.2	The municipality indicated that the actual revenue generated for Property rates of R93.1 million or 580.2 percent is incorrect due to errors in the MFMA Section 71 reports. The correct unaudited actual for Property rates of R17.2 million or 107.3 percent was not finalised at the time of reporting for MFMA Section 71. The over-generation of revenue of 107.3 percent for Property rate was due to under-budgeting during the Adjustment Budget process.
Service Charges ¹	1 136	1 136	8 621	758.9	The municipality indicated that the actual revenue generated for Service charges of R8.6 million or 758.9 percent is incorrect due to errors in the MFMA Section 71 reports. The correct unaudited actual for Service charges of R2.1 million or 184.2 percent was not finalised at the time of reporting for MFMA Section 71. The over-generation of revenue of 184.2 percent for Service charges was due to under-budgeting during the Adjustment Budget process.
Transfers recognised - operational	80 006	69 506	65 031	93.6	The municipality has attributed the under-generation of revenue for Transfers recognised - operational to errors and misallocations in the figures reported in the MFMA Section 71 reports. The 2018/19 AFS will correctly reflect 100 percent revenue recognised for this line item.
Other sources of Revenue ²	6 362	6 798	116 701	1 716.6	The municipality indicated that the actual revenue for Other sources of revenue of R116.7 million or 1716.6 percent is incorrect due to errors in the MFMA Section 71 reports. The correct unaudited actual for Other sources of revenue of R20.2 million or 297.9 percent was not finalised at the time of reporting for MFMA Section 71. The over-generation of revenue of 297.9 percent for Other sources of revenue was attributed to an increase in Other own revenue which generated R12.5 million against the Adjusted Budget of R347 000 and this was not anticipated by the municipality.
Total Operating Revenue	103 545	93 481	283 417	303.2	
Operating Expenditure					
Employee related costs	49 611	48 212	43 378	90.0	
Remuneration of councillors	5 877	5 996	5 720	95.4	
Debt impairment	2 012	1 750	-	-	The municipality indicated that Debt impairment figures were not finalised at the time of the MFMA Section 71 reporting and will be incorporated in the 2018/19 AFS.
Depreciation and asset impairment	19 371	19 631	-	-	The municipality indicated that the asset verification process was not finalised at the time of reporting for MFMA Section 71 and the final amount for Depreciation and asset impairment will be incorporated in the 2018/19 AFS.
Bulk purchases	-	-	-	-	
Contracted services	28 530	22 033	148 275	673.0	The municipality indicated that the actual expenditure for Contracted services of R148.3 million or 673 percent is incorrect. The correct unaudited actual for Contracted services of R15.8 million or 71.6 percent was not finalised at the time of the reporting for MFMA Section 71. The under-expenditure of 71.6 percent was attributed to the 2018/19 unprocessed year-end accruals.
Other expenditure items ³	19 057	19 881	111 619	561.4	The municipality indicated that the actual expenditure for Other expenditure items of R111.6 million or 561.4 percent is incorrect. The correct unaudited actual for Other expenditure items of R23.3 million or 117.3 percent was not finalised at the time of the reporting for MFMA Section 71. The over-expenditure of 117.3 percent was attributed to errors and misallocations in the financial system. The correct amount will be reported in the 2018/19 AFS.
Total Operating Expenditure	124 459	117 503	308 992	263.0	
Operating surplus/(deficit)	(20 914)	(24 022)	(25 576)		The municipality reported an Operating deficit of R25.6 million which may be misstated due to the reasons noted above.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.2 (w) Capital, Cash and Conditional grant Performance - Richmond Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	19 242	19 353	14 471	74.8	The municipality has attributed the under-generation of capital revenue to errors and misallocations in the MFMA Section 71 reports. The 2018/19 AFS will reflect the correct amount of 100 percent revenue recognised for this line item.
Public contributions and donations	-	-	12	-	The unaudited actual of R12 000 reported for Public contributions and donations has been attributed to errors and misallocations in the MFMA Section 71 reports.
Borrowing	-	-	-	-	
Internally generated funds	6 147	10 050	486	4.8	The municipality indicated that the correct unaudited actual for Internally generated funds is R5.4 million for the period ended 30 June 2019 and no explanation was provided for the under-performance of this line item.
Total Capital Revenue	25 389	29 403	14 968	50.9	
Capital Expenditure					
Governance and Administration	1 631	4 857	213	4.4	The municipality indicated that the actual capital expenditure for Governance and Administration of R213 000 or 4.4 percent is incorrect. The correct unaudited actual for this vote of R2.2 million or 45.3 percent was not finalised at the time of the reporting for MFMA Section 71 and no other explanation was provided.
Community and Public Safety	5 000	9 752	5 054	51.8	The municipality has attributed the under-spending on capital expenditure for this line item to errors and misallocations in the MFMA Section 71 reports. The 2018/19 AFS will reflect the correct amount of 100 percent expenditure incurred for this line item.
Eco. & Environmental Services	18 758	14 794	9 701	65.6	The municipality indicated that the actual capital expenditure for Economic & environmental services of R9.7 million or 65.6 percent is incorrect. The correct unaudited actual for this vote of R12.8 million or 86.2 percent was not finalised at the time of the reporting for MFMA Section 71.
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	25 389	29 403	14 968	50.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	27 300	34 342	39 965		The reported Cash/cash equivalents at the year begin of R40 million does not agree to R34.4 million as reflected in the 2017/18 Audited AFS. The municipality was unable to correct this error before the closure of the Local government database but a correct amount of R34.3 will be reflected in the 2018/19 AFS.
Cash/cash equiv. at the year end:	19 684	14 113	(95 988)		The reported negative R96 million for Cash and cash equivalents at year end does not agree to the closing balance of R22 million as per the Bank Statement and the Investment Register for the period ended 30 June 2019. The municipality has attributed this negative amount to errors contained in the MFMA Section 71 reports. The 2018/19 AFS will reflect the correct closing balance for this line item.
Net Increase/(Decrease) in cash held	(7 616)	(20 229)	(135 953)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 198	63.1%	702	The municipality has attributed the under-expenditure on the Financial Management Grant to errors and misallocations in the figures reported in the MFMA Section 71 reports. The municipality further indicated that the grant has been fully spent.
Expanded Public Works Programme	1 515	2 464	162.6%	(949)	The municipality has attributed the over-expenditure on the Expanded Public Works Programme to errors and misallocations in the figures reported in the MFMA Section 71 reports. The municipality further indicated that the grant has been fully spent.
Municipal Infrastructure Grant	18 149	21 677	119.4%	(3 528)	The municipality has attributed the over-expenditure on the Municipal Infrastructure Grant to errors and misallocations in the figures reported in the MFMA Section 71 reports. The municipality further indicated that the grant has been fully spent.
Integrated National Electrification Programme Grant	10 500	-	-	10 500	The municipality indicated that the actual expenditure for Integrated National Electrification Programme Grant of nil is incorrect. The correct unaudited actual for this line items of R6.4 million or 60.9 percent which was not finalised at the time of the reporting for MFMA Section 71. The under-expenditure of 60.9 percent was attributed to the delays in SCM processes and the municipality will be applying for the Rollover for the unspent portion of R4.1 million.

¹ Expenditure by munis.

Table 4.2 (x) Debtors, Creditors and Key ratios - Richmond Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	23 325		
Debtors as at 30 June 2019	-	-100.0%	The municipality did not submit their month 12 MFMA Section 71 Report on Debtors. However, the municipality indicated that the 2018/19 AFS will correctly reflect R30.9 million which equates to R7.6 million or 32.5 percent increase from the 2017/18 financial year. The 32.5 percent increase in ageing Debtors is attributed to a culture of non payment within the municipal area.
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	
<u>By customer group</u>			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	-	-	
Total by customer group	-	-	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	22 051		
Creditors as at 30 June 2019	-	-100.0%	The municipality did not submit their month 12 MFMA Section 71 Report on Creditors. However, the municipality indicated that the 2018/19 AFS will reflect the correct amount of R42.3 million which is within the 0-30 days category and no further explanation was provided.
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-	-	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	15.9%	The municipality has attributed the reported ratio of 15.9 percent to vacancies that exist within the municipality as both senior level and junior staff level. However, the ratio may also be incorrect to due errors in Total operating expenditure as per Table 4.2 (v).
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	77.1%	The reported ratio of 77.1 percent is an indication that the sustainability of the municipality is highly dependent on grants to fund most of the Operating expenditure. However, the ratio may also be incorrect to due errors in Own sources of revenue as per Table 4.2 (v).
Own funded capital expenditure	-	3.2%	The municipality indicated that R5.4 million of capital expenditure was funded from Internally generated funds which equates to 18.4 percent of the budgeted capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	4.6%	The reported ratio of 4.6 percent is incorrect due to errors and misallocations contained in the MFMA Section 71 reports for most of the operating expenditure items.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.2.8 Analysis per Municipality: uMgungundlovu District Municipality

Table 4.2 (y) Operating Revenue and Expenditure Performance - uMgungundlovu District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	–	–	–	–	
Service Charges ¹	306 911	213 768	253 633	118.6	The municipality indicated that the over-performance in revenue generated for the Service charges was attributed to the meter verification exercise that was conducted during the financial year which has resulted in an increase in billing for the Service charges.
Transfers recognised - operational	492 260	496 560	489 553	98.6	The municipality attributed the under-generation of revenue for this line item to the under-spending reported in the Expanded Public Works Programme grant and provincial grants.
Other sources of Revenue ²	27 900	52 996	40 397	76.2	The municipality indicated that the Adjusted Budget amount of R53 million was over-budgeted during the 2018/19 Adjustments Budget process. The municipality attributed the under-performance to being unable to generate the budgeted revenue through interest on investments during the financial year.
Total Operating Revenue	827 071	763 324	783 583	102.7	
Operating Expenditure					
Employee related costs	250 246	269 246	234 976	87.3	The municipality has attributed the under-spending in this line item to the curtailment of overtime that was implemented during the financial year. Furthermore, the municipality has also delayed the appointment of officials in an effort to reduce expenditure for Employee related costs.
Remuneration of councillors	12 266	12 266	11 706	95.4	
Debt impairment	97 544	65 094	56 901	87.4	The municipality indicated that the Debt impairment was overstated during the Adjustments Budget process.
Depreciation and asset impairment	51 000	35 000	20 750	59.3	The municipality indicated that the amount of R20.8 million for Depreciation and asset impairment is incorrect as the finalised figures were not available at the time of the MFMA Section 71 reporting. The calculations for Depreciation and asset impairment will be finalised during the preparation of the Annual Financial Statements (AFS).
Bulk purchases	139 150	156 383	147 577	94.4	
Contracted services	160 800	199 770	208 400	104.3	The municipality indicated that the over-spending is attributed to the increased spending on the Repairs and maintenance of the water infrastructure in order to reduce water losses.
Other expenditure items ³	97 642	57 476	61 061	106.2	
Total Operating Expenditure	808 648	795 236	741 371	93.2	
Operating surplus/(deficit)	18 423	(31 911)	42 212		The municipality reported an Operating surplus of R42.2 million which may change as the expenditure for Depreciation and asset impairment has not been finalised. The correct operating performance amount will be reported in the 2018/19 AFS.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.2 (z) Capital, Cash and Conditional grant Performance - uMgungundlovu District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	202 528	202 528	254 968	125.9	The municipality has attributed the reported over-performance to an error in the MFMA Section 71 reporting. The municipality received a total transfers capital revenue of R215 million of which R12.5 million for Water Services Infrastructure Grant was received after the Adjustments Budget. The municipality has indicated that the entire allocation has been fully recognised during 2018/19 financial year.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	5 000	8 300	-	-	The municipality indicated that due to cash constraints, no internally funded projects were implemented in the 2018/19 financial year.
Total Capital Revenue	207 528	210 828	254 968	120.9	
Capital Expenditure					
Governance and Administration	-	-	-	-	
Community and Public Safety	5 000	8 300	-	-	The municipality has delayed the procurement of Fire engines due to cash constrains during the financial year.
Eco. & Environmental Services	-	-	-	-	
Trading Services	202 528	202 528	254 968	125.9	The municipality has indicated that a total of R215 million was received for the Water Services Infrastructure Grant, however R12.5 million thereof was not part of the initial allocation and was not included in the Adjustments Budget. According to the municipality, the total grant allocation of R215 million was fully spent however there was an error in the MFMA Section 71 reporting.
Other	-	-	-	-	
Total Capital Expenditure	207 528	210 828	254 968	120.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	94 043	49 366	49 626		
Cash/cash equiv. at the year end:	99 212	(1 686)	(260 295)		The reported negative R260.3 million for Cash and cash equivalents at year end does not agree to the closing balance of R45.4 million as per the Bank statements submitted to Provincial Treasury for the period ended 30 June 2019.
Net Increase/(Decrease) in cash held	5 169	(51 052)	(309 921)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 000	1 000	100.0%	-	
Expanded Public Works Programme	4 265	2 706	63.4%	1 559	The municipality indicated that while the EPWP was not fully spent, the unspent portion has been committed for the training of EPWP employees.
Municipal Infrastructure Grant	99 828	99 828	100.0%	-	
Water Services Infrastructure Grant	115 187	115 187	100.0%	-	

¹ Expenditure by munis.

Table 4.2 (aa) Debtors, Creditors and Key ratios - uMgungundlovu District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	518 227		
Debtors as at 30 June 2019	686 513	32.5%	The municipality reported R686.5 million for Debtors as at 30 June 2019, which is a R168.3 million or 32.5 percent increase from the 2017/18 financial year. The municipality attributed the increase in Debtors to the culture of non payment in the municipal area and current debt collection strategies were not effective.
<u>By age analysis</u>			
0-30 days	46 426	6.8%	
31-60 days	(379)	-	
61-90 days	15 874	2.3%	
>90 days	624 592	91.0%	The municipality indicated that a significant amount of outstanding debtors over 90 days is largely influenced by the high unemployment rate and the overall socio-economic environment within the municipal area. The municipality has embarked on various debt collection strategies in an attempt to recover the outstanding balance.
Total by age analysis	686 513	100.0%	
<u>By customer group</u>			
Organs of state	26 687	3.9%	
Commercial	15 079	2.2%	
Households	570 918	83.2%	The municipality has indicated that the Revenue collection strategies are not yielding the desired impact with Households customers.
Other	73 829	10.8%	
Total by customer group	686 513	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	117 159		
Creditors as at 30 June 2019	92 535	-21.0%	
<u>By age analysis</u>			
0-30 days	43 685	47.2%	
>30 days	48 850	52.8%	The municipality indicated that the invoices that were not paid within 30 days were as a result of disputes with suppliers at the time of MFMA Section 71 reporting and others awaiting approval from the Accounting Officer.
Total by age analysis	92 535	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	33.3%	
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	37.5%	The low rate of Own sources of revenue to total operating revenue is an indication that the municipality is highly grant dependent. Furthermore, Own sources of revenue is highly based on the Service charges which contributes 32.3 percent towards revenue.
Own funded capital expenditure	-	-	The municipality indicated that due to cash constraints, no internally funded projects were implemented in the 2018/19 financial year.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	25.6%	The ratio of 25.6 percent is slightly above the norm, the municipality indicated that this could be as a result of the incorrect amount being reported for Depreciation and assets impairment, the correction of which may result in the ratio being closer to the norm.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.3 uThukela District

The uThukela District is located on the western boundary of the KwaZulu-Natal Province. The district forms part of the border between the KwaZulu-Natal Province, the Free State Province and the Kingdom of Lesotho and is comprised of four municipalities, namely the Alfred Duma, iNkosi Langalibalele and Okhahlamba Local Municipalities and the uThukela District Municipality. The Alfred Duma Local Municipality functions as the district node and the central commercial centre in the uThukela District. The municipal area is 11 134 km² (KZNCOGTA, 2017)¹ and largely comprises of high density rural settlements.

Subsequent to the redetermination of municipal boundaries by the Demarcation Board, the Umtshezi and Imbabazane Local Municipalities were merged to form the iNkosi Langalibalele Local Municipality and the Emnambithi/Ladysmith and Indaka Local Municipalities were merged to form the Alfred Duma Local Municipality in August 2016.

The uThukela District Municipality is responsible for providing *Water* and *Sanitation services* for the entire district. The Okhahlamba Local Municipality only provides *Refuse* removal services in their area, whilst the Alfred Duma and iNkosi Langalibalele Local Municipalities provide *Electricity* services in addition to *Refuse* removal services.

At the end of the 2018/19 financial year, the positions of the Municipal Manager (MM) and Chief Financial Officer (CFO) were filled in all municipalities within the uThukela District including the district municipality with the exception of the Okhahlamba Local Municipality where the CFO resigned effective on 30 June 2019.

The Alfred Duma Local Municipality and the uThukela District Municipality maintained a qualified audit opinion from the 2016/17 to the 2017/18 financial year. The iNkosi Langalibalele Local Municipality received a disclaimer audit opinion for the 2016/17 financial year, which was its first year of existence, and received an adverse audit opinion in the 2017/18 financial year. The Okhahlamba Local Municipality maintained a financially unqualified audit opinion from the 2016/17 to the 2017/18 financial year and was the only municipality in the province to receive a clean audit opinion.

The uThukela District Municipality and the iNkosi Langalibalele Local Municipality within the district are experiencing cash flow challenges. The Net cash position as at 30 June 2019, made up of Total cash less Unspent grants, could not be confirmed for the iNkosi Langalibalele Local Municipality as the municipality did not submit the Bank reconciliation, the Investments register and the Grants register. The uThukela District Municipality reflected a negative cash balance of R98.1 million as per the MFMA Section 71 report which does not agree to the the Bank statement and Investments register of R43.9 million. The Bank reconciliation appeared to be misstated as it reflected a negative balance of R923.5 million. The Unspent grants balance is R33.7 million as per the Grants register, however, Provincial Treasury could not determine whether the Unspent grants are cash backed due to the uncertainty over the Total Cash and cash equivalents as at 30 June 2019.

4.3.1 Overview of uThukela District Performance

Table 4.3(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Okhahlamba	174 738	171 953	172 284	100.2
iNkosi Langalibalele	516 163	528 901	557 252	105.4
Alfred Duma	832 320	836 126	799 415	95.6
uThukela DM	758 374	781 320	755 509	96.7
Total	2 281 594	2 318 301	2 284 460	98.5

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.3(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Okhahlamba	183 018	191 789	175 246	91.4
iNkosi Langalibalele	499 914	527 739	434 582	82.3
Alfred Duma	995 475	1 046 705	687 663	65.7
uThukela DM	720 109	716 845	631 815	88.1
Total	2 398 516	2 483 079	1 929 306	77.7

Source: NT Igdatabase

Table 4.3(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Okhahlamba	35 475	43 933	47 080	107.2
iNkosi Langalibalele	53 649	59 944	59 626	99.5
Alfred Duma	127 847	110 155	81 714	74.2
uThukela DM	407 831	314 681	224 924	71.5
Total	624 802	528 713	413 343	78.2

Source: NT Igdatabase

Table 4.3(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	4 772	7.5	(121)	(0.2)	1 309	2.1	57 389	90.6	63 350
iNkosi Langalibalele	11 199	4.1	10 170	3.8	11 249	4.2	237 644	87.9	270 262
Alfred Duma	45 086	11.6	9 540	2.5	8 999	2.3	325 359	83.6	388 983
uThukela DM	22 380	2.3	18 525	1.9	16 254	1.7	916 730	94.1	973 889
Total	83 437	4.9	38 114	2.2	37 811	2.2	1 537 122	90.6	1 696 484

Source: NT Igdatabase

Table 4.3(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	18 538	29.3	5 658	8.9	12 549	19.8	26 605	42.0	63 350
iNkosi Langalibalele	79 386	29.4	1 311	0.5	62 611	23.2	126 953	47.0	270 262
Alfred Duma	-	-	-	-	-	-	388 983	100.0	388 983
uThukela DM	23 093	2.4	55 779	5.7	893 937	91.8	1 081	0.1	973 889
Total	121 017	7.1	62 748	3.7	969 097	57.1	543 622	32.0	1 696 484

Source: NT Igdatabase

Table 4.3(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	8 754	100.0	-	-	-	-	-	-	8 754
iNkosi Langalibalele	29 162	27.4	2 556	2.4	357	0.3	74 196	69.8	106 270
Alfred Duma	37 971	100.0	-	-	-	-	-	-	37 971
uThukela DM	-	-	623	2.0	-	-	30 516	98.0	31 139
Total	75 886	41.2	3 179	1.7	357	0.2	104 711	56.9	184 133

Source: NT Igdatabase

4.3.2 Analysis per Municipality: Okhahlamba Local Municipality

Table 4.3 (g) Operating Revenue and Expenditure Performance - Okhahlamba Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	32 120	30 239	29 649	98.0	
Service Charges ¹	2 254	2 588	2 588	100.0	
Transfers recognised - operational	125 837	125 974	126 319	100.3	The municipality indicated that the correct performance is R126.1 million or 100.1 percent which exceeds the Adjusted Budget of R126 million. It was noted that the difference between the actual performance and the Adjusted Budget relates to an additional grant of R106 000 received from LGSETA which was not budgeted for.
Other sources of Revenue ²	14 527	13 153	13 729	104.4	The over-performance on revenue generation of Other sources of Revenue can be attributable to the following: -Licenses and permits (103.3 percent): Gradual year-on-year increase in the demand for License and permits contributed to the over-performance. -Fines, penalties and forfeits (109.6 percent): The increase in outstanding debtors has resulted in an increase in penalties on outstanding accounts.
Total Operating Revenue	174 738	171 953	172 284	100.2	
Operating Expenditure					
Employee related costs	80 708	77 995	75 595	96.9	The municipality indicated that the under-expenditure was due to several vacant positions which were budget for but could not be filled during the 2018/19 financial year. The vacant positions are expected to be filled during the 2019/20 financial year.
Remuneration of councillors	10 222	10 578	10 500	99.3	
Debt impairment	3 873	9 041	4 402	48.7	The municipality did not report on and monitor Debt impairment on a regular basis which resulted in incomplete reporting at the end of June 2019. The municipality indicated that the calculations will be performed in August 2019 during the finalisation of the 2018/19 Annual Financial Statements (AFS).
Depreciation and asset impairment	19 335	21 206	14 427	68.0	The municipality did not report on and monitor Depreciation and asset impairment on a regular basis which resulted in incomplete reporting at the end of June 2019. The municipality indicated that the calculations will be performed in August 2019 during the finalisation of the 2018/19 AFS.
Bulk purchases	-	-	-	-	
Contracted services	32 157	34 615	33 789	97.6	
Other expenditure items ³	36 723	38 354	36 532	95.2	According to the municipality, the under-spending related to Other expenditure and was attributable to the implementation of the cost cutting measures by the council.
Total Operating Expenditure	183 018	191 789	175 246	91.4	
Operating surplus/(deficit)	(8 280)	(19 836)	(2 961)		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.3 (h) Capital, Cash and Conditional grant Performance - Okhahlamba Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	27 795	35 541	40 331	113.5	It was noted that the municipality received an additional Municipal Infrastructure Grant (MIG) allocation of R4.5 million in April 2019 which was not included in the Adjusted Budget figure. The correct Adjusted Budget figure is therefore R40 million and the correct performance is 100.7 percent which exceeded the budget by R290 000. The municipality indicated that an investigation into the over-expenditure of R290 000 will be conducted and an adjustment will be made in the 2018/19 AFS if necessary.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	7 680	8 392	6 749	80.4	
Total Capital Revenue	35 475	43 933	47 080	107.2	The correct performance after taking into account the additional MIG of R4.5 million as indicated above is 97.2 percent which appears to be reasonable in relation to the budget.
Capital Expenditure					
Governance and Administration	2 080	1 743	1 323	75.9	
Community and Public Safety	400	1 401	–	–	
Eco. & Environmental Services	32 995	40 789	45 742	112.1	
Trading Services	–	–	15	–	
Other	–	–	–	–	
Total Capital Expenditure	35 475	43 933	47 080	107.2	The correct performance after taking into account the additional MIG of R4.5 million as indicated above is 97.2 percent which appears to be reasonable in relation to the budget.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	29 415	29 592	29 586		The opening balance of Cash and cash equivalent reflects a difference of R6 000 when compared to the 2017/18 AFS which relates to Cash on hand as per the 2017/18 AFS. The municipality indicated that the amount was mistakenly omitted in the MFMA Section 71 report.
Cash/cash equiv. at the year end:	20 169	22 368	26 652		The closing balance of Cash and cash equivalents of R26.7 million reconciles to the balance as per the bank reconciliation of R2.6 million and investments register of R24.1 million as at 30 June 2019. Unspent conditional grants of R8.8 million as at 30 June 2019 as per the grants register therefore appear to be fully cash backed.
Net Increase/(Decrease) in cash held	(9 246)	(7 224)	(2 934)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	(0)	
Expanded Public Works Programme	2 432	2 432	100.0%	0	
Municipal Infrastructure Grant	32 295	32 295	100.0%	–	
Integrated National Electrification Programme Grant	7 984	7 984	100.0%	–	

¹ Expenditure by munis.

Table 4.3 (i) Debtors, Creditors and Key ratios - Okhahlamba Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	55 124		
Debtors as at 30 June 2019	63 350	14.9%	The increase of 14.9 percent implies that the municipality debtors book is increasing and the municipality is facing challenges in collecting the outstanding debtors. The balance of R63.3 million appears to be reasonable taking into account the total billing on Property rates, Service charges and Fines, penalties and forfeits of R38.2 million and the cash collected of R29 million on Property rates and Service charges as per the MFMA Section 71 report.
By age analysis			
0-30 days	4 772	7.5%	
31-60 days	(121)	-	The negative figure implies that the municipality does not accurately allocate receipts from debtors according to the age of each debtors account. The municipality is encouraged to ensure that cash receipts from debtors are allocated to the oldest debt first.
61-90 days	1 309	2.1%	
>90 days	57 389	90.6%	It was noted with concern that 90.6 percent of debtors is outstanding for longer than 90 days. The municipality should improve the debt collection strategies in order to recover old debt.
Total by age analysis	63 350	100.0%	
By customer group			
Organs of state	18 538	29.3%	
Commercial	5 658	8.9%	
Households	12 549	19.8%	
Other	26 605	42.0%	
Total by customer group	63 350	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	20 415		
Creditors as at 30 June 2019	8 754	-57.1%	The Creditors balance of R8 million appears to be understated in comparison to Trade and other payables of R20.4 million as per the 2017/18 AFS which suggests that the municipality excluded a number of Trade and other payables categories when the Trade and other payables return for June 2019 was submitted.
By age analysis			
0-30 days	8 754	100.0%	
>30 days	-	-	
Total by age analysis	8 754	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
Expenditure management			
Remuneration as a % ... of Total operating expenditure	25% - 40%	49.1%	Remuneration as a percentage of total Operating expenditure is 49.1 percent which is in excess of the norm of 25 to 40 percent. However, the municipality did not capture all Operating expenditure for the year such as Depreciation and asset impairment and Debt impairment therefore the ratio is distorted.
Grant dependency			
Own sources of revenue ... to total operating revenue	-	26.7%	The ratio of 26.7 percent for Own sources of revenue indicates that the municipality is highly grant dependent. The constrained revenue base is mainly earned from Property rates.
Own funded capital expenditure	-	14.3%	The ratio of 14.3 percent indicates that the municipality is highly dependent on grants to fund Capital expenditure.
Asset Management			
Capital Expenditure ... to Total expenditure	10% - 20%	21.2%	The ratio of 21.2 percent is above the norm of 20 percent which indicates the municipality's commitment to build and refurbish its infrastructure in order to improve service delivery to the community. However, the ratio could be overstated since the municipality has not captured all Depreciation and asset impairment as well as Debt impairment expenditure.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.3.3 Analysis per Municipality: iNkosi Langalibalele Local Municipality

Table 4.3 (j) Operating Revenue and Expenditure Performance - iNkosi Langalibalele Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	85 551	85 551	108 255	126.5	The municipality generated R108.3 million or 126.5 percent for Property rates which appears to be overstated in comparison to the Adjusted Budget of R85.6 million. The municipality indicated that an error which resulted in inflated billing was identified and the correct amount will be reported in the 2018/19 Annual Financial Statements (AFS).
Service Charges ¹	233 956	245 160	240 453	98.1	
Transfers recognised - operational	167 951	169 956	178 140	104.8	The municipality generated R178.1 million or 104.8 percent for Transfers recognised - operational which appears to be overstated in comparison to the Adjusted Budget of R170 million. Furthermore, the Transfers recognised - operational does not appear to be reasonable in relation to the MFMA Section 71 Conditional grants report which reflects Operational grants recognised of only R160.7 million which is made up of Operational grants recognised of R4.8 million and Equitable share of R155.9 million. The municipality indicated that the overstatement will be investigated and corrected in the 2018/19 AFS.
Other sources of Revenue ²	28 704	28 234	30 404	107.7	The over-generation of revenue from Other sources of Revenue was attributable to a billing error on Property rates revenue which also inflated Fines, penalties and forfeits. The municipality indicated that the error will be investigated and corrected in the 2018/19 AFS.
Total Operating Revenue	516 163	528 901	557 252	105.4	
Operating Expenditure					
Employee related costs	151 714	170 809	168 280	98.5	
Remuneration of councillors	17 779	17 779	14 165	79.7	The budget for the Remuneration of councillors was based on the new Level 4 grading of the municipality however, the South African Local Government Association delayed the implementation of the new grading which resulted in the under-performance.
Debt impairment	7 000	7 000	3 500	50.0	The municipality reported only 50 percent expenditure in the MFMA Section 71 report in December 2018 which was questionable as the municipality did not provide supporting calculations for the expenditure recognised. According to the municipality, the comprehensive calculations will only be performed in August 2019 during the finalisation of the 2018/19 AFS.
Depreciation and asset impairment	47 660	47 660	23 830	50.0	The municipality reported only 50 percent expenditure in the MFMA Section 71 report in December 2018 which was questionable as the municipality did not provide supporting calculations for the expenditure recognised. According to the municipality, the comprehensive calculations will only be performed in August 2019 during the finalisation of the 2018/19 AFS.
Bulk purchases	173 221	180 000	116 735	64.9	It was noted that the municipality reports expenditure on electricity Bulk purchases in the MFMA Section 71 report only when it is paid therefore the reported under-expenditure can be attributable to the accrued expenditure which will be reflected in the 2018/19 AFS.
Contracted services	30 000	38 744	27 671	71.4	The municipality indicated during the year that the Security services contract was significantly trimmed, however the evidence to support the statement was not provided. Furthermore, the municipality did not justify increasing the budget for Contracted services from R30 million in the Original Budget to R38.7 million in the Adjusted Budget.
Other expenditure items ³	72 541	65 747	80 400	122.3	The over-spending is partly attributable to Finance lease repayments which were incorrectly included in Finance charges as operating expenditure. Furthermore, it was noted that the municipality significantly reduced the budget for Other Materials and Other expenditure in the Adjusted Budget to unreasonably low figures which resulted in the actual expenditure exceeding the Adjusted Budget.
Total Operating Expenditure	499 914	527 739	434 582	82.3	
Operating surplus/(deficit)	16 248	1 162	122 670		The Operating surplus of R122.7 million appears to be grossly overstated due to the overstatement of Operating revenue and the significant understatement of Operating expenditure.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.3 (k) Capital, Cash and Conditional grant Performance - iNkosi Langalibalele Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	50 949	55 119	54 906	99.6	
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	2 700	4 825	4 720	97.8	
Total Capital Revenue	53 649	59 944	59 626	99.5	
Capital Expenditure					
Governance and Administration	2 300	2 300	3 002	130.5	The municipality indicated that there was a possible misallocation of Capital expenditure between the different municipal functions, hence the over-expenditure reported under Governance and Administration. The correct figures will be reported in the 2018/19 AFS.
Community and Public Safety	100	100	2 564	2 564.3	The municipality indicated that there was a possible misallocation of Capital expenditure between the different municipal functions, hence the significant over-expenditure reported under Community and Public Safety. The correct figures will be reported in the 2018/19 AFS.
Eco. & Environmental Services	37 149	41 944	39 563	94.3	
Trading Services	14 100	15 600	14 498	92.9	
Other	–	–	–	–	
Total Capital Expenditure	53 649	59 944	59 626	99.5	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	(21 289)	2 429	2 429		The opening Cash and cash equivalents of R2.4 million is in line with the closing Cash and cash equivalents as per the 2017/18 AFS.
Cash/cash equiv. at the year end:	(12 951)	(1 505)	28 679		The closing balance of Cash and cash equivalents of R28.7 million could not be confirmed as the municipality did not submit the bank reconciliation and investments register as at 30 June 2019.
Net Increase/(Decrease) in cash held	8 338	(3 934)	26 250		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	3 670	3 413	93.0%	257	The municipality indicated that the unspent balance on the Financial Management Grant is committed for the compilation of the 2018/19 AFS and the expenditure is expected to be incurred during July and August 2019.
Expanded Public Works Programme	1 387	1 387	100.0%	–	
Municipal Infrastructure Grant	36 949	36 949	100.0%	–	
Integrated National Electrification Programme Grant	14 000	14 000	100.0%	–	

1 Expenditure by munis.

Table 4.3 (l) Debtors, Creditors and Key ratios - iNkosi Langalibalele Local Municipality

	Amount	% of Total debt / payables	Comments
R'000			
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	254 621		
Debtors as at 30 June 2019	270 262	6.1%	The Debtors balance increased by 6.1 percent from R254.6 million as per the 2017/18 AFS to R270.3 million as at 30 June 2019. The balance of R270.3 million appears to be understated in relation to the opening balance as per the 2017/18 AFS, the total billing on Property rates, Penalties and forfeits and Service charges of R375.1 million and the cash collected of R250.4 million as per the MFMA Section 71 report. It should however be noted that Property rates and Penalties and forfeits appears to be overstated in the MFMA Section 71 report due to inflated billing.
By age analysis			
0-30 days	11 199	4.1%	
31-60 days	10 170	3.8%	
61-90 days	11 249	4.2%	
>90 days	237 644	87.9%	The majority of the outstanding Debtors is over 90 days old which, according to the municipality, is an accumulation of Debtors which could not be collected for several years, mainly owed by Government departments and Households. The municipality should improve the debt collection strategies in order to recover the old debt.
Total by age analysis	270 262	100.0%	
By customer group			
Organs of state	79 386	29.4%	
Commercial	1 311	0.5%	
Households	62 611	23.2%	
Other	126 953	47.0%	Business and Industrial debtors in the debtors ledger were mistakenly allocated as Other debtors in the MFMA Section 71 report as opposed to being reported as Commercial debtors which inflated the Other debtors balance.
Total by customer group	270 262	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	146 993		
Creditors as at 30 June 2019	106 270	-27.7%	The Creditors balance of R106.3 million appears to be grossly understated as it was noted that the municipality does not properly accrue for expenditure incurred during the financial year.
By age analysis			
0-30 days	29 162	27.4%	
>30 days	77 109	72.6%	It was noted that R77.1 million or 72.6 percent of the R106.3 million Creditors balance is outstanding for more than 30 days which is in contravention of Section 65(2)(e) of the MFMA. Unpaid invoices will attract interest and penalties resulting in fruitless and wasteful expenditure.
Total by age analysis	106 270	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
Expenditure management			
Remuneration as a % ... of Total operating expenditure	25% - 40%	42.0%	It was noted that the municipality's merger in 2016 resulted in a non-optimal organisational structure which significantly increased salaries in relation to the output and total Operating expenditure. However, the municipality did not capture all Operating expenditure for the year such as Depreciation and asset impairment, Debt impairment and Bulk purchases therefore the ratio is distorted.
Grant dependency			
Own sources of revenue ... to total operating revenue	-	68.0%	The ratio of 68 percent indicates that the municipality is not largely dependent on grants to fund its Operating expenditure.
Own funded capital expenditure	-	7.9%	The ratio of 7.9 percent indicates that the municipality is largely dependent on grants to fund its Capital expenditure.
Asset Management			
Capital Expenditure ... to Total expenditure	10% - 20%	12.1%	The ratio of 12.1 appears to be within the norm, however the ratio could be overstated as the municipality has not captured all Depreciation and asset impairment, Debt impairment and Bulk purchases expenditure.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.3.4 Analysis per Municipality: Alfred Duma Local Municipality

Table 4.3 (m) Operating Revenue and Expenditure Performance - Alfred Duma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	190 239	174 976	157 842	90.2	According to the municipality, the reported under-performance of R157.8 million or 90.2 percent is the correct billing for the 2018/19 financial year which indicates that the downward adjustment from R190.2 million in the Original Budget to R175 million as per the 2018/19 Adjusted Budget was insufficient.
Service Charges ¹	353 024	371 185	366 158	98.6	
Transfers recognised - operational	229 308	227 764	206 663	90.7	The municipality did not provide an explanation for the reported under-performance on Transfers recognised - operational of R206.7 million or 90.7 percent. The R206.7 million reported relates only to the Equitable share allocation which implies that the municipality did not account for revenue recognised relating to the conditional grant allocations. The municipality should recognise revenue on conditional grants as and when the conditions of the grant are met and not only at year end when the Annual Financial Statements (AFS) are prepared.
Other sources of Revenue ²	59 748	62 201	68 751	110.5	Reported over-performance of R68.8 million or 110.5 percent from Other sources of Revenue was mainly attributed to the over-performance reported on Interest earned - external investments of 116.8 percent and Other own revenue of 124.8 percent. The municipality attributed the reported over-performance on Interest earned - external investments to the higher than anticipated level of Investments held in the 2018/19 financial year. Furthermore, the municipality indicated that the reported Other own revenue is over-stated and that the correct amount will be disclosed in the 2018/19 AFS.
Total Operating Revenue	832 320	836 126	799 415	95.6	
Operating Expenditure					
Employee related costs	332 550	338 823	294 522	86.9	According to the municipality, the job evaluation exercise as a result of the merger between the Emnambithi and Indaka Local Municipalities in August 2016 which was anticipated to be implemented in the 2018/19 financial year was not implemented which resulted in the reported under-expenditure of R44.3 million or 13.1 percent on Employee related costs.
Remuneration of councillors	26 460	26 460	25 363	95.9	
Debt impairment	56 950	59 115	-	-	There was no expenditure that was reported on Debt impairment as at 30 June 2019. The municipality indicated that Debt impairment is accounted for during the AFS preparation. The municipality is therefore encouraged to recognise Debt impairment expenditure on a monthly basis in order to avoid the misstatement of the figure at year end.
Depreciation and asset impairment	186 890	173 461	10 283	5.9	Depreciation and asset impairment reported of R10.3 million or 5.9 percent as at 30 June 2019 is significantly below the budget of R173.5 million as per the 2018/19 Adjusted Budget. The municipality indicated that the correct expenditure incurred on Depreciation and asset impairment for the 2018/19 financial year will be disclosed in the 2018/19 AFS.
Bulk purchases	226 881	243 062	204 520	84.1	Bulk purchases expenditure reported of R204.5 million or 84.1 percent as at 30 June 2019 is below the budget of R243.1 million as per the 2018/19 Adjusted Budget. The municipality indicated that after processing the accruals, the Bulk purchases expenditure for the 2018/19 financial year is R231.7 million which is in line with the budget and that the correct amount will be disclosed in the 2018/19 AFS.
Contracted services	48 730	85 603	64 534	75.4	Contracted services expenditure reported of R64.5 million or 75.4 percent as at 30 June 2019 is below the budget of R85.6 million as per the 2018/19 Adjusted Budget. The municipality indicated that the after processing the accruals, Contracted services expenditure for 2018/19 will be in line with the budget therefore the correct amount will be disclosed in the 2018/19 AFS.
Other expenditure items ³	117 014	120 181	88 441	73.6	Reported under-expenditure of R88.4 million or 73.6 percent from Other expenditure items was attributed to low expenditure of 88.7 percent on Transfers and grants, 78.9 percent on Other materials and 70.1 percent on Other expenditure. The municipality did not provide the reasons for the reported under-expenditure on Transfers and grants and Other materials but attributed the low expenditure reported on Other expenditure to the nature of the expenditure which is on an ad hoc basis and difficult to project.
Total Operating Expenditure	995 475	1 046 705	687 663	65.7	
Operating surplus/(deficit)	(163 156)	(210 579)	111 752		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.3 (n) Capital, Cash and Conditional grant Performance - Alfred Duma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	91 987	79 586	58 437	73.4	According to the municipality, the reported R58.4 million is understated as it excludes the accruals therefore the correct expenditure will be reported in the 2018/19 AFS. The municipality also indicated that the INEP and the MIG Grants will however not be fully spent and therefore rollover applications will be sent to National Treasury.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	35 860	30 569	23 277	76.1	The reported under-performance of 76.1 percent on projects funded internally was attributed to the prioritisation of grant funded projects in order to conserve council funds.
Total Capital Revenue	127 847	110 155	81 714	74.2	
Capital Expenditure					
Governance and Administration	2 091	18 225	15 313	84.0	
Community and Public Safety	39 350	5 795	14 361	247.8	
Eco. & Environmental Services	42 141	21 511	18 313	85.1	
Trading Services	14 265	64 573	33 725	52.2	
Other	30 000	50	2	3.2	
Total Capital Expenditure	127 847	110 155	81 714	74.2	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	262 208	274 266	274 266		The Opening cash and cash equivalents is in line with the closing cash and cash equivalents as per the 2017/18 AFS.
Cash/cash equiv. at the year end:	226 571	158 446	308 910		The unaudited actual cash balance of R308.9 million at year end as per the MFMA Section 71 report appears to be overstated when compared to R302.1 million as per the Bank reconciliation and Investments register as at 30 June 2019. The grant register was not submitted therefore the Net available cash after accounting for Unspent conditional grants could not be determined.
Net Increase/(Decrease) in cash held	(35 637)	(115 819)	34 644		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	3 600	3 600	100.0%	–	
Expanded Public Works Programme	4 319	4 319	100.0%	–	
Municipal Infrastructure Grant	69 946	44 541	63.7%	25 405	According to the municipality, the actual expenditure as at 30 June 2019 on the MIG grant is R59.4 million therefore the actual performance is 84.9 percent. The municipality indicated that a rollover application will be sent to National Treasury with respect to the Unspent MIG allocation.
Integrated National Electrification Programme Grant	14 598	7 428	50.9%	7 170	According to the municipality, the actual expenditure as at 30 June 2019 on the INEP grant is R8.1 million therefore the actual performance is 55.5 percent. The municipality indicated that a rollover application will be sent to National Treasury with respect to the Unspent INEP allocation.

1 Expenditure by munis.

Table 4.3 (o) Debtors, Creditors and Key ratios - Alfred Duma Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	421 998		
Debtors as at 30 June 2019	388 983	-7.8%	The unaudited Debtors balance of R389 million as at 30 June 2019 reflects an improvement in collections in relation to the balance as per the 2017/18 audited AFS of R422 million. Furthermore, the Debtors balance of R389 million appears to be understated in relation to billed revenue of R530.3 million for Property rates, Service charges and Interest earned - outstanding debtors and cash receipts of R532.4 million for Property rates and Service charges as per the MFMA Section 71 report.
By age analysis			
0-30 days	45 086	11.6%	
31-60 days	9 540	2.5%	
61-90 days	8 999	2.3%	
>90 days	325 359	83.6%	The majority of the Debtors balance of 83.6 percent is outstanding for more than 90 days as at 30 June 2019. The municipality indicated that the data cleansing exercise is an ongoing process at the municipality which is anticipated to assist in reducing the long outstanding debtors. Furthermore, the municipality indicated that a door-to-door campaign commenced in June 2019 which is also anticipated to improve the long outstanding debtors collection. Moreover, the municipality's debtors are not categorised and the municipality indicated that the system does not automatically categorise the debtors and that manual Debtor categorisation is in progress and will be corrected going forward.
Total by age analysis	388 983	100.0%	
By customer group			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	388 983	100.0%	
Total by customer group	388 983	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	120 795		
Creditors as at 30 June 2019	37 971	-68.6%	Creditors of R38 million as at 30 June 2019 reduced by R82.8 million or 68.6 percent as compared to 30 June 2018. The total Creditors are outstanding for less than 30 days which is in line with Section 65(2)(e) of the MFMA which requires the municipality to pay its creditors within 30 days of receipt of invoice. It should however be noted that Creditors of R38 million appear to be understated in relation to opening Creditors balance as per the 2017/18 AFS, Operating and Capital expenditure of R758.6 million and Cash payments of R715.1 million for Suppliers and employees, Transfers and grants and Capital assets as per the MFMA Section 71 report.
By age analysis			
0-30 days	37 971	100.0%	
>30 days	-	-	
Total by age analysis	37 971	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
Expenditure management			
Remuneration as a % ... of Total operating expenditure	25% - 40%	46.5%	The ratio of 46.5 percent is above the norm however, it must be noted that the Total operating expenditure is currently understated as a result of reporting nil Debt impairment and incomplete Depreciation and asset impairment therefore the ratio is distorted.
Grant dependency			
Own sources of revenue ... to total operating revenue	-	74.1%	The ratio of 74.1 percent indicates that the municipality finances majority of its operating activities through own sources of revenue and is therefore not grant dependent.
Own funded capital expenditure	-	28.5%	The ratio of 28.5 percent indicates that the municipality is reliant on grants to fund Capital expenditure. It must however be noted that the municipality indicated that grant funded projects were prioritised in the 2018/19 financial year in order to conserve council funds.
Asset Management			
Capital Expenditure ... to Total expenditure	10% - 20%	10.6%	The ratio of 10.6 percent is within the norm however, it must be noted that the Total operating expenditure is currently understated as a result of reporting nil Debt impairment and incomplete Depreciation and asset impairment therefore the ratio is distorted.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.3.5 Analysis per Municipality: uThukela District Municipality

Table 4.3 (p) Operating Revenue and Expenditure Performance - uThukela District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	-	-	-	-	
Service Charges ¹	291 665	295 665	303 374	102.6	
Transfers recognised - operational	405 533	418 073	362 939	86.8	The municipality did not provide an explanation for the reported under-performance on Transfers recognised - operational of R362.9 million or 86.8 percent. Furthermore, it was noted that according to the Adjusted 2018/19 DoRA and the Adjusted 2018/19 Provincial Gazette, the municipality's adjusted operating allocations for the 2018/19 financial year amounted to R409.5 million therefore the amount of R418.1 million as per the Adjustments Budget was overstated by R8.6 million.
Other sources of Revenue ²	61 176	67 582	89 196	132.0	Reported over-performance of R89.2 million or 132 percent from Other sources of Revenue was mainly attributed to the significant over-performance on Other own revenue. The municipality attributed the reported significant over-performance on Other own revenue mainly to the R8.3 million received as the result of the litigation case that the municipality won during the 2018/19 financial year. Furthermore, the municipality indicated that the remaining reported over-performance will be investigated further and the correct amount will be disclosed in the 2018/19 Annual Financial Statements (AFS).
Total Operating Revenue	758 374	781 320	755 509	96.7	
Operating Expenditure					
Employee related costs	271 837	271 837	283 640	104.3	
Remuneration of councillors	8 156	7 456	6 526	87.5	The municipality did not provide the reasons for the reported under-expenditure incurred on Remuneration of councillors of R6.5 million which is 87.5 percent of the Adjusted Budget of R7.5 million.
Debt impairment	136 628	136 628	109 459	80.1	The municipality did not provide the reasons for the reported under-expenditure incurred on Debt impairment of R109.5 million which is 80.1 percent of the Adjusted Budget of R136.6 million.
Depreciation and asset impairment	86 634	64 000	23 065	36.0	The municipality indicated that the reported under-expenditure incurred on Depreciation and asset impairment of R23.1 million which is 36 percent of the Adjusted Budget of R64 million will be investigated and the correct amount will be disclosed in the 2018/19 AFS.
Bulk purchases	6 586	4 000	7 506	187.7	The municipality attributed the reported significant over-expenditure on Bulk purchases of R7.5 million or 187.7 percent to the arrangement which was entered into with uMngeni water whereby three plants were transferred by the municipality during the financial year where the tariffs that uMngeni water charges the municipality for treating the water are higher which has resulted in the higher than anticipated performance. The municipality further indicated that the contract with uMngeni water is currently being reviewed.
Contracted services	117 869	139 420	79 367	56.9	Reported under-expenditure incurred on Contracted services of R79.4 million or 56.9 percent was attributed to the implementation of the financial recovery plan where Contracted services expenditure was kept low in the 2018/19 financial year. It must however be noted that the municipality was advised to consider adjusting the budget downwards in the 2018/19 Adjusted Budget in line with the reduced projections as per the financial recovery plan and the reported actual low performance as at 31 December 2018 but the municipality increased the budget by R21.6 million and indicated that the increase was mainly due to the anticipated increase in expenditure on Water tankering.
Other expenditure items ³	92 399	93 504	122 252	130.7	Reported over-performance of R122.3 million or 130.7 percent from Other expenditure items was attributed to over-expenditure of 137.6 percent on Transfers and grants and 147.7 percent on Other expenditure. The municipality did not provide the reasons for the reported significant over-expenditure on Transfers and grants and attributed the reported over-expenditure on Other expenditure to the high municipal electricity bill from the water plants.
Total Operating Expenditure	720 109	716 845	631 815	88.1	
Operating surplus/(deficit)	38 265	64 475	123 694		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.3 (q) Capital, Cash and Conditional grant Performance - uThukela District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	407 804	314 521	224 914	71.5	The municipality reported under-performance of 71.5 percent on Transfers recognised - capital for the 2018/19 financial year however, it was noted that the municipality did not submit the Capital Acquisitions Actual (CAA) return for June 2019.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	27	160	10	6.2	The reported under-expenditure of R10 000 or 6.2 percent on Capital projects funded internally is due to the unfavourable cash position currently prevailing at the municipality. Furthermore, the municipality did not provide any reasons for increasing the budget from R27 000 in the Original Budget to R160 000 in the Adjusted Budget.
Total Capital Revenue	407 831	314 681	224 924	71.5	
Capital Expenditure					
Governance and Administration	27	160	10	6.2	
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	-	-	-	-	
Trading Services	407 804	314 521	224 914	71.5	
Other	-	-	-	-	
Total Capital Expenditure	407 831	314 681	224 924	71.5	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	(51 144)	6 011	6 011		The opening Cash and cash equivalents is in line with the closing Cash and cash equivalents as per the 2017/18 AFS.
Cash/cash equiv. at the year end:	1 249	55 001	(98 110)		The unaudited actual negative R98.1 million at year end as per the MFMA Section 71 report does not agree to the R43.9 million as per the Bank statement and Investments register as at 30 June 2019. The Unspent grants balance is R33.7 million as per the Grants register however, Provincial Treasury could not determine whether the Unspent grants are cash backed due to the uncertainty over the Total Cash and cash equivalents as at 30 June 2019.
Net Increase/(Decrease) in cash held	52 393	48 990	(104 121)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 545	1 545	100.0%	-	
Expanded Public Works Programme	6 206	6 190	99.8%	16	
Municipal Infrastructure Grant	180 033	180 033	100.0%	-	
Water Services Infrastructure Grant	108 493	91 420	84.3%	17 073	The Water Service Infrastructure Grant reflects an under-spending of R91.4 million or 84.3 percent as per the MFMA Section 71 reports however, the municipality indicated that the grant has been fully spent as at 30 June 2019 and that the correct amount will be reflected in the 2018/19 AFS.

¹ Expenditure by munis.

Table 4.3 (r) Debtors, Creditors and Key ratios - uThukela District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	821 118		
Debtors as at 30 June 2019	973 889	18.6%	The unaudited Debtors balance of R973.9 million as at 30 June 2019 indicates a lack of improvement in debt collection in relation to the balance as per the 2017/18 Audited AFS of R821.1 million. Furthermore, the Debtors balance of R973.9 million appears to be understated in relation to billed revenue of R361.7 million for Service charges and Interest earned - outstanding debtors and cash receipts of R138.4 million as per the MFMA Section 71 report.
<u>By age analysis</u>			
0-30 days	22 380	2.3%	
31-60 days	18 525	1.9%	
61-90 days	16 254	1.7%	
>90 days	916 730	94.1%	The majority of the Debtors balance of 94.1 percent is outstanding for more than 90 days as at 30 June 2019. The municipality indicated that debt collectors were appointed at the beginning of 2018 with an intention of intensifying debt collection in order to improve collections on debt older than 90 days, however, it appears that the debt collectors have made no impact on reducing the growing Debtors balance.
Total by age analysis	973 889	100.0%	
<u>By customer group</u>			
Organs of state	23 093	2.4%	
Commercial	55 779	5.7%	
Households	893 937	91.8%	
Other	1 081	0.1%	
Total by customer group	973 889	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	153 948		
Creditors as at 30 June 2019	31 139	-79.8%	Creditors of R31.1 million as at 30 June 2019 reduced by R122.8 million or 79.8 percent as compared to 30 June 2018. The total Creditors balance is outstanding for more than 30 days and is in contravention of Section 65(2)(e) of the MFMA which requires the municipality to pay its creditors within 30 days of receipt of invoice. The municipality indicated that the long outstanding Creditors are due to the freezing of certain invoices by the Interim Finance Committee as per the Financial recovery plan in order to improve the municipality's unfavourable cash position. It should however be noted that the Creditors as at 30 June 2019 appears to be significantly understated in relation to the opening balance as per the 2017/18 AFS, Operating and Capital expenditure for the 2018/19 financial year and cash payments as per the MFMA Section 71 report.
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	31 139	100.0%	
Total by age analysis	31 139	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	45.9%	The ratio of 45.9 percent is above the norm however, it must be noted that the Total operating expenditure is currently understated mainly due to the reported understated Debt impairment and Depreciation and asset impairment expenditure therefore the ratio is distorted.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	52.0%	The ratio of 52 percent indicates that the municipality finances more than half of its operating activities through Own sources of revenue. It must however be noted that even though Own sources of revenue to Total operating revenue is 52 percent, the municipality collects only 30 percent of that revenue (according to the Audited 2017/18 AFS), hence the cash flow strain.
Own funded capital expenditure	-	0%	The municipality funded less than 1 percent of the Capital budget from own funding due to the unfavourable cash position.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	26.3%	The ratio of 26.3 percent reflects higher spending on infrastructure and acceleration in service delivery. The higher spending on infrastructure could also increase financial sustainability risks if the infrastructure does not include revenue generating infrastructure. Furthermore, it must be noted that the Total operating expenditure is currently understated mainly due to the reported understated Debt impairment expenditure and Depreciation and asset impairment expenditure.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.4 uMzinyathi District

The uMzinyathi District is located 360 kilometres South East of Johannesburg, 290 kilometres North of Durban and is comprised of the eNdumeni, Nquthu, uMsinga and uMvoti Local Municipalities. The uMzinyathi District Municipal area is 8 652 km² in size (KZN CoGTA, 2017)¹ with the uMsinga Local Municipality occupying the largest area at 2 375 km² followed by the uMvoti Local Municipality at 2 105 km², the Nquthu Local Municipality at 1 962 km² and the eNdumeni Local Municipality at 1 610 km².

The uMzinyathi District Municipality is the Water Services Authority (WSA) for all the local municipalities in the district. The main trading services for the eNdumeni, Nquthu and uMvoti Local Municipalities are *Electricity* and *Refuse removal* whilst the uMsinga Local Municipality only provides a *Refuse removal* service.

The uMzinyathi District Municipality was placed under intervention in terms of Section 139(1)(b) of the Constitution of South Africa, 1996 on 12 October 2016 and remained under intervention for the duration of the 2018/19 financial year. The eNdumeni Local Municipality was placed under intervention in terms of Section 139(1)(b) on 05 December 2018 until 30 June 2019.

The Nquthu Local Municipality had a full time Municipal Manager (MM) for the 2018/19 financial year. The uMsinga Local Municipality had an Acting MM from 01 July 2018 to 31 July 2018 and a full-time MM from 01 August 2018 to 30 June 2019, whilst the uMvoti Local Municipality had a full-time MM for the 2018/19 financial year. The eNdumeni Local Municipality had a full-time MM from 01 July 2018 to 25 November 2018 and an Acting MM from 26 November 2018 to 30 June 2019 due to the suspension of the full time MM. The uMzinyathi District Municipality had a full-time MM from 01 July 2018 to 13 May 2019 and an Acting MM from 14 May 2019 to 30 June 2019 due to the suspension of the full time MM.

The Nquthu, uMvoti and uMsinga Local Municipalities had a full time Chief Financial Officer (CFO) for the 2018/19 financial year. The eNdumeni Local Municipality had an acting CFO for the 2018/19 financial year due to the position being vacant. The uMzinyathi District Municipality had an Acting CFO for the period 01 July 2018 to 31 March 2019 and a full-time CFO from 01 April 2019 to 30 June 2019.

The 2017/18 audit opinions for the eNdumeni, Nquthu and uMvoti Local Municipalities remained unchanged from the 2016/17 financial year and they obtained unqualified audit opinions with other matters for the 2017/18 financial year. The uMsinga Local Municipality improved from a qualified audit opinion in the 2016/17 financial year to an unqualified audit opinion with other matters in the 2017/18 financial year, whilst the uMzinyathi District Municipality remained unchanged from the 2016/17 financial year and obtained an adverse audit opinion in the 2017/18 financial year.

4.4.1 Overview of uMzinyathi District Performance

Table 4.4(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
eNdumeni	344 972	316 520	297 440	94.0
Nquthu	178 585	203 158	173 382	85.3
uMsinga	196 826	174 682	178 572	102.2
uMvoti	262 953	289 149	259 480	89.7
uMzinyathi DM	420 804	420 932	398 514	94.7
Total	1 404 141	1 404 440	1 307 388	93.1

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.4(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eNdumeni	341 564	318 339	270 078	84.8
Nquthu	179 596	173 501	138 545	79.9
uMsinga	234 673	226 825	218 737	96.4
uMvoti	299 897	331 981	291 976	87.9
uMzinyathi DM	423 579	422 971	399 984	94.6
Total	1 479 310	1 473 618	1 319 320	89.5

Source: NT Igdatabase

Table 4.4(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eNdumeni	45 178	40 176	29 685	73.9
Nquthu	128 885	109 260	75 316	68.9
uMsinga	40 115	61 227	47 283	77.2
uMvoti	39 537	40 373	38 322	94.9
uMzinyathi DM	428 459	353 698	315 045	89.1
Total	682 174	604 734	505 651	83.6

Source: NT Igdatabase

Table 4.4(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	-	-	10 801	10.5	3 601	3.5	88 854	86.1	103 256
Nquthu	1 471	2.9	825	1.6	1 762	3.5	46 272	91.9	50 330
uMsinga	1 317	3.3	1 158	2.9	1 095	2.7	36 721	91.1	40 292
uMvoti	5 779	8.3	(256)	(0.4)	2 648	3.8	61 762	88.3	69 932
uMzinyathi DM	7 354	2.5	3 970	1.3	7 960	2.7	276 970	93.5	296 253
Total	15 921	2.8	16 497	2.9	17 066	3.0	510 580	91.2	560 064

Source: NT Igdatabase

Table 4.4(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	5 052	4.9	12 458	12.1	82 625	80.0	3 121	3.0	103 256
Nquthu	35 904	71.3	6 117	12.2	4 935	9.8	3 375	6.7	50 330
uMsinga	15 719	39.0	12 300	30.5	12 273	30.5	-	-	40 292
uMvoti	5 966	8.5	14 789	21.1	40 562	58.0	8 615	12.3	69 932
uMzinyathi DM	23 667	8.0	19 904	6.7	252 682	85.3	-	-	296 253
Total	86 308	15.4	65 568	11.7	393 077	70.2	15 111	2.7	560 064

Source: NT Igdatabase

Table 4.4(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	26 890	100.0	-	-	-	-	-	-	26 890
Nquthu	8 832	86.5	1 093	10.7	14	0.1	271	2.7	10 211
uMsinga	433	73.5	156	26.5	-	-	-	-	589
uMvoti	17 062	99.1	20	0.1	15	0.1	111	0.6	17 209
uMzinyathi DM	8 148	11.8	1 592	2.3	2 905	4.2	56 385	81.7	69 030
Total	61 365	49.5	2 862	2.3	2 934	2.4	56 767	45.8	123 929

Source: NT Igdatabase

4.4.2 Analysis per Municipality: eNdumeni Local Municipality

Table 4.4 (g) Operating Revenue and Expenditure Performance - eNdumeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Property Rates	77 684	89 699	78 592	87.6	The municipality generated revenue of R78.6 million (87.6 percent) on Property Rates against an Adjusted Budget of R89.7 million. The actual rates billed after the final June 2019 month end close amounted to over R95 million, which is greater than 100 percent of the budget. The municipality attributed the under-generation to the fact that the reported figure of R78.6 million was before the final June 2019 month end close.
Service Charges ¹	152 531	144 286	136 591	94.7	
Transfers recognised - operational	80 100	58 011	60 358	104.0	The municipality generated revenue of R60.4 million (104 percent) on Transfers recognised - operational against an Adjusted Budget of R58 million. No reasons were provided by the municipality for the over-generation, which could be an indication of incorrect reporting on the part of the municipality.
Other sources of Revenue ²	34 656	24 523	21 899	89.3	The municipality generated revenue of R21.9 million (89.3 percent) on Other sources of Revenue against an Adjusted Budget of R24.5 million. The municipality attributed the under-generation to Other own revenue being made up of a variety of revenue streams and due to the nature of these Sundry revenue items, the Unaudited Actuals and not always in line with the Adjusted Budget.
Total Operating Revenue	344 972	316 520	297 440	94.0	
Operating Expenditure					
Employee related costs	131 532	123 735	112 892	91.2	The municipality expended R112.9 million (91.2 percent) for Employee related costs against an Adjusted Budget of R123.7 million. The municipality attributed the under-expenditure to some Section 54 and 56 posts which being vacant.
Remuneration of councillors	4 594	4 594	4 105	89.4	The municipality expended R4.1 million (89.4 percent) for Remuneration of councillors against an Adjusted Budget of R4.6 million. The municipality did not provide reasons for the under-expenditure.
Debt impairment	7 444	9 444	119	1.3	The municipality expended R119 000 (1.3 percent) for Debt impairment against an Adjusted Budget of R9.4 million. The municipality attributed the under-expenditure to the final Debt impairment figure being calculated at year-end. Expenditure is therefore understated. The 2017/18 Audited Actual was R12.9 million.
Depreciation and asset impairment	5 576	8 405	-	-	The municipality expended nil (0 percent) for Depreciation and asset impairment against an Adjusted Budget of R8.4 million. The municipality attributed the under- expenditure to the final Depreciation and asset impairment figure being calculated at year-end. Expenditure is therefore understated. The 2017/18 Audited Actual was R11.4 million.
Bulk purchases	86 374	90 374	78 535	86.9	The municipality expended R78.5 million (86.9 percent) for Bulk purchases against an Adjusted Budget of R90.4 million. The municipality attributed the non reporting to the June 2019 Eskom invoice being paid in July 2019. The June 2019 Eskom invoice should have been accrued at year end as a Trade creditor.
Contracted services	26 900	30 747	26 772	87.1	The municipality expended R26.8 million (87.1 percent) for Contracted services against an Adjusted Budget of R30.7 million. The municipality attributed the under-expenditure to the cost reduction on security services due to the decision taken by council relating to security services.
Other expenditure items ³	79 145	51 042	47 656	93.4	The municipality expended R47.7 million (93.4 percent) for Other expenditure items against an Adjusted Budget of R51 million. The municipality attributed the under-expenditure to Other expenditure being made up of various items such as burial fees, posts, advertising legal expenses etc. and due to the nature of these sundry expenditure items, the Unaudited Actuals are not always in line with the Adjusted Budget.
Total Operating Expenditure	341 564	318 339	270 078	84.8	
Operating surplus/(deficit)	3 407	(1 819)	27 362		The municipality reflected an Unaudited Actual Operating surplus of R27.4 million against an Adjusted Budget deficit of R1.8 million, a difference of R29.2 million. The Operating surplus is overstated as the municipality has not accounted for Debt impairment and Depreciation and asset impairment.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.4 (h) Capital, Cash and Conditional grant Performance - eNdameni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Transfers recognised - capital	24 487	32 213	25 347	78.7	The municipality recognised R25.3 million (78.7 percent) on Transfers recognised - capital against an Adjusted Budget of R32.2 million. The municipality attributed the under-recognition of Capital revenue to the MIG allocation not being fully spent due to delays in SCM processes and to the Massification Grant received during the Adjusted Budget which was not fully spent. The municipality will be required to apply for a rollover of unspent conditional funds.
Public contributions and donations	8 000	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	12 691	7 963	4 338	54.5	The municipality recognised R4.3 million (54.5 percent) on Internally generated funds against an Adjusted Budget of R8 million. The municipality attributed the under-recognition of Internally generated funds to low expenditure as a result of non-adherence to the procurement plan.
Total Capital Revenue	45 178	40 176	29 685	73.9	
Capital Expenditure					
Governance and Administration	3 882	2 069	365	17.6	The municipality expended R365 000 (17.6 percent) on Governance and Administration against an Adjusted Budget of R2.1 million. The municipality attributed the under-expenditure to non-adherence to the procurement plan.
Community and Public Safety	7 604	644	1 616	251.0	The municipality expended R1.6 million (251 percent) on Community and Public Safety against an Adjusted Budget of R644 000. The municipality did not provide reasons for the over-expenditure.
Eco. & Environmental Services	25 868	28 971	24 907	86.0	The municipality expended R24.9 million (86 percent) on Eco. & Environmental Services against an Adjusted Budget of R29 million. The municipality attributed the under-expenditure to non-adherence to the procurement plan.
Trading Services	7 824	8 492	2 797	32.9	The municipality expended R2.8 million (32.9 percent) on Trading Services against an Adjusted Budget of R8.5 million. The municipality attributed the under-expenditure to non-adherence to the procurement plan.
Other	-	-	-	-	
Total Capital Expenditure	45 178	40 176	29 685	73.9	The municipality reported Total Capital Expenditure of R29.7 million (73.9 percent) against an Adjusted Budget of R40.2 million. The low capital expenditure affects service delivery.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	49 354	49 354	39 811		The Cash/cash equiv. at the year begin of R39.8 million as reported by the municipality is in line with the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	62 469	61 968	43 166		The municipality has reported Cash/cash equiv. at the year end of R43.2 million for the year ended 30 June 2019. A difference of R18.8 million is noted when compared to the Adjusted Budget figure of R62 million which appeared reasonable based on the information supplied by the municipality in this regard. (eg: Bank Statement, Bank Reconciliation Statement, Grants Register and Investments Register).
Net Increase/(Decrease) in cash held	13 115	12 614	3 355		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 770	1 770	100.0%	-	
Expanded Public Works Programme	1 000	1 000	100.0%	-	
Municipal Infrastructure Grant	24 487	22 933	93.7%	1 554	The municipality expended R22.9 million (93.7 percent) on the Municipal Infrastructure Grant against the Total Available amount of R24.5 million. The municipality attributed the under-expenditure to delays in SCM processes.
Integrated National Electrification Programme Grant	6 930	6 930	100.0%	-	

¹ Expenditure by munis.

Table 4.4 (i) Debtors, Creditors and Key ratios - eNdameni Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	70 206		
Debtors as at 30 June 2019	103 256	47.1%	The total outstanding Debtors has increased from R70.2 million in 2017/18 to R103.3 million in the 2018/19 financial year, an increase of 47.1 percent. This is an indication that the municipality is experiencing difficulties in collecting debts due.
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	10 801	10.5%	
61-90 days	3 601	3.5%	
>90 days	88 854	86.1%	The municipality has total outstanding Debtors of R103.3 million of which R88.9 million (86.1 percent) are in the Over 90 days category, which indicates that the municipality is experiencing difficulties in collecting payments from its Debtors and this impacts negatively on cash flows. The municipality must improve their debt collection strategy to increase collections.
Total by age analysis	103 256	100.0%	
<u>By customer group</u>			
Organs of state	5 052	4.9%	
Commercial	12 458	12.1%	
Households	82 625	80.0%	The majority of municipal debt is in the Households customer group. The municipality must improve their debt collection strategy to increase collections from Households.
Other	3 121	3.0%	
Total by customer group	103 256	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	35 942		
Creditors as at 30 June 2019	26 890	-25.2%	The total Creditors due has decreased from R35.9 million in the 2017/18 Audited AFS to R26.9 million in the 2018/19 financial year, a decrease of 25.2 percent. The municipality attributed the decrease in Creditors to payments of creditors made during the year. It should be noted that the Creditors as at 30 June 2019 do not include the final 2018/19 final adjustments and may therefore be understated.
<u>By age analysis</u>			
0-30 days	26 890	100.0%	
>30 days	-	-	
Total by age analysis	26 890	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	43.3%	The Remuneration as % of Total operating expenditure is 43.3 percent. This is above the norm of between 25 percent and 40 percent which indicates that there are inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. The municipality did not fully report on Debt Impairment and the non-reporting on Depreciation and asset impairment results in the ratio being distorted.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	79.7%	The own sources of revenue to total operating revenue is 79.7 percent which indicates that the municipality is not grant dependant.
Own funded capital expenditure	-	14.6%	The Own funded capital expenditure is 14.6 percent which indicates that the municipality is funding the majority of Capital expenditure from Grants.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	9.9%	The Capital Expenditure to Total expenditure is 9.9 percent which is below the norm of between 10 percent and 20 percent. The low capital expenditure was attributed to delays in procurement processes and operating expenditure is understated due to the municipality not fully reporting on Debt Impairment and the non-reporting on Depreciation and asset impairment. The ratio is therefore distorted.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.4.3 Analysis per Municipality: Nquthu Local Municipality

Table 4.4 (j) Operating Revenue and Expenditure Performance - Nquthu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Reasons for the poor performance for Operating Revenue and Operating Expenditure where applicable were requested by the Provincial Treasury, however none were submitted by the municipality.					
Property Rates	18 560	36 214	35 810	98.9	
Service Charges ¹	19 350	14 634	14 547	99.4	
Transfers recognised - operational	128 513	129 713	98 679	76.1	The municipality has recognised R98.7million (76.1 percent) against the Adjusted Budget of R129.7 million. This is an indication of incorrect reporting on the part of the municipality. The incorrect reporting of Transfers recognised-operational was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for investigation and correction, however this was not corrected.
Other sources of Revenue ²	12 162	22 597	24 346	107.7	The municipality has recognised R24.3 million (107.7 percent) against the Adjusted Budgeted of R22.6 million. Significant over-generation was noted against Interest earned - outstanding debtors (108.2 percent), Licences and permits (108.7 percent) and Other own revenue (123.2 percent). The over-generation could be the result of incorrect budgeting on the part of the municipality.
Total Operating Revenue	178 585	203 158	173 382	85.3	The municipality has in total recognised R173.4 million (85.3 percent) of the Adjusted Budget of R203.2 million. This is a result of incorrect reporting on the part of the municipality, which was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year.
Operating Expenditure					
Employee related costs	72 367	69 314	59 770	86.2	The municipality has spent R59.8 million (86.2 percent) on Employee related costs against an Adjusted Budget of R69.3 million for 2018/19. It was noted by Provincial Treasury in the Adjusted Budget Feedback letter dated 09 April 2019, that the Adjusted Budget for Employee related costs appeared to be overstated, based on the performance reported in the Section 72 report as at 31 December 2018.
Remuneration of councillors	11 592	11 990	11 224	93.6	The municipality has spent R11.2 million (93.6 percent) on Remuneration of councillors. This points to incorrect budgeting on the part of the municipality. It was noted by Provincial Treasury in the Adjusted Budget Feedback letter dated 09 April 2019, that the Adjusted Budget for Remuneration of councillors appeared to be overstated, based on the performance reported in the Section 72 report as at 31 December 2018.
Debt impairment	2 355	2 224	-	-	The municipality has reported Nil expenditure against Debt impairment for the 2018/19 financial year. During IYM feedbacks in the 2018/19 financial year, the municipality was advised by Provincial Treasury to report against Debt impairment on a monthly basis. This is an indication of incorrect reporting on the part of the municipality. The 2017/18 Audited Actual was R2.4 million.
Depreciation and asset impairment	12 489	9 448	-	-	The municipality has reported Nil expenditure against Depreciation and asset impairment for the 2018/19 financial year. During various IYM feedbacks in the 2018/19 financial year, the municipality was advised by Provincial Treasury to report against Depreciation and asset impairment on a monthly basis. This is an indication of incorrect reporting on the part of the municipality. The 2017/18 Audited Actual was R18.2 million.
Bulk purchases	16 960	16 200	18 852	116.4	The municipality has spent R18.9 million (116.4 percent) on Bulk purchases against an Adjusted Budget of R16.2 million for 2018/19. It was noted by Provincial Treasury in the Adjusted Budget Feedback letter dated 09 April 2019, that the Adjusted Budget for Bulk purchases appeared to be understated, based on the performance reported in the Section 72 report as at 31 December 2018.
Contracted services	8 259	16 691	15 402	92.3	The municipality has spent R15.4 million (92.3 percent) for Contracted services for the 2018/19 financial year. The low expenditure against Contracted services was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Other expenditure items ³	55 573	47 635	33 298	69.9	The municipality has spent R33.3 million (69.9 percent) for Other expenditure items for the 2018/19 financial year. The low expenditure against Other expenditure items was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Total Operating Expenditure	179 596	173 501	138 545	79.9	The municipality has in total spent R138.5 million (79.9 percent) of the Adjusted Budget. Total Operating Expenditure is understated as a result of the Nil expenditure reported for Debt impairment and Depreciation and asset impairment.
Operating surplus/(deficit)	(1 011)	29 656	34 836		The Unaudited Actual Operating surplus is R34.8 million. It must be noted however, that this figure is subject to change with the inclusion of Debt impairment, Depreciation and asset impairment and other possible year-end entries.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.4 (k) Capital, Cash and Conditional grant Performance - Nquthu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Reasons for the poor performance for Capital Revenue and Capital Expenditure where applicable were requested by the Provincial Treasury, however none were submitted by the municipality.					
Transfers recognised - capital	45 676	47 311	51 439	108.7	The municipality has reported Transfers recognised - capital of R51.4 million (108.7 percent) against an Adjusted Budget of R47.3 million. The importance of accurate reporting of Capital Revenue and Expenditure was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	83 209	61 949	23 877	38.5	The municipality has reported Internally generated funds of R23.9 million (38.5 percent) against an Adjusted Budget of R61.9 million. The low generation of Capital Revenue from Internally generated funds was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention, and is a result of the low Capital Expenditure.
Total Capital Revenue	128 885	109 260	75 316	68.9	
Capital Expenditure					
Governance and Administration	2 920	2 920	2 913	99.8	
Community and Public Safety	39 458	31 168	16 030	51.4	The municipality has spent R16 million (51.4 percent) against Community and Public Safety for the 2018/19 financial year. The low capital expenditure against Community and Public Safety was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Eco. & Environmental Services	65 537	54 202	36 393	67.1	The municipality reported to have spent R36.4 million (67.1 percent) against Eco. & Environmental Services for the 2018/19 financial year. The low Capital Expenditure against Eco. & Environmental Services was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Trading Services	20 970	20 970	19 981	95.3	
Other	-	-	-	-	
Total Capital Expenditure	128 885	109 260	75 316	68.9	The municipality has reported Total Capital Expenditure of R75.3 million (68.9 percent) against an Adjusted Budget of R109.3 million. Low Capital Expenditure could result in poor service delivery.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	235 149	231 170	200 061		The R200.1 million Cash/cash equiv. at the year begin does not agree to the 2017/18 Audited AFS of R231.2 million, a difference of approximately R31.1 million. The difference was communicated to the municipality, however the correction was submitted by the municipality after the LG database had closed.
Cash/cash equiv. at the year end:	244 642	131 379	210 763		The Cash/cash equiv. at the year end appears reasonable as per the Bank Reconciliation and Investment register as at 30 June 2019 submitted by the municipality on 08 July 2019.
Net Increase/(Decrease) in cash held	9 493	(99 792)	10 701		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 913	100.7%	(13)	
Expanded Public Works Programme	1 014	1 165	114.9%	(151)	The municipality has reported to have spent 114.9 percent of the Total Available amount of R1 million for the Expanded Public Works Programme Grant. This points to incorrect reporting on the part of the municipality as funds spent in excess of the grant received are for the municipality's own account.
Municipal Infrastructure Grant	30 627	31 968	104.4%	(1 341)	The municipality has reported to have spent 104.4 percent of the Total Available amount of R30.6 million for the Municipal Infrastructure Grant. This points to incorrect reporting on the part of the municipality as funds spent in excess of the grant received are for the municipality's own account.
Integrated National Electrification Programme Grant	14 035	14 035	100.0%	-	

¹ Expenditure by munis.

Table 4.4 (I) Debtors, Creditors and Key ratios - Nquthu Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	24 991		
Debtors as at 30 June 2019	50 330	101.4%	Debtors increased by R25.3 million (101.4 percent) in the 2018/19 financial year. This indicates that the municipality is experiencing difficulties in collecting payments from its Debtors and this impacts negatively on cash flows.
<u>By age analysis</u>			
0-30 days	1 471	2.9%	
31-60 days	825	1.6%	
61-90 days	1 762	3.5%	
>90 days	46 272	91.9%	The municipality has total outstanding Debtors of R50.3 million of which R46.3 million (91.9 percent) is in the over 90 days category. The municipality should direct their efforts to the collection of this debt.
Total by age analysis	50 330	100.0%	
<u>By customer group</u>			
Organs of state	35 904	71.3%	The bulk (71.3 percent) of the total outstanding Debtors is in the Organs of state Group.
Commercial	6 117	12.2%	
Households	4 935	9.8%	
Other	3 375	6.7%	
Total by customer group	50 330	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	12 268		
Creditors as at 30 June 2019	10 211	-16.8%	
<u>By age analysis</u>			
0-30 days	8 832	86.5%	
>30 days	1 378	13.5%	The municipality has reported total Creditors of R10.2 million as at 30 June 2019, of which R1.4 million (13.5 percent) of the outstanding Creditors are outstanding for more than 30 days. This is in contravention of Section 65(2)(e) of the MFMA and can result in interest and penalties being imposed, thus incurring fruitless and wasteful expenditure.
Total by age analysis	10 211	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	51.2%	The ratio is above the norm of 25 to 40 percent. However, this may be distorted and is subject to change due to the fact that Operating Expenditure is understated by Debt impairment and Depreciation and asset impairment.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	43.1%	The ratio indicates that the municipality is grant dependant.
Own funded capital expenditure	-	31.7%	The ratio indicates that the municipality is grant dependant for Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	35.2%	The Ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services. This ratio is distorted as Operating and Capital Expenditure has not been fully reported for at the end of the financial year.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.4.4 Analysis per Municipality: uMzinga Local Municipality

Table 4.4 (m) Operating Revenue and Expenditure Performance - uMzinga Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Property Rates	9 240	17 235	18 470	107.2	The municipality has recognised R18.5 million (107.2 percent) for Property Rates against an Adjusted Budget of R17.2 million. The municipality attributed the over-generation to under-budgeting during the 2018/19 Adjustments Budget.
Service Charges ¹	700	500	514	102.9	
Transfers recognised - operational	171 736	152 928	152 928	100.0	
Other sources of Revenue ²	15 150	4 019	6 660	165.7	The municipality has recognised R6.7 million (165.7 percent) for Other sources of Revenue against an Adjusted Budget of R4 million. The municipality acknowledged that the reported figure is incorrect and that it will be corrected upon finalisation of the 2018/19 AFS.
Total Operating Revenue	196 826	174 682	178 572	102.2	
Operating Expenditure					
Employee related costs	52 549	61 381	60 424	98.4	
Remuneration of councillors	9 925	9 381	12 251	130.6	The municipality has spent R12.3 million (130.6 percent) on Remuneration of councillors against an Adjusted Budget of R9.4 million. The municipality attributed the over-expenditure to receiving the notification approval in respect of Councillor allowances after the tabling of the Adjustment Budget.
Debt impairment	400	3 000	28 064	935.5	The municipality has recorded R28.1 million (935.5 percent) on Debt impairment against an Adjusted Budget of R3 million. The municipality acknowledged that the reported figure is incorrect and that it will be corrected during the finalisation of the 2018/19 AFS. The 2017/18 Audited Actual was R3.3 million.
Depreciation and asset impairment	9 528	22 014	22 014	100.0	
Bulk purchases	-	-	-	-	
Contracted services	5 007	63 513	49 783	78.4	The municipality has spent R49.8 million (78.4 percent) on Contracted services against an Adjusted Budget of R63.5 million. The Provincial Treasury highlighted in the Adjusted Budget comments letter dated 04 April 2019 that the Adjusted Budget of R63.5 million appears overstated based on the 2018/19 Mid - year performance. The municipality attributed the low expenditure to the implementation of cost cutting measures.
Other expenditure items ³	157 264	67 537	46 200	68.4	The municipality has spent R46.2 million (68.4 percent) on Other expenditure items against an Adjusted Budget of R67.5 million. The municipality attributed the low expenditure to the implementation of cost cutting measures.
Total Operating Expenditure	234 673	226 825	218 737	96.4	Total Operating Expenditure is R218.7 million (96.4 percent) against an Adjusted Budget of R226.8 million.
Operating surplus/(deficit)	(37 847)	(52 143)	(40 165)		The Operating deficit of R40.2 million is subject to change once the 2018/19 AFS is finalised as the Debt impairment figure is overstated.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.4 (n) Capital, Cash and Conditional grant Performance - uMsinga Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Transfers recognised - capital	36 715	54 834	37 364	68.1	The municipality has reported a low recognition of R37.4 million or 68.1 percent on Transfers recognised - capital against an Adjusted Budget of R54.8 million. The municipality attributed the low recognition to the INEP Grant of R20.7 million which was incorrectly recognised as an Operational Grant as opposed to a Capital Grant.
Public contributions and donations	3 400	5 863	-	-	The municipality reported nil recognition against the Adjusted Budget of R5.9 million for Public contributions and donations. The municipality attributed the nil recognition to a misallocation of Capital Revenue between Public contributions and donations and Internally generated funds which will be rectified upon finalisation of the 2018/19 AFS.
Borrowing	-	-	-	-	
Internally generated funds	-	530	9 919	1 871.6	The municipality has reported an over-generation of R9.9 million or 1871.6 percent against an Adjusted Budget of R530 000 for Internally generated funds. The municipality attributed the over-generation to a misallocation of Capital Revenue between Public contributions and Internally generated funds. The municipality indicated that this will be rectified upon finalisation of the 2018/19 AFS.
Total Capital Revenue	40 115	61 227	47 283	77.2	The municipality has reported R47.3 million (77.2 percent) of Total Capital Revenue against an Adjusted Budget of R61.2 million. The municipality attributed the low recognition to the INEP Grant of R20.7 million that was incorrectly recognised as an Operational Grant as opposed to a Capital Grant.
Capital Expenditure					
Governance and Administration	40 115	5 863	2 384	40.7	The municipality has expended R2.4 million (40.7 percent) against an Adjusted Budget of R5.9 million for the 2018/19 financial year. The municipality indicated that the reported figure of R2.4 million is incorrect and that it will be corrected upon finalisation of the 2018/19 AFS.
Community and Public Safety	-	9 629	7 535	78.3	The municipality has expended R7.5 million (78.3 percent) against an Adjusted Budget of R9.6 million for the 2018/19 financial year. The municipality indicated that the reported figure of R7.5 million is incorrect and that it will be corrected upon finalisation of the 2018/19 AFS.
Eco. & Environmental Services	-	37 205	37 364	100.4	
Trading Services	-	8 100	-	-	The municipality has reported nil expenditure for the 2018/19 financial year. The Provincial Treasury highlighted in the Adjusted Budget comments letter dated 04 April 2019 that the budget appeared over-stated based on the 2018/19 Mid - year performance. No reasons have been provided by the municipality for the nil expenditure.
Other	-	430	-	-	The municipality has reported nil expenditure for the 2018/19 financial year. The Provincial Treasury highlighted in the Adjusted Budget comments letter dated 04 April 2019 that the budget appeared over-stated based on the 2018/19 Mid - year performance. No reasons have been provided by the municipality for the nil expenditure.
Total Capital Expenditure	40 115	61 227	47 283	77.2	The municipality has reported R47.3 million (77.2 percent) of Total Capital Expenditure against an Adjusted Budget of R61.2 million. Low Capital expenditure negatively affects service delivery.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	500	34 379	34 379		The municipality has reported Cash/cash equiv. at the year begin of R34.4 million, which is as per the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	171 461	(4 180)	35 693		The budgeted R35.7 million appears reasonable as per the information supplied by the municipality in this regard which is the investment register, grants register, bank reconciliation and trial balance as at 30 June 2019.
Net Increase/(Decrease) in cash held	170 961	(38 558)	1 314		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	2 021	106.4%	(121)	The municipality has reported to have spent R2 million (106.4 percent) on the Financial Management Grant against a Total Available amount for the 2018/19 financial year of R1.9 million. The municipality attributed the over- expenditure to incorrect reporting which will be corrected upon finalisation of the 2018/19 AFS.
Expanded Public Works Programme	4 394	4 394	100.0%	-	
Municipal Infrastructure Grant	36 715	36 715	100.0%	-	
Integrated National Electrification Programme Grant	20 700	20 700	100.0%	-	

¹ Expenditure by munis.

Table 4.4 (o) Debtors, Creditors and Key ratios - uMzinga Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	34 048		
Debtors as at 30 June 2019	40 292	18.3%	The Debtors balance has increased by 18.3 percent from R34 million as at 30 June 2018 to R40.3 million as at 30 June 2019. This is an indication of poor debt collection which could have an adverse effect on the municipalities cash flow.
<u>By age analysis</u>			
0-30 days	1 317	3.3%	
31-60 days	1 158	2.9%	
61-90 days	1 095	2.7%	
>90 days	36 721	91.1%	The majority of the municipality's Debtors are in the "over 90 days" category which indicates that the municipality is experiencing difficulties in collecting long outstanding debts and this could impact negatively on cash flows. The municipality needs to urgently implement its Debt collection and credit control policy.
Total by age analysis	40 292	100.0%	
<u>By customer group</u>			
Organs of state	15 719	39.0%	The majority Debt owed is in the Organs of state category and the municipality should direct its debt collection efforts to this customer group.
Commercial	12 300	30.5%	
Households	12 273	30.5%	
Other	-	-	
Total by customer group	40 292	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	25 611		
Creditors as at 30 June 2019	589	-97.7%	The municipality attributed the decrease in Creditors to payments of creditors made during the year. It should be noted that the Creditors as at 30 June 2019 do not include the final 2018/19 final adjustments and may therefore be understated.
<u>By age analysis</u>			
0-30 days	433	73.5%	
>30 days	156	26.5%	The municipality has outstanding Creditors of R156 000 in the greater than 30 days category which is in contravention of Section 65(2)(e) of the MFMA which stated that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, which could result in fruitless and wasteful expenditure in the form of Interest and penalties being levied by Creditors.
Total by age analysis	589	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	33.2%	The ratio of 33.2 percent is within the norm of 25 percent to 40 percent.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	14.4%	This ratio indicates that the municipality is grant dependant.
Own funded capital expenditure	-	21.0%	The ratio of 21 percent indicates that the municipality is dependant on grants to fund its Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	17.8%	The ratio of 17.8 percent is within the norm of 10 percent to 20 percent. This figure is distorted due to the Debt impairment which is incorrect.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.4.5 Analysis per Municipality: uMvoti Local Municipality

Table 4.4 (p) Operating Revenue and Expenditure Performance - uMvoti Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Property Rates	39 704	40 344	40 053	99.3	
Service Charges ¹	86 236	80 954	78 701	97.2	
Transfers recognised - operational		150 123	120 615	80.3	The municipality has recognised R120.6 million (80.3 percent) for Transfers recognised - operational against an Adjusted Budget of R150.1 million. The municipality attributed the low generation to the anticipated funds for three projects from the Department of Human Settlements during the 2018/19 Financial year which did not materialise.
Other sources of Revenue ²	19 262	17 728	20 111	113.4	The municipality has recognised R20.1 million (113.4 percent) for Other sources of Revenue against an Adjusted Budget of R17.7 million. The municipality attributed the over-generation to under-budgeting during the Adjustments Budget.
Total Operating Revenue	145 201	289 149	259 480	89.7	The Total Operating Revenue recognised is R259.5 million (89.7 percent) against an Adjusted Budget of R289.1 million. This is mainly due to the under-generation on Transfers recognised - operational.
Operating Expenditure					
Employee related costs	127 833	108 137	106 175	98.2	
Remuneration of councillors	–	10 181	9 986	98.1	
Debt impairment	18 534	12 600	9 267	73.5	The municipality has recorded R9.3 million (73.5 percent) on Debt impairment against an Adjusted Budget of R12.6 million. The municipality indicated that the Debt impairment figure is understated and that the final figure will be available upon finalisation of the 2018/19 AFS. The 2017/18 Audited Actual was R12.2 million.
Depreciation and asset impairment	27 109	29 017	28 163	97.1	
Bulk purchases	55 502	51 502	50 010	97.1	
Contracted services	25 548	85 102	45 811	53.8	The municipality has incurred R45.8 million (53.8 percent) on Contracted services against an Adjusted Budget of R85.1 million. The municipality has indicated that the expenditure that was budgeted for under Contracted services included budgeted amounts for the INEP projects. Expenditure is however reversed at year end as the municipality is an agent for Eskom and the expenditure is not reflected in their financial statements.
Other expenditure items ³	45 370	35 442	42 564	120.1	The municipality has spent R42.6 million (120.1 percent) on Other expenditure items against an Adjusted Budget of R35.4 million. The over-expenditure was also highlighted by the Provincial Treasury during the IYM process and the municipality was advised to monitor its spending closely. The municipality attributed the over-expenditure to under-budgeting during the 2018/19 Adjustments Budget.
Total Operating Expenditure	299 897	331 981	291 976	87.9	Total Operating Expenditure is R292 million (87.9 percent) against an Adjusted Budget of R332 million.
Operating surplus/(deficit)	(154 696)	(42 832)	(32 496)		The reported Operating deficit of R32.5 million will be subject to change as the municipality understated expenditure on Debt impairment by approximately R3.4 million.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.4 (q) Capital, Cash and Conditional grant Performance - uMvoti Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Transfers recognised - capital	38 590	35 139	26 790	76.2	The municipality has recognised R26.8 million (76.2 percent) for Transfers recognised - capital against an Adjusted Budget of R35.1 million. The municipality attributed the low generation to a misallocation between Transfers recognised capital and Internally generated funds. The municipality indicated that this will be rectified upon finalisation of the 2018/19 AFS and that the correct figure for Transfers recognised capital is R35.1 million.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	947	5 234	11 532	220.3	The municipality has recognised R11.5 million (220.3 percent) for Internally generated funds against an Adjusted Budget of R5.2 million. The municipality indicated that the reported figure of R11.5 million is incorrect due to a misallocation between Transfers recognised capital and Internally generated funds. The municipality indicated that the correct Unaudited Actual figure is R3.2 million resulting in a low generation of 61.5 percent and that the correct amount will be disclosed upon finalisation of the 2018/19 AFS. The municipality attributed the low generation to financial constraints.
Total Capital Revenue	39 537	40 373	38 322	94.9	
Capital Expenditure					
Governance and Administration	3 051	1 676	1 137	67.9	The municipality has expended R1.1 million (67.9 percent) against an Adjusted Budget of R1.7 million for the 2018/19 financial year. The municipality attributed the low capital expenditure to financial constraints.
Community and Public Safety	1 574	2 586	2 984	115.4	The municipality has expended R3 million (115.4 percent) against an Adjusted Budget of R2.6 million for the 2018/19 financial year.
Eco. & Environmental Services	34 912	36 111	27 601	76.4	The municipality has expended R27.6 million (76.4 percent) against an Adjusted Budget of R36.1 million for the 2018/19 financial year. The municipality attributed the low expenditure to a misallocation of Capital Expenditure between Eco. & Environmental Services and Trading Services which will be rectified upon finalisation of the 2018/19 AFS.
Trading Services	-	-	6 600	-	The reported spending of R6.6 million is incorrect and is as a result of a misallocation of Capital Expenditure between Eco.& Environmental Services and Trading Services. The municipality indicated that this will be rectified upon finalisation of the 2018/19 AFS.
Other	-	-	-	-	
Total Capital Expenditure	39 537	40 373	38 322	94.9	The municipality has reported Total Capital Expenditure of R38.3 million (94.9 percent) against an Adjusted budget of R40.4 million.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	42 672	13 748	13 692		The municipality has reported Cash/cash equiv. at the year begin of R13.69 million which is different from R13.74 million as per the 2017/18 Audited AFS, a difference of R56 000. The municipality was informed of the difference and was advised to correct it accordingly.
Cash/cash equiv. at the year end:	(5 274)	2 446	(10 507)		The municipality has reported negative R10.6 million Cash/cash equiv. at the year end. The municipality attributed this to errors contained in the MFMA Section 71 reports. The municipality indicated that the errors in the cashflow will be rectified upon finalisation of the 2018/19 AFS and that the correct closing cash balance for 2018/19 is R2.3 million.
Net Increase/(Decrease) in cash held	(47 947)	(11 302)	(24 199)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 870	1 870	100.0%	-	
Expanded Public Works Programme	1 849	1 809	97.8%	40	The municipality has indicated that the Expanded Public Works Programme Grant has been fully spent. The reported figure of R1.81 million is incorrect and that the reported figure will be corrected upon finalisation of the 2018/19 AFS.
Municipal Infrastructure Grant	33 261	32 868	98.8%	393	The municipality has indicated that the Municipal Infrastructure Grant has been fully spent. The reported figure of R32.9 million is incorrect and that the reported figure will be corrected upon finalisation of the 2018/19 AFS.
Integrated National Electrification Programme Grant	11 329	11 329	100.0%	-	

¹ Expenditure by munis.

Table 4.4 (r) Debtors, Creditors and Key ratios - uMvoti Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	43 131		
Debtors as at 30 June 2019	69 932	62.1%	The Debtors balance has increased by 62.1 percent from R43.1 million as at 30 June 2018 to R69.9 million as at 30 June 2019. This is an indication of poor debt collection which has had an adverse effect on the municipalities cash flow.
<u>By age analysis</u>			
0-30 days	5 779	8.3%	
31-60 days	(256)	-	The negative R256 000 appears to be an error. The municipality indicated that the ageing of Debtors will be reviewed during the preparation of the 2018/19 AFS.
61-90 days	2 648	3.8%	
>90 days	61 762	88.3%	The majority of the municipality's Debtors are in the "over 90 days" category which indicates that the municipality is experiencing difficulties in collecting long outstanding debts and this has impacted negatively on cash flows. The municipality needs to urgently implement its Debt collection and credit control policy.
Total by age analysis	69 932	100.0%	
<u>By customer group</u>			
Organs of state	5 966	8.5%	
Commercial	14 789	21.1%	
Households	40 562	58.0%	The majority of debt owed is in the Households category and the municipality should direct its debt collection efforts to this customer group.
Other	8 615	12.3%	
Total by customer group	69 932	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	44 975		
Creditors as at 30 June 2019	17 209	-61.7%	The municipality attributed the decrease in Creditors to payments of creditors made during the year. It should be noted that the Creditors as at 30 June 2019 do not include the final 2018/19 final adjustments and may therefore be understated.
<u>By age analysis</u>			
0-30 days	17 062	99.1%	
>30 days	147	0.9%	The municipality has outstanding Creditors of R147 000 in the greater than 30 days category which is in contravention of Section 65(2)(e) of the MFMA. This could result in fruitless and wasteful expenditure in the form of Interest and penalties being levied by Creditors.
Total by age analysis	17 209	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	39.8%	The ratio of 39.8 percent is within the norm of 25 percent to 40 percent.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	53.5%	This ratio indicates that the municipality is not grant dependant.
Own funded capital expenditure	-	30.1%	The municipality reported an Own funded capital expenditure ratio of 30.1 percent, which indicates that the municipality is not wholly grant dependant with regards to its capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	11.6%	The ratio of 11.6 percent is within the norm of 10 percent to 40 percent.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.4.6 Analysis per Municipality: uMzinyathi District Municipality

Table 4.4 (s) Operating Revenue and Expenditure Performance - uMzinyathi District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Property Rates	-	-	-	-	
Service Charges ¹	60 509	60 509	39 846	65.9	The municipality generated revenue of R39.8 million (65.9 percent) for Service Charges against an Adjusted Budget of R60.5 million. The municipality attributed the under-generation of Service Charges revenue to a misallocation between Service Charges and Other sources of Revenue which would be corrected accordingly during the preparation of the 2018/19 Annual Financial Statements.
Transfers recognised - operational	331 936	331 799	291 305	87.8	The municipality generated revenue of R291.3 million (87.8 percent) for Transfers recognised - operational against an Adjusted Budget of R331.8 million. The municipality stated that journals to reallocate funds withheld from the Equitable Share in regards to the unapproved rollovers will be processed during the preparation of the 2018/19 Annual Financial Statements.
Other sources of Revenue ²	28 360	28 624	67 362	235.3	The municipality generated revenue of R67.4 million (235.3 percent) for Other sources of Revenue against an Adjusted Budget of R28.6 million. The municipality attributed the over-generation of Other sources of Revenue to a misallocation between Service Charges and Other sources of Revenue which would be corrected accordingly during the preparation of the 2018/19 Annual Financial Statements.
Total Operating Revenue	420 804	420 932	398 514	94.7	
Operating Expenditure					
Employee related costs	158 814	137 157	138 731	101.1	The municipality expended R138.7 million (101.1 percent) for Employee related costs against an Adjusted Budget of R137.2 million. The municipality attributed the over-expenditure to the Post retirement benefits contributions processed at year end and the 2018/19 Adjusted Budget was understated.
Remuneration of councillors	4 853	5 171	5 090	98.4	
Debt impairment	12 606	12 606	-	-	The municipality has reported nil expenditure for Debt impairment in the 2018/19 financial year against an Adjusted Budget of R12.6 million. The municipality stated that transactions relating to this expenditure item will be processed during the preparation of the 2018/19 Annual Financial Statements. The Provincial Treasury highlighted that the Adjusted Budget of R12.6 million appeared understated in the 2018/19 Adjusted Budget feedback letter dated 08/04/2019 as the 2017/18 Audited Actual was R72.8 million.
Depreciation and asset impairment	41 374	41 374	-	-	The municipality has reported nil expenditure for Depreciation and asset impairment in the 2018/19 Financial year against an Adjusted Budget of R41.4 million. The municipality stated that transactions relating to this expenditure item will be processed during the preparation of the 2018/19 Annual Financial Statements. The Provincial Treasury highlighted that the Adjusted Budget of R41.4 million appeared understated in the in the 2018/19 Adjusted Budget feedback letter dated 08/04/2019 as the 2017/18 Audited Actual was R67.9 million.
Bulk purchases	18 400	18 400	15 458	84.0	The municipality expended R15.5 million (84 percent) for Bulk purchases against an Adjusted Budget of R18.4 million. The municipality attributed the under-expenditure to not receiving all invoices for Bulk purchases from uThukela Water (Pty) Ltd. The municipality further stated that not all transactions have been processed for the 2018/19 financial year which will result in the figure increasing.
Contracted services	82 423	78 520	100 590	128.1	The municipality expended R100.6 million (128.1 percent) for Contracted services against an Adjusted Budget of R78.5 million. The municipality attributed the over-expenditure of R22.1 million to unexpected repairs on assets required to provide water to communities. The Provincial Treasury highlighted that the Adjusted Budget of R78.5 million appeared understated in the 2018/19 Adjusted Budget feedback letter dated 08/04/2019.
Other expenditure items ³	105 110	129 743	140 115	108.0	The municipality expended R140.1 million (108 percent) for Other expenditure items against an Adjusted Budget of R129.7 million. The municipality attributed the over-expenditure of R10.4 million to unexpected repairs on assets required to provide water to communities, thus incurring more expenditure than the budget. The Provincial Treasury highlighted that the Other expenditure Adjusted Budget of R56.2 million (included in the R129.7 million Adjusted Budget figure) appeared understated in the 2018/19 Adjusted Budget feedback letter dated 08/04/2019.
Total Operating Expenditure	423 579	422 971	399 984	94.6	
Operating surplus/(deficit)	(2 775)	(2 040)	(1 470)		The municipality reflected an Unaudited Actual Operating deficit of R1.5 million against an Adjusted Budget deficit of R2 million, a difference of R570 000. The Operating deficit is significantly understated as the municipality has not accounted for Debt impairment and Depreciation and asset impairment.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.4 (t) Capital, Cash and Conditional grant Performance - uMzinyathi District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Transfers recognised - capital	272 541	294 770	306 314	103.9	The municipality recognised R306.3 million (103.9 percent) on Transfers recognised - capital against an Adjusted Budget of R294.8 million. The municipality attributed the over-generation to the misallocation between Transfers recognised-capital and Internally generated funds and that this will be corrected during the preparation of the 2018/19 Annual Financial Statements.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	155 918	58 928	8 731	14.8	The municipality recognised R8.7 million (14.8 percent) on Internally generated funds against an Adjusted Budget of R58.9 million. The municipality attributed the under-generation to the misallocation between Transfers recognised-capital and Internally generated funds and that this will be corrected during the preparation of the 2018/19 Annual Financial Statements.
Total Capital Revenue	428 459	353 698	315 045	89.1	
Capital Expenditure					
Governance and Administration	155 518	4 848	3 109	64.1	The municipality expended R3.1 million (64.1 percent) for Governance and Administration against an Adjusted Budget of R4.8 million. The municipality attributed the under-expenditure to not all Capital projects being executed due to a lack of funding and also to a misallocation of expenditure between Community and Public Safety and Governance and Administration which would be corrected during the preparation of the 2018/19 Annual Financial Statements.
Community and Public Safety	200	227	444	195.3	The municipality expended R444 000 (195.3 percent) for Community and Public Safety against an Adjusted Budget of R227 000. The municipality attributed the over-expenditure to the misallocation of expenditure between Community and Public Safety and Governance and Administration which would be corrected during the preparation of the 2018/19 Annual Financial Statements.
Eco. & Environmental Services	200	334	334	100.0	
Trading Services	272 541	348 289	311 158	89.3	The municipality expended R311.2 million (89.3 percent) for Trading Services against an Adjusted Budget of R348.3 million. The municipality attributed the under-expenditure of R37.1 million to not all Capital projects being executed due to a lack of funding.
Other	-	-	-	-	
Total Capital Expenditure	428 459	353 698	315 045	89.1	The municipality has reported Total Capital Expenditure of R315 million (89.1 percent) against an Adjusted Budget of R353.7 million. The municipality attributed the under-expenditure of R38.7 million to not all Capital projects being executed due to a lack of funding. Low Capital Expenditure equates to poor service delivery in the entire district.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	25 000	-	150 841		The municipality did not budget for Cash/cash equivalents at the year begin in the 2018/19 Adjusted Budget. This was highlighted in the 2018/19 Adjusted Budget feedback letter dated 8 April 2019 to the municipality. The 2017/18 Audited Annual Financial Statements reflected a figure of R150.8 million.
Cash/cash equiv. at the year end:	75 224	(29 908)	57 203		The municipality reported Cash/cash equiv. at the year end of R57.2 million, a difference of R87.1 million when compared to the Adjusted Budget Deficit of R29.9 million. The municipality did not budget for Cash/cash equivalents at the year begin in the 2018/19 Adjusted Budget which contributed to the budgeted Deficit of R29.9 million in the 2018/19 Adjusted Budget. The reported R57.2 million at the end of the 2018/19 financial year appears reasonable based on the information supplied by the municipality in this regard (eg: Bank Statement, Bank Reconciliation Statement, Grants Register and Investments Register).
Net Increase/(Decrease) in cash held	50 224	(29 908)	(93 638)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 320	1 320	100.0%	0	
Expanded Public Works Programme	5 109	5 110	100.0%	(1)	
Municipal Infrastructure Grant	184 485	184 485	100.0%	-	
Water Services Infrastructure Grant	70 800	70 800	100.0%	-	

¹ Expenditure by munis.

Table 4.4 (u) Debtors, Creditors and Key ratios - uMzinyathi District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	254 089		
Debtors as at 30 June 2019	296 253	16.6%	The total outstanding Debtors has increased from R254.1 million in the 2017/18 Audited AFS to R296.3 million in the 2018/19 financial year, an increase of 16.6 percent. This could be an indication that the municipality is experiencing difficulties in collecting debts due.
<u>By age analysis</u>			
0-30 days	7 354	2.5%	
31-60 days	3 970	1.3%	
61-90 days	7 960	2.7%	
>90 days	276 970	93.5%	The municipality has total outstanding Debtors of R296.3 million of which R277 million (93.5 percent) is in the Over 90 days category. The municipality stated that it is in the process of data cleansing with regards to its debtors and is expecting to write off uncollectable debts.
Total by age analysis	296 253	100.0%	
<u>By customer group</u>			
Organs of state	23 667	8.0%	
Commercial	19 904	6.7%	
Households	252 682	85.3%	The majority of outstanding municipal debt is in the Households group which shows that the municipality has not collected R252.7 million (85.3 percent) of debts due from Households. The municipality stated that it is in the process of data cleansing with regards to its debtors and is expecting to write off uncollectable debts.
Other	-	-	
Total by customer group	296 253	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	130 710		
Creditors as at 30 June 2019	69 030	-47.2%	The total Creditors due has decreased from R130.7 million in the 2017/18 Audited AFS to R69 million in the 2018/19 financial year, a decrease of 47.2 percent. The municipality attributed the decrease in Creditors to payment of creditors made during the year. It should be noted that the creditors as at 30 June 2019 do not include the final 2018/19 adjustments and may therefore be understated.
<u>By age analysis</u>			
0-30 days	8 148	11.8%	
>30 days	60 882	88.2%	The municipality has reported to owe Creditors of R60.9 million for more than 30 days which is in contravention of Section 65(2)(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred which amounts to fruitless and wasteful expenditure. The municipality stated that it has a number of pending litigations with some of its Creditors and cannot pay without the litigation being resolved.
Total by age analysis	69 030	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	36.0%	The Remuneration as % of Total operating expenditure is 36 percent which is within the norm of between 25 percent and 40 percent.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	26.9%	The Own sources of revenue to total operating revenue is 26.9 percent, which indicates that the municipality is grant dependant.
Own funded capital expenditure	-	2.8%	The Own funded capital expenditure is 2.8 percent. This indicates that the municipality is funding the majority of capital expenditure from grants.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	44.1%	The Capital Expenditure to Total expenditure is 44.1 percent and this is above the norm of between 10 percent and 20 percent. This high ratio is due to operating expenditure being understated due to the municipality not reporting on Debt Impairment and the Depreciation and asset impairment. The ratio is therefore distorted.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.5 Amajuba District

The Amajuba District is located in the north-western corner of KwaZulu-Natal, bordering on the Free State and Limpopo Provinces. The district is comprised of three local municipalities, namely the Newcastle, eMadlangeni and Dannhauser Local Municipalities together with the Amajuba District Municipality. The district is 7 102 km² in size (KZN CoGTA, 2017)¹. The eMadlangeni Local Municipality occupies the largest area at 3 539 km² followed by the Newcastle Local Municipality at 1 856 km² and the Dannhauser Local Municipality at 1 707 km².

The Amajuba District Municipality is the Water Service Authority (WSA) for the Dannhauser and eMadlangeni Local Municipalities whilst the Newcastle Local Municipality performs its own water reticulation. The Newcastle Local Municipality's main trading services are *Water, Sanitation, Electricity* and *Refuse removal*, the eMadlangeni Local Municipality's main trading services are *Electricity* and *Refuse removal* whilst the Dannhauser Local Municipality only renders a *Refuse removal* service.

The eMadlangeni Local Municipality was placed under intervention in terms of Section 139(1)(b) of the Constitution of South Africa, 1996 from the 01 July 2018 to 05 December 2018.

The Amajuba District Municipality, the Dannhauser and eMadlangeni Local Municipalities had full time Municipal Managers (MM) for the 2018/19 financial year. The Newcastle Local Municipality had an acting MM from 13 December 2018 to 30 June 2019 due to the suspension of the full time MM.

The Dannhauser Local, eMadlangeni Local and Amajuba District Municipalities had full time Chief Financial Officers (CFO) for the 2018/19 financial year, whilst the Newcastle Local Municipality had an acting CFO from 29 August 2018 to 30 June 2019 due to the resignation of the full time CFO.

Unqualified audit opinions with other matters were maintained by the eMadlangeni and Newcastle Local Municipalities for the 2017/18 financial year from the 2016/17 financial year, whilst the Amajuba District Municipality, similar to the 2016/17 financial year, received a qualified audit opinion in the 2017/18 financial year. The Dannhauser Local Municipality regressed from a financially unqualified audit opinion with other matters in the 2016/17 financial year to a qualified audit opinion in the 2017/18 financial year.

4.5.1 Overview of Amajuba District Performance

Table 4.5(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
New castle	1 768 721	1 845 800	1 842 887	99.8
eMadlangeni	75 347	80 227	79 276	98.8
Dannhauser	192 547	126 194	95 629	75.8
Amajuba DM	189 318	191 308	263 356	137.7
Total	2 225 933	2 243 528	2 281 149	101.7

Source: NT Igdatabase

Table 4.5(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
New castle	2 234 510	2 297 430	2 008 020	87.4
eMadlangeni	74 447	78 974	72 279	91.5
Dannhauser	219 189	117 753	81 793	69.5
Amajuba DM	231 651	234 280	190 884	81.5
Total	2 759 796	2 728 437	2 352 976	86.2

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.5(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
New castle	205 576	224 064	158 893	70.9
eMadlangeni	16 147	16 500	15 941	96.6
Dannhauser	77 132	77 132	54 464	70.6
Amajuba DM	127 206	161 631	104 743	64.8
Total	426 061	479 327	334 041	69.7

Source: NT Igdatabase

Table 4.5(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
New castle	73 616	5.5	46 829	3.5	35 796	2.7	1 192 795	88.4	1 349 036
eMadlangeni	3 830	9.8	(19)	(0.0)	1 360	3.5	33 851	86.7	39 023
Dannhauser	-	-	-	-	-	-	-	-	-
Amajuba DM	-	-	-	-	-	-	-	-	-
Total	77 446	5.6	46 810	3.4	37 156	2.7	1 226 646	88.4	1 388 059

Table 4.5(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
New castle	55 305	4.1	138 722	10.3	1 153 732	85.5	1 277	0.1	1 349 036
eMadlangeni	9 876	25.3	2 698	6.9	6 537	16.8	19 911	51.0	39 023
Dannhauser	-	-	-	-	-	-	-	-	-
Amajuba DM	-	-	-	-	-	-	-	-	-
Total	65 182	4.7	141 420	10.2	1 160 269	83.6	21 188	1.5	1 388 059

Source: NT Igdatabase

Table 4.5(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
New castle	139 801	39.4	43 954	12.4	39 770	11.2	131 520	37.0	355 046
eMadlangeni	376	100.0	-	-	-	-	-	-	376
Dannhauser	-	-	-	-	-	-	-	-	-
Amajuba DM	-	-	-	-	-	-	-	-	-
Total	140 177	39.4	43 954	12.4	39 770	11.2	131 520	37.0	355 422

Source: NT Igdatabase

4.5.2 Analysis per Municipality: Newcastle Local Municipality

Table 4.5 (g) Operating Revenue and Expenditure Performance - Newcastle Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Property Rates	295 785	282 785	287 110	101.5	The municipality generated revenue of R287.1 million (101.5 percent) for Property Rates against an Adjusted Budget of R282.8 million. The municipality attributed the over-generation to additional properties billed during the year due to new developments and which was not budgeted for.
Service Charges ¹	1 008 550	1 041 955	1 003 885	96.3	The municipality generated revenue of R1 billion (96.3 percent) for Service Charges against an Adjusted Budget of R1.04 billion. The municipality attributed the under-generation to a reduction in Electricity sale as one of the major business consumers was put under business rescue.
Transfers recognised - operational	384 734	453 909	498 547	109.8	The municipality generated revenue of R498.5 million (109.8 percent) for Transfers recognised - operational against an Adjusted Budget of R453.9 million. The municipality attributed the over-generation to a portion of the Capital grants being recognised as operational. The municipality indicated that this will be corrected accordingly upon the finalisation of the 2018/19 Annual Financial Statements.
Other sources of Revenue ²	79 652	67 152	53 345	79.4	The municipality generated revenue of R53.3 million (79.4 percent) for Other sources of Revenue against an Adjusted Budget of R67.2 million. The municipality attributed the under-generation to receiving less than anticipated for the sale of municipal properties than was budgeted for.
Total Operating Revenue	1 768 721	1 845 800	1 842 887	99.8	
Operating Expenditure					
Employee related costs	537 171	548 527	560 056	102.1	The municipality expended R560.1 million (102.1 percent) for Employee related costs against an Adjusted Budget of R548.5 million. The municipality attributed the over-expenditure to Overtime and stand-by allowances paid in terms of the guidelines which were amended by the bargaining council during the year.
Remuneration of councillors	24 159	25 710	24 475	95.2	The municipality expended R24.5 million (95.2 percent) for Remuneration of councillors against an Adjusted Budget of R25.7 million. The municipality attributed the under-expenditure to the resignation of the Deputy Mayor and Speaker during the 2018/19 financial year.
Debt impairment	163 946	163 946	89 608	54.7	The municipality expended R89.6 million (54.7 percent) for Debt impairment against an Adjusted Budget of R163.9 million. The municipality attributed the under-expenditure to Debt Impairment being calculated bi-annually which implies that this figure is for the first 6 months of the 2018/19 financial year and the reported Debt impairment only consisting of Indigents. The 2017/18 Audited Actual was R177.9 million.
Depreciation and asset impairment	525 578	472 145	361 917	76.7	The municipality expended R361.9 million (76.7 percent) for Depreciation and asset impairment against an Adjusted Budget of R472.1 million. The municipality attributed the under-expenditure to low Capital expenditure and to other projects still under construction. This figure might be subjected to change with the finalisation of the 2018/19 Annual Financial Statements. The 2017/18 Audited Actual was R449.7 million.
Bulk purchases	618 730	602 230	524 211	87.0	The municipality expended R524.2 million (87 percent) for Bulk purchases against an Adjusted Budget of R602.2 million. The municipality attributed the under-expenditure to a reduction in Electricity purchases as one of the major business consumers was put under business rescue.
Contracted services	35 645	95 709	74 012	77.3	The municipality expended R74 million (77.3 percent) for Contracted services against an Adjusted Budget of R95.7 million. The municipality attributed the under-expenditure to cost containment measures being implemented in the municipality and as well as the financial challenges facing the municipality.
Other expenditure items ³	329 280	389 163	373 741	96.0	
Total Operating Expenditure	2 234 510	2 297 430	2 008 020	87.4	
Operating surplus/(deficit)	(465 788)	(451 630)	(165 133)		The municipality reflected an Unaudited Actual Operating deficit of R165.1 million against an Adjusted Budget of deficit of R451.6 million, a difference of R286.5 million. The Operating deficit might increase with the finalisation of the 2018/19 Financial Statements.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.5 (h) Capital, Cash and Conditional grant Performance - Newcastle Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Transfers recognised - capital	162 426	152 819	127 639	83.5	The municipality recognised R127.6 million (83.5 percent) on Transfers recognised - capital against an Adjusted Budget of R152.8 million. The municipality attributed the under-recognition of Capital revenue to delays in the procurement process for projects. The municipality will be required to apply for a rollover of unspent conditional funds.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	43 150	71 245	31 254	43.9	The municipality recognised R31.3 million (43.9 percent) on Internally generated funds against an Adjusted Budget of R71.2 million. The municipality attributed the under-recognition of Internally generated funds to the decision made by the municipality to delays in some projects due to cash flow challenges.
Total Capital Revenue	205 576	224 064	158 893	70.9	
Capital Expenditure					
Governance and Administration	1 000	1 218	1 329	109.2	The municipality expended R1.3 million (109.2 percent) on Governance and Administration against an Adjusted Budget of R1.2 million. The municipality attributed the over-expenditure to some expenditure relating to some projects still to be journalised to the correct functions.
Community and Public Safety	2 640	19 389	6 902	35.6	The municipality expended R6.9 million (35.6 percent) on Community and Public Safety against an Adjusted Budget of R19.4 million. The municipality attributed the under-expenditure to delays in the procurement process and the implementation of projects.
Eco. & Environmental Services	116 436	80 345	113 238	140.9	The municipality expended R113.2 million (140.9 percent) on Eco. & Environmental Services against an Adjusted Budget of R80.3 million. The municipality attributed the over-expenditure to some expenditure relating to some projects still to be journalised to their correct functions.
Trading Services	85 500	123 112	37 424	30.4	The municipality expended R37.4 million (30.4 percent) on Trading Services against an Adjusted Budget of R123.1 million. The municipality attributed the under-expenditure to delays in the procurement process and the implementation of projects.
Other	–	–	–	–	
Total Capital Expenditure	205 576	224 064	158 893	70.9	The municipality reported Total Capital Expenditure of R158.9 million (70.9 percent) against an Adjusted Budget of R224.1 million. The low capital expenditure might negatively affect service delivery.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	33 251	57 465	57 465		The Cash/cash equiv. at the year begin of R57.5 million as reported by the municipality is in line with the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	1 265	390	77 881		The municipality has reported Cash/cash equiv. at the year end of R77.9 million for the year ended 30 June 2019. A difference of R77.5 million is noted when compared to the Adjusted Budget figure of R390 000. The municipality did not provide the requested documents to confirm the reasonableness of the reported figure (eg: Bank Statement, Bank Reconciliation Statement and Investments Register).
Net Increase/(Decrease) in cash held	(31 986)	(57 075)	20 416		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 700	1 700	100.0%	0	
Expanded Public Works Programme	3 199	2 920	91.3%	279	The municipality recognised R2.9 million (91.3 percent) on the Expanded Public Works Programme against a Total Available amount of R3.2 million. The municipality attributed the under-expenditure to the incorrect capturing made under the Housing department and that this will be moved to the EPWP Grant to correctly reflect 100 percent expenditure of the Grant. This will be done prior to the finalisation of the 2018/19 Annual Financial Statements.
Municipal Infrastructure Grant	56 232	56 232	100.0%	–	
Integrated National Electrification Programme Grant	15 000	15 000	100.0%	–	

¹ Expenditure by munis.

Table 4.5 (i) Debtors, Creditors and Key ratios - Newcastle Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	1 327 453		
Debtors as at 30 June 2019	1 349 036	1.6%	The total outstanding Debtors has increased from R1.33 billion in the 2017/18 Audited AFS to R1.35 billion in the 2018/19 financial year, an increase of 1.6 percent. The municipality attributed the increase in Debtors to the slow payment of services in the areas where the municipality does not supply electricity.
<u>By age analysis</u>			
0-30 days	73 616	5.5%	
31-60 days	46 829	3.5%	
61-90 days	35 796	2.7%	
>90 days	1 192 795	88.4%	The municipality has total outstanding Debtors of R1.35 billion of which R1.2 billion (88.4 percent) is in the Over 90 days category. The municipality attributed the high Debtors in the > 90 days category to ineffective credit control measures in areas where the municipality does not supply electricity. The municipality has extended the incentive scheme and the outreach programme to these areas in an effort to increase Debtor payment levels.
Total by age analysis	1 349 036	100.0%	
<u>By customer group</u>			
Organs of state	55 305	4.1%	
Commercial	138 722	10.3%	
Households	1 153 732	85.5%	The majority of municipal debt is in the Households group which indicates that the municipality has not collected R1.2 billion (85.5 percent) of total debts due from Households. The municipality attributed the high debtors in the Households customer group to ineffective credit control measures in areas where the municipality does not supply electricity. The municipality has extended the incentive scheme and the outreach programme to these areas in an effort to increase Debtor payment levels.
Other	1 277	0.1%	
Total by customer group	1 349 036	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	387 420		
Creditors as at 30 June 2019	355 046	-8.4%	The total Creditors due has decreased from R387.4 million in the 2017/18 Audited AFS to R355 million in the 2018/19 financial year, a decrease of 8.4 percent. The municipality attributed the decrease in Creditors to payments of creditors made during the 2018/19 financial year.
<u>By age analysis</u>			
0-30 days	139 801	39.4%	
>30 days	215 245	60.6%	The municipality has reported to owe Creditors of R215.2 million for more than 30 days which is in contravention of Section 65(2)(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred and result in fruitless and wasteful expenditure. This is a reflection of the cash flow challenges currently being faced by the municipality.
Total by age analysis	355 046	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	29.1%	The Remuneration as % of Total operating expenditure is 29.1 percent and is within the norm of between 25 percent and 40 percent.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	72.9%	The Own sources of revenue to total Operating revenue is 72.9 percent which indicates that the municipality is not grant dependant as the majority of the municipality's revenue is from Own sources of revenue.
Own funded capital expenditure	-	19.7%	The Own funded capital expenditure is 19.7 percent which indicates that the municipality is funding the majority of Capital expenditure from Grants.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	7.3%	The Capital Expenditure to Total expenditure is 7 percent and this is below the norm of between 10 percent and 20 percent and is in part due to the low capital expenditure for the 2018/19 financial year as well as the under-expenditure against Debt impairment and Depreciation and asset impairment.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.5.3 Analysis per Municipality: eMadlangeni Local Municipality

Table 4.5 (j) Operating Revenue and Expenditure Performance - eMadlangeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Property Rates	18 325	21 879	18 130	82.9	The municipality has recognised R18.1 million (82.9 percent) for Property Rates against an Adjusted Budget of R21.9 million. The municipality attributed the low generation to over-budgeting during the 2018/19 Adjustments Budget.
Service Charges ¹	18 106	16 873	12 816	76.0	The municipality has recognised R12.8 million (76 percent) for Service Charges against an Adjusted Budget of R16.9 million. The municipality attributed the low generation to over-budgeting during the 2018/19 Adjustments Budget.
Transfers recognised - operational	31 368	31 860	44 585	139.9	The municipality has recognised R44.6 million (139.9 percent) for Transfers recognised - operational against an Adjusted Budget of R31.9 million. The municipality has indicated that this is due to the misallocation between Transfers recognised - operational and Other sources of Revenue. The correct figure is R31.9 million. This will be corrected with the finalisation of the 2018/19 Annual Financial Statements.
Other sources of Revenue ²	7 548	9 615	3 746	39.0	The municipality has recognised R3.7 million (39 percent) for Other sources of Revenue against an Adjusted Budget of R9.6 million. The municipality has indicated that this is due to the misallocation between Transfers recognised - operational and Other sources of Revenue. The municipality did not provide Provincial Treasury with the correct figure for Other sources of Revenue. This will be corrected with the finalisation of the 2018/19 Annual Financial Statements.
Total Operating Revenue	75 347	80 227	79 276	98.8	The Total Operating Revenue recognised is R79.3 million (98.8 percent) against an Adjusted Budget of R80.2 million.
Operating Expenditure					
Employee related costs	30 301	33 032	30 886	93.5	The municipality has expended R30.9 million (93.5 percent) on Employee related costs against an Adjusted Budget of R33 million. The municipality stated that the variance was caused by the vacant posts for Senior Managers and one Director not being filled during the 2018/19 financial year.
Remuneration of councillors	3 722	3 627	3 571	98.5	
Debt impairment	1 543	1 625	-	-	The municipality has reported to have expended nil on Debt impairment against an Adjusted Budget of R1.6 million. The municipality indicated that the Debt impairment figure will be available upon finalisation of the 2018/19 AFS, thus understating operating expenditure.
Depreciation and asset impairment	8 280	8 719	8 973	102.9	The municipality has incurred R9 million (102.9 percent) on Depreciation and asset impairment against an Adjusted Budget of R8.7 million. The municipality attributed the over-expenditure to under-budgeting during the 2018/19 Adjustments Budget.
Bulk purchases	10 911	12 562	12 423	98.9	
Contracted services	880	9 148	7 226	79.0	The municipality has spent R7.2 million (79 percent) on Contracted services against an Adjusted Budget of R9.1 million. The municipality has indicated that the Contracted services Adjusted Budget of R9.1 million was over-stated and further attributed the low expenditure to the cost cutting measures. The Provincial Treasury highlighted in the Adjusted Budget comments letter dated 03 April 2019 that the budget appeared over-stated based on the 2018/19 Mid - year performance.
Other expenditure items ³	18 809	10 262	9 200	89.7	The municipality has spent R9.2 million (89.7 percent) on Other expenditure items against an Adjusted Budget of R10.3 million. The municipality attributed the low expenditure to implementation of the cost cutting measures.
Total Operating Expenditure	74 447	78 974	72 279	91.5	Total Operating Expenditure is R72.3 million (91.5 percent) against an Adjusted Budget of R79 million.
Operating surplus/(deficit)	900	1 253	6 997		The Operating surplus of R7 million is overstated as the municipality did not report on Debt impairment of at least R1.6 million as per the Adjusted Budget.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.5 (k) Capital, Cash and Conditional grant Performance - eMadlangeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Possible over and/or under-generation/expenditure identified by the Provincial Treasury during the year was communicated to the municipality as part of the IYM process.					
Transfers recognised - capital	15 247	15 247	15 247	100.0	
Public contributions and donations	-	-	694	-	The municipality has reported R694 000 for Public contributions and donations against a nil Adjusted Budget. According to the municipality there is a misallocation between Public contributions and donations and Internally generated funds. The municipality indicated that this will be rectified upon finalisation of the 2018/19 AFS.
Borrowing	-	-	-	-	
Internally generated funds	900	1 253	-	-	The municipality has reported nil generation for Internally generated funds against a R1.3 million Adjusted Budget. According to the municipality there is a misallocation between Public contributions and donations and Internally generated funds. The municipality indicated that this will be rectified upon finalisation of the 2018/19 AFS.
Total Capital Revenue	16 147	16 500	15 941	96.6	The municipality has reported R15.9 million (96.6 percent) for Total Capital Revenue against an Adjusted Budget of R16.5 million.
Capital Expenditure					
Governance and Administration	650	917	694	75.8	The municipality has expended R694 000 (75.8 percent) against an Adjusted Budget of R917 000 for the 2018/19 financial year. The municipality attributed the low expenditure to the financial problems within the municipality.
Community and Public Safety	250	336	-	-	The municipality has expended nil against an Adjusted Budget of R336 000 for the 2018/19 financial year. The municipality attributed the low expenditure to the financial problems within the municipality.
Eco. & Environmental Services	15 247	15 247	10 048	65.9	The municipality has expended R10 million (65.9 percent) against an Adjusted Budget of R15.2 million for the 2018/19 financial year. According to the municipality there is a misallocation between Eco. & Environmental Services and Trading Services. The municipality indicated that this will be rectified upon finalisation of the 2018/19 AFS.
Trading Services	-	-	5 199	-	This is a misallocation between Eco. & Environmental Services and Trading Services and the municipality indicated that this will be rectified upon finalisation of the 2018/19 AFS. The correct figure for Trading Services is nil.
Other	-	-	-	-	
Total Capital Expenditure	16 147	16 500	15 941	96.6	The municipality has reported expenditure of R15.9 million (96.6 percent) for Total Capital Expenditure.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	9 698	7 538	7 538		The municipality has reported Cash/cash equiv. at the year begin of R7.5 million, which is as per the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	5 920	8 384	21 055		The budgeted R21.1 million appears reasonable as per the information supplied by the municipality in this regard which is the investment register, grants register, bank reconciliation and trial balance as at 30 June 2019.
Net Increase/(Decrease) in cash held	(3 778)	846	13 517		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	1 970	100.0%	-	
Expanded Public Works Programme	1 000	994	99.4%	6	
Municipal Infrastructure Grant	9 247	9 247	100.0%	-	
Integrated National Electrification Programme Grant	6 000	6 000	100.0%	-	

¹ Expenditure by munis.

Table 4.5 (I) Debtors, Creditors and Key ratios - eMadlangeni Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	24 315		
Debtors as at 30 June 2019	39 023	60.5%	The Debtors balance has increased by 60.5 percent from R24.3 million as at 30 June 2018 to R39 million as at 30 June 2019. This is an indication of poor debt collection which could have an adverse effect on the municipalities cash flow.
<u>By age analysis</u>			
0-30 days	3 830	9.8%	
31-60 days	(19)	-	The negative R19 000 appears to be an error and the municipality indicated that the ageing of Debtors will be reviewed during the preparation of the 2018/19 AFS.
61-90 days	1 360	3.5%	
>90 days	33 851	86.7%	The majority of the municipality's Debtors are in the "over 90 days" category which indicates that the municipality is experiencing difficulties in collecting long outstanding debts which could impact negatively on cash flows. The municipality needs to urgently implement its Debt collection and credit control policy.
Total by age analysis	39 023	100.0%	
<u>By customer group</u>			
Organs of state	9 876	25.3%	
Commercial	2 698	6.9%	
Households	6 537	16.8%	
Other	19 911	51.0%	The majority of the outstanding municipal debt is in the Other category and the municipality should direct its debt collection efforts to this customer group.
Total by customer group	39 023	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	16 354		
Creditors as at 30 June 2019	376	-97.7%	The municipality attributed the decrease in Creditors to payments of creditors made during the year. It should be noted that the Creditors as at 30 June 2019 do not include the final 2018/19 final adjustments and may therefore be understated.
<u>By age analysis</u>			
0-30 days	376	100.0%	
>30 days	-	-	
Total by age analysis	376	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	47.7%	Reported Remuneration as a percentage of Total operating expenditure is 47.7 percent which is above the norm of 25 to 40 percent as per MFMA Circular No. 71. This indicates that the municipality is spending almost half of its Total operating expenditure on Remuneration. However, this is subject to change due to the fact that Operating expenditure is understated by Debt impairment. The ratio indicates inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	43.8%	This ratio indicates that the municipality is not wholly grant dependant.
Own funded capital expenditure	-	-	The municipality reported nil generation for Internally generated funds and therefore this ratio is distorted due to a misallocation of Capital Revenue for Internally generated funds.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	18.1%	The ratio of 18.1 percent is within the norm of between 10 to 20 percent. Total operating expenditure is currently understated as a result of the municipality reporting Nil Debt impairment expenditure. The ratio may therefore be distorted.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.5.4 Analysis per Municipality: Dannhauser Local Municipality

Table 4.5 (m) Operating Revenue and Expenditure Performance - Dannhauser Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
The analysis for Operating Revenue and Operating Expenditure was limited as the municipality did not submit their OSA return for Month 12. Reasons for the poor performance for Operating Revenue and Operating Expenditure where applicable were requested by the Provincial Treasury, however none were submitted by the municipality.					
Property Rates	17 977	20 016	13 521	67.5	The municipality has recognised R13.5 million (67.5 percent) in respect of Property Rates. This points to poor budgeting on the part of the municipality. It was noted by the Provincial Treasury in the Adjusted Budget Feedback letter dated 13 April 2019, that the Adjusted Budget for Property Rates appeared to be overstated based on the performance reported in the Section 72 report as at 31 December 2018. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R14.8 million or 73.7 percent of the Adjusted Budget.
Service Charges ¹	1 171	1 171	794	67.8	The municipality has recognised R794 000 (67.8 percent) in respect of Service Charges. It was noted by the Provincial Treasury in the Adjusted Budget Feedback letter dated 13 April 2019, that the Adjusted Budget for Service Charges appeared to be overstated, based on the performance reported in the Section 72 report as at 31 December 2018. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R867 000 or 74 percent of the Adjusted Budget.
Transfers recognised - operational	87 056	95 136	64 714	68.0	The municipality has recognised R64.7 million (68 percent) in respect of Transfers recognised - operational. The incorrect reporting of Transfers recognised - operational was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year, which the municipality was advised to correct. It was also noted by the Provincial Treasury in the Adjusted Budget Feedback letter dated 13 April 2019, that the Adjusted Budget for Transfers recognised - operational was overstated by approximately R9.1 million, based on the 2018/19 allocations.
Other sources of Revenue ²	86 343	9 871	16 600	168.2	The municipality has recognised R16.6 million (168.2 percent) against the Adjusted Budgeted of R9.9 million for Other sources of Revenue. Significant over-generation was noted against Licences and permits (164.3 percent) and Agency services (455.3 percent).
Total Operating Revenue	192 547	126 194	95 629	75.8	
Operating Expenditure					
Employee related costs	38 422	34 362	32 167	93.6	The municipality has spent R32.2 million (93.6 percent) on Employee related costs against an Adjusted Budget of R34.4 million for 2018/19. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R35.1 million or 102.1 percent of the Adjusted Budget.
Remuneration of councillors	9 332	-	8 216	-	The Adjusted Budget of R9.3 million for Remuneration of councillors has been incorrectly omitted from the Adjusted Budget OSR (Section 71) return submitted to the Igdatabase by the municipality. This was highlighted to the municipality and was not corrected. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R9 million or 97 percent of the Adjusted Budget.
Debt impairment	-	-	-	-	
Depreciation and asset impairment	22 600	19 500	-	-	The municipality has reported Nil expenditure against Depreciation and asset impairment for the 2018/19 financial year. The municipality was advised by Provincial Treasury to report against Depreciation and asset impairment on a monthly basis which was not done. The 2017/18 Audited Actual was R19.8 million.
Bulk purchases	77 600	-	-	-	
Contracted services	51 858	36 835	23 382	63.5	The municipality has spent R23.4 million (63.5 percent) for Contracted services for the 2018/19 financial year. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R25.5 million or 69.2 percent of the Adjusted Budget.
Other expenditure items ³	19 377	27 056	18 028	66.6	The municipality has spent R18 million (66.6 percent) for Other expenditure items for the 2018/19 financial year. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R19.7 million or 72.7 percent of the Adjusted Budget.
Total Operating Expenditure	219 189	117 753	81 793	69.5	
Operating surplus/(deficit)	(26 642)	8 441	13 836		The Unaudited Actual shows that the municipality recorded an Unaudited Surplus of R13.8 million. This figure is distorted as the municipality did not submit their OSA return for Month 12. Furthermore, this figure is subject to change with the inclusion of Depreciation and asset impairment and other possible year-end entries.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.5 (n) Capital, Cash and Conditional grant Performance - Dannhauser Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
The analysis for Capital Revenue and Capital Expenditure is limited as the municipality did not submit their CA returns for Month 10, 11 and 12. Reasons for the poor performance for Capital Revenue and Capital Expenditure where applicable were requested by the Provincial Treasury, however none were submitted by the municipality.					
Transfers recognised - capital	12 492	12 492	14 250	114.1	The municipality has recognised Capital Revenue of R14.3 million (114.1 percent) against Transfers recognised - capital. The possible incorrect recognition of Transfers recognised - capital was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year, which they were advised to investigate. However this was not corrected.
Public contributions and donations	-	-	-	-	
Borrowing	32 000	32 000	7 360	23.0	The municipality has recognised Capital Revenue of R7.4 million (23 percent) against the Adjusted Budget Borrowing of R32 million as a result of the low Capital Expenditure.
Internally generated funds	32 641	32 641	32 853	100.7	
Total Capital Revenue	77 132	77 132	54 464	70.6	
Capital Expenditure					
Governance and Administration	1 252	1 252	1 712	136.7	The municipality reported to have spent R1.7 million (136.7 percent) against Governance and Administration for the 2018/19 financial year. This could be an indication of incorrect budgeting on the part of the municipality, which was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year.
Community and Public Safety	280	280	-	-	The municipality has reported Nil Capital expenditure against the Adjusted Budget of R280 000 for Community and Public Safety.
Eco. & Environmental Services	75 600	75 600	52 752	69.8	The municipality has spent R52.8 million (69.8 percent) against Eco. & Environmental Services for the 2018/19 financial year. The low capital expenditure against Eco. & Environmental Services was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	77 132	77 132	54 464	70.6	The municipality has reported Total Capital Expenditure of R54.5 million against an Adjusted Budget of R77.1 million. Low Capital Expenditure negatively affects service delivery.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	12 904	-	-		The Nil Cash/cash equiv. at the year begin does not agree to the R53.1 million as per the 2017/18 Audited AFS. The difference of R53.1 million was communicated to the municipality for correction, however despite various follow ups, the necessary correction was not submitted by the municipality to the LG database.
Cash/cash equiv. at the year end:	61 148	(63 790)	165		The closing Cash/cash equiv. at year end of R165 000 could not be verified as the Bank Reconciliation and Investment register which were requested from the municipality were not submitted.
Net Increase/(Decrease) in cash held	48 244	(63 790)	165		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 789	94.2%	111	The municipality has reported to have spent R1.8 million or 94.2 percent of the amount transferred of R1.9 million. The low expenditure against the Financial Management Grant was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year. The municipality may have to surrender the unspent funds to the National Revenue Fund if the funds at year end are not fully utilised and if the rollover application is not approved.
Expanded Public Works Programme	1 000	983	98.3%	17	
Municipal Infrastructure Grant	21 400	21 867	102.2%	(467)	The municipality has reported to have spent R21.9 million or 102.2 percent of the amount transferred of R21.4 million. This is an indication of incorrect reporting on the part of the municipality as funds spent in excess of the grant received are for the municipality's own account.
Integrated National Electrification Programme Grant	-	-	-	-	

¹ Expenditure by munis.

Table 4.5 (o) Debtors, Creditors and Key ratios - Dannhauser Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	27 845		
Debtors as at 30 June 2019	-	-100.0%	
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	The analysis for Debtors could not be conducted as the municipality did not report on Debtors for Month 12. It should be noted that Debtors reporting is cumulative, therefore the non reporting of Month 12 Debtors results in no figures showing for the entire reporting period. The incorrect and/or non reporting of Debtors was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
<u>By customer group</u>			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	-	-	
Total by customer group	-	-	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	1 172		
Creditors as at 30 June 2019	-	-100.0%	
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-	-	The analysis for Creditors could not be conducted as the municipality did not report on Creditors for Month 12. It should be noted that Creditors reporting is cumulative, therefore the non reporting of Month 12 Creditors results in no figures showing for the entire reporting period. The incorrect and/or non reporting of Creditors was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	49.4%	The ratio is above the norm of 25 to 40 percent. This could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. However, this is subject to change due to the fact that operating expenditure is understated.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	32.3%	The ratio indicates that the municipality is grant dependant.
Own funded capital expenditure	-	60.3%	The ratio indicates that the municipality is not grant dependant for Capital expenditure. This ratio is distorted as Capital Expenditure has not been fully reported for at the end of the financial year.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	40.0%	The Ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services. This ratio is distorted as Operating and Capital Expenditure has not been fully reported for at the end of the financial year.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.5.5 Analysis per Municipality: Amajuba District Municipality

Table 4.5 (p) Operating Revenue and Expenditure Performance - Amajuba District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	–	–	–	–	
Service Charges ¹	28 466	27 597	25 514	92.5	The municipality has recognised R25.5 million (92.5 percent) against the Adjusted Budget of R27.6 million in respect of Service Charges. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R27.8 million or 101 percent of the Adjusted Budget.
Transfers recognised - operational	152 295	152 674	212 832	139.4	The municipality has recognised R212.8 million (139.4 percent) against the Adjusted Budget of R152.7 million. The incorrect reporting of Transfers recognised - operational was highlighted to the municipality during the 2018/19 financial year, for their attention.
Other sources of Revenue ²	9 173	11 036	25 010	226.6	The municipality has recognised R25 million (226.6 percent) against the Adjusted Budgeted R11 million. An excessive over-generation was noted against Other own revenue, wherein an amount of R14.8 million (5061.6 percent) was recognised against the Adjusted Budgeted of R564 000. The municipality has been incorrectly allocating VAT refunds under Other revenue, despite advice from the Provincial Treasury.
Total Operating Revenue	189 933	191 307	263 356	137.7	The municipality has in total recognised R263.4 million (137.7 percent) of the Adjusted Budget amount of R191.3 million. However the analysis for Operating Revenue is distorted as the municipality did not submit their OSA return for Month 12.
Operating Expenditure					
Employee related costs	86 825	85 956	77 174	89.8	The municipality has spent R77.2 million (89.8 percent) on Employee related costs against an Adjusted Budget of R86 million for 2018/19. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R84.2 million or 98 percent of the Adjusted Budget.
Remuneration of councillors	5 685	6 121	5 418	88.5	The municipality has reported expenditure of R5.4 million (88.5 percent) against an Adjusted Budget of R6.1 million for Remuneration of councillors. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R5.9 million or 97 percent of the Adjusted Budget.
Debt impairment	13 000	13 000	2 842	21.9	An amount of R2.8 million (21.9 percent) has been recorded against the Adjusted Budget of R13 million for Debt impairment. The reported expenditure was only incurred in Month 06 of the 2018/19 financial year. The 2017/18 Audited Outcome reflects Debt impairment of R11.7 million. The municipality has been advised throughout the 2018/19 financial year to account for Debt impairment monthly, which was not done.
Depreciation and asset impairment	33 178	33 384	30 413	91.1	The municipality has incurred expenditure of R30.4 million (91.1 percent) for Depreciation and asset impairment against an Adjusted Budget of R33.4 million. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R33.2 million or 99 percent of the Adjusted Budget.
Bulk purchases	17 263	17 150	12 804	74.7	The municipality has spent R12.8 million (74.7 percent) on Bulk purchases against an Adjusted Budget of R17.2 million for 2018/19. The municipality did not provide reasons for the poor performance. The municipality did not report expenditure in Month 01, 03, 09 and Month 12 of the 2018/19 financial year.
Contracted services	17 014	24 196	20 814	86.0	The municipality has spent R20.8 million (86 percent) on Contracted services against an Adjusted Budget of R24.2 million for 2018/19. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R22.7 million or 94 percent of the Adjusted Budget.
Other expenditure items ³	50 495	54 473	41 420	76.0	An amount of R41.4 million (76 percent) has been spent against the Adjusted Budget of R54.5 million. When one considers the monthly average for the past eleven months, the estimated Unaudited Actual will be approximately R45.2 million or 83 percent of the Adjusted Budget.
Total Operating Expenditure	223 460	234 280	190 884	81.5	The municipality has in total spent R190.9 million (81.5 percent) of the Adjusted Budget of R234.3 million. However the analysis for Operating Expenditure is distorted as the municipality did not submit their OSA return for Month 12.
Operating surplus/(deficit)	(33 527)	(42 972)	72 472		The Unaudited Actual shows that the municipality recorded an Unaudited surplus of R72.5 million. This figure is distorted as the municipality did not submit their OSA return for Month 12 and the Operating surplus is mainly as a result of the incorrect reporting of Transfers recognised - operational.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.5 (q) Capital, Cash and Conditional grant Performance - Amajuba District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
The analysis for Capital Revenue and Capital Expenditure is limited as the municipality did not submit their CA return for Month 07 and 12.					
Transfers recognised - capital	126 858	161 223	104 616	64.9	The municipality has reported Transfers recognised - capital of R104.6 million (64.9 percent) against an Adjusted Budget of R161.2 million. A rollover approval for the amount of R32,6 million was granted to the municipality in respect of the Water Services Infrastructure Grant for the 2017/18 financial year. This was incorrectly included in the budget for Transfers recognised - capital as opposed to Internally generated funds, thus contributing to the under-performance. This was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention. Furthermore, under-expenditure on Capital grants may lead to the funds being returned to the National Revenue Fund, should the rollover application be unsuccessful.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	348	408	127	31.1	The Internally generated funds expenditure is understated, as a result of the approved rollovers for the 2017/18 financial year being reported as Transfers recognised - capital. The municipality has reported Internally generated funds of R127 000 (31.1 percent) against an Adjusted Budget of R408 000. This is an indication of incorrect reporting and on the part of the municipality despite the request from the Provincial Treasury to correct their reporting accordingly.
Total Capital Revenue	127 206	161 631	104 743	64.8	
Capital Expenditure					
Governance and Administration	348	348	127	36.4	The municipality has spent R127 000 (36.4 percent) on Governance and Administration for the 2018/19 financial year. This could be an indication of incorrect budgeting on the part of the municipality. The low capital expenditure against Governance and Administration was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Community and Public Safety	-	1 771	-	-	The municipality has reported Nil Capital expenditure against the Adjusted Budget of R1.8 million for Community and Public Safety. The Nil Capital Expenditure against Community and Public Safety was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year for their attention.
Eco. & Environmental Services	-	60	-	-	
Trading Services	126 858	159 452	104 616	65.6	The municipality reported to have spent R104.6 million (65.6 percent) on Trading Services for the 2018/19 financial year. The Amajuba District Municipality is the Water Services Authority (WSA) for all the local municipalities in the district, therefore under-expenditure against Trading Services results in poor service delivery in the entire district.
Other	-	-	-	-	
Total Capital Expenditure	127 206	161 631	104 743	64.8	The municipality has reported Total Capital Expenditure of R104.7 million (64.8 percent) against an Adjusted Budget of R161.6 million. Low Capital Expenditure equates to poor service delivery in the entire district.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	21 009	54 079	54 079		The R54.1 million Cash/cash equiv. at the year begin is as per the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	(25 886)	11 106	123 663		As per the Bank Reconciliation and Investments Register for 30 June 2019 submitted by the municipality, the Cash/cash equiv. at the year end is R70.4 million, which includes Unspent grants of R62.1 million
Net Increase/(Decrease) in cash held	(46 894)	(42 973)	69 584		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 570	1 570	100.0%	(0)	
Expanded Public Works Programme	1 620	1 582	97.6%	38	
Municipal Infrastructure Grant	40 253	33 426	83.0%	6 827	The municipality has reported to have spent 83 percent of the Total Available amount of R40.3 million. The low capital expenditure against the Municipal Infrastructure Grant was highlighted to the municipality in various IYM feedbacks during the 2018/19 financial year.
Water Services Infrastructure Grant	84 400	84 400	100.0%	-	

¹ Expenditure by munis.

Table 4.5 (r) Debtors, Creditors and Key ratios - Amajuba District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	61 255		
Debtors as at 30 June 2019	-	-100.0%	
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	The analysis for Debtors could not be conducted as at 30 June 2019 as the municipality did not report on Debtors for Month 12. It should be noted that Debtors reporting is cumulative, therefore the non reporting of Month 12 Debtors results in no figures showing for the entire reporting period.
<u>By customer group</u>			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	-	-	
Total by customer group	-	-	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	71 728		
Creditors as at 30 June 2019	-	-100.0%	The analysis for Creditors could not be conducted as at 30 June 2019 as the municipality did not report on Creditors for Month 12. It should be noted that Creditors reporting is cumulative, therefore the non reporting of Month 12 Creditors results in no figures showing for the entire reporting period.
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-	-	
Key Ratios			
	Norm/ Range	% Actual	All the ratios are distorted as the municipality did not submit their OSA and CA returns for Month 12.
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	43.3%	The ratio is above the norm of 25 to 40 percent. This could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	19.2%	The ratio indicates that the municipality is grant dependant.
Own funded capital expenditure	-	0.1%	The ratio indicates that the municipality is totally grant dependant for Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	35.4%	The Ratio is used to assess the level of Capital Expenditure to Total Expenditure, which indicates the prioritisation of expenditure towards current operations versus future capacity in terms of Municipal Services.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.6 Zululand District

The Zululand District comprises of six municipalities, namely: the Zululand District Municipality and the following Local Municipalities, the eDumbe, uPhongolo, AbaQulusi, Nongoma and Ulundi. The district is located in the northern region of the KwaZulu-Natal Province and it covers a geographical area of approximately 14 810 km² (KZNCOGTA, 2017)¹. Approximately half of the area is under the jurisdiction of traditional authorities whilst the remainder is divided between commercially-owned farms and conservation areas.

The main trading services rendered by the Zululand District Municipality are *Water* and *Sanitation* services, whilst the AbaQulusi Local Municipality provides *Electricity, Water, Sanitation* and *Refuse removal* services. The Ulundi, eDumbe and uPhongolo Local Municipalities render *Electricity* and *Refuse removal* services and the Nongoma Local Municipality only provides *Refuse removal* services.

The Zululand District, AbaQulusi, uPhongolo, Ulundi and Nongoma Local Municipalities had the positions of the Chief Financial Officer (CFO) filled for the entire 2018/19 financial year. The position of the CFO at the eDumbe Local Municipality was vacant from 01 March 2019 without any official acting due to the lack of capacity within the municipality.

The eDumbe, uPhongolo, AbaQulusi and Ulundi Local Municipalities had the positions of the Municipal Manager (MM) filled during the 2018/19 financial year. The MM position for Zululand District Municipality was vacant from 30 August 2018 and was filled on the 20 May 2019. The Nongoma Local Municipality MM position was vacant from 18 February 2019 and was filled on the 01 June 2019.

The Zululand District Municipality regressed from an unqualified audit opinion with other matters in the 2016/17 financial year to a qualified audit opinion in the 2017/18 financial year. The uPhongolo Local Municipality improved from a qualified audit opinion in the 2016/17 financial year to an unqualified audit opinion with other matters in the 2017/18 financial year. Ulundi and eDumbe Local Municipalities maintained their unqualified audit opinions with other matters in the 2017/18 financial year from the 2016/17 financial year. AbaQulusi Local Municipality maintained its qualified audit opinion in the 2017/18 financial year from the 2016/17 financial year. Nongoma Local Municipality regressed from an unqualified audit opinion with other matters in the 2016/17 financial year to an adverse audit opinion in the 2017/18 financial year.

Due to the serious challenges faced by the AbaQulusi Local Municipality, this municipality has been placed under Provincial intervention in terms of Section 139 (1)(b) of the Constitution of Republic of South Africa since 21 February 2019 to date. On the other hand, eDumbe Local Municipality has continued to implement the Financial Recovery plan prepared by National Treasury with assistance of Provincial Treasury and the monthly progress reports are being submitted to National Treasury.

4.6.1 Overview of Zululand District Performance

Table 4.6(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
eDumbe	125 707	125 707	105 824	84.2
uPhongolo	227 291	235 944	237 358	100.6
AbaQulusi	517 105	493 206	438 773	89.0
Nongoma	173 695	174 244	172 545	99.0
Ulundi	307 201	308 882	240 271	77.8
Zululand DM	562 673	586 031	481 625	82.2
Total	1 913 673	1 924 015	1 676 396	87.1

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.6(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eDumbe	123 998	123 998	101 843	82.1
uPhongolo	263 912	260 831	238 509	91.4
AbaQulusi	540 078	560 806	517 820	92.3
Nongoma	164 775	170 204	187 972	110.4
Ulundi	342 860	382 806	252 584	66.0
Zululand DM	624 184	605 726	551 710	91.1
Total	2 059 806	2 104 372	1 850 436	87.9

Source: NT Igdatabase

Table 4.6(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eDumbe	41 414	41 414	47 138	113.8
uPhongolo	67 471	48 623	44 076	90.6
AbaQulusi	41 284	38 512	29 158	75.7
Nongoma	55 206	50 326	44 417	88.3
Ulundi	48 335	158 957	55 664	35.0
Zululand DM	408 113	449 929	254 458	56.6
Total	661 824	787 761	474 911	60.3

Source: NT Igdatabase

Table 4.6(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eDumbe	8 850	6.3	(56)	0.0	3 789	2.7	127 295	91.0	139 878
uPhongolo	-	-	-	-	-	-	-	-	-
AbaQulusi	19 956	10.5	6 521	3.4	5 020	2.6	159 413	83.5	190 909
Nongoma	1 856	3.2	(28)	(0.0)	676	1.2	55 372	95.7	57 876
Ulundi	9 173	10.0	844	0.9	983	1.1	80 603	88.0	91 604
Zululand DM	8 597	7.3	2 436	2.1	2 214	1.9	104 562	88.8	117 808
Total	48 432	8.1	9 717	1.6	12 681	2.1	527 245	88.2	598 075

Source: NT Igdatabase

Table 4.6(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eDumbe	16 981	12.1	19 097	13.7	97 527	69.7	6 273	4.5	139 878
uPhongolo	-	-	-	-	-	-	-	-	-
AbaQulusi	7 179	3.8	19 520	10.2	131 574	68.9	32 636	17.1	190 909
Nongoma	30 168	52.1	14 948	25.8	5 127	8.9	7 634	13.2	57 876
Ulundi	36 401	39.7	7 449	8.1	16 945	18.5	30 809	33.6	91 604
Zululand DM	12 833	10.9	5 967	5.1	99 007	84.0	0	0.0	117 808
Total	103 563	17.3	66 981	11.2	350 180	58.6	77 351	12.9	598 075

Source: NT Igdatabase

Table 4.6(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days	
	Total	%	Total	%	Total	%	Total	%
eDumbe	1 295	16.6	-	-	227	2.9	6 262	80.4
uPhongolo	-	-	-	-	-	-	-	-
AbaQulusi	-	-	-	-	-	-	-	-
Nongoma	17 767	100.3	(11)	(0.1)	(18)	(0.1)	(19)	-0.1
Ulundi	10 989	12.9	(761)	(0.9)	13 672	16.0	61 451	72.0
Zululand DM	6 461	100.0	-	-	-	-	-	-
Total	36 513	31.1	(773)	-0.7	13 881	11.8	67 693	57.7

Source: NT Igdatabase

4.6.2 Analysis per Municipality: eDumbe Local Municipality

Table 4.6 (g) Operating Revenue and Expenditure Performance - eDumbe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	20 313	20 313	19 852	97.7	
Service Charges ¹	24 903	24 903	21 635	86.9	Inaccurate reporting of information by the municipality in 2018/19 resulted to a variance of 13.1 percent for Service charges, however this is expected to change when all errors and final journal entries are captured. The municipality indicated that the 2018/19 Annual Financial Statements (AFS) will include the updated and correct figures.
Transfers recognised - operational	72 621	72 621	55 040	75.8	Incorrect reporting by the municipality in 2018/19 led to variance in Transfers recognised-operational which is expected to change when all errors and final journal entries are captured. The municipality resubmitted some of their Month 12 returns to correct the errors that were identified in the Section 71 quarterly verifications. The AFS will include the most recent and correct figures.
Other sources of Revenue ²	7 870	7 870	9 297	118.1	The eDumbe Local Municipality over-generated by R1.4 million or 18.1 percent for Other sources of revenue for the 2018/19 financial year. According to the municipality, the revenue recognised in respect of Other revenue does not appear to be a true reflection of the municipality's performance which is expected to change when all errors and final journal entries are captured. The municipality has resubmitted some of their Month 12 returns to correct the errors that were identified in the Section 71 quarterly verifications.
Total Operating Revenue	125 707	125 707	105 824	84.2	
Operating Expenditure					
Employee related costs	50 248	50 248	53 727	106.9	
Remuneration of councillors	5 464	5 464	7 159	131.0	Inaccurate reporting of information by the municipality led to the variance of 31 percent above the expected amount for Remuneration of councillors which is expected to change when all errors and final journal entries are captured. The municipality resubmitted some of their monthly returns to correct the errors that were identified in the Section 71 quarterly verifications. The 2018/19 Annual Financial Statements (AFS) will reflect the correct figures.
Debt impairment	10 907	10 907	-	-	Debt impairment is only calculated at year-end according to the municipality and the amount was not yet calculated by the time of the Section 71 reporting.
Depreciation and asset impairment	7 254	7 254	-	-	Depreciation and asset impairment is only calculated at year-end by the municipality and the amount was not calculated by the time of the Section 71 reporting.
Bulk purchases	18 163	18 163	19 714	108.5	
Contracted services	7 763	7 763	15 784	203.3	The municipality attributed the over-expenditure to misallocation of expenditure which was included under Contracted services instead of Other expenditure. The correct amount will be reported in the 2018/19 AFS.
Other expenditure items ³	24 199	24 199	5 459	22.6	The municipality indicated that this is expected to change when all the year-end transactions are populated as not all expenditure had been recorded at the time of reporting for the Section 71.
Total Operating Expenditure	123 998	123 998	101 843	82.1	
Operating surplus/(deficit)	1 710	1 710	3 981		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.6 (h) Capital, Cash and Conditional grant Performance - eDumbe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	41 414	41 414	47 138	113.8	Incorrect reporting by the municipality led to the variance in the Transfers recognised-capital which is expected to change when all the errors and final journal entries are captured. The 2018/19 AFS will include the most recent and correct figures.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	-	-	-	
Total Capital Revenue	41 414	41 414	47 138	113.8	
Capital Expenditure					
Governance and Administration	1 240	1 240	-	-	The municipality indicated that the correct expenditure amount on Government and Administration will be reflected in the 2018/19 AFS.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	26 874	26 874	32 009	119.1	The municipality indicated that there were reporting errors which resulted in the amount which is significantly above the budget and will be rectified in the 2018/19 AFS. The municipality further indicated that an additional R3 million was received from Department of Cooperative Governance and Traditional Affairs (CoGTA) which was not budget for. The additional funds were used to buy refuse trucks and it was reflected under the Road transport sub-function.
Trading Services	13 300	13 300	15 128	113.7	The municipality indicated that the expenditure amount reflected in this function is a reporting error which will be rectified in the 2018/19 AFS. The expenditure under this function related only to sub-function of Electricity. The municipality further indicated that an amount of R3 million was received for the Integrated National Electrification Programme Grant during the year which might have contributed to this over-expenditure on this sub-function. However, this will be investigated during the finalisation of the AFS.
Other	-	-	-	-	
Total Capital Expenditure	41 414	41 414	47 138	113.8	The municipality has shown an Adjustments budget amount of R41.4 million for capital expenditure which is less than the Adjustments budget amount of R47.5 million as per approved Adjustments budget submitted to Provincial Treasury.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	14	14	2 794		The opening balance of R2.8 million for the 2018/19 financial year does not agree to the 2017/18 closing balance of R10 million for Cash and cash equivalents as per the audited 2017/18 AFS resulting in the incorrect opening balance for 2018/19.
Cash/cash equiv. at the year end:	18 446	18 446	1 431		The municipality did not submit the Bank reconciliation and the bank statement as at the end of June 2019. Therefore Provincial Treasury is unable to substantiate and confirm the closing balance.
Net Increase/(Decrease) in cash held	18 432	18 432	(1 363)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	1 941	98.5%	29	
Expanded Public Works Programme	1 103	1 103	100.0%	-	
Municipal Infrastructure Grant	26 762	26 762	100.0%	-	
Integrated National Electrification Programme Grant	13 300	13 300	100.0%	-	

¹ Expenditure by munis.

Table 4.6 (i) Debtors, Creditors and Key ratios - eDumbe Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	19 527		
Debtors as at 30 June 2019	139 878	616.3%	The municipality reported R139.9 million for Debtors as at 30 June 2019 which reflects an increase of R120.4 million or 616.3 percent from the 2017/18 financial year. This is attributed to the culture of non-payment within the municipal area. Part of the high level of Debtors is due to the fact that the majority of households within the municipality are indigents, given the rural environment in which the municipality is located. However, the municipality is intending to implement more debt collection initiatives in order to encourage customers to pay their outstanding debts.
<u>By age analysis</u>			
0-30 days	8 850	6.3%	
31-60 days	(56)	-	
61-90 days	3 789	2.7%	
>90 days	127 295	91.0%	The majority of the municipality's debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long overdue debts which impacts negatively on the cash flow. The municipality has indicated that they have also developed a bad debt write off policy which is expected to be used to identify and remove some of the indigents debtors who would not be able to settle their debts.
Total by age analysis	139 878	100.0%	
<u>By customer group</u>			
Organs of state	16 981	12.1%	Engagements between the municipality and the owing departments are ongoing and the municipality expects debt owed by this customer group to decrease going forward.
Commercial	19 097	13.7%	The municipality is in the process of handing over all the businesses that are not willing to pay for services rendered by the municipality. Disconnections have also been introduced to ensure that businesses pay.
Households	97 527	69.7%	The municipality is predominantly rural and most households owing the municipality appear to be Indigents, therefore, the municipality must regularly update their Indigent register in order to properly classify their customers.
Other	6 273	4.5%	The Other customers group was not explained by the municipality and the municipality should consider explaining this Other customers in their Section 71 reports or reallocate Other debtors to the correct customer group.
Total by customer group	139 878	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	43 391		
Creditors as at 30 June 2019	7 784	-82.1%	A decrease of 82.1 percent was noted for Creditors. The municipality did not provide reasons for this significant decrease.
<u>By age analysis</u>			
0-30 days	1 295	16.6%	
>30 days	6 488	83.4%	The municipality reported creditors outstanding for a period greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. This was mainly due to the cash flow challenges prevailing at the municipality which has a negative impact on the municipality's liquidity position.
Total by age analysis	7 784	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	59.8%	Employee related costs contribute 59.8 percent towards Total operating expenditure. This is above the National Treasury norm of between 25 and 40 percent. The ratio is distorted due to the matters noted in Table 4.6(g).
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	48.0%	Given the current financial constraints of the municipality compounded by inaccurate reporting, the results of 48 percent is not a true reflection of this ratio. It should be noted that the municipality is heavily reliant on National and Provincial grant allocations for their operations.
Own funded capital expenditure	-	-	The municipality is mainly grant dependent as all capital projects are funded from National and Provincial grants.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	31.6%	The ratio above 20 percent suggest that the municipality has committed to improving their infrastructure in order to improve service delivery, thus the high Capital expenditure rate. However, there were errors reported by the municipality under Capital expenditure and Total operating expenditure, therefore, the ratio is distorted.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.6.3 Analysis per Municipality: uPhongolo Local Municipality

Table 4.6 (j) Operating Revenue and Expenditure Performance - uPhongolo Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	36 826	36 826	35 749	97.1	
Service Charges ¹	47 909	47 909	54 035	112.8	On Services charges, the municipality projected to generate an amount of R47.9 million. The Service charges comprises of Service charges - electricity revenue and Service charges - refuse revenue. The municipality has over generated revenue on Service charges by 12.8 percent or R6.1 million. The municipality did not provide a reason for over generation of revenue under this item.
Transfers recognised - operational	128 283	128 283	130 300	101.6	The municipality has indicated that the correct amount will be reflected in the 2018/19 Annual Financial Statements (AFS).
Other sources of Revenue ²	14 274	14 274	17 274	121.0	The higher generation of revenue under Other sources of Revenue has been noted under Fines, the municipality budgeted an amount of R491 000 and generated an amount of R2.6 million. The municipality has not provided a reason for over generation of revenue under this item.
Total Operating Revenue	227 291	227 291	237 358	104.4	
Operating Expenditure					
Employee related costs	89 103	89 103	74 786	83.9	The municipality indicated that there has been an errors in the Section 71 reporting and the correct amount will be reflected in the 2018/19 AFS.
Remuneration of councillors	9 864	9 864	7 071	71.7	The under-expenditure reported is attributed to errors in the Section 71 reporting. The municipality indicated that the correct amount will be reflected in the 2018/19 AFS.
Debt impairment	15 707	15 707	10 834	69.0	The municipality indicated that the under-expenditure is attributed to errors in the Section 71 reporting. The municipality will reflect a correct expenditure amount for the Debt impairment in the 2018/19 AFS.
Depreciation and asset impairment	12 742	12 742	9 209	72.3	The municipality indicated that errors have been noted in the Section 71 reporting. The correct Depreciation and asset impairment expenditure amount will be reflected in the 2018/19 AFS.
Bulk purchases	28 812	28 812	25 539	88.6	The municipality had outstanding Section 71 reporting which were submitted after the database was closed. Therefore this has resulted to low performance reported at the end of June 2019. The municipality indicated that the correct expenditure incurred at the end of June 2019 will be reflected in the 2018/19 AFS.
Contracted services	21 998	21 998	25 261	114.8	The municipality has attributed the over-spending to misallocation in the Section 71 reporting and the reported spending is expected to change after processing all year end transactions during the preparation of the 2018/19 AFS.
Other expenditure items ³	85 685	85 685	85 808	100.1	
Total Operating Expenditure	263 912	263 912	238 509	90.4	
Operating surplus/(deficit)	(36 620)	(36 620)	(1 151)		

Source: NT database

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.6 (k) Capital, Cash and Conditional grant Performance - uPhongolo Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	34 904	40 173	43 918	109.3	The municipality has indicated that the Transfers recognised - capital has been fully recognised and the excess revenue reported is attributed to incorrect reporting in the Section 71 report and the correct figure will be rectified and reflected in the 2018/19 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	24 600	7 000	-	-	In the Adjustments Budget, the municipality budgeted to finance Capital expenditure utilising Borrowings, however as at the end of June 2019, the municipality did not record any revenue raised from Borrowings. The municipality indicated that no new loans that have been raised due to cash flow challenges.
Internally generated funds	7 967	1 450	159	10.9	The municipality budgeted to utilise an amount of R1.5 million to finance capital projects utilising Internally generated funds. However as at the end of June 2019, the municipality indicated that due to financial constraints the municipality was not able to raise sufficient revenue to cover the anticipated capital expenditure.
Total Capital Revenue	67 471	48 623	44 076	90.6	
Capital Expenditure					
Governance and Administration	16 217	7 450	225	3.0	The municipality indicated that the under-expenditure reported is attributed to errors in the Section 71 reporting and the correct amount will be effected in the 2018/19 AFS.
Community and Public Safety	5 034	27 786	36 605	131.7	An over spending on Community and public safety has been noted as at the end of June 2019. A substantial over-spending has been noted under Sport and recreation sub-function where an amount of R23.1 million has been incurred against the Adjustments budget amount of R14.1 million. The municipality indicated that there has been an error in reporting the correct capital expenditure will be reflected in the AFS.
Eco. & Environmental Services	36 430	4 887	4 774	97.7	
Trading Services	9 790	8 500	2 473	29.1	The municipality budgeted to incur capital expenditure of R8.5 million under Trading services. However as at the end of June 2019, the municipality reported low performance of R2.4 million or 29.1 percent. The municipality has not submitted all the Section 71 report relating to Capital acquisition, non submission of the return has attributed to low performance reported on Capital projects.
Other	-	-	-	-	
Total Capital Expenditure	67 471	48 623	44 076	90.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	1 604	450	450		
Cash/cash equiv. at the year end:	4 719	515	40 967		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	3 116	64	40 516		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	761	38.6%	1 209	The municipality has not provided reasons for under spending on Finance Management Grant.
Expanded Public Works Programme	2 534	2 064	81.4%	470	
Municipal Infrastructure Grant	27 794	15 236	54.8%	12 558	The municipality has not provided an explanation for low spending on the Municipal Infrastructure Grant.
Integrated National Electrification Programme Grant	8 500	8 500	100.0%	-	

¹ Expenditure by munis.

Table 4.6 (l) Debtors, Creditors and Key ratios - uPhongolo Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	82 491		
Debtors as at 30 June 2019	-	-100.0%	The municipality has not submitted the Section 71 return for Month 12 relating to Debtors. Therefore, Provincial Treasury is unable to comprehensively comment on the Debtors balance as at the end of June 2019.
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	
<u>By customer group</u>			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	-	-	
Total by customer group	-	-	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	26 448		
Creditors as at 30 June 2019	-	-100.0%	The municipality has not submitted the Section 71 return for Month 12 relating to Creditors. Therefore, Provincial Treasury is unable to comprehensively comment on the outstanding Creditors as at the end of June 2019.
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-	-	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	34.3%	As at the end of June 2019, the municipality has reported Remuneration as a percentage of Total operating expenditure that is within the norm. The ratio is distorted by errors noted on Table 4.6(j).
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	45.1%	The ratio indicates that the municipality is dependent on grant to finance their operating activities. However, this ratio is expected to change once the municipality process all year-end transactions.
Own funded capital expenditure	-	0.4%	The municipality is mainly grant dependent as capital projects are mainly funded from National and Provincial grants. The geographic location of the municipality which is rural in nature has also contributed in the municipality not being able to generate its own sufficient revenue.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	15.6%	

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.6.4 Analysis per Municipality: AbaQulusi Local Municipality

Table 4.6 (m) Operating Revenue and Expenditure Performance - AbaQulusi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	71 974	65 809	71 281	108.3	
Service Charges ¹	256 843	247 876	277 618	112.0	Inaccurate reporting of information by the municipality in 2018/19 led to variance of 12 percent more than the expected amount for Service charges which is expected to change when all errors and final journal entries are captured. The 2018/19 Annual Financial Statements (AFS) will include the updated and correct figures.
Transfers recognised - operational	154 294	163 596	57 395	35.1	The municipality indicated that the under-generation is attributed to errors in the Section 71 reporting. The municipality will reflect a correct revenue generated for Transfers recognised-operational in the 2018/19 AFS.
Other sources of Revenue ²	33 994	15 926	32 479	203.9	The municipality indicated that the over-generation reported is attributed to errors in the Section 71 reporting. The municipality will reflect a correct revenue generated for Other sources of Revenue in the 2018/19 AF
Total Operating Revenue	517 105	493 206	438 773	89.0	
Operating Expenditure					
Employee related costs	147 553	158 768	204 149	128.6	The municipality reported expenditure of 128.6 percent at the end of the period under review. The reason provided by the municipality for over expenditure on Employee related cost was inaccurate reporting on Section 71 reporting and that this picture is expected to change once all year-end entries are processed.
Remuneration of councillors	21 532	16 450	16 032	97.5	
Debt impairment	7 283	-	-	-	Debt impairment is only calculated at year-end according to the municipality and the amount was not yet calculated by the time of the Section 71 reporting.
Depreciation and asset impairment	61 600	72 595	676	0.9	Depreciation and asset impairment is only calculated at year-end by the municipality and the amount was not yet calculated by the time of the Section 71 reporting.
Bulk purchases	-	159 102	151 878	95.5	
Contracted services	-	86 893	78 702	90.6	
Other expenditure items ³	302 111	66 998	66 383	99.1	
Total Operating Expenditure	540 078	560 806	517 820	92.3	
Operating surplus/(deficit)	(22 973)	(67 601)	(79 046)		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.6 (n) Capital, Cash and Conditional grant Performance - Abaqulusi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	36 434	–	14 678	–	The municipality made an error when submitting the Adjusted Budget returns as the municipality reflected expenditure of Nil instead of R36.4 million as per DORA and Provincial allocation. The municipality indicated that there were reporting errors in the Section 71 reporting. The municipality stated that the this will be rectified in the 2018/19 AFS.
Public contributions and donations	–	20 851	–	–	No expenditure was reported by the municipality against the Adjusted Budget of R20.9 million for Public contributions and donations. The municipality made an error when submitting the Adjusted Budget returns, as the municipality did not make any provision for this line item in the Adjustments budget.
Borrowing	–	–	–	–	
Internally generated funds	4 850	17 662	14 480	82.0	Given the cash flow position of the Abaqulusi Local Municipality, funding of Capital expenditure from the Internally generated funds amounting to R14.5 million appears to be questionable. However, the municipality indicated that this is expected to change once all year-end journal entries are processed.
Total Capital Revenue	41 284	38 512	29 158	75.7	
Capital Expenditure					
Governance and Administration	1 150	400	6	1.5	The municipality reflected Capital expenditure of R6 000 or 1.5 percent against Adjusted Budget of R400 000 for this item. The municipality indicated that the updated and correct information will be reflected in the AFS.
Community and Public Safety	450	13 549	5 241	38.7	The municipality indicated that the updated and correct information will be reflected in the AFS as some MIG payments were processed in July for June which is due to certificates for completion being received late.
Eco. & Environmental Services	36 434	20 851	23 892	114.6	The municipality indicated that there were reporting errors in the Section 71 reporting which resulted in the amount which is significantly above the budget. The municipality stated that this will be rectified in the 2018/19 AFS.
Trading Services	3 250	3 712	20	0.5	The municipality reflected Capital expenditure of R20 000 or 0.5 percent against Adjusted Budget of R3.7 million for this item. The municipality indicated that the updated and correct information will be reflected in the AFS.
Other	–	–	–	–	
Total Capital Expenditure	41 284	38 512	29 158	75.7	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	11 709	–	–		The opening balance of Nil for the 2018/19 financial year does not agree to the 2017/18 closing balance of R11.9 million for Cash and cash equivalents as per the audited 2017/18 AFS.
Cash/cash equiv. at the year end:	11 707	17 150	(59 182)		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	(2)	17 150	(59 182)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 770	716	40.4%	1 054	Reasons for the under-spending were not provided by the municipality. However, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the correct figures for the 2018/19 financial year.
Expanded Public Works Programme	1 295	714	55.1%	581	Reasons for the under-spending were not provided by the municipality. However, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the correct figures for the 2018/19 financial year.
Municipal Infrastructure Grant	36 434	45 794	125.7%	(9 360)	Reasons for the over-spending were not provided by the municipality. However, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the correct figures for the 2018/19 financial year.
Integrated National Electrification Programme Grant	15 000	–	–	15 000	The municipality did not provide any reasons for not spending on this grant.

¹ Expenditure by munis.

Table 4.6 (o) Debtors, Creditors and Key ratios - AbaQulusi Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	122 843		
Debtors as at 30 June 2019	190 909	55.4%	The municipality reported R190.9 million for Debtors as at 30 June 2019 which reflects an increase of R68.1 million or 55.4 percent from the 2017/18 financial year. This is attributed to the culture of non-payment within the municipal area. The municipality is intending to implement more debt collection initiatives in order to encourage customers to pay their outstanding debts.
<u>By age analysis</u>			
0-30 days	19 956	10.5%	
31-60 days	6 521	3.4%	
61-90 days	5 020	2.6%	
>90 days	159 413	83.5%	The majority of the municipality's debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long overdue debts which impacts negatively on the cash flow. The municipality indicated that they are in the process to review their debtors to ascertain whether these debts are indeed collectable.
Total by age analysis	190 909	100.0%	
<u>By customer group</u>			
Organs of state	7 179	3.8%	Engagements between the municipality and the owing departments are ongoing and the municipality expects debt owed by this customer group to decrease going forward.
Commercial	19 520	10.2%	The municipality is in the process of handing over all the businesses that are not willing to pay for services rendered by the municipality. Disconnections have also been introduced to ensure that businesses pay.
Households	131 574	68.9%	The municipality is a rural municipality and most households owing the municipality appear to be Indigents, therefore, the municipality must regularly update their Indigent register in order to properly classify their customers.
Other	32 636	17.1%	The Other customers group was not explained by the municipality and the municipality should consider explaining this Other customers in their Section 71 reports or reallocate Other debtors to the correct customer group.
Total by customer group	190 909	100.0%	
Creditors		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	119 772		
Creditors as at 30 June 2019	-	-100.0%	It was noted with concern that the municipality did not report any creditors for the period ending 30 June 2019.
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-	-	
Key Ratios		Norm/ Range	% Actual
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%		42.5%
Employee related costs contribute 42.5 percent towards Total operating expenditure. This is above the National Treasury norm of between 25 and 40 percent. However, this ratio is expected to change once all the year-end transactions are processed and the AFS will reflect the correct information.			
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-		86.9%
Given the current financial constraints of the municipality compounded by inaccurate reporting, the result of 86.9 percent is not a true reflection of this ratio. It should be noted that the municipality is reliant on National and Provincial grant allocations for their operations.			
Own funded capital expenditure	-		49.7%
The ratio of 49.7 percent which shows that the municipality's capital projects are funded mainly from National and Provincial Government transfers.			
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%		5.3%
The ratio of 5.3 percent is not considered reasonable as it is not within the acceptable range of between 10 and 20 percent.			

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.6.5 Analysis per Municipality: Nongoma Local Municipality

Table 4.6 (p) Operating Revenue and Expenditure Performance - Nongoma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	22 995	22 995	22 122	96.2	
Service Charges ¹	2 018	2 018	1 977	97.9	
Transfers recognised - operational	142 909	141 959	141 696	99.8	
Other sources of Revenue ²	5 772	7 272	6 751	92.8	
Total Operating Revenue	173 695	174 244	172 545	99.0	
Operating Expenditure					
Employee related costs	83 215	82 630	92 167	111.5	The municipality incurred R92.2 million or 111.5 percent on Employee related costs against an Adjusted Budget of R82.6 million which has resulted in over-spending of R9.5 million or 11.5 percent. The municipality stated that the over-expenditure related to critical posts that had to be filled in the financial year.
Remuneration of councillors	14 822	14 822	12 399	83.7	The municipality reported expenditure of R12.4 million or 83.7 percent against Adjusted Budget of R14.8 million for Remuneration of councillors. The municipality indicated that Councillors increment was budgeted for but was not approved thus resulting in this under-performance.
Debt impairment	1 736	1 736	-	-	Debt impairment is only calculated at year-end according to the municipality and the amount was not yet calculated by the time of the Section 71 reporting.
Depreciation and asset impairment	4 916	4 916	16 589	337.4	The municipality attributed the over-expenditure reported on Depreciation and asset impairment to capitalisation of projects that were previously reported under work in progress and errors in the Section 71 reporting.
Bulk purchases	-	-	-	-	
Contracted services	24 051	-	5 233	-	The municipality reported Contracted services expenditure of R5.2 million against Adjusted Budget of Nil. The municipality also indicated that expenditure for this item is expected to increase once all the year-end journal entries are processed due to misallocations of mSCOA reclassification.
Other expenditure items ³	36 035	66 100	61 583	93.2	
Total Operating Expenditure	164 775	170 204	187 972	110.4	
Operating surplus/(deficit)	8 920	4 040	(15 427)		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.6 (q) Capital, Cash and Conditional grant Performance - Nongoma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	46 286	46 286	43 544	94.1	
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	8 920	4 040	873	21.6	The revenue recognised by the municipality was reported as R873 000 or 21.6 percent against the Adjusted Budget of R4 million. However, the municipality indicated that due to cash flow constraints, internally funded projects were reduced and have been budgeted for in the 2019/20 financial year.
Total Capital Revenue	55 206	50 326	44 417	88.3	
Capital Expenditure					
Governance and Administration	420	290	873	300.9	The municipality reported R873 000 or 300.9 percent against the Adjusted Budget of R290 000 for Governance and Administration. The municipality attributed the significant over-spending to office renovations and new working tools for newly recruited employees.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	54 786	50 036	43 544	87.0	The municipality reflected Capital expenditure of R43.5 million or 87 percent against Adjusted Budget of R50 million for this item. The municipality indicated that the updated and correct information will be reflected in the AFS.
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	55 206	50 326	44 417	88.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	6 492	2 142	2 002		The opening balance of R2 million for the 2018/19 financial year does not agree to the 2017/18 closing balance of R2.1 million for Cash and cash equivalents as per the audited 2017/18 AFS resulting in the incorrect opening balance for financial year of 2018/19.
Cash/cash equiv. at the year end:	3 870	3 526	7 069		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	(2 622)	1 384	5 067		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	1 970	100.0%	-	
Expanded Public Works Programme	1 615	1 784	110.5%	(169)	Reasons for the over-spending were not provided by the municipality. However, the municipality indicated that this variance is expected to change when all final journal entries are captured and the AFS will reflect the correct figures for the 2018/19 financial year.
Municipal Infrastructure Grant	31 286	31 286	100.0%	-	
Integrated National Electrification Programme Grant	15 000	15 000	100.0%	-	

¹ Expenditure by munis.

Table 4.6 (r) Debtors, Creditors and Key ratios - Nongoma Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	35 104		
Debtors as at 30 June 2019	57 876	64.9%	The municipality reported R57.9 million for Debtors as at 30 June 2019 which reflects an increase of R22.8 million or 64.9 percent from the 2017/18 financial year. This is attributed to the culture of non-payment within the municipal area. Part of the high level of Debtors is due to the fact that the majority of households in Nongoma Local Municipality are indigents and not working, given the rural environment in which the municipality is located. However, the municipality is intending to implement more debt collection initiatives in order to encourage customers to pay their outstanding debts.
<u>By age analysis</u>			
0-30 days	1 856	3.2%	
31-60 days	(28)	-	
61-90 days	676	1.2%	
>90 days	55 372	95.7%	The majority of the municipality's debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long overdue debts which impacts negatively on the cash flow. The municipality indicated that they are in the process to review their debtors to ascertain whether these debts are indeed collectable.
Total by age analysis	57 876	100.0%	
<u>By customer group</u>			
Organs of state	30 168	52.1%	Engagements between the municipality and the owing departments are ongoing and the municipality expects the debt owed by this customer group to decrease going forward.
Commercial	14 948	25.8%	Commercial customers owe the municipality R14.9 million as at the end of the 2018/19 financial year. Discontinuation of services to non-paying businesses seems to be the solution to force the businesses that are not paying for services to pay.
Households	5 127	8.9%	The municipality is a rural municipality as indicated before and most households owing the municipality appear to be Indigents. Therefore, the municipality is advised to continuously update the Indigents register in order to properly account for debtors in the Households group.
Other	7 634	13.2%	The Other customers group was not explained by the municipality and the municipality should consider explaining this Other customers in their Section 71 reports or reallocate Other debtors to the correct customer group.
Total by customer group	57 876	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	16 787		
Creditors as at 30 June 2019	17 718	5.5%	
<u>By age analysis</u>			
0-30 days	17 767	100.3%	
>30 days	(49)	-	The amount reported appears to be questionable and requires to be investigated by the municipality.
Total by age analysis	17 718	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	55.6%	Employee related costs contribute 55.6 percent towards Total operating expenditure. This is above the National Treasury norm of between 25 and 40 percent. However, this ratio is expected to change once all the year-end transactions are processed and the AFS will reflect the correct information.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	17.9%	The ratio clearly indicates that the municipality is highly dependant on grants to finance their operating activities. However, this ratio is expected to change once all the year-end transactions are processed and the AFS will reflect the correct information.
Own funded capital expenditure	-	2.0%	The ratio of 2 percent shows that the municipality's capital projects are funded mainly from National and Provincial Government transfers.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	19.1%	The ratio of 19.1 percent is considered reasonable as it is within the acceptable range of between 10 and 20 percent.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.6.6 Analysis per Municipality: Ulundi Local Municipality

Table 4.6 (s) Operating Revenue and Expenditure Performance - Ulundi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	65 117	65 117	60 813	93.4	
Service Charges ¹	77 078	77 208	58 026	75.2	Service charges comprises of Service charges - electricity revenue and Service charges - Refuse revenue. A significant revenue under generation was reported under Service charges - electricity revenue where the municipality generated an amount of R13.2 million against the Adjustments Budget amount of R67.9 million. The municipality attributed under generation of revenue on this line item to several load shedding incidents which has resulted in less electricity consumption.
Transfers recognised - operational	151 514	151 014	107 790	71.4	As at the end of June 2019, the municipality recognised an amount of R107.8 million which is less than the gazetted amount of R151.5 million. The municipality indicated that there has been an error in the Section 71 reporting and that the correct amount will be reflected in the AFS.
Other sources of Revenue ²	13 492	15 543	13 641	87.8	Under Rental of facilities, the municipality generated an amount of R820 000 against the Adjustments Budget amount of R1.2 million. The municipality indicated that the facilities were not available for rental due to renovations that were taking place. Against the Adjustments Budget amount of R2.6 million under Interest earned - external investments, the municipality did not report any revenue generated under this item. The municipality under generated revenue on Fines by an amount of R5 million. Under licences and permits the municipality generated an amount of R47 000 against the Adjustments Budget amount of R3.9 million. The municipality did not provide a reasons for under generation of revenue on these items.
Total Operating Revenue	307 201	308 882	240 271	77.8	
Operating Expenditure					
Employee related costs	121 111	135 102	132 840	98.3	
Remuneration of councillors	16 000	17 500	14 937	85.4	The municipality incurred the expenditure of R14.9 million under Remuneration of councillors. The municipality indicated that there was an error with the reporting on the Pay day system. The expenditure is expected to be at R16.7 million representing 95 percent as at the end of June 2019.
Debt impairment	5 000	5 000	253	5.1	The municipality budgeted an amount of R5 million under Debt impairment, however as at the end of June 2019, the municipality accounted for an amount of R253 000 which is less than the projected baseline expected at the end of the financial year. The municipality indicated that the journal is processed at the end of the financial year. Therefore the correct expenditure will be accounted for in the AFS.
Depreciation and asset impairment	51 500	40 387	16	0.0	As at the end of June 2019, the municipality has not accounted for Depreciation and asset impairment. The municipality indicated that there has been an error in the system which has been resolved and the correct Depreciation and asset impairment will be reflected in the AFS.
Bulk purchases	49 200	49 000	31 719	64.7	The municipality has attributed under-expenditure on this line item to several load shedding incidents which has resulted in less electricity consumption.
Contracted services	66 251	67 080	49 130	73.2	The municipality indicated that due to the implemented financial recovery plan the municipality took a decision to minimise expenditure.
Other expenditure items ³	33 798	68 737	23 689	34.5	The under-expenditure reported is attributed to implementation of Cost containment measures and financial recovery plan by the municipality.
Total Operating Expenditure	342 860	382 806	252 584	66.0	
Operating surplus/(deficit)	(35 659)	(73 924)	(12 313)		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.6 (t) Capital, Cash and Conditional grant Performance - Ulundi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	48 335	38 157	55 664	145.9	The recognised amount exceeds the Adjustments Budget and grants (DoRA and Provincial) allocated to the municipality. The municipality indicated that additional funds received for MIG resulted to the increase revenue to be recognised and the other portion is overstated which is an error that will be rectified in the AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	120 800	-	-	The budgeted amount of R120.8 million is due to the error in the Adjustments budget.
Total Capital Revenue	48 335	158 957	55 664	35.0	
Capital Expenditure					
Governance and Administration	-	109 904	-	-	The municipality has not provided an explanation for lack of spending under the Governance and administration function.
Community and Public Safety	4 885	16 088	11 797	73.3	Lack of spending was reflected under Sport and recreation sub-function. The municipality has not provided an explanation for lack of spending under the Community and Public Safety vote. However, there appears to be an error in reporting as the huge amount of capital spending has been reported under Trading service.
Eco. & Environmental Services	25 450	32 289	23 867	73.9	Under spending was reflected under Road transport sub-function. The municipality has not provided an explanation for lack of spending under the Economic and environmental services sub-function.
Trading Services	18 000	676	20 000	2 958.6	The municipality has incorrectly reflected the Adjustments Budget amount relating to Electricity which has resulted in the spending being overstated. The corrections are expected to be made in the finalised AFS.
Other	-	-	-	-	
Total Capital Expenditure	48 335	158 957	55 664	35.0	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	3 500	3 500	-		The opening balance of Nil for the 2018/19 financial year does not agree to the 2017/18 closing balance of R865 272 for Cash and cash equivalents as per the audited 2017/18 AFS.
Cash/cash equiv. at the year end:	9 956	9 956	(12 077)		The municipality did not submit the supporting documents such as the Bank reconciliation and the bank statement as at the end of June 2019. Therefore provincial Treasury is unable to substantiate and confirm the closing balance.
Net Increase/(Decrease) in cash held	6 456	6 456	(12 077)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 870	1 971	105.4%	(101)	
Expanded Public Works Programme	3 854	3 854	100.0%	-	
Municipal Infrastructure Grant	36 335	40 146	110.5%	(3 811)	The municipality has over spent on the MIG grant, due additional allocation received.
Integrated National Electrification Programme Grant	18 000	13 001	72.2%	4 999	Integrated National electrification programme the municipality reported an amount of R13 million. The municipality has not provided a reason for under spending on this grant.

1 Expenditure by munis.

Table 4.6 (u) Debtors, Creditors and Key ratios - Ulundi Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			% Increase/ Decrease
Debtors as at 30 June 2018 ¹	87 209		
Debtors as at 30 June 2019	91 604	5.0%	
<u>By age analysis</u>			
0-30 days	9 173	10.0%	
31-60 days	844	0.9%	
61-90 days	983	1.1%	
>90 days	80 603	88.0%	The municipality indicated that the financial recovery plan was introduced in an attempt to improve debt collection status, however the narration provided by the municipality does not correspond with the amount of long outstanding debtors reported.
Total by age analysis	91 604	100.0%	
<u>By customer group</u>			
Organs of state	36 401	39.7%	The municipality indicated that this is mainly due to the outstanding amounts owed by the Department of Public Works. Engagements between the municipality and the departments are ongoing and the municipality expects the debt owed by this customer group to decrease going forward.
Commercial	7 449	8.1%	
Households	16 945	18.5%	
Other	30 809	33.6%	
Total by customer group	91 604	100.0%	
Creditors			% Increase/ Decrease
Creditors as at 30 June 2018 ¹	141 846		
Creditors as at 30 June 2019	85 352	-39.8%	
<u>By age analysis</u>			
0-30 days	10 989	12.9%	
>30 days	74 362	87.1%	The municipality owes Creditors amounting to R85.4 million of which 87.1 percent is outstanding for a period of more than 30 Days. The municipality is in contravention of Section 65(2)(e) of the MFMA. Section 65(2)(e) of the MFMA requires the municipality to pay creditors within 30 days after receiving the invoice or statement. Eskom was owed R113.8 million as at 30 June 2019 by the municipality.
Total by age analysis	85 352	100.0%	
Key Ratios			% Actual
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	58.5%	The Remuneration as a percentage of Total operating expenditure measures the extent of Remuneration to Total operating expenditure. The municipality has reported a percentage of 58.5 percent. The ratio is distorted as the Employee related costs is understated and Total operating expenditure is incorrect.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	55.1%	Given the current financial constraints of the municipality, the results of 55.1 percent is not a true reflection of this ratio. It should be noted that the municipality is heavily reliant on National and Provincial grant allocations for their operations.
Own funded capital expenditure	-	-	
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	18.1%	As at the end of June 2019, the municipality indicated a ratio of 18.1 percent of Capital expenditure to Total expenditure. This ratio is used to assess the level of Capital Expenditure to Total expenditure which indicates the prioritisation of expenditure towards current operations.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.6.7 Analysis per Municipality: Zululand District Municipality

Table 4.6 (v) Operating Revenue and Expenditure Performance - Zululand District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	–	–	–	–	
Service Charges ¹	24 765	44 565	38 215	85.8	The municipality indicated that there has been under billing due to several water provision disruptions and some were caused by electricity cut offs. Furthermore there is an amount of R1.7 million which was written off as free basic services.
Transfers recognised - operational	434 585	434 585	433 885	99.8	
Other sources of Revenue ²	103 323	106 881	9 524	8.9	As at the end of June 2019 the municipality under generated Other sources of Revenue on the following items: Rental of facilities under generated by R20 000, Interest earned - external investments under generated by R1.7 million, Fines under generated by R150 000 and Other own revenue under generated by R95.5 million. Under Interest earned - outstanding debtors the municipality has reported an amount of R40 000 while there was no related Adjustments Budget amount. The municipality indicated that the Adjustments Budget amount included non cash revenue items such as Accumulated reserves to fund depreciation and debt impairment that is not collectable. It therefore appears that the municipality over budgeted for Other sources of Revenue.
Total Operating Revenue	562 673	586 031	481 625	82.2	
Operating Expenditure					
Employee related costs	182 250	190 100	194 486	102.3	The municipality indicated that the expenditure included overtime amounting to R10 million, Leave pay provision for the 2019/20 and long term service awards. The municipality under budgeted on Employee related costs item hence the slight over expenditure on the item.
Remuneration of councillors	7 722	8 222	9 122	110.9	The municipality has attributed the over spending to subsistence and travel claims which have been adjusted from operating costs to Remuneration of councillors.
Debt impairment	7 769	7 769	–	–	The municipality has not accounted for Debt impairment. However, the municipality has indicated that this item will be taken into account in the finalisation of the AFS and this item will be adjusted accordingly.
Depreciation and asset impairment	83 194	66 403	55 060	82.9	As at the end of June 2019, the municipality accounted for a Depreciation and asset impairment amount of R55.1 million. The amount reported is below the expected spending level as at the end of June 2019. The municipality has indicated that the final Depreciation and asset impairment calculation will be disclosed in the AFS.
Bulk purchases	83 431	98 340	89 306	90.8	The municipality has attributed the under-expenditure to the delay in payments at the end of June payments and this was not reflected in Section 71 report for June, however this will be reflected in the AFS.
Contracted services	178 345	162 117	135 144	83.4	The municipality indicated that year end payments that were not effected as at the end of June 2019 in the Section 71 reporting and will be reflected in the AFS.
Other expenditure items ³	81 472	72 776	68 592	94.3	The municipality cited the fact that the year end transactions were not effected as at the end of June 2019 in the Section 71 report, hence the expenditure level of 94.3 percent which is lower than the budget amount. The municipality stated that the updated expenditure will be reflected in the AFS.
Total Operating Expenditure	624 184	605 726	551 710	91.1	
Operating surplus/(deficit)	(61 511)	(19 695)	(70 085)		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.6 (w) Capital, Cash and Conditional grant Performance - Zululand District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	408 113	445 146	248 619	55.9	The municipality indicated that journals to record grant spending that has met revenue recognition criteria were not processed as at the end of June 2019 during the Section 71 reporting. The correct Transfers recognised - capital will be effected in the AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	4 783	5 839	122.1	The municipality did not provide an explanation for excess revenue recognised.
Total Capital Revenue	408 113	449 929	254 458	56.6	
Capital Expenditure					
Governance and Administration	-	783	205 947	26 296.1	The municipality did not provide an explanation for over spending on this function.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	-	4 000	5 560	139.0	As at the end of June 2019, the municipality incurred the expenditure amount of R5.6 million resulting in 39 percent overspending against the Adjustments Budget amount. The municipality did not provide an explanation for exceeding the budgeted amount.
Trading Services	408 113	445 146	42 951	9.6	The municipality incurred the capital expenditure amount of R42.9 million under Trading services function. Poor performance has been noted under Water Trading services. The municipality has not provided an explanation for poor performance under this sub-function.
Other	-	-	-	-	
Total Capital Expenditure	408 113	449 929	254 458	56.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	761	13 201	15 248		
Cash/cash equiv. at the year end:	50 000	35 211	25 407		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	49 239	22 010	10 158		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 000	1 000	100.0%	-	
Expanded Public Works Programme	5 908	5 908	100.0%	-	
Municipal Infrastructure Grant	220 762	220 762	100.0%	-	
Water Services Infrastructure Grant	87 828	87 828	100.0%	-	

¹ Expenditure by munis.

Table 4.6 (x) Debtors, Creditors and Key ratios - Zululand District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	116 835		
Debtors as at 30 June 2019	117 808	0.8%	
<u>By age analysis</u>			
0-30 days	8 597	7.3%	
31-60 days	2 436	2.1%	
61-90 days	2 214	1.9%	
>90 days	104 562	88.8%	It appears that the municipality is experiencing challenges from collecting outstanding Debtors as a vast amount of Debtors is reflected under the Over 90 Days category. The inability to collect Debtors has an immense effect on the municipality's cash position. The municipality should ensure that its indigent register is up to date to ensure that only customers that are able to pay their debts are billed.
Total by age analysis	117 808	100.0%	
<u>By customer group</u>			
Organs of state	12 833	10.9%	
Commercial	5 967	5.1%	
Households	99 007	84.0%	The municipality is in a rural area and it is dominated by indigent customers. The municipality should properly classify customers in order to ensure that only customers that are able to pay their debts are billed.
Other	-	-	
Total by customer group	117 808	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	161 148		
Creditors as at 30 June 2019	6 461	-96.0%	
<u>By age analysis</u>			
0-30 days	6 461	100.0%	As at the end of June 2019, the municipality has reported Creditors of R6.5 million which have been reflected under 0-30 days category suggesting that the municipality is in compliance with Section 65(2)(e) of the MFMA which requires that all the money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement. It must be emphasised that this is highly unlikely as the audited 2017/18 AFS Creditors balance was R161.1 million which was carried over into 2018/19 financial year.
>30 days	-	-	
Total by age analysis	6 461	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	36.9%	
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	9.9%	The municipality recorded 9.9 percent which suggests that the municipality is highly dependent on government conditional grants to finance operating activities.
Own funded capital expenditure	-	2.3%	The municipality is mainly grant dependent as capital projects are mainly funded from National and Provincial conditional grants. The geographic location of the municipality which is rural has also contributed in the municipality not being able to generate its own revenue.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	31.6%	The Capital expenditure to Total expenditure indicated a ratio of 31.6 percent. The ratio indicated is above the norm of 20 percent. A ratio of more than 20 percent reflects higher spending on infrastructure and acceleration in service delivery, but could also hold financial sustainability risks if the infrastructure do not include both revenue generating and social type infrastructure.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.7 uMkhanyakude District

The uMkhanyakude District is located in the far Northern region of KwaZulu-Natal and covers a geographical area of approximately 13 855.3 km² (KZN CoGTA, 2017)¹. The district is the second largest district in KwaZulu-Natal after the Zululand District. The uMkhanyakude District is mainly rural with the only developed town being Mtubatuba in the south. Large areas of land are under communal tenure in the district, located in the traditional authority areas under the jurisdiction of the Ingonyama Trust Board. Furthermore, a large proportion of land in the Big Five Hlabisa Local Municipality is used for agricultural and game lodge activities.

The main trading services rendered by the district municipality are *Electricity, Water and Sanitation* whereas the uMhlabuyalingana, Jozini, Big Five Hlabisa and the Mtubatuba Local Municipalities only provide *Refuse removal* services.

The position of the Municipal Manager (MM) at the uMhlabuyalingana Local Municipality had been permanently filled from September 2018. The uMkhanyakude District Municipality MM's position was filled from 01 March 2019 while the Big Five Hlabisa and Mtubatuba Local Municipalities had permanent MMs for the 2018/19 financial year. The position of the MM at Jozini Local Municipality was filled in an acting capacity which was on a rotational basis for the 2018/19 financial year until the appointment of a permanent MM on 01 August 2019.

The Chief Financial Officer (CFO) positions for the uMhlabuyalingana, Jozini and the Big Five Hlabisa Local Municipalities and the uMkhanyakude District Municipality were permanently filled for the entire 2018/19 financial year. The CFO position for the Mtubatuba Local Municipality was filled on a permanent capacity until the resignation of the CFO in February 2019 after which it was filled in an acting capacity from 01 March 2019.

The Mtubatuba Local Municipality was placed under administration in March 2019 in terms of Section 139(b) of the Constitution.

The uMhlabuyalingana Local Municipality regressed from a financially unqualified audit opinion with no findings in the 2016/17 financial year to a financially unqualified audit opinion with findings in the 2017/18 financial year. The Jozini and Mtubatuba Local Municipalities retained unqualified audit opinions with findings in the 2017/18 financial year from the 2016/17 financial year. The uMkhanyakude District improved from an adverse audit opinion in 2016/17 to a qualified audit opinion in 2017/18 while the Big Five Hlabisa Local Municipality regressed from unqualified audit opinion with findings in 2016/17 financial year to a qualified audit opinion in the 2017/18 financial year.

4.7.1 Overview of uMkhanyakude District Performance

Table 4.7(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMhlabuyalingana	185 561	219 724	181 575	82.6
Jozini	224 318	234 381	232 305	99.1
Mtubatuba	219 659	218 440	240 331	110.0
Big Five Hlabisa	132 085	142 576	105 661	74.1
uMkhanyakude DM	455 028	445 513	433 033	97.2
Total	1 216 650	1 260 634	1 192 905	94.6

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.7(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMhlabuyalingana	184 497	219 389	161 128	73.4
Jozini	233 773	232 555	197 651	85.0
Mtubatuba	213 536	215 237	225 481	104.8
Big Five Hlabisa	129 578	142 546	134 189	94.1
uMkhanyakude DM	455 028	489 029	446 242	91.3
Total	1 216 412	1 298 755	1 164 690	89.7

Source: NT Igdatabase

Table 4.7(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMhlabuyalingana	53 329	40 601	37 998	93.6
Jozini	48 306	38 513	23 827	61.9
Mtubatuba	34 943	39 758	39 547	99.5
Big Five Hlabisa	23 400	21 820	22 095	101.3
uMkhanyakude DM	266 059	285 443	235 899	82.6
Total	426 037	426 135	359 365	84.3

Source: NT Igdatabase

Table 4.7(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	1 833	4.6	-	-	756	1.9	37 426	93.5	40 014
Jozini	6 340	3.9	(0)	(0.0)	1 769	1.1	153 508	95.0	161 616
Mtubatuba	6 598	6.1	(69)	(0.1)	2 416	2.2	99 059	91.7	108 004
Big Five Hlabisa	697	1.6	870	2.0	560	1.3	40 324	95.0	42 451
uMkhanyakude DM	9 710	9.1	(29)	(0.0)	980	0.9	95 689	90.0	106 349
Total	25 177	5.5	772	0.2	6 481	1.4	426 006	92.9	458 435

Source: NT Igdatabase

Table 4.7(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	29 442	73.6	10 322	25.8	250	0.6	-	-	40 014
Jozini	78 822	48.8	33 495	20.7	48 951	30.3	348	0.2	161 616
Mtubatuba	10 090	9.3	18 536	17.2	76 257	70.6	3 122	2.9	108 004
Big Five Hlabisa	6 180	14.6	16 605	39.1	19 674	46.3	(8)	(0.0)	42 451
uMkhanyakude DM	11 923	11.2	25 332	23.8	62 619	58.9	6 476	6.1	106 349
Total	136 458	29.8	104 290	22.7	207 751	45.3	9 937	2.2	458 435

Source: NT Igdatabase

Table 4.7(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	106	0.6	5 653	33.9	(1 392)	(8.3)	12 316	73.8	16 683
Jozini	(139)	(100.0)	(37)	(26.6)	(18)	(12.6)	333	239.1	139
Mtubatuba	717	6.1	2 566	22.0	4 732	40.6	3 652	31.3	11 668
Big Five Hlabisa	1 535	26.8	173	3.0	775	13.6	3 235	56.6	5 718
uMkhanyakude DM	13 241	11.4	9 099	7.9	(4 625)	(4.0)	98 103	84.7	115 818
Total	15 460	10.3	17 454	11.6	(526)	-0.4	117 639	78.4	150 027

Source: NT Igdatabase

4.7.2 Analysis per Municipality: uMhlabuyalingana Local Municipality

Table 4.7 (g) Operating Revenue and Expenditure Performance - uMhlabuyalingana Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
					Despite the municipality signing the quarterly verification schedules, the municipality subsequently notified Provincial Treasury that they did not agree with the performance figures reported. Furthermore, the municipality indicated that performance figures were being updated as part of the 2018/19 Annual Financial Statements (AFS) preparation process. The analysis reflected in Tables 4.7 (g), 4.7 (h) and 4.7 (i) is therefore based on updated performance information provided by the municipality.
Property Rates	19 517	19 517	20 161	103.3	According to the municipality, an amount of R19.9 million or 102 percent was generated and adjustments to the actual revenue generated are being processed as part of the 2018/19 AFS preparation process.
Service Charges ¹	671	671	583	86.9	The 2018/19 Adjusted Budget of R671 000 was overstated as it was based on 60 new potential customers. However, only 26 new customers signed their agreements with the municipality and were billed during the 2018/19 financial year hence the low revenue generated against Service Charges.
Transfers recognised - operational	155 279	178 996	152 832	85.4	The 2018/19 Adjusted Budget was overstated as it includes R22 million relating to the INEP grant where the municipality acts as an agent on behalf of the Department of Energy. Thus, the performance of R152.8 million against the Transfers recognised - operational budget of R157 million, excluding the INEP grant, represents 97.4 percent.
Other sources of Revenue ²	10 094	20 541	7 999	38.9	As noted in the 2018/19 Adjusted Budget Assessment Report, the budgeted amount against Other revenue was overstated due to an amount of R10 million relating to an investment (or reserves) contribution that was incorrectly reflected against Other own revenue. The municipality also indicated that the R8 million reflected against Other sources of Revenue is understated due to the backlog in capturing of Fines, penalties and forfeits as well as Licences and permits into the Financial system and ultimately in the MFMA Section 71 returns hence the low performance of 75.9 percent against Other sources of Revenue (excluding the R10 million relating to investment/reserve as discussed above). The capturing of Fines, penalties and forfeits as well as Licences and permits will be finalised as part of the 2018/19 AFS preparation process and complete figures will be presented accordingly in the AFS.
Total Operating Revenue	185 561	219 724	181 575	82.6	
Operating Expenditure					
Employee related costs	66 694	75 980	64 359	84.7	As per the municipality, the low performance against Employee related costs of R64.4 million is due to the fact that not all of the 2018/19 budgeted vacancies were filled as at year end. Furthermore, the increase of R2 200 per employee in the basic salary component of the EPWP employees was not effected as per the commitment made during the Adjusted Budget assessment process.
Remuneration of councillors	15 079	12 891	12 472	96.7	
Debt impairment	10 311	11 611	11 393	98.1	
Depreciation and asset impairment	24 929	25 778	7 730	30.0	The municipality indicated that the amount of R7.7 million recorded against Depreciation and asset impairment relates to expenditure recognised up until Month 06. As from Month 07, the asset management unit noted that the system was incorrectly calculating the depreciation amount. Depreciation is now calculated on excel and the correct figures based on the updated Fixed Asset Register will be presented in the 2018/19 AFS.
Bulk purchases	-	-	-	-	
Contracted services	28 761	52 293	40 081	76.6	As per the municipality, due to mSCOA reclassifications, some expenditure amounts which were budgeted for under Contracted services were reported as Other expenditure in the financial system and in the MFMA Section 71 reports. Furthermore, the amount reflected against Contracted Services is incorrect and adjusted amount will be presented in the 2018/19 AFS.
Other expenditure items ³	38 723	40 835	25 093	61.5	According to the municipality, certain Public participation programmes were not carried out as means of adhering to cost containment measures. It should be noted that the correct expenditure incurred against Other expenditure items should have been R35.1 million or 86 percent and the corrected amount will be included in the 2018/19 AFS.
Total Operating Expenditure	184 497	219 389	161 128	73.4	
Operating surplus/(deficit)	1 064	336	20 447		The Operating surplus of R20.4 million is not a true reflection of the municipality's actual performance as at the end of the 2018/19 financial year due to the concerns raised in the above line items, such as Other sources of Revenue, Depreciation and asset impairment, Contracted services and Other expenditure items, amongst others.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.7 (h) Capital, Cash and Conditional grant Performance - uMhlabuyalingana Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	52 265	38 702	35 287	91.2	According to the municipality, the updated unaudited actual revenue amount relating to Transfers-recognised capital is R37.2 million or 96 percent of the 2018/19 Adjusted Budget of R38.7 million. A rollover application will be submitted for the unspent provincial grants, according to the municipality. The municipality however, did not provide Provincial Treasury with the final grants register as well as reasons for the performance as at 30 June 2019.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	1 064	1 898	2 711	142.8	The municipality stated that the correct amount to be recognised against Internally generated funds is R1.890 million or 99.6 percent of the 2018/19 Adjusted Budget amount of R1.898 million.
Total Capital Revenue	53 329	40 601	37 998	93.6	
Capital Expenditure					
Governance and Administration	350	350	2 384	681.2	The municipality stated that the over expenditure reflected in the MFMA Section 71 return was due to misallocated expenditure between the Eco. & Environmental Services and the Governance and Administration function. As part of the 2018/19 AFS preparation, the municipality will process journals to correct the misallocated expenditure.
Community and Public Safety	13 279	15 772	14 074	89.2	Refer to comment made under Transfers recognised - capital which explains the low expenditure reported.
Eco. & Environmental Services	21 400	24 179	21 467	88.8	As per the municipality, the amount reflected against Eco. Environmental Services should have been R23.7 million which represents 98 percent of the 2018/19 Adjusted Budget.
Trading Services	18 300	200	73	36.5	As per the municipality, the amount reflected against Trading Services should have been R191 110 which represents 95.6 percent of the 2018/19 Adjusted Budget of R200 000.
Other	-	100	-	-	
Total Capital Expenditure	53 329	40 601	37 998	93.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	26 945	34 628	34 628		The amount of R34.6 million reflected against Cash/cash equiv. at the year begin agrees with the closing Cash and Cash equivalents as per the 2017/18 audited AFS.
Cash/cash equiv. at the year end:	55 101	51 473	130 068		The municipality conceded that the amount reflected of R130.1 million against the Cash/cash equiv. at the year end was significantly overstated. Based on the Bank reconciliation for the main account and the Investment register, the closing Cash balance at 30 June 2019 was R49.7 million (Main account: R36.5 million and Investment Register: R13.2 million). The correct amount will be presented in the 2018/19 AFS. When considering the closing Cash Balance, it must be taken into account that a portion of the funds represents the municipality's financial commitments that need to be cash-backed, for example Unspent conditional grants, Retentions amongst others.
Net Increase/(Decrease) in cash held	28 156	16 844	95 439		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme	3 047	3 047	100.0%	-	
Municipal Infrastructure Grant	34 265	34 236	99.9%	29	As per the municipality, the updated unaudited actual expenditure against Municipal Infrastructure Grant is R34.3 million which indicates that the 2018/19 allocation has been fully spent.
Integrated National Electrification Programme Grant	22 000	22 000	100.0%	-	

¹ Expenditure by munis.

Table 4.7 (i) Debtors, Creditors and Key ratios - uMhlabyalingana Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			% Increase/ Decrease
Debtors as at 30 June 2018 ¹	49 772		
Debtors as at 30 June 2019	40 014	-19.6%	It is noted that when compared to the 2017/18 audited AFS, the Debtors Balance has decreased from R49.8 million to R40 million as at the end of the 2018/19 financial year. As per the municipality, the decrease is attributed to the fact that Council took a decision to write off 60 percent of the Commercial debtors balance in the 2018/19 financial year.
<u>By age analysis</u>			
0-30 days	1 833	4.6%	
31-60 days	-	-	
61-90 days	756	1.9%	
>90 days	37 426	93.5%	Outstanding debtors in the period greater than 90 days amount to R37.4 million (93.5 percent) with the majority being Organs of state. The municipality should ensure that steps are taken to improve collection as this may negatively affect the liquidity of the municipality as well as delay the implementation of the budget.
Total by age analysis	40 014	100.0%	
<u>By customer group</u>			
Organs of state	29 442	73.6%	A significant amount of Debtors of R29.4 million or 73.6 percent relates to Organs of state. The municipality indicated that the balance includes the Ingonyama Trust Board (ITB) debtors balance of R18 million which continues to accumulate as the ITB properties continue to be billed whilst no collection is received. The municipality is currently in consultation with the Provincial Department of CoGTA on the appropriate processes to follow when writing off the ITB debt. The municipality is also engaging different departments who have issues with their Property rates accounts however, as at year end, no agreement has been reached.
Commercial	10 322	25.8%	
Households	250	0.6%	
Other	-	-	
Total by customer group	40 014	100.0%	
Creditors			% Increase/ Decrease
Creditors as at 30 June 2018 ¹	12 612		
Creditors as at 30 June 2019	16 683	32.3%	
<u>By age analysis</u>			
0-30 days	106	0.6%	
>30 days	16 578	99.4%	
Total by age analysis	16 683	100.0%	The municipality indicated that the Creditors balance of R16.7 million as at 30 June 2019 is incorrect as it includes some of the 2017/18 accruals that have not yet been cleared on the system although they have been paid already.
Key Ratios			% Actual
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	47.7%	The Remuneration ratio of 47.7 percent is above the norm as per MFMA Circular No. 71. However, the ratio could be distorted due to Total operating expenditure being understated as noted in Table 4.7(g) for items such as Depreciation and asset impairment as well as Other expenditure items, amongst others. It should be noted that a ratio above the norm could be an indication of inefficiencies, overstaffing or even incorrect focus due to misdirected expenditure to non-essential or non-service delivery related expenditure.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	15.8%	
Own funded capital expenditure	-	7.1%	
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	19.1%	

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.7.3 Analysis per Municipality: Jozini Local Municipality

Table 4.7 (j) Operating Revenue and Expenditure Performance - Jozini Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	29 878	29 878	25 698	86.0	As per the municipality, the correct amount billed for Property rates revenue billed was R28.6 million which represents 95.7 percent of the Adjusted Budget.
Service Charges ¹	4 431	4 431	3 078	69.5	The municipality indicated that the poor generation of revenue against Service charges-refuse was due to certain sites that the municipality had budgeted to service 6 times a week but could not during the first half of the financial year due to capacity challenges.
Transfers recognised - operational	171 773	171 773	168 960	98.4	It should be noted that during the Adjusted Budget process, the municipality neglected to make the necessary adjustments to the budgeted amount for Transfers and subsidies in Table B4 in respect of the additional allocations for Schemes support programme grant: R500 000; Operational Support for Thusong Service centre grant: R300 000; Building Plans Information Management System grant: R500 000; the reduction of the Community Library services grant from R4.9 million to R3.4 million as well as the stopping of the R1.3 million Cecil Macks Border Development Grant. Thus, the budget for Transfers and subsidies should amount to R170.2 million and not R171.8 million as reflected in the municipality's Adjusted Budget. The actual expenditure of R168.96 million is therefore 99.3 percent of the correct Adjusted Budget of R170.2 million. It should be noted that the municipality failed to re-table the Adjusted Budget to take the above adjustments to allocations into consideration despite correspondence from Provincial Treasury in this regard.
Other sources of Revenue ²	18 235	28 298	34 568	122.2	One of the factors that contributed to the high revenue reported against Other sources of revenue was due to the higher than anticipated revenue generated against Interest earned-external investments (included under Other sources of revenue). The municipality indicated that actual revenue generated against Interest earned- external investments amounted to R3.2 million in relation to the R2.5 million as per the Adjusted Budget due to the municipality having surplus funds to invest. Furthermore, the municipality indicated that the high revenue generated against Fines, penalties and forfeits of R1.3 million (also included under Other sources of revenue) was due to the budget being understated as it was based on the collections made whilst the R1.3 million reported at year end is based on accrued revenue. The municipality indicated that the most of the other actual revenue figures which constitute Other sources of revenue in the MFMA Section 71 report were incorrect and the municipality was unable to correct these in time before the closure of the LG database for the Quarter 4 published figures.
Total Operating Revenue	224 318	234 381	232 305	99.1	
Operating Expenditure					
Employee related costs	77 367	76 172	80 756	106.0	The municipality indicated that Overtime and Subsistence and travel costs were the main contributors to the high expenditure incurred for Employee related costs during the financial year.
Remuneration of councillors	13 086	14 181	12 824	90.4	Based on the municipality, actual expenditure against Remuneration of councillors was less than the Adjusted Budget due to the increase in Councillors upper limits gazette being 4 percent which was less than the budgeted 7 percent.
Debt impairment	7 854	24 099	1 960	8.1	The municipality indicated that a comprehensive Debt impairment calculation is being conducted and will be reported accordingly in the 2018/19 Annual Financial Statements (AFS).
Depreciation and asset impairment	20 198	22 252	11 190	50.3	The municipality indicated that Depreciation expense incurred as at the end of June 2019 amounted to R18 million. The municipality also indicated that since the impairment assessment is currently being conducted for the AFS, impairment in respect of fixed assets will also be included accordingly against the Depreciation and asset impairment expense in the 2018/19 AFS.
Bulk purchases	-	-	1	-	The municipality incorrectly reported R1 000 against Bulk purchases in the MFMA Section 71 report.
Contracted services	45 186	28 018	38 334	136.8	The municipality indicated that the actual correct expenditure incurred against Contracted services amounted to R21.6 million due to Contracts that ended during the financial year that were not renewed. The municipality also indicated that certain expenditure items were misallocated against Contracted services instead of Other expenditure and the mapping and reallocation of expenditure is currently being done in preparation of the AFS.
Other expenditure items ³	70 082	67 832	52 585	77.5	The municipality indicated that once the mapping and reallocation of transactions have been done on the financial system, the correct expenditure amount in respect of Other expenditure will be reflected accordingly in the 2018/19 AFS.
Total Operating Expenditure	233 773	232 555	197 651	85.0	
Operating surplus/(deficit)	(9 455)	1 826	34 653		Considering the errors and omissions noted in the municipality's MFMA Section 71 report (Other sources of revenue, Depreciation and asset impairment, Bulk purchases as well as Contracted Services and Other expenditure items), the R34.7 million Operating surplus reported by the municipality is not a true reflection of the municipality's operating performance for the 2018/19 financial year.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.7 (k) Capital, Cash and Conditional grant Performance - Jozini Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	36 687	36 687	23 804	64.9	As per the municipality, the budget against Transfers recognised- capital solely related to the Municipal Infrastructure Grant (MIG) which was fully spent. The municipality indicated that once all the accruals have been processed, the full MIG amount will be recognised as revenue.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	11 619	1 826	23	1.2	The low revenue recognised against Internally generated funds was mainly due to delays in the completion of municipal offices and hence delays in the purchase of office furniture budgeted for those offices budgeted for under Governance and administration.
Total Capital Revenue	48 306	38 513	23 827	61.9	
Capital Expenditure					
Governance and Administration	11 619	1 436	10	0.7	Refer to comment under Internally generated funds.
Community and Public Safety	-	300	-	-	The municipality did not purchase the vehicle budgeted against this sub-function.
Eco. & Environmental Services	36 687	36 777	23 817	64.8	The actual expenditure against Eco. & Environmental Services was understated in the MFMA Section 71 report as some accruals had not been processed at the time of reporting.
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	48 306	38 513	23 827	61.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	21 500	14 226	14 499		The opening Cash and cash equivalents balance of R14.5 million reflected in the MFMA Section 71 report does not agree with the closing Cash and cash equivalents balance of R14.228 million as per the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	19 294	33 193	39 364		Based on the supporting documentation (Bank reconciliation for the main bank account and investment register) submitted by the municipality for the end of June 2019, Cash and cash equivalents balance amounts to R39.3 million. It must however be taken into account that a portion of the funds forming part of the cash and investments balance represent the municipality's commitments and as such, need to be cash-backed, for example, Unspent conditional grants.
Net Increase/(Decrease) in cash held	(2 206)	18 967	24 865		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	2 100	106.6%	(130)	The municipality indicated that they had incorrectly reported excess expenditure against FMG in the MFMA Section 71 report. The municipality confirmed that this would be corrected in the 2018/19 AFS.
Expanded Public Works Programme	2 751	2 751	100.0%	-	
Municipal Infrastructure Grant	36 687	36 687	100.0%	-	
Integrated National Electrification Programme Grant	-	3 559	-	(3 559)	The expenditure of R3.6 million was incurred on the basis that they were allocated R15 million as per the 2018/19 DoRA. It should be noted that the municipality had received a letter of Intention to withhold the INEP transfer to the municipality for the 2018/19 financial year (dated 15 October 2018) unless supporting motivation was submitted by the municipality within 7 days from the date of the letter. During the mid year engagement, the municipality confirmed that the supporting motivation was sent to the Department of Energy. However, a subsequent letter dated 13 December 2018 was sent by National Treasury to the municipality notifying the municipality of their intention to Stop INEP transfer of R15 million due to non-compliance which was subsequently confirmed by Gazette No. 42243, dated 21 February 2019. The municipality has not yet reversed the expenditure that was already reported in the MFMA Section 71 report in respect of the INEP expenditure made from their own funds.

1 Expenditure by munis.

Table 4.7 (l) Debtors, Creditors and Key ratios - Jozini Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	165 373		
Debtors as at 30 June 2019	161 616	-2.3%	The municipality's debtors balance decreased by 2.3 percent from the 2017/2018 financial year to the end of the 2018/2019 financial year. The municipality partly attributed the decrease to the payment arrangements made with the top 10 commercial debtors with overdue accounts during the financial year as well as the recategorisation of debtors which resulted in reduced billings.
<u>By age analysis</u>			
0-30 days	6 340	3.9%	
31-60 days	(0)	-	
61-90 days	1 769	1.1%	
>90 days	153 508	95.0%	As per the municipality, there is a challenge with respect to the collection of long outstanding debt as some of the debtors are not traceable which makes it difficult for the municipality to make follow ups and to issue letter of demands. The municipality further stated that majority of the long outstanding debtors relates to indigent customers that will be written off upon the completion of the indigent register.
Total by age analysis	161 616	100.0%	
<u>By customer group</u>			
Organs of state	78 822	48.8%	The outstanding debtors balance against Organs of the state relates to the Department of National Public Works as well as the Department of Land Affairs. Based on the municipality, agents from the Department of National Public Works are currently verifying their properties against the debt before payment is made, thus the debt remains outstanding. The municipality confirmed that the debt against the Department of Land Affairs had been outstanding since 2015/16 and the municipality is currently in discussions with the Department of Land Affairs regarding the settlement of this debt.
Commercial	33 495	20.7%	
Households	48 951	30.3%	
Other	348	0.2%	
Total by customer group	161 616	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	23 465		
Creditors as at 30 June 2019	139	-99.4%	The Trade creditors reflect a decrease in Creditors from the 2017/18 to the 2018/19 financial year. As per the municipality, Creditors owed by the municipality as at the end of June 2019 amounts to R641 000 of which R223 000 relates to Creditors outstanding for over a year. The municipality also indicated that the long outstanding Creditors balance are in respect of the contracts for IT Siyaya and Chain Concept company's whose contracts were terminated due to a forensic investigation instituted against them. Payments to these companies have been put on hold, pending the outcome of the investigations. It should be noted that the closing Creditors balance as reflected in the MFMA Section 71 report do not include Retentions and Other payables whilst the closing Creditors balance as per the 2017/18 AFS is inclusive of Retentions and Other payables.
<u>By age analysis</u>			
0-30 days	(139)	-	The municipality indicated the the negative Creditors reflected in the MFMA Section 71 report was as a result of the system error but has since been rectified.
>30 days	278	200.0%	Refer to comment above.
Total by age analysis	139	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	47.3%	Despite the municipality having not fully accounted for Depreciation and asset impairment expense as well as Debt impairment expense (refer to discussions under operational performance), the municipality's Remuneration ratio would still be in the upper limit of the norm or possibly exceed the norm range. A Remuneration ratio in excess of the norm is an indication of possible inefficiencies, overstaffing or even incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure as per MFMA Circular 71.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	27.3%	This ratio indicates that the municipality is highly dependant on grants to fund their operational. The municipality needs to put measures in place to ensure the maximisation of the current revenue streams.
Own funded capital expenditure	-	0.1%	
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	10.8%	

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.7.4 Analysis per Municipality: Mtubatuba Local Municipality

Table 4.7 (m) Operating Revenue and Expenditure Performance - Mtubatuba Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	40 081	40 535	74 800	184.5	The high revenue billed in relation to the budget for Property rates was due to the municipality conducting a data cleansing exercise to review transactions per customer on the financial system. Based on the outcome of the data cleansing exercise, the municipality noted that some customers who should have been billed were not being billed whilst others were being billed against the incorrect property rates category. The correction of the customer billing on the financial system resulted in a high revenue billed during the 2018/19 financial year in relation to the budget.
Service Charges ¹	7 534	6 728	21 002	312.1	The municipality indicated that although they had resubmitted the corrected MFMA Section 71 report several times, the figure did not update before for the closure of the database for the MFMA Section 71 published figures for Quarter four. Thus, the R21 million reflected in the MFMA Section 71 report is incorrect. As per the municipality, the revenue billed against Service charges-refuse at the end of the 2018/19 financial year amounted to R9.4 million or 140 percent of the Adjusted Budget amount. Similar to Property rates above, the municipality indicated that the high revenue billed in relation to the budget was as a result of the correction of incorrectly billed customers or customers not being billed as identified during the data cleansing exercise.
Transfers recognised - operational	153 998	155 728	106 589	68.4	The municipality indicated that the budgeted revenue against Transfers recognised was fully recognised in the 2018/19 financial year thus the understated revenue reported in the MFMA Section 71 report was incorrect.
Other sources of Revenue ²	18 046	15 448	37 941	245.6	According to the municipality, the revenue sources that contributed to the high revenue generated against Other sources of revenue were Interest earned-External investments, Licences and permits and Other revenue sub-items. The municipality confirmed that the budget for Interest earned-external investments was understated and the use of the mobile Traffic office from the Department of Transport generated revenue that was higher than anticipated. With regards to Security services for St. Lucia residents, the municipality indicated that during the data cleansing exercise of the billing on the financial system, the municipality identified customers who were incorrectly not being billed for the Security service within St. Lucia. The correction of this error resulted in a high revenue generation against Other revenue in relation to the budget. It should be noted however, that the provision of security services for St. Lucia residents has been terminated for the 2019/20 financial year.
Total Operating Revenue	219 659	218 440	240 331	110.0	
Operating Expenditure					
Employee related costs	84 747	74 648	80 802	108.2	As per the municipality, the high expenditure against Employee related costs in relation to the budget was due to overtime and travel claims that were higher than anticipated.
Remuneration of councillors	15 211	15 512	17 870	115.2	The municipality indicated that the high expenditure incurred against Remuneration of councillors was due to the high travel claims incurred for Councillors as well as back pay made to Councillors in the 2018/19 financial year, relating to the 2017/18 financial year which were under-budgeted for.
Debt impairment	12 000	12 000	-	-	As per the municipality, a comprehensive impairment assessment is only performed for purposes of preparing the Annual Financial Statements (AFS) at year end.
Depreciation and asset impairment	25 000	25 000	29 955	119.8	The municipality indicated that they had under provided for Deprecation and asset impairment in the 2018/19 budget. It should be noted that Provincial Treasury had raised concerns regarding the understatement of the budget for Depreciation and asset impairment in the 2018/19 Adjusted Budget considering the fact that the municipality had incurred Depreciation and asset impairment expense of R28.8 million as per the 2017/18 Audited AFS as well as the fact that the municipality had budgeted for an increased in the budgeted Capital expenditure for the 2018/19 financial year.
Bulk purchases	-	-	-	-	
Contracted services	41 645	46 800	51 118	109.2	According to the municipality, a certain portion of the already higher than budgeted Repairs and maintenance expenditure has been reported against Contracted services which resulted in the higher expenditure reported against Contracted services as at the end of the financial year.
Other expenditure items ³	34 934	41 277	45 736	110.8	Repairs and maintenance was higher than anticipated, as a result high expenditure was incurred against Other materials. The municipality also indicated that they had under-budgeted for some items which constituted Other expenditure such as Staff training, amongst others.
Total Operating Expenditure	213 536	215 237	225 481	104.8	
Operating surplus/(deficit)	6 122	3 203	14 850		The Operating surplus of R14.9 million is not a true reflection of the municipality's operating performance for the 2018/19 financial year as the municipality has not accounted for Debt impairment expense as well as the understated Transfers recognised- operational, amongst others.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.7 (n) Capital, Cash and Conditional grant Performance - Mtubatuba Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	29 608	36 108	37 593	104.1	According to the municipality the over-recognition of revenue against Transfers recognised- capital was due to the payment for prior year MIG expenditure (2017/18) which was actually paid in 2018/19. As a result, the current MIG revenue has been incorrectly inflated by payments made for prior years expenditure.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	5 335	3 650	1 953	53.5	Due to financial constraints, the municipality did not procure three vehicles that were budgeted from Internal funding. These vehicles were for Library services, Disaster management and Community halls which fall within the Community and Public Safety Sub-functions. The GIS information system as well as skip bins were also not procured in the 2018/19 financial year.
Total Capital Revenue	34 943	39 758	39 547	99.5	
Capital Expenditure					
Governance and Administration	2 100	1 500	1 459	97.3	
Community and Public Safety	1 200	150	60	39.7	See comment above on Internally generated funds.
Eco. & Environmental Services	30 843	37 808	38 028	100.6	
Trading Services	800	300	–	–	The budget against Trading services relates to the purchase of skips bins for an identified number of areas within the municipality. Due to financial constraints during the financial year, the municipality reduced the number of areas where skip bins were to be placed hence the anticipated reduction in the skip bins to be procured. However, at the end of the financial year, the municipality indicated that no skip bins were purchased during the financial year and as a result, no expenditure was reported against the Trading services sub-function.
Other	–	–	–	–	
Total Capital Expenditure	34 943	39 758	39 547	99.5	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	8 294	12 297	12 224		The opening Cash and cash equivalents balance of R12.224 million does not agree to the closing Cash and cash equivalents balance of R12.297 million as reflected in the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	30 822	11 475	48 004		Based on the supporting documents submitted by the municipality (investment register and bank statements), the municipality closed the 2018/19 financial year with a Cash and cash equivalents balance of R46.9 million. When considering the closing Cash and cash equivalents balance, it must be taken into account that a portion of the funds forming part of the cash and investments balance represent the municipality's commitments which need to be cash-backed. For the Mtubatuba Local Municipality, the Unspent conditional grants at per the grant register for the end of the 2018/19 financial year amounted to R47.4 million, thus indicating that grants are not fully cash backed at year end.
Net Increase/(Decrease) in cash held	22 528	(821)	35 780		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	1 970	100.0%	–	
Expanded Public Works Programme	2 070	2 069	99.9%	1	The municipality confirmed that they had fully spent the EPWP grant for the 2018/19 financial year.
Municipal Infrastructure Grant	31 166	31 166	100.0%	–	
Integrated National Electrification Programme Grant	12 600	20 380	161.7%	(7 780)	The municipality indicated that they had incorrectly included expenditure in respect of Massification (incl. electrification) against the INEP which relates to the R11 million allocated to the municipality as per the Provincial Gazette No. 2062, dated 28 March 2019. It should be noted that Provincial Treasury had raised concerns in the 2018/19 Adjusted Budget assessment regarding the municipality incorrectly lumping up the INEP (National grant) of R12.6 million and the Massification Programme (including electrification projects) grant of R11 million in Table SB7, despite the grant being a Provincial grant.

¹ Expenditure by munis.

Table 4.7 (o) Debtors, Creditors and Key ratios - Mtubatuba Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	119 698		
Debtors as at 30 June 2019	108 004	-9.8%	Debtors have decreased by R11.7 million (10 percent) from the 2017/18 financial year to the 2018/19 financial year.
<u>By age analysis</u>			
0-30 days	6 598	6.1%	
31-60 days	(69)	-	The municipality confirmed that the negative Debtors relates to unallocated receipts from customers who did not specify what the payment relates to. The municipality is currently in the process of contacting the customers in order for the payment to be correctly allocated.
61-90 days	2 416	2.2%	
>90 days	99 059	91.7%	Debtors outstanding for more than 90 days forms the bulk of the municipality's Debtors. The municipality indicated that a portion of the long outstanding debtors are as a result of unallocated payments which have not been linked to specific debtors due to staff shortages in the revenue section as well as the municipality not writing-off their long outstanding debtors. The municipality further indicated that they are seeking advise from various stakeholders on the write-off of long outstanding debt as well as considering the impact that the write-off may have on customers that have well maintained accounts.
Total by age analysis	108 004	100.0%	
<u>By customer group</u>			
Organs of state	10 090	9.3%	
Commercial	18 536	17.2%	
Households	76 257	70.6%	
Other	3 122	2.9%	
Total by customer group	108 004	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	30 135		
Creditors as at 30 June 2019	11 668	-61.3%	The Trade creditors reflect a decrease of 61.3 percent from the 2017/18 to the 2018/19 financial year. It should be noted that the closing Creditors balance as reflected in the MFMA Section 71 report do not include Retentions and Other payables whilst the closing Creditors balance as per the 2017/18 AFS is inclusive of Retentions and Other payables.
<u>By age analysis</u>			
0-30 days	717	6.1%	
>30 days	10 951	93.9%	Creditors outstanding for more than 30 days constitutes the bulk of the municipality's Creditors balance which is a contravention of Section 65(2)(e) of the MFMA. The municipality indicated that the late receipt of Creditors invoices and statements resulted in delays in the payment of these Creditors. The municipality further stated that they are working on ensuring that Creditors are paid on time.
Total by age analysis	11 668	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	43.8%	As noted in the discussion in Table 4.7 (m) for the Operating budget performance, the municipality has not included the Debt impairment expense since a comprehensive impairment assessment is only being prepared for the AFS purposes, hence Total operating expenditure is understated. The current ratio of 43.8 percent is therefore not a true reflection of the municipality's remuneration as a percentage of total Operating expenditure. However, even after a reasonable amount estimated for Debt impairment, it appears that the municipality's Remuneration ratio will still be in the upper range of the norm which indicates possible inefficiencies, overstaffing or even incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	55.6%	In comparison to the 2017/18 financial year where the ratio of Own sources of total revenue to total operating revenue was 30.3 percent, the municipality's achieved a ratio of 55.6 percent for the 2018/19 financial year. The data cleansing exercise which resulted in a high revenue billing against Property rates and Service charges-refuse can mainly be attributed to the improvement to this ratio. It should be noted however, that had the revenue against Transfer recognised-operational not being understated, the ratio would have been lower than 55.6 percent.
Own funded capital expenditure	-	4.9%	
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	14.9%	

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.7.5 Analysis per Municipality: Big Five Hlabisa Local Municipality

Table 4.7 (p) Operating Revenue and Expenditure Performance - Big Five Hlabisa Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	17 566	17 566	16 799	95.6	As per the municipality, the amount of R16.8 million is incorrect and that an amount of R17.4 million or 99.2 percent has been generated against the 2018/19 Adjusted Budget for Property rates.
Service Charges ¹	2 263	2 263	2 083	92.1	According to the municipality, the figures reported appear to be correct, although they are currently processing adjustments and final figures will be presented in the 2018/19 Annual Financial Statements (AFS).
Transfers recognised - operational	103 368	109 167	73 246	67.1	The municipality conceded that the amount reflected for Transfers recognised-operational in the MFMA Section 71 report at the time of submission of the Quarter 4 figures was incorrect. The correct amount is R108.1 million which represents 99.1 percent of the 2018/19 Adjusted Budget of R109.2 million. As per the signed Final Grants summary for Month 12, the total unspent amount relating to operating transfers is R1.008 million which is made up of Schemes Support Programme: R750 000 and Massification Electrification Grant: R258 115. The municipality indicated that adjustments are still being processed on the grants revenue recognition and final figures will be presented in the 2018/19 AFS.
Other sources of Revenue ²	8 888	13 580	13 533	99.7	
Total Operating Revenue	132 085	142 576	105 661	74.1	
Operating Expenditure					
Employee related costs	65 226	71 740	74 485	103.8	The municipality indicated that they are aware of the overstaffing and are ensuring that the municipal employees with skills are utilised for all other services that were in the past, outsourced. Furthermore, the municipality is closely monitoring this line item to identify possible misallocations of expenditure as there are continuously new queries arising against this line item. The 2018/19 AFS will show a true reflection should there be adjustments made against this line item.
Remuneration of councillors	7 411	7 411	6 913	93.3	Councillors were informed of the financial status of the municipality and as a result, they decided to cut down on travelling costs hence the low expenditure reported against the Remuneration of councillors as at the end of the June 2019.
Debt impairment	6 999	6 616	4 443	67.2	The amount of R4.4 million reflected against Debt impairment was reported in Month 6 as part of the MFMA Section 72 Mid-year performance assessment process. The municipality further indicated that a thorough calculation will be performed as part of the 2018/19 AFS preparation.
Depreciation and asset impairment	8 100	8 100	4 293	53.0	The municipality has indicated that due to the high number of findings that were raised by the Auditor General during the 2017/18 audit, external consultants have been brought in to reconstruct the Fixed Asset Register (FAR) as at 30 June 2019. Thus, the amount of R4.3 million reflected is based on the old FAR that was captured into the system in the prior year. The new FAR will be completed and updated by 31 August 2019 as part of the 2018/19 AFS preparation and thereafter, a more accurate amount will be reported against Depreciation and asset impairment in the 2018/19 AFS.
Bulk purchases	-	-	-	-	
Contracted services	10 755	11 596	20 730	178.8	As per the municipality, included under this line item is expenditure relating to Transfers and subsidies as well as Other Materials which was budgeted under the Other expenditure items below. This is as a result of mSCOA classification requirements, such as, all repairs and maintenance expenditure that has been contracted out is reported against Contracted services although it was budgeted under the Other materials line item.
Other expenditure items ³	31 087	37 083	23 324	62.9	See Comment under Contracted services above which accounts for the low expenditure reported.
Total Operating Expenditure	129 578	142 546	134 189	94.1	
Operating surplus/(deficit)	2 507	30	(28 528)		The Operating deficit appears to be questionable considering that various line items such as Transfers recognised - operating, Debt impairment as well as Depreciation and asset impairment are yet to be finalised as part of the 2018/19 AFS preparation process.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.7 (q) Capital, Cash and Conditional grant Performance - Big Five Hlabisa Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	21 000	21 000	21 320	101.5	The municipality indicated that an amount of R21.3 million has been incorrectly reflected against Transfers recognised - capital instead of R20.8 million which represents 98.9 percent of the 2018/19 Adjusted Budget in line with MIG spending for the year. Refer to comment under Municipal Infrastructure Grant below.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	2 400	820	775	94.5	The municipality indicated that due to financial constraints, only R775 000 was spent against Internally generated funds which represents 94.5 percent of the 2018/19 Adjusted Budget. The budget was mainly allocated to the purchase of new furniture under the Finance and administration sub-function.
Total Capital Revenue	23 400	21 820	22 095	101.3	
Capital Expenditure					
Governance and Administration	650	939	775	82.5	Refer to comment made under Internally generated funds.
Community and Public Safety	15 150	13 661	11 620	85.1	Refer to comment below under Eco. & Environmental Services function.
Eco. & Environmental Services	7 600	7 220	9 700	134.3	As per the municipality, Council took a resolution in March 2019 to reprioritise Capital projects in the 2018/19 financial year with focus on the construction of access roads which resulted in over-spending in some functions and under-spending in other functions. As a result, the municipality may incur unauthorised expenditure against those functions that reflect over-spending.
Trading Services	–	–	–	–	
Other	–	–	–	–	
Total Capital Expenditure	23 400	21 820	22 095	101.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	3 267	3 053	3 053		The amount of R3.1 million reflected against Cash/cash equiv. at the year begin agrees to the closing Cash and Cash equivalents as per the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	7 222	4 790	5 510		The closing Cash and Cash equivalents approximates to the total Investments of R4.7 million as per the signed Investment register and the closing Cash balance in the two main bank accounts of R834 769 as per the signed Bank reconciliation statements for Month 12. When considering the closing Cash and cash equivalents balance, it must be taken into account that a portion of the funds represents the municipality's financial commitments that need to be cash-backed, for example, Unspent conditional grants and Retentions.
Net Increase/(Decrease) in cash held	3 955	1 737	2 457		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	3 870	3 870	100.0%	–	
Expanded Public Works Programme	1 826		100.0%	–	
Municipal Infrastructure Grant	21 000	20 765	98.9%	235	An amount of R20.8 million was spent during the 2018/19 financial year which represents 98.9 percent of the MIG allocation of R21 million. The municipality indicated that there were delays in the finalisation of Capital projects due to unforeseen circumstances, thus, a rollover application will be submitted for the unspent MIG allocation amounting to R234 787.
Integrated National Electrification Programme Grant	–	–	–	–	

¹ Expenditure by munis.

Table 4.7 (r) Debtors, Creditors and Key ratios - Big Five Hlabisa Local Municipality

R'000	Amount	% of Total debt / payables	Comments
			Debtors
			% Increase/ Decrease
Debtors as at 30 June 2018¹	52 953		
Debtors as at 30 June 2019	42 451	-19.8%	The debtors balance has decreased by 19.8 percent in the 2018/19 financial year when compared to the Debtors balance of R52.95 million as per the 2017/18 audited AFS. The municipality indicated that the decrease in the balance is as a result of the call centre unit that was established within the revenue section of the municipality to follow up on outstanding debts.
<u>By age analysis</u>			
0-30 days	697	1.6%	
31-60 days	870	2.0%	
61-90 days	560	1.3%	
>90 days	40 324	95.0%	Outstanding debtors in the period exceeding 90 days amount to R40.3 million or 95 percent of the total debtors. Due to long outstanding debtors, the liquidity of the municipality is at risk. The municipality is advised to ensure that necessary steps are taken to improve debt collection in addition to the call centre unit that has been already established.
Total by age analysis	42 451	100.0%	
<u>By customer group</u>			
Organs of state	6 180	14.6%	
Commercial	16 605	39.1%	
Households	19 674	46.3%	
Other	(8)	-	This amount relates to Property rates payment which could not be allocated to a specific customer or Customer Group as at year end. The municipality has contacted the Financial System service provider to assist in allocating the payments and adjustments will be made in the 2018/19 AFS should a positive outcome be obtained.
Total by customer group	42 451	100.0%	
			Creditors
			% Increase/ Decrease
Creditors as at 30 June 2018¹	21 131		
Creditors as at 30 June 2019	5 718	-72.9%	As per the municipality, the balance of Creditors reflected appears to be accurate however, adjustments are still being processed in the retentions register and the final figures will be reported in the 2018/19 AFS. It should be noted that only Trade creditors are included in the MFMA Section 71 return and not the entire Trade and other payables balance which includes retentions and Other payables as it is the case in the 2017/18 AFS amount of R21.1 million.
<u>By age analysis</u>			
0-30 days	1 535	26.8%	
>30 days	4 183	73.2%	The municipality indicated that the Creditors unit is currently in contact with the service providers that have queries on their invoices which mainly relates to balances that have been outstanding for more than 30 days (contravention of Section 65(2)(e) of the MFMA). The municipality anticipates that the process will be completed before the submission of the 2018/19 AFS.
Total by age analysis	5 718	100.0%	
			Key Ratios
			Norm/ Range
			% Actual
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	60.7%	As noted in Table 4.7 (p), the Total operating expenditure of the municipality is understated due to the understatement of Debt impairment and Depreciation and asset impairment expenditure, thus, the ratio of 60.7 percent is not a true reflection of the Remuneration ratio. However, based on reasonable levels of anticipated Debt impairment as well as Depreciation and asset impairment expenditure, amongst others, the ratio would still exceed the upper limits of the norm. The municipality needs to implement measures to ensure that their Remuneration ratio is kept within the norm as a high ratio could be an indication of overstaffing or misdirected expenditure towards non-essential services or non-service delivery related expenditure as per MFMA Circular No.71.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	30.7%	The low ratio of 30.7 percent against Own sources of revenue as a percentage of total Operating revenue is an indication that the municipality is highly dependent on grants. It should be noted that, since the accuracy of the Transfers recognised - operation is questionable (refer to Table 4.7(p)), the ratio may be significantly distorted.
Own funded capital expenditure	-	3.5%	The ratio of 3.5 percent is an indication that the municipality is mainly dependant on National grants to fund its Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	14.1%	

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.7.6 Analysis per Municipality: uMkhanyakude District Municipality

Table 4.7 (s) Operating Revenue and Expenditure Performance - uMkhanyakude District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	–	–	–	–	
Service Charges ¹	52 800	46 381	33 148	71.5	According to the municipality, the poor performance against Service charges-water (69.9 percent of the Adjusted Budget) as at June 2019 was as a result of the backlog in the billing as the municipality does not have sufficient meter readers and therefore, not all meters are read timeously. Furthermore, during the 2018/19 financial year, there was a change in the type of water meters used which were technically difficult to read, hence billing was not done for those meters. The municipality did not provide an explanation in regards to low performance against Service charges - electricity of 80.3 percent or R4.9 million against the budgeted amount of R6.2 million.
Transfers recognised - operational	395 613	392 457	393 354	100.2	
Other sources of Revenue ²	6 615	6 675	6 531	97.8	
Total Operating Revenue	455 028	445 513	433 033	97.2	
Operating Expenditure					
Employee related costs	158 801	158 802	163 516	103.0	The municipality indicated that it had only budgeted for Overtime and not for the Standby allowance in the 2018/19 Adjusted Budget which was later required for provision of essential services.
Remuneration of councillors	9 387	9 387	8 929	95.1	
Debt impairment	5 789	29 958	439	1.5	The municipality indicated that the full calculation for Debt impairment expense was not finalised at the time of the submission of the MFMA Section 71 returns for the Quarter 4 MFMA publication, which would then be incorporated in the 2018/19 AFS.
Depreciation and asset impairment	41 702	37 000	–	–	Similar to Debt impairment, the municipality indicated that the calculation for Depreciation and asset impairment expense was not finalised at the time of the submission of the Section 71 returns for the Quarter 4 publication which would then be incorporated in the 2018/19 AFS.
Bulk purchases	85 848	97 845	122 696	125.4	The municipality indicated that the over-spending against Bulk purchases is attributable to various factors such as increase in water supply due to the increase in new connections and new boreholes. According to the municipality, there was an increase in water demand due to water schemes which have become operational during the 2018/19 financial year. These water schemes were not previously maintained and thus the water supply to these schemes were not budgeted for against Bulk purchases in 2018/19. Furthermore, there were new boreholes connected during the 2018/19 financial year which resulted in the increase in the expenditure related to Eskom due to increased electricity usage in operating the boreholes. It is noted with great concern that whilst the municipality is experiencing challenges with the meter reading and billing for water and no explanation provided for low billings for electricity, the expenditure on Bulk purchases is significantly over-budget. This indicates that the municipality could be trading at a huge deficit for water and electricity service charges, notwithstanding any costs relating to the provision of Free Basic Services.
Contracted services	63 199	90 746	92 589	102.0	
Other expenditure items ³	90 301	65 291	58 073	88.9	The main contributor towards the poor performance against Other expenditure items is Other materials with an expenditure of R5.8 million against a budget of R16.5 million. The municipality indicated that the under-expenditure that occurred against Other materials were due to the implementation of the Cost containment MFMA Circular during the second half of the 2018/19 financial year. It is unclear as to why the municipality implemented cost cutting measures against Other materials which are critical as they relate to the Repairs and maintenance of the municipal assets. It is noted that expenditure of R51.1 million reported against Other expenditure line item exceeded the budgeted expenditure of R47.3 million. No explanation was provided by the municipality in this regard.
Total Operating Expenditure	455 028	489 029	446 242	91.3	
Operating surplus/(deficit)	–	(43 516)	(13 208)		The municipality incurred a deficit of R13.2 million which is lower than the budgeted deficit of R43.5 million in the 2018/19 financial year. The reported Operating deficit appears to be understated considering that the calculations for Debt impairment and Depreciation and asset impairment are yet to be finalised, amongst others.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.7 (t) Capital, Cash and Conditional grant Performance - uMkhanyakude District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	254 859	276 015	231 365	83.8	Low revenue was recognised against Transfers recognised - capital as at June 2019. It is noted that in the 2018/19 Adjusted Budget Table B5, the municipality had included an amount of R18 million related to the Water Service Infrastructure grant (WSIG) which was converted from a Schedule 6B (in-kind) grant to a Schedule 5B (direct) grant as per Government Gazette No. 42318 dated 18 March 2019. According to the municipality, the low performance is due to the unspent amount against Water Services Infrastructure Grant (WSIG). The reason for the delays in the implementation of these projects was not provided by the municipality. However, the municipality indicated that they will be applying for a rollover in respect of the WSIG grant. Considering that the unspent amount against WSIG is R14.1 million, it is unclear as to what the further under-performance of R30.5 million relates to as no explanation was provided in this regard, since the municipality is reflecting 100 percent spent against MIG.
Public contributions and donations	11 200	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	9 429	4 534	48.1	The municipality indicated that Internally funded projects could not be implemented due to cash flow constraints. Those projects related to the acquisition of furniture and the mayoral vehicle and were budgeted for under Governance and administration.
Total Capital Revenue	266 059	285 443	235 899	82.6	
Capital Expenditure					
Governance and Administration	11 200	9 429	4 534	48.1	Refer to comment under Internally generated funds.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	-	-	-	-	
Trading Services	254 859	276 015	231 365	83.8	Refer to comment under Transfers recognised - capital.
Other	-	-	-	-	
Total Capital Expenditure	266 059	285 443	235 899	82.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	34 626	62 296	62 296		
Cash/cash equiv. at the year end:	28 402	3 096	40 139		Based on the municipality's Bank reconciliation statements, the closing Cash and cash equivalents amounts to R39.5 million. Thus, the closing balance as per the MFMA Section 71 report is slightly overstated. When considering the closing Cash and cash equivalents balance, it must be taken into account that a portion of these funds sitting under the cash and Investments balance represent the municipality's financial commitments which need to be cash backed, for example, Unspent conditional grants.
Net Increase/(Decrease) in cash held	(6 224)	(59 199)	(22 157)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 000	1 000	100.0%	-	
Expanded Public Works Programme	3 022	3 383	111.9%	(361)	According to the municipality, the corrected Conditional Grants return which reflected full expenditure (100 percent) was re- submitted to National Treasury. However, it did not update as it was submitted after the closing of the database. The correct amount will be reflected in the 2018/19 AFS.
Municipal Infrastructure Grant	210 378	210 378	100.0%	-	
Water Services Infrastructure Grant	73 000	58 917	80.7%	14 083	The municipality did not provide an explanation in respect of the unspent amount against WSIG. However, as indicated under Transfers recognised - capital, the municipality will be applying for a rollover for the unspent amount.

¹ Expenditure by munis.

Table 4.7 (u) Debtors, Creditors and Key ratios - uMkhanyakude District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	148 933		
Debtors as at 30 June 2019	106 349	-28.6%	
<u>By age analysis</u>			
0-30 days	9 710	9.1%	
31-60 days	(29)	-	The municipality indicated that the negative debtors reflected in the 61-90 days category was due to the municipality misallocating cash receipts in incorrect age categories.
61-90 days	980	0.9%	
>90 days	95 689	90.0%	The most significant portion (R95.7 million or 90 percent) of the municipality's debtors have been outstanding for a period of greater than 90 days with the bulk falling within the Households customer group. The municipality indicated that the majority of the amount owing is attributable to long outstanding debtors who do not pay their municipal debt due to the high levels of unemployment and poverty. Furthermore, the incorrect billing of indigent customers has led to growth in the debtors balance while there was also resistance from customers to pay their bills as they had limited access to water due to drought within the district. According to the municipality, the updated indigent register is currently in place and awaiting approval from Council. The municipality did not provide an indication of when will the indigent register be tabled for approval.
Total by age analysis	106 349	100.0%	
<u>By customer group</u>			
Organs of state	11 923	11.2%	
Commercial	25 332	23.8%	
Households	62 619	58.9%	
Other	6 476	6.1%	
Total by customer group	106 349	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	199 221		
Creditors as at 30 June 2019	115 818	-41.9%	
<u>By age analysis</u>			
0-30 days	13 241	11.4%	
>30 days	102 577	88.6%	As at the end of the financial year, the municipality reported Creditors outstanding for a period greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. The municipality has indicated that there were disputes over the delivery of certain work performed by service providers which resulted in the municipality holding payments against the relevant suppliers.
Total by age analysis	115 818	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	38.6%	The ratio of 38.6 percent is in the upper region of the norm range. However, it should be noted that the ratio could be distorted due to the fact that total Operating expenditure is understated (due to the understatement of Debt impairment and Depreciation and asset impairment). Notwithstanding this, the municipality needs to implement measures to ensure their Remuneration is kept within reasonable ratio as a high ratio could indicate that the municipality is overstaffed or there is misdirected expenditure towards non-essential services or non-service delivery of service related expenditure, as per MFMA Circular No. 71.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	9.2%	This ratio indicates that the municipality is not self-sufficient and to a large extent, relies on National and Provincial government grants to fund their operations.
Own funded capital expenditure	-	1.9%	The ratio indicates that only 1.9 percent of the municipality's Capital budget is funded through Internally generated funds.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	34.6%	The municipality's ratio of 34.6 percent which is higher than the norm might be an indication of higher spending on infrastructure and acceleration in service delivery, not withstanding the fact that total Operating expenditure is understated due to Debt impairment and Depreciation being significantly understated.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.8 King Cetshwayo District

King Cetshwayo District comprises of six municipalities, namely: King Cetshwayo District Municipality and the following Local Municipalities, the uMfolozi, uMhlathuze, uMlalazi, Mthonjaneni and Nkandla. The district is located in the North-Eastern Region of the KwaZulu-Natal Province on the eastern seaboard of South Africa and it covers a geographical area of 8 213 km² (KZNCOGTA, 2017)¹. The agricultural sector within the district has a dual economy, consisting of commercial agriculture on one hand and traditional agriculture on the other.

The main trading services rendered by the King Cetshwayo District Municipality are *Water, Sanitation and Refuse removal* services. The uMfolozi Local Municipality provides *Refuse removal* services only whilst the Mthonjaneni, Nkandla and uMlalazi Local Municipalities provide *Electricity and Refuse removal* services.

All the Chief Financial Officer (CFO) positions in the district were filled throughout the 2018/19 financial year except for Mthonjaneni Local Municipality which was vacant from 01 July 2018 to date and the Deputy CFO has been acting as CFO.

The vacant Municipal Manager (MM) position for the King Cetshwayo District Municipality was due to the MM's employment contract expiring on 30 June 2017. Since 01 July 2017 to 31 October 2018, the Senior managers from the municipality have been acting as MM on a rotational basis. The MM position for the King Cetshwayo District Municipality was filled on the 01 November 2018. The rest of the MM positions in the district were filled for the entire financial year under review.

Two municipalities in the King Cetshwayo District namely, the uMhlathuze Local Municipality and the King Cetshwayo District Municipality regressed from their clean audit opinions in the 2016/17 financial year, as they received unqualified audit opinions with other matters in the 2017/18 financial year. The other four municipalities maintained their unqualified audit opinions with other matters from the 2016/17 financial year in the 2017/18 financial year.

The tables in this report reflect budget and actual figures for the delegated municipalities as well as the non-delegated municipality namely, the uMhlathuze Local Municipality. The budget performance of the uMhlathuze Local Municipality is not discussed in the analysis due to the fact that this municipality reports directly to National Treasury.

4.8.1 Overview of King Cetshwayo District Performance

Table 4.8(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMfolozi	147 527	196 947	159 514	81.0
uMhlathuze	3 054 874	2 990 431	2 889 492	96.6
uMlalazi	360 201	403 603	397 544	98.5
Mthonjaneni	128 221	144 035	111 252	77.2
Nkandla	136 655	138 347	166 065	120.0
King Cetshwayo DM	698 201	728 302	707 272	97.1
Total	4 525 678	4 601 665	4 431 139	96.3

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.8(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMfolozi	143 266	161 605	140 548	87.0
uMhlathuze	3 016 497	3 049 313	2 890 202	94.8
uMlalazi	406 349	458 196	436 129	95.2
Mthonjaneni	124 600	139 413	140 708	100.9
Nkandla	139 386	148 379	116 772	78.7
King Cetshwayo DM	836 433	902 822	797 003	88.3
Total	4 666 531	4 859 729	4 521 362	93.0

Source: NT Igdatabase

Table 4.8(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMfolozi	28 734	64 315	65 038	101.1
uMhlathuze	525 161	586 328	482 843	82.4
uMlalazi	74 043	74 043	52 498	70.9
Mthonjaneni	36 339	37 565	30 657	81.6
Nkandla	56 200	54 400	39 383	72.4
King Cetshwayo DM	324 513	337 214	162 034	48.1
Total	1 044 990	1 153 865	832 454	72.1

Source: NT Igdatabase

Table 4.8(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	1 699	12.1	(19)	(0.1)	5 356	38.1	7 026	50.0	14 062
uMhlathuze	296 683	57.6	13 168	2.6	11 813	2.3	193 228	37.5	514 893
uMlalazi	2 431	3.0	3 484	4.3	1 706	2.1	73 477	90.6	81 098
Mthonjaneni	4 138	13.6	20	0.1	860	2.8	25 410	83.5	30 428
Nkandla	1 499	4.6	1	0.0	739	2.3	30 420	93.1	32 659
King Cetshwayo DM	9 354	12.3	4 224	5.6	1 740	2.3	60 760	79.9	76 078
Total	315 804	42.2	20 878	2.8	22 214	3.0	390 322	52.1	749 218

Source: NT Igdatabase

Table 4.8(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	6 267	44.6	4 165	29.6	3 509	25.0	121	0.9	14 062
uMhlathuze	20 686	4.0	305 934	59.4	175 679	34.1	12 594	2.4	514 893
uMlalazi	81 098	100.0	-	-	-	-	-	-	81 098
Mthonjaneni	13 228	43.5	6 268	20.6	10 931	35.9	1	0.0	30 428
Nkandla	9 562	29.3	5 266	16.1	9 633	29.5	8 198	25.1	32 659
King Cetshwayo DM	9 076	11.9	10 446	13.7	56 556	74.3	-	-	76 078
Total	139 917	18.7	332 079	44.3	256 309	34.2	20 913	2.8	749 218

Source: NT Igdatabase

Table 4.8(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	6 062	55.1	2 108	19.2	24	0.2	2 800	25.5	10 993
uMhlathuze	161 781	100.0	-	-	-	-	-	-	161 781
uMlalazi	34 160	100.0	-	-	-	-	-	-	34 160
Mthonjaneni	7 621	73.3	1 332	12.8	534	5.1	903	8.7	10 389
Nkandla	(3 144)	78.4	1 083	(27.0)	(1 342)	33.5	(607)	15.1	(4 011)
King Cetshwayo DM	30 350	25.3	18 614	15.5	3 231	2.7	67 635	56.4	119 830
Total	236 829	71.1	23 137	6.9	2 447	0.7	70 731	21.2	333 142

Source: NT Igdatabase

4.8.2 Analysis per Municipality: uMfolozi Local Municipality

Table 4.8 (g) Operating Revenue and Expenditure Performance - uMfolozi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	10 796	26 534	26 681	100.6	
Service Charges ¹	400	682	581	85.2	The municipality has reflected an under-generation for Service charges - refuse revenue, where 85.2 percent has been generated by the municipality in 2018/19. The municipality had anticipated to extend refuse services and collection to other areas, such as Mposa and Teza, however the provision of this service was postponed for implementation in the next financial year, 2019/20.
Transfers recognised - operational	134 164	134 025	129 755	96.8	
Other sources of Revenue ²	2 167	35 706	2 497	7.0	The municipality appears to have incorrectly included Capital revenue items under this line item in the Adjusted Budget. The municipality indicated that the other revenue includes a budget amount of R33.6 million for Capital donations from Richards Bay Minerals. The amount received has since been reported as Capital transfers from Public contributions-private companies.
Total Operating Revenue	147 527	196 947	159 514	81.0	
Operating Expenditure					
Employee related costs	56 656	56 656	54 945	97.0	
Remuneration of councillors	10 491	10 834	10 842	100.1	
Debt impairment	750	6 108	775	12.7	The municipality has an Adjustments Budget of R6.1 million for Debt impairment, however the municipality has only reflected expenditure of R775 000, as at the end of June 2019. The under-expenditure has not been justified by the municipality.
Depreciation and asset impairment	2 000	8 020	-	-	According to the municipality, Depreciation and asset impairment is calculated at the end of the financial year end, where corrected figures will be recorded in the finalised Annual Financial Statements submission.
Bulk purchases	-	-	-	-	
Contracted services	37 762	40 266	41 158	102.2	The over-expenditure reported for Contracted services emanated from an extension of the Security and Cleaning services contract and coverage.
Other expenditure items ³	35 607	39 722	32 828	82.6	It is evident that the under-expenditure noted is mainly attributable to Finance charges, where the municipality has indicated that they have incurred interest on Finance leases however, the interest budget was higher than the interest incurred. The Adjusted Budget was based on the interest to be incurred from the loan sourced at the bank.
Total Operating Expenditure	143 266	161 605	140 548	87.0	
Operating surplus/(deficit)	4 261	35 342	18 966		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.8 (h) Capital, Cash and Conditional grant Performance - uMfolozi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	24 473	28 973	29 537	101.9	The municipality has justified the over-generation as pertaining to an unspent grant in 2017/18, which is included in this line item which has already been recognised in the previous financial year as a transfer received.
Public contributions and donations	–	33 560	28 071	83.6	This budget allocation is based on a donation from Richards Bay Minerals, which was budgeted at R33.6 million however the municipality has recognised only R28.1 million or 83.6 percent as at the end of June 2019.
Borrowing	–	–	–	–	
Internally generated funds	4 261	1 782	7 430	417.0	The municipality indicated that they outsourced the procurement of a new server, in order to update the issues relating to the website and email domain which were not fully functional. This has resulted in additional funding being injected into this project.
Total Capital Revenue	28 734	64 315	65 038	101.1	
Capital Expenditure					
Governance and Administration	3 259	1 365	22 844	1 674.1	The variance reflected for this function has not been substantiated by the municipality however, it appears as misallocation of expenditure, as the variances appear to be significant for all functions relating to Capital expenditure.
Community and Public Safety	8 105	337	17 464	5 182.1	The variance reflected for this function has not been substantiated by the municipality however, it appears as misallocation of expenditure, as the variances appear to be significant for all functions relating to Capital expenditure.
Eco. & Environmental Services	17 370	62 533	24 712	39.5	The major variance reflected for this function has not been substantiated by the municipality however, it appears as misallocation of expenditure, as the variances appear to be significant for all functions relating to Capital expenditure.
Trading Services	–	80	18	22.8	The variance reflected for this function has not been substantiated by the municipality however, it appears as misallocation of expenditure, as the variances appear to be significant for all functions relating to Capital expenditure.
Other	–	–	–	–	
Total Capital Expenditure	28 734	64 315	65 038	101.1	The municipality has indicated that in September 2018 they reported MIG expenditure of R3.8 million however, the expenditure that was certified amounted to R3.7 million, which resulted in additional expenditure in error. The municipality has since indicated that the over-spend has been rectified in the unaudited Annual Financial Statements and the corrected expenditure equates to 100 percent total Capital expenditure and not 101.1 percent.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	1 879	428	233		The opening balance of R233 000 for the 2018/19 financial year does not agree to the 2017/18 closing balance of R1.9 million for Cash and cash equivalents as per the audited 2017/18 AFS.
Cash/cash equiv. at the year end:	3 937	4 581	5 115		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	2 058	4 153	4 882		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	0	
Expanded Public Works Programme	1 620	1 620	100.0%	–	
Municipal Infrastructure Grant	25 761	25 886	100.5%	(125)	
Integrated National Electrification Programme Grant	11 000	10 296	93.6%	704	

¹ Expenditure by munis.

Table 4.8 (i) Debtors, Creditors and Key ratios - uMfolozi Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	7 845		
Debtors as at 30 June 2019	14 062	79.2%	Reasons for the increase in Debtors as at 30 June 2019 were not provided by the municipality. Debtors have increased by R6.2 million from R7.8 million at the end of the 2017/18 financial year to R14.1 million, at the end of the 2018/19 financial year.
<u>By age analysis</u>			
0-30 days	1 699	12.1%	
31-60 days	(19)	-	
61-90 days	5 356	38.1%	
>90 days	7 026	50.0%	The majority of the municipality's Debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long over due debt and this negatively impacts on the municipality's cash flow position.
Total by age analysis	14 062	100.0%	
<u>By customer group</u>			
Organs of state	6 267	44.6%	Of the total outstanding Debtors, the Organs of state, which represents government departments or entities, represents 44.6 percent of the outstanding Debtors, which is the highest percentage when compared to other customer groups. Initiatives have been put in place to meet with the government departments and entities to try resolve challenges relating to non-payment, to devise strategies on recovering the outstanding debts.
Commercial	4 165	29.6%	
Households	3 509	25.0%	
Other	121	0.9%	
Total by customer group	14 062	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	30 825		
Creditors as at 30 June 2019	10 993	-64.3%	Creditors have decreased by 64.3 percent from R30.8 million at the end of the 2017/18 financial year to R11 million, at the end of the 2018/19 financial year, which is an indication that the municipality has improved on payments' turnaround time.
<u>By age analysis</u>			
0-30 days	6 062	55.1%	
>30 days	4 932	44.9%	The municipality has reported Creditors in the Over 30 days category, which is an indication that the municipality is not complying with Section 65(2)(e) of the MFMA, which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure.
Total by age analysis	10 993	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	46.8%	As per the Year to date unaudited figures reported by the municipality, Remuneration as a percentage of total operating expenditure amounts to 46.8 percent. This exceeds the norm of 25 - 40 percent and the municipality did not provide reasons for this excess.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	18.7%	As per the Year to date unaudited figures reported by the municipality, Own sources of revenue to total operating revenue amounts to 18.7 percent suggesting that the municipality is heavily dependant on Grants from National and Provincial Government.
Own funded capital expenditure	-	11.4%	The municipality is grant reliant in terms of Capital projects, as these projects require substantial financial injection, which is sourced from grants and not from Own capital funding.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	31.6%	The municipality's ratio of Capital expenditure to Total expenditure amounts to 31.6 percent and is not within the norm of 10 percent to 20 percent, this suggests that the municipality has committed more funds to improving infrastructure and the eradication of backlogs.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.8.3 Analysis per Municipality: uMlalazi Local Municipality

Table 4.8 (j) Operating Revenue and Expenditure Performance - uMlalazi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	52 040	53 346	52 383	98.2	
Service Charges ¹	75 348	77 102	80 995	105.0	
Transfers recognised - operational	172 281	210 346	216 486	102.9	
Other sources of Revenue ²	60 532	62 808	47 679	75.9	The Other sources of Revenue has been under-generated by R15.1 million or 24.1 percent. The municipality indicated that the under-generation on this item is due to amongst others, the fines issued from April to June not being accounted in the financial system due to the traffic fines file not received from Traffic Management Technologies (TMT), a request has been made to TMT and these fines will be correctly reflected in the 2018/19 Annual Financial Statements. The municipality also indicated that another variance of R 5.4 million is due to internal funds added in the Adjustments Budget for the rural electrification programme. These funds are not utilised to date hence there is a variance.
Total Operating Revenue	360 201	403 603	397 544	98.5	
Operating Expenditure					
Employee related costs	121 725	121 337	123 413	101.7	
Remuneration of councillors	21 658	21 658	21 510	99.3	
Debt impairment	46 798	46 798	46 798	100.0	
Depreciation and asset impairment	47 306	54 651	44 185	80.8	The municipality reflected expenditure of R44.2 million or 80.8 percent against the Adjusted Budget of R54.7 million for this item. The municipality indicated that the variance in this line item is due to the depreciation being processed on a separate system and the integration is performed at the end of each month. At the time of this reporting, the municipality had not processed the reconciliation of expenditure regarding this line item and this has resulted in the current amount which is lower than the budget amount. However, the AFS will reflect the correct and the up to date information.
Bulk purchases	50 729	51 484	52 329	101.6	
Contracted services	68 076	107 418	101 027	94.0	
Other expenditure items ³	50 058	54 850	46 867	85.4	The municipality reflected expenditure of R46.9 million or 85.4 percent against the Adjusted Budget of R54.9 million for this item. The municipality did not provide a proper reason for under-spending on this line item except to indicate the sub-line items which comprised the Other expenditure item with their respective underspending as follows: - Bank Charges, Facility and Card Fees (63 percent), Protective Clothing (67 percent), Free Electricity (55 percent), External Audit Fees (75 percent), Travel and Subsistence (80 percent), Telephones and Cables (75 percent), Transfers and Subsidies (25 percent) and Other materials (79 percent).
Total Operating Expenditure	406 349	458 196	436 129	95.2	
Operating surplus/(deficit)	(46 148)	(54 594)	(38 585)		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.8 (k) Capital, Cash and Conditional grant Performance - uMlalazi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	64 043	64 043	52 498	82.0	The revenue recognised by the municipality was reported as R52.5 million or 82 percent against the Adjusted Budget of R64 million. The municipality did not provide any reason for recognising the low revenue performance. However, the municipality indicated that they have received all tranches of grants and that this is expected to change once all the year-end entries are processed.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	10 000	10 000	-	-	No reasons were provided by the municipality for not using any of their Internally generated funds to fund their Capital expenditure.
Total Capital Revenue	74 043	74 043	52 498	70.9	
Capital Expenditure					
Governance and Administration	2 740	2 740	2 970	108.4	
Community and Public Safety	40 047	40 047	28 312	70.7	The municipality reflected Capital expenditure of R28.3 million or 70.7 percent against Adjusted Budget of R40 million for this item. The municipality indicated that the updated and correct information will be reflected in the AFS.
Eco. & Environmental Services	28 066	28 066	14 829	52.8	The municipality reflected Capital expenditure of R14.8 million or 52.8 percent against Adjusted Budget of R28.1 million for this item. The municipality indicated that the updated and correct information will be reflected in the AFS.
Trading Services	3 190	3 190	6 387	200.2	The municipality reported R6.4 million or 200.2 percent against the Adjusted Budget of R3.2 million for Trading services. The municipality indicated that the expenditure amount reflected in this function is a reporting error which will be rectified in the 2018/19 AFS. The expenditure under this function related only to sub-function of Electricity.
Other	-	-	-	-	
Total Capital Expenditure	74 043	74 043	52 498	70.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	59 527	59 527	99 771		
Cash/cash equiv. at the year end:	37 630	55 269	113 360		
Net Increase/(Decrease) in cash held	(21 897)	(4 258)	13 589		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 770	1 763	99.6%	7	
Expanded Public Works Programme	3 212	3 212	100.0%	-	
Municipal Infrastructure Grant	49 108	45 440	92.5%	3 668	
Integrated National Electrification Programme Grant	10 000	10 000	100.0%	-	

¹ Expenditure by munis.

Table 4.8 (I) Debtors, Creditors and Key ratios - uMlalazi Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			% Increase/ Decrease
Debtors as at 30 June 2018 ¹	27 848		
Debtors as at 30 June 2019	81 098	191.2%	The municipality reported R81.1 million for Debtors as at 30 June 2019 which reflects an increase of R53.3 million or 191.2 percent from the 2017/18 financial year. This is attributed to the culture of non-payment within the municipal area. The municipality is intending to implement more debt collection initiatives in order to encourage customers to pay their outstanding debts.
By age analysis			
0-30 days	2 431	3.0%	
31-60 days	3 484	4.3%	
61-90 days	1 706	2.1%	
>90 days	73 477	90.6%	The majority of the municipality's debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long overdue debts which impacts negatively on the cash flow of the municipality. The municipality indicated that they are in the process to review their debtors to ascertain whether these debts are indeed collectable.
Total by age analysis	81 098	100.0%	
By customer group			
Organs of state	81 098	100.0%	The total debt of R81.1 million owed to the municipality is by the Organs of state. Engagements between the municipality and the owing departments are ongoing and the municipality expects debt owed by this customer group to decrease going forward. As there is no indications of debtors balances in other customer groups, it appears as if the municipality has incorrectly classified all Debtors as Organs of state which is highly impossible.
Commercial	-	-	
Households	-	-	
Other	-	-	
Total by customer group	81 098	100.0%	
Creditors			% Increase/ Decrease
Creditors as at 30 June 2018 ¹	34 260		
Creditors as at 30 June 2019	34 160	-0.3%	
By age analysis			
0-30 days	34 160	100.0%	
>30 days	-	-	
Total by age analysis	34 160	100.0%	
Key Ratios			% Actual
Expenditure management			
Remuneration as a % ... of Total operating expenditure	25% - 40%	33.2%	Employee related costs contribute 33.2 percent towards Total operating expenditure. This is within the National Treasury's norm of between 25 and 40 percent.
Grant dependency			
Own sources of revenue ... to total operating revenue	-	45.5%	This ratio suggest that the municipality is not mainly dependant on grants to finance their operating activities. However, this ratio is expected to change once all the year-end transactions are processed and the AFS will reflect the correct information.
Own funded capital expenditure	-	-	Due to non reporting by the municipality on capital projects expenditure through own funding, the ratio could not be determined.
Asset Management			
Capital Expenditure ... to Total expenditure	10% - 20%	10.7%	The ratio of 10.7 percent is considered reasonable as it is within the acceptable range of between 10 and 20 percent.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.8.4 Analysis per Municipality: Mthonjaneni Local Municipality

Table 4.8 (m) Operating Revenue and Expenditure Performance - Mthonjaneni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	13 850	18 850	8 296	44.0	The municipality indicated that in the 2018/19 budget it had anticipated to inherit more properties from Ntambanana Local Municipality but only Schools were inherited, therefore it appears that the municipality over budgeted for this item. However, the revenue generated does not appear to be realistic as the municipality generated revenue of R11.4 million as per the audited 2017/18 Annual Financial Statements.
Service Charges ¹	27 314	29 314	22 363	76.3	The municipality generated an amount of R22.4 million under Service charges against the Adjustments Budget amount of R29.3 million. The Service charges comprises of Service charges - electricity revenue and Service charges - refuse revenue. Low generation of revenue was noted under Service charges - electricity revenue. The municipality has attributed low generation of revenue to lower demand than expected for electricity.
Transfers recognised - operational	76 672	76 672	76 273	99.5	
Other sources of Revenue ²	10 385	19 200	4 321	22.5	Other sources of Revenue comprises of various revenue items such as Rental of facilities, Interest earned - external investments, Interest earned - outstanding debtors, Fines, Licences and permits and Other own revenue. Low generation of revenue was mainly reported under Fines, where the municipality generated R205 000 against the Adjustments Budget of R8.5 million. The municipality attributed the low generation on Fines to a termination of contract with Traffic Management Technologies and that the municipality has over-budgeted for Other sources of Revenue.
Total Operating Revenue	128 221	144 035	111 252	77.2	
Operating Expenditure					
Employee related costs	48 580	52 355	48 927	93.5	Under Employee related costs, the municipality incurred the expenditure amount of R48.9 million against the budgeted amount of R52.4 million. The municipality anticipated to fill vacant posts during the year, however the positions were not filled in the 2018/19 financial year.
Remuneration of councillors	7 886	8 810	8 787	99.7	
Debt impairment	2 300	900	-	-	The municipality has not accounted for Debt impairment. However, the municipality has indicated that this item will be taken into account in the finalisation of the AFS and this item will be adjusted accordingly.
Depreciation and asset impairment	5 252	5 252	15 839	301.6	The municipality accounted an exorbitant amount on Depreciation and asset impairment. The municipality indicated that there were more assets needed to be depreciated and impaired than anticipated.
Bulk purchases	24 500	24 500	22 620	92.3	The municipality stated that this was due to delay in processing the year end transactions that were not included in the Section 71 reporting and the corrections will be reflected in the AFS.
Contracted services	18 094	23 222	25 343	109.1	The municipality has attributed the over-expenditure to the challenges with implementation of mSCOA Reforms which requires a further classification.
Other expenditure items ³	17 989	24 374	19 193	78.7	The municipality indicated that the low performance on Other expenditure items has resulted from cost savings due to the adoption and implementation of Cost containment measures.
Total Operating Expenditure	124 600	139 413	140 708	100.9	
Operating surplus/(deficit)	3 620	4 622	(29 456)		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.8 (n) Capital, Cash and Conditional grant Performance - Mthonjaneni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	32 749	32 749	30 054	91.8	As at the end of June 2019, the municipality recognised an amount of R30.1 million which is lower than the Adjustments Budget for Transfer recognised - capital of R32.7 million. The municipality indicated that there has been an error in the Section 71 reporting submitted to the database. The correct amount recognised will be reflected in the AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	3 590	4 816	604	12.5	The municipality has utilised an amount of R604 000 against the Adjustments Budget amount of R4.8 million. The municipality indicated that due to financial constraints, the municipality could not fully utilise Internally generated funds to finance capital projects.
Total Capital Revenue	36 339	37 565	30 657	81.6	
Capital Expenditure					
Governance and Administration	315	326	98	30.1	Budget and treasury office has contributed the lowest capital expenditure where the municipality budgeted to incur an expenditure amount of R246 000 and only an amount of R46 000 has been spent. The municipality indicated that the under-spending on Governance and administration resulted from cost savings and the implementation of Cost containment measures.
Community and Public Safety	1 275	1 705	34	2.0	The municipality has under spent on Community and public safety. The municipality indicated that the under-spending on Governance and administration resulted from cost savings and the implementation of Cost containment measures.
Eco. & Environmental Services	18 409	19 439	20 918	107.6	The municipality incurred the capital expenditure amount of R20.9 million against the Adjustments Budget amount of R19.4 million. The municipality has exceeded the budgeted spending as at the end of June 2019. The municipality indicated that the amount spent has been rectified and the correct spending will be reflected in the AFS.
Trading Services	16 340	16 095	9 608	59.7	The municipality indicated that the Trading service has been fully spent. The correct amount will be reflected in the 2018/19 AFS.
Other	-	-	-	-	
Total Capital Expenditure	36 339	37 565	30 657	81.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	(6 551)	3 680	3 635		
Cash/cash equiv. at the year end:	2 897	(5 461)	(7 718)		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	9 448	(9 141)	(11 353)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	2 850	2 808	98.5%	42	
Expanded Public Works Programme	1 808	1 819	100.6%	(11)	
Municipal Infrastructure Grant	21 749	21 749	100.0%	-	
Integrated National Electrification Programme Grant	15 000	15 000	100.0%	-	

¹ Expenditure by munis.

Table 4.8 (o) Debtors, Creditors and Key ratios - Mthonjaneni Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	62 982		
Debtors as at 30 June 2019	30 428	-51.7%	As at the end of June 2019, the municipality recorded outstanding debtors of R30.4 million. The Debtors balance decreased by 51.7 percent when compared to the amount reported in the 2017/18 AFS. The municipality has not substantiated the decrease in Debtors. As indicated earlier, the position of net cash held for the municipality has been decreasing throughout leaving no proof that the municipality is collecting from the old debts.
<u>By age analysis</u>			
0-30 days	4 138	13.6%	
31-60 days	20	0.1%	
61-90 days	860	2.8%	
>90 days	25 410	83.5%	The municipality reflected a substantial amount of Debtors outstanding for a period of greater than 90 Days. The municipality indicated that an ongoing investigation on the ownership of state properties, old indigent accounts and due to untraceable customers who vacated their premises has contributed to Debtors outstanding for longer than 90 Days.
Total by age analysis	30 428	100.0%	
<u>By customer group</u>			
Organs of state	13 228	43.5%	A significant portion of outstanding Debtors is noted under Organs of state. The municipality indicated that it has experienced challenges in identifying state owned properties, therefore the municipality is struggling to collect the debtors outstanding on the Organs of state.
Commercial	6 268	20.6%	
Households	10 931	35.9%	
Other	1	0.0%	
Total by customer group	30 428	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	12 742		
Creditors as at 30 June 2019	10 389	-18.5%	The amount of outstanding Creditors recorded at the end of June 2019 has decreased when compared to the outstanding amount at the end of June 2018.
<u>By age analysis</u>			
0-30 days	7 621	73.3%	
>30 days	2 769	26.7%	An amount of R2.8 million is outstanding for a period of greater than 30 Days and the municipality is in contravention with Section 65(2)(e) of the MFMA.
Total by age analysis	10 389	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	41.0%	As per the municipality's reported expenditure relating to Employee related costs and the Remuneration of councillors, the percentage thereof to Total operating expenditure is at 41 percent. The 41 percent exceeds the nom range of 25-40 percent as per MFMA Circular No. 71.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	31.4%	Own sources of revenue to total operating revenue is at 31.4 percent which suggests that the municipality is highly dependant on grants to finance operational activities.
Own funded capital expenditure	-	2.0%	The municipality has utilised 2 percent to finance Capital expenditure utilising Own fund. This could be an indication that the municipality is not self sufficient and highly dependant on grants to fund capital spending.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	17.9%	As at the end of June 2019, the municipality indicated a ratio of 17.9 percent of Capital expenditure to Total expenditure and this has met the norm. This ratio is used to assess the level of Capital Expenditure to Total expenditure which indicates the prioritisation of expenditure towards current operations.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.8.5 Analysis per Municipality: Nkandla Local Municipality

Table 4.8 (p) Operating Revenue and Expenditure Performance - Nkandla Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	21 002	23 914	23 527	98.4	
Service Charges ¹	15 726	14 226	14 387	101.1	
Transfers recognised - operational	96 395	96 395	86 437	89.7	The variance noted for Transfers recognised - operational is a reporting error on the monthly Section 71 reports which could not be timeously rectified by the municipality due to mapping issues with the financial management system. The pre-audited transfers and grants amounts to R93.4 million, which is 97 percent of the Adjusted Budget. Furthermore, the Gazette also reflected an amount of R3.8 million to be received from the department of Arts and Culture, however only R1.5 million was received, which contributed to the under-generation.
Other sources of Revenue ²	3 532	3 812	41 715	1 094.3	The municipality has indicated that the municipality received a licence from the Department of Transport to operate a Traffic unit, where drivers licences, traffic fines and permits are issued. At the budget compilation stage, it was not expected that licences and traffic fines would be issued and therefore the additional revenue from these sources was not envisaged.
Total Operating Revenue	136 655	138 347	166 065	120.0	
Operating Expenditure					
Employee related costs	43 052	43 052	45 130	104.8	The municipality indicated that the variance noted is due to the municipality having reviewed organogram, where new critical posts were created and filled, and when the budget was finalised, it was aligned to the previous year's actual amount and the municipality did not take into account the proposed salary increments.
Remuneration of councillors	10 199	9 400	8 634	91.8	
Debt impairment	3 500	3 500	-	-	The municipality indicated that their Debt impairment provision is calculated and recognised at the end of the financial year, thus, no actual performance amount was available at the time of Section 71 reporting.
Depreciation and asset impairment	13 000	13 000	11 455	88.1	The municipality indicated that the variance noted is due to incorrect reporting in the Section 71 reporting. The municipality stated that this will be rectified in the 2018/19 AFS.
Bulk purchases	12 000	12 000	2 876	24.0	The municipality indicated that during the 2018/19 financial year, the municipality procured new metres that report immediately if there is electricity theft, which has resulted in a decrease in electricity purchases and consumption in comparison to the last financial year.
Contracted services	23 056	30 724	29 774	96.9	
Other expenditure items ³	34 579	36 703	18 904	51.5	The municipality indicated that the variance noted of 48.5 percent, is due to most of the Other expenditure being classified as Contracted services.
Total Operating Expenditure	139 386	148 379	116 772	78.7	
Operating surplus/(deficit)	(2 731)	(10 032)	49 293		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.8 (q) Capital, Cash and Conditional grant Performance - Nkandla Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	49 945	49 945	38 726	77.5	The municipality has indicated that the variance noted of 22.5 percent on Transfers recognised - capital, is due to the municipality previously recognising the INEP Grant as revenue, and the budget was based on those assumptions, however during the current financial year, revenue was not recognised for INEP Grant under Transfers recognised - capital. This resulted in lower revenue reported in comparison to the budget. There was also a portion of Municipal Infrastructure Grant which was not transferred, resulting in lower revenue recognised.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	6 255	4 455	658	14.8	The municipality indicated that the variance noted is due to incorrect reporting in the Section 71 reporting. The municipality stated that the amount reflected will differ to the final figure to be reported in the AFS for the 2018/19 financial year.
Total Capital Revenue	56 200	54 400	39 383	72.4	
Capital Expenditure					
Governance and Administration	2 270	2 270	-	-	The municipality has indicated that the expenditure has been misallocated in the Section 71 reports, and will be correctly reflected in the unaudited Annual Financial Statements for 2018/19.
Community and Public Safety	12 345	10 545	1 752	16.6	The municipality has indicated that the low expenditure is attributable to a delay in Supply Chain Management procedures, with the expenditure being processed in July 2019.
Eco. & Environmental Services	22 795	22 795	37 632	165.1	The municipality stated that the variance is due to unaudited actuals provided for Section 71 reports being provisional figures, pending the finalisation of the AFS, which will result in different figures being reported, as these figures include misallocations.
Trading Services	18 790	18 790	-	-	The municipality has indicated that the expenditure has been misallocated in the Section 71 reports, and will be correctly reflected in the unaudited Annual Financial Statements for 2018/19.
Other	-	-	-	-	
Total Capital Expenditure	56 200	54 400	39 383	72.4	The municipality indicated that the correct amount will be reflected in the finalised AFS. The municipality has drafted an action plan to ensure that there is correct reporting for the following reporting cycle 2019/20.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	807	1 513	1 509		
Cash/cash equiv. at the year end:	3 632	6 818	(13 204)		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	2 825	5 305	(14 713)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	2 028	103.0%	(58)	The municipality stated that the grant was spent fully at 100 percent. The over-expenditure noted is incorrect and has been correctly reflected in the unaudited AFS.
Expanded Public Works Programme	2 712	2 712	100.0%	-	
Municipal Infrastructure Grant	34 945	24 477	70.0%	10 468	The municipality indicated that it had fully utilised the grant and that the reflection of unspent funds were due to unpaid invoices which have since been processed while finalising entries during the preparation of the 2018/19 AFS.
Integrated National Electrification Programme Grant	18 000	19 669	109.3%	(1 669)	The municipality stated that the excess expenditure of R1.7 million has been financed through the municipality's own sources of funding.

¹ Expenditure by munis.

Table 4.8 (r) Debtors, Creditors and Key ratios - Nkandla Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			% Increase/ Decrease
Debtors as at 30 June 2018 ¹	28 066		
Debtors as at 30 June 2019	32 659	16.4%	Reasons for the increase in Debtors as at 30 June 2019 were not provided by the municipality. Debtors have increased by R4.6 million from R28.1 million at the end of the 2017/18 financial year to R32.7 million, at the end of the 2018/19 financial year. It appears that the municipality's Debtors are increasing, the municipality is advised to ensure that debt collection and credit control strategies, as well as indigent policies, are rigorously implemented and enforced.
<u>By age analysis</u>			
0-30 days	1 499	4.6%	
31-60 days	1	0.0%	
61-90 days	739	2.3%	
>90 days	30 420	93.1%	The majority of the municipality's Debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long over due debt and this negatively impacts on the municipality's cash flow position.
Total by age analysis	32 659	100.0%	
<u>By customer group</u>			
Organs of state	9 562	29.3%	
Commercial	5 266	16.1%	
Households	9 633	29.5%	A significant portion (R9.6 million or 29.5 percent) of debt owed to the municipality is by the Households customer group. The municipality is largely rural in demographical allocations and the majority of Households with outstanding balances appear to be indigent and should be classified accordingly by the municipality through the Indigent register data cleansing exercise.
Other	8 198	25.1%	
Total by customer group	32 659	100.0%	
Creditors			% Increase/ Decrease
Creditors as at 30 June 2018 ¹	21 800		
Creditors as at 30 June 2019	(4 011)	-118.4%	It was noted that the municipality has reported negative R4 million as Creditors as at the end of the 2018/19 financial year. The amount reported appears to be incorrect as a result of a system error and will be rectified in Annual Financial Statements.
<u>By age analysis</u>			
0-30 days	(3 144)	-	
>30 days	(867)	-	
Total by age analysis	(4 011)	-	
Key Ratios			% Actual
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	46.0%	As per the Year to date unaudited figures reported by the municipality, Remuneration as a percentage of total operating expenditure amounts to 46 percent. The municipality did not provide reasons for this ratio which exceeds the norm of 25 - 40 percent.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	48.0%	As per the Year to date unaudited figures reported by the municipality, Own sources of revenue to total operating revenue amounts to 48 percent suggesting that the municipality is not heavily dependant on Grants from National and Provincial Government. The figures reported by the municipality may have distorted the Grant dependency ratio.
Own funded capital expenditure	-	1.7%	The municipality is grant reliant in terms of Capital projects, as these projects require substantial financial injection, which is sourced from grants and not from Own capital funding.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	25.2%	The municipality's ratio of Capital expenditure to Total expenditure amounts to 25.2 percent and is not within the norm of 10 percent to 20 percent, this suggests that the municipality has committed more funds to improving infrastructure and the eradication of backlogs.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.8.6 Analysis per Municipality: King Cetshwayo District Municipality

Table 4.8 (s) Operating Revenue and Expenditure Performance - King Cetshwayo District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	–	–	–	–	
Service Charges ¹	86 260	83 383	85 109	102.1	The explanation for the amount reported from the municipality was as follows:- Water revenue is based on actual consumption, which is subject to fluctuation and based on demand by consumers. Budgets are prepared on historical analysis, as well as anticipated future growth. In 2018/19, the main reasons for the increased revenue was firstly related to increased consumption in most parts of the district following the water stoppage of all water rationing due to improved dam levels and secondly, it was closely aligned to the loss of chargeable water by some large institutions due to burst pipes.
Transfers recognised - operational	534 175	576 563	556 879	96.6	
Other sources of Revenue ²	77 766	68 356	65 284	95.5	
Total Operating Revenue	698 201	728 302	707 272	97.1	
Operating Expenditure					
Employee related costs	253 904	231 382	218 840	94.6	
Remuneration of councillors	13 490	12 470	11 679	93.7	
Debt impairment	2 828	8 828	262	3.0	The municipality has an Adjustments Budget of R8.8 million for Debt impairment, however the municipality has only reflected expenditure of R262 000, as at the end of June 2019. The under-expenditure has been justified by the municipality where they stated that this figure has subsequently changed, as the provision for bad debts has been processed.
Depreciation and asset impairment	93 158	93 158	67 288	72.2	The municipality indicated that the under-performance noted was due to Capital projects that were not completed during this financial year. Furthermore, the figures reported are provisional, pending the finalisation of the Annual Financial Statements, which will result in different figures being reported, once the year-end depreciation journal has been processed.
Bulk purchases	28 534	33 534	33 093	98.7	
Contracted services	294 862	343 993	310 015	90.1	
Other expenditure items ³	149 657	179 457	155 825	86.8	According to the district municipality, the under-spending is due to selected projects that were implemented in June 2019, where the related expenditure was still in progress, at the time the figures were reported. Furthermore, the district municipality indicated that this figure has subsequently changed, as the Provision for the Solid water rehabilitation site has been processed, together with other payments that pertain to projects that were implemented in June.
Total Operating Expenditure	836 433	902 822	797 003	88.3	
Operating surplus/(deficit)	(138 232)	(174 520)	(89 732)		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.8 (t) Capital, Cash and Conditional grant Performance - King Cetshwayo District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	315 258	307 111	157 550	51.3	The district municipality stated that the variance is due to the lower than expected expenditure on Conditional grants, which in turn affects the revenue recognition, where the figures provided for Section 71 reports were provisional figures, pending the finalisation of the AFS, which will result in different figures being reported.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	9 255	30 103	4 485	14.9	As per the municipality, the variance of 85.1 percent noted was due to delays in Supply Chain Management procedures, as a result, funds were not fully utilised from the Internally generated funds, whereas these funds will subsequently be rolled-over to the 2018/19 financial year.
Total Capital Revenue	324 513	337 214	162 034	48.1	
Capital Expenditure					
Governance and Administration	3 030	15 116	2 417	16.0	The under-expenditure of 16 percent noted under Governance and administration is attributable to the implementation of mSCOA, whereby the purchase of the ERP financial system has still not been finalised, causing a delay in expenditure, as the procurement process is in progress.
Community and Public Safety	-	4 698	50	1.1	The municipality has indicated that the low expenditure is attributable to a delay in Supply Chain Management procedures, where the purchase of vehicles was delayed, with the payment being processed in July 2019.
Eco. & Environmental Services	400	430	322	74.9	The district municipality stated that the variance is due to unaudited actuals provided for Section 71 reports being provisional figures, pending the finalisation of the AFS, which will result in different figures being reported.
Trading Services	320 483	316 862	159 138	50.2	The district municipality stated that the variance is due to unaudited actuals provided for Section 71 reports being provisional figures, pending the finalisation of the AFS, which will result in different figures being reported.
Other	600	108	108	99.6	
Total Capital Expenditure	324 513	337 214	162 034	48.1	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	409 338	498 283	109 895		The opening balance of R109.9 million for the 2018/19 financial year does not agree to the 2017/18 closing balance of R498.3 million for Cash and cash equivalents as per the audited 2017/18 AFS.
Cash/cash equiv. at the year end:	361 164	387 119	442 852		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	(48 174)	(111 164)	332 957		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 000	1 000	100.0%	(0)	
Expanded Public Works Programme	7 762	7 762	100.0%	-	
Municipal Infrastructure Grant	167 200	167 200	100.0%	0	
Water Services Infrastructure Grant	88 300	64 887	73.5%	23 413	The municipality has indicated that there was late appointment of a contractor (KCDM/45/2018) and late introduction of this project to the community for site access of the contractor. This is a 3 months project that also had a design component that needed to be done before the actual construction on site. The design component also needed site access for survey before the design can commence. The combination of all the above resulted in the delays in implementation of this project resulting in under-expenditure.

¹ Expenditure by munis.

Table 4.8 (u) Debtors, Creditors and Key ratios - King Cetshwayo District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			% Increase/ Decrease
Debtors as at 30 June 2018 ¹	71 909		
Debtors as at 30 June 2019	76 078	5.8%	Reasons for the increase in Debtors as at 30 June 2019 were not provided by the municipality. The municipality only mentioned that the figures reported are preliminary amounts which will be finalised in the unaudited AFS.
<u>By age analysis</u>			
0-30 days	9 354	12.3%	
31-60 days	4 224	5.6%	
61-90 days	1 740	2.3%	
>90 days	60 760	79.9%	As per the municipality, the outstanding debt owed to the municipality in the Over 90 days category, is an accumulation of Debtors which could not be collected over several years. The amounts not collected are predominantly from the indigent rural communities, where the income is limited or non-existent.
Total by age analysis	76 078	100.0%	
<u>By customer group</u>			
Organs of state	9 076	11.9%	
Commercial	10 446	13.7%	
Households	56 556	74.3%	The municipality indicated that the largest portion of the debt owed is from rural areas and areas within the formal urban settlements where restrictions are not possible due to infrastructure challenges. These challenges are currently being addressed through specialist consultants.
Other	-	-	
Total by customer group	76 078	100.0%	
Creditors			% Increase/ Decrease
Creditors as at 30 June 2018 ¹	256 888		
Creditors as at 30 June 2019	119 830	-53.4%	Creditors have decreased by 53.4 percent from R256.9 million at the end of the 2017/18 financial year to R119.8 million, at the end of the 2018/19 financial year, which is an indication that the municipality has improved on payments' turnaround time, to reduce current liabilities.
<u>By age analysis</u>			
0-30 days	30 350	25.3%	
>30 days	89 480	74.7%	The district municipality has reported Creditors in the Over 30 days category, which is an indication that the municipality is not complying with Section 65(2)(e) of the MFMA, which states that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. The district municipality indicated that the main contributor to the Creditors amount is the dispute with the Department of Water and Sanitation, over figures billed for water consumption.
Total by age analysis	119 830	100.0%	
Key Ratios			% Actual
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%		28.9%
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-		21.3%
			As per the Year to date unaudited figures reported by the municipality, Own sources of revenue to total operating revenue amounts to 21.3 percent suggesting that the municipality is heavily dependant on Grants from National and Provincial Government. However it must be noted that the trend in the past has also indicated a high dependency on grants by the municipality.
			King Cetshwayo District is said to be 80 percent rural and only 20 percent urban, in the main economic hub of the district. King Cetshwayo District Municipality is a Water Services Provider for the rest of the district, which then results in the district being unable to generate revenue from the community, as most of them cannot afford to pay for services.
Own funded capital expenditure	-		2.8%
			The municipality is grant reliant in terms of Capital projects, as these projects require substantial financial injection, which is mainly sourced from grants and not from Own capital funding.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%		16.9%

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.9 iLembe District

The iLembe District comprises of five municipalities, namely: the Mandeni, KwaDukuza, Ndwedwe and Maphumulo Local Municipalities and the iLembe District Municipality. The iLembe District Municipality also has ownership of a municipal entity, namely, Enterprise iLembe, which focuses on facilitating local economic development in response to the high unemployment rate and the resultant high levels of poverty in the district.

The iLembe District municipal area lies on the east coast of KwaZulu-Natal (KZN) between the eThekweni Metro and the Tugela River mouth and is traversed by the N2. Covering an area of 3 269.2 km² and a population size of 606 774 (KZNCOGTA, 2017)¹, the district is located between Africa's two great ports, that is, Durban and Richards bay and is approximately 10km away from the King Shaka International Airport. Despite its strategic location, the iLembe District faces a number of challenges such as high poverty in the rural inland areas and high levels of unemployment.

The iLembe District Municipality is responsible for the provision of *Water* and *Sanitation* services for the entire district. The Mandeni and KwaDukuza Local Municipalities render *Electricity* and *Refuse removal* services while the Ndwedwe and Maphumulo Local Municipalities do not render any trading services.

For the entire 2018/19 financial year, the KwaDukuza, Mandeni, Maphumulo Local Municipalities and the iLembe District Municipality had permanent Municipal Managers (MM). The Ndwedwe Local Municipality's MM position was vacant from 07 August 2018 and an Acting MM was appointed from 13 August 2018, who then occupied the position throughout the financial year.

The KwaDukuza, Maphumulo Local Municipalities and the iLembe District Municipality had permanent Chief Financial Officers (CFO) as at the end of the 2018/19 financial year. The position of the CFO at the Mandeni Local Municipality was filled on an acting capacity it was until permanently filled on 01 April 2019. The Ndwedwe Local Municipality had an Acting CFO from September 2017 until a permanent appointment was made on 03 December 2018.

The Mandeni, KwaDukuza, Ndwedwe and Maphumulo Local Municipalities as well as the iLembe District Municipality retained their unqualified audit opinions with findings from the 2016/17 financial year to the 2017/18 financial year.

4.9.1 Overview of iLembe District Performance

Table 4.9(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Mandeni	247 900	263 092	248 834	94.6
KwaDukuza	1 525 513	1 576 546	1 541 687	97.8
Ndwedwe	163 975	165 063	163 930	99.3
Maphumulo	108 903	104 547	102 285	97.8
iLembe DM	722 943	756 133	727 993	96.3
Total	2 769 234	2 865 382	2 784 729	97.2

Source: NT Igdatabase

Table 4.9(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Mandeni	247 900	263 092	233 090	88.6
KwaDukuza	1 524 768	1 576 197	1 323 690	84.0
Ndwedwe	191 571	192 105	172 600	89.8
Maphumulo	108 894	112 688	109 612	97.3
iLembe DM	720 092	750 130	747 918	99.7
Total	2 793 225	2 894 212	2 586 911	89.4

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.9(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Mandeni	56 547	71 381	48 433	67.9
KwaDukuza	344 762	236 754	101 295	42.8
Ndwedwe	71 491	62 277	49 703	79.8
Maphumulo	33 722	36 968	27 686	74.9
iLembe DM	364 303	394 023	217 744	55.3
Total	870 824	801 403	444 860	55.5

Source: NT Igdatabase

Table 4.9(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	13 533	6.8	242	0.1	5 379	2.7	179 161	90.3	198 314
KwaDukuza	37 970	16.8	16 277	7.2	18 472	8.2	153 600	67.9	226 319
Ndwedwe	445	2.6	20	0.1	176	1.0	16 628	96.3	17 269
Maphumulo	214	0.7	460	1.5	127	0.4	30 178	97.4	30 979
iLembe DM	29 870	8.3	12 840	3.6	7 622	2.1	309 515	86.0	359 846
Total	82 031	9.9	29 838	3.6	31 776	3.8	689 083	82.8	832 728

Source: NT Igdatabase

Table 4.9(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	7 829	3.9	82 728	41.7	104 559	52.7	3 197	1.6	198 314
KwaDukuza	14 154	6.3	32 773	14.5	134 979	59.6	44 414	19.6	226 319
Ndwedwe	5 424	31.4	8 076	46.8	2 519	14.6	1 250	7.2	17 269
Maphumulo	8 408	27.1	10 153	32.8	473	1.5	11 945	38.6	30 979
iLembe DM	12 463	3.5	7 830	2.2	311 607	86.6	27 946	7.8	359 846
Total	48 279	5.8	141 561	17.0	554 136	66.5	88 752	10.7	832 728

Source: NT Igdatabase

Table 4.9(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	8 853	100.0	-	-	-	-	-	-	8 853
KwaDukuza	133 321	99.1	383	0.3	660	0.5	217	0.2	134 581
Ndwedwe	1 821	157.7	(1 208)	(104.6)	(169)	(14.6)	711	61.6	1 155
Maphumulo	4 526	100.9	-	-	-	-	(39)	-0.9	4 487
iLembe DM	81 058	96.3	2 142	2.5	345	0.4	596	0.7	84 142
Total	229 579	98.4	1 317	0.6	836	0.4	1 486	0.6	233 217

Source: NT Igdatabase

4.9.2 Analysis per Municipality: Mandeni Local Municipality

Table 4.9 (g) Operating Revenue and Expenditure Performance - Mandeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	47 732	47 732	38 920	81.5	The municipality indicated that the poor performance reported as at June 2019 was due to incorrect tariffs which were set and approved for the Farm, Agricultural Properties categories in the 2018/19 Approved Budget. The municipality was later advised by the Department of CoGTA that the municipality should have approved the same tariffs as the Residential properties. A resolution was therefore taken by the municipality to grant a rebate to all the affected properties which were charged on the overstated tariff. As a result, the billing was lower than anticipated. The municipality further indicated that the correct tariffs was applied for Farm and Agricultural categories in the 2019/20 Approved Budget.
Service Charges ¹	28 787	32 937	29 255	88.8	As per the municipality, the low revenue reported against Service charges was due to the fact that not all billing is performed directly on the system. The revenue relating to Umngeni Water invoices is billed separately and thereafter raised on the financial system. The capturing of these invoices are still in progress and the correct performance will be reflected in the 2018/19 Annual Financial Statements (AFS).
Transfers recognised - operational	161 481	163 813	161 450	98.6	
Other sources of Revenue ²	9 899	18 609	19 209	103.2	
Total Operating Revenue	247 900	263 092	248 834	94.6	
Operating Expenditure					
Employee related costs	84 108	84 108	85 047	101.1	The municipality indicated that the high expenditure reflected against Employee related costs was as a result of the high number of staff who resigned who were paid for their leave days upon the resignations. Furthermore, expenditure incurred in relation to Overtime also exceeded the budgeted expenditure.
Remuneration of councillors	13 442	13 442	13 112	97.5	
Debt impairment	5 800	15 068	3 000	19.9	The municipality indicated that it carries out the Debt impairment assessment at the end of the financial year (as part of the preparation of the 2018/19 AFS) and at the time of preparing the MFMA Section 71 report, the assessment had not been concluded.
Depreciation and asset impairment	29 097	29 097	28 527	98.0	
Bulk purchases	17 331	21 331	22 907	107.4	The budgeted expenditure for Bulk purchases was adjusted upwards in the 2018/19 Adjusted Budget, however, the budget was still exceeded as at June 2019. The municipality indicated that they identified the unexpected increase in consumption/demand by Umngeni Water post the 2018/19 Adjusted Budget which resulted in the municipality exceeding the budget for Bulk purchases as at June 2019.
Contracted services	16 133	22 633	31 625	139.7	According to the municipality, the implementation of mSCOA has resulted in the mis-classification of expenditure between Other expenditure and Contracted services which created challenges with the capturing of the actual information. The municipality is currently in the process of ensuring that the actual expenditure is correctly reflected against the relevant items. A more accurate performance will be reflected in the 2018/19 AFS. It was noted however that the overall/aggregate expenditure incurred under the Contracted services and Other expenditure items does not exceed the respective aggregate budget.
Other expenditure items ³	81 989	77 412	48 873	63.1	As indicated above under Contracted services, the municipality is currently in process of ensuring that the actual expenditure is correctly reflected against the relevant items as there were challenges with the implementation of mSCOA. The true reflection of the performance will be reflected in the 2018/19 AFS.
Total Operating Expenditure	247 900	263 092	233 090	88.6	
Operating surplus/(deficit)	-	-	15 743		Considering that Service charges are understated and the fact that the municipality has not fully accounted for Debt impairment, the Operating surplus of R15.7 million may not be a true reflection of the municipality's actual performance as at the end of the 2018/19 financial year.

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.9 (h) Capital, Cash and Conditional grant Performance - Mandeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	38 992	61 562	38 508	62.6	As at 30 June 2019, poor performance has been reported against Transfers recognised - capital. The municipality indicated the following as the main contributors to the variance: - In the 2018/19 Adjusted Budget, the municipality incorrectly budgeted for R14.5 million for Housing in Table A5. Considering that the municipality is an implementing agent, this budget should have been only reflected in the Cash Flow. Thus, no expenditure has been reflected against the budgeted Capital expenditure. - R5.8 million remains unspent for Neighbourhood Development Partnership Grant (NDPG) against a total allocation of R10.7 million. As per the municipality, there were challenges with the implementation of the project as it involved the relocation of certain community members who resided in the identified location for the NDPG project. Furthermore, when the projects were implemented, the municipality experienced challenges with incompetent service providers where the contracts had to be terminated. This resulted in the municipality having to re-start the bidding process, thus resulting in the appointments later in the 2018/19 financial year. The municipality will be applying for a rollover for NDPG unspent amounts.
Public contributions and donations	-	-	(37)	-	According to the municipality, the negative amount of R37 000 was reported erroneously against Public contributions and donations and has been subsequently been corrected.
Borrowing	-	-	-	-	
Internally generated funds	17 555	9 819	9 962	101.5	
Total Capital Revenue	56 547	71 381	48 433	67.9	
Capital Expenditure					
Governance and Administration	300	750	2 428	323.8	The municipality indicated that the significant variance against Governance and Administration was as a result of an error in the expenditure reported. According to the municipality, the actual expenditure as at June 2019 was R957 000 which is still higher than the budgeted expenditure by 28 percent. As per the explanation provided by the municipality, they had initially budgeted to procure tablets (cell phones) for councillors via an operational lease agreement and the expenditure was budgeted for under Operating expenditure. However, due to the change in the nature of the transaction, the tablets were then procured as Capital expenditure items against Government and Administration, resulting in the over-expenditure.
Community and Public Safety	8 116	23 905	4 896	20.5	Refer to the discussion above regarding the Housing Grant as the R23.9 million Adjusted Budget for Community and Public Safety included the Housing grant amount.
Eco. & Environmental Services	44 836	44 276	38 895	87.8	Refer to the discussion above regarding the challenges with the spending of the NDPG as the R44.3 million Adjusted Budget against Eco. & Environmental Services included the NDPG.
Trading Services	3 295	2 450	2 213	90.3	As per the municipality, the majority of the projects budgeted under Trading services are MIG funded and have been fully spent. The expenditure will be reported accurately in the 2018/19 AFS.
Other	-	-	-	-	
Total Capital Expenditure	56 547	71 381	48 433	67.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	19 774	35 876	35 876		
Cash/cash equiv. at the year end:	13 117	53 687	56 834		As per the supporting documents submitted by the municipality, the municipality's Cash and cash equivalents at year end is R64.3 million as opposed to the closing balance of R56.8 million reflected in the MFMA Section 71 report. When considering the closing Cash and cash equivalents balance, it must be taken into account that a portion of these funds sitting under the Cash and investments balance represent the municipality's financial commitments which need to be cash-backed, for example, Unspent conditional grants.
Net Increase/(Decrease) in cash held	(6 657)	17 811	20 957		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme	2 255	2 255	100.0%	-	
Municipal Infrastructure Grant	34 706	34 706	100.0%	-	
Integrated National Electrification Programme Grant	6 786	6 170	90.9%	616	As per the municipality, there were delays with the implementation of the electrification projects due to the late approval of the Memorandum of Understanding (MoU) between the municipality and Eskom. The municipality will be applying for a rollover in this regard.

1 Expenditure by munis.

Table 4.9 (i) Debtors, Creditors and Key ratios - Mandeni Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	198 719		
Debtors as at 30 June 2019	198 314	-0.2%	
<u>By age analysis</u>			
0-30 days	13 533	6.8%	
31-60 days	242	0.1%	
61-90 days	5 379	2.7%	
>90 days	179 161	90.3%	According to the municipality, the majority of the debt is sitting against the >90 days category as there are challenges with the collections of historic debt. The municipality indicated that consumers are servicing their current debt. The municipality further indicated that they have resolved to embark on a data cleansing exercise as this will assist the municipality to determine whether the long outstanding debt is still recoverable. After this exercise, the municipality will then update the consumer information accordingly on the financial system so as to ensure that accurate statements are sent to correct debtors.
Total by age analysis	198 314	100.0%	
<u>By customer group</u>			
Organs of state	7 829	3.9%	
Commercial	82 728	41.7%	
Households	104 559	52.7%	The majority of non-paying debtors is Households. As per the municipality, although debt relating to Households is still high, the continuous update as a result of the indigent exercise has assisted to reduce the debtors book under this category. However, it was noted that a number of consumers still do not come forward to register for this service. As also indicated above (Over 90 days category), the municipality has embarked on a data cleansing exercise which will assist with more accurate debtors information.
Other	3 197	1.6%	
Total by customer group	198 314	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	19 114		
Creditors as at 30 June 2019	8 853	-53.7%	
<u>By age analysis</u>			
0-30 days	8 853	100.0%	
>30 days	-	-	
Total by age analysis	8 853	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	42.1%	Notwithstanding the understated total Operating expenditure as a result of Debt impairment, according to the municipality, leave payments made in respect of the employees who resigned and exceeding the budget allocation for Overtime, resulted in the municipality's Remuneration ratio exceeding the guideline as per MFMA Circular 71.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	35.1%	This ratio indicates that the municipality is not self-sufficient and to a large extent relies on National and Provincial government grants to fund their operations.
Own funded capital expenditure	-	20.6%	The ratio indicates that only 20.6 percent of the municipality's Capital budget is funded through Internally generated funds and that the municipality is reliant on grant funding for Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	17.2%	

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.9.3 Analysis per Municipality: KwaDukuza Local Municipality

Table 4.9 (j) Operating Revenue and Expenditure Performance - KwaDukuza Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	430 791	451 291	452 500	100.3	
Service Charges ¹	804 941	834 018	813 901	97.6	The municipality indicated that the Ballito junction mall had onsite refuse removal service for only a few months during the financial year which resulted in the Ballito junction mall disputing the billing for the entire financial year. As a result the municipality reversed a certain portion of the revenue from Service charges-refuse with respect to the Ballito junction mall. The actual expenditure in respect of free refuse removal services (which is netted off against revenue) was higher than expected which further decreased the billed revenue against Service charges-refuse.
Transfers recognised - operational	166 667	165 051	165 269	100.1	
Other sources of Revenue ²	123 113	126 187	110 016	87.2	As per the municipality, Fines, penalties and forfeits was the main contributor to the low revenue generated against Other sources of revenue. The revenue in respect of Fines, penalties and forfeits has been reported on a cash basis whilst the budget is based on iGRAP 1 which requires revenue to be recognised on an accrual basis. The municipality indicated that the exercise of capturing Fines revenue on the accrual basis will be conducted for the AFS purposes and upon completion, it is expected that the variance will be significantly reduced.
Total Operating Revenue	1 525 513	1 576 546	1 541 687	97.8	
Operating Expenditure					
Employee related costs	376 583	385 058	355 659	92.4	The under-expenditure in respect of Employee related costs resulted from delays in the filling of vacant posts that were budgeted to be filled during Quarter 1 of the 2018/19 financial year but was only approved by Council at the end of Quarter 2. Furthermore, the municipality had not reported Overtime and Standby allowance of R2.6 million that was incurred from the 11th to the 30th of June as it was still in the process of being finalised. The municipality will include this amount in the 2018/19 AFS.
Remuneration of councillors	23 182	23 182	22 230	95.9	
Debt impairment	45 529	8 134	-	-	The municipality indicated that a comprehensive calculation for Debt impairment will be undertaken during the preparation of the 2018/19 AFS.
Depreciation and asset impairment	85 000	86 000	66 283	77.1	As per the municipality, the low expenditure against Depreciation and asset impairment was due to the lower than expected capital expenditure and delays in the completion of the prior years Capital projects which impacted the capitalisation and subsequent depreciation of capital assets. Another contributing factor was delays in the impairment assessment of assets which is undertaken at the end of the financial year during the preparation of the AFS.
Bulk purchases	633 019	623 662	564 414	90.5	The municipality indicated that an invoice relating to Bulk purchases for the end of June 2019 had not been captured onto the financial system when the MFMA Section 71 report. As per the municipality, the invoice for June 2019 amounts to R66.1 million, which will result on over-expenditure.
Contracted services	150 760	184 454	159 287	86.4	At the time of the MFMA Section 71 reporting, certain accrued expenditure had not been captured which contributed to the low expenditure reported against Contracted services. The municipality indicated that all accrued expenditure will be taken into account during the finalisation of the 2018/19 AFS.
Other expenditure items ³	210 694	265 706	155 818	58.6	Various expenditure items which constitute Other expenditure items contributed to the low expenditure, which included Finance charges, Other materials, Transfers and grants as well as Other expenditure. The municipality has not taken up a budgeted loan for R15 million as the loan is still at the Tender specification stage. Consequently, the municipality has not been to making interest payments on the budgeted loan. With regards to Other materials, the municipality indicated that the under-expenditure was due to minor under-spending on certain expenditure items which constitute Other materials across the municipality. The municipality did confirm however that certain accrued expenditure is still being finalised and will be updated accordingly in the 2018/19 AFS. The municipality further indicated that the under-expenditure against Transfers and subsidies is due to a refund of the Developers contribution of approximately R12.8 million which has not been captured as the municipality is still in engagements with the Developer to confirm the value of the refund. Once an agreement has been reached on the value of the refund, the item Transfers and subsidies will be updated accordingly in the 2018/19 AFS.
Total Operating Expenditure	1 524 768	1 576 197	1 323 690	84.0	
Operating surplus/(deficit)	745	349	217 996		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.9 (k) Capital, Cash and Conditional grant Performance - KwaDukuza Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	76 093	78 395	48 545	61.9	According to the municipality, the low recognition of revenue against Transfers recognised- capital relates to R5 million received from COGTA for the upgrading of the Theunissen Park, R550 000 from the Housing Accreditation fund which was allocated for the purchase of office furniture, tools and equipment and the renovation of office space which did not materialise (expenditure was not incurred). The municipality further indicated that more revenue will be recognised against Transfers recognised-capital once certain accrued expenditure are processed which were not done at the time the MFMA Section 71 report was prepared.
Public contributions and donations	–	–	–	–	
Borrowing	77 186	16 852	0	0.0	A budgeted loan of R15 million for the purchase of office space was not taken up during the 2018/19 financial year as there were no responsive bidders and the project had to once again undergo the tender specification process. The municipality had also budgeted for an additional ABSA loan of R1.9 million to fund the development of the testing station which did not materialise due to the fact that the municipality was still in the process of procuring the land.
Internally generated funds	191 483	141 507	52 750	37.3	The municipality indicated that the low capital revenue recognised against Internally generated funds was due to low Capital expenditure which resulted from delays in Supply Chain Management (SCM) processes including the sitting of SCM Committees during the financial year. As a result, some Capital projects will be rolled over to the 2019/20 financial year.
Total Capital Revenue	344 762	236 754	101 295	42.8	
Capital Expenditure					
Governance and Administration	23 460	25 906	5 973	23.1	
Community and Public Safety	50 394	29 929	16 353	54.6	
Eco. & Environmental Services	116 485	119 731	65 252	54.5	
Trading Services	154 423	61 188	13 717	22.4	
Other	–	–	–	–	
Total Capital Expenditure	344 762	236 754	101 295	42.8	The municipality has confirmed that the poor Capital expenditure during the 2018/19 financial year was as a result of delays in SCM processes including the sitting of SCM committees. The municipality indicated that upon the completion of processing all accruals, Capital expenditure for the 2018/19 financial year is expected to approximate R139.7 million or 59 percent.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	280 013	403 908	403 908		The opening Cash and cash equivalents balance of R403.9 million reflected in the MFMA Section 71 report correctly reconciles to the closing Cash and cash equivalents balance as per the 2017/18 audited AFS.
Cash/cash equiv. at the year end:	191 666	362 639	554 489		Based on the supporting documentation (Bank reconciliation for the main bank account and Investment register) submitted by the municipality for the end of June 2019, Cash and cash equivalents balance amounts to R641.3 million. It must however be taken into account that a portion of the funds forming part of the cash and investments balance also represent the municipality's commitments which need to be cash-backed, for example, Unspent conditional grants.
Net Increase/(Decrease) in cash held	(88 347)	(41 269)	150 581		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 800	1 800	100.0%	–	
Expanded Public Works Programme	1 540	1 540	100.0%	–	
Municipal Infrastructure Grant	53 966	51 775	95.9%	2 191	The municipality indicated that they have fully spent the Municipal Infrastructure Grant, however at the time of the MFMA Section 71 report, some accruals had not been processed resulting in the under-expenditure in relation to the allocation.
Integrated National Electrification Programme Grant	9 920	9 279	93.5%	641	The municipality indicated that similar to MIG above, INEP has been fully spent, however at the time of the MFMA Section 71 report, some accruals had not been processed resulting in the under-expenditure to the allocation.

¹ Expenditure by munis.

Table 4.9 (l) Debtors, Creditors and Key ratios - KwaDukuza Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	382 453		
Debtors as at 30 June 2019	226 319	-40.8%	Similar to prior years, the decrease of 40.8 decrease in Debtors from the 2017/18 to the 2018/19 financial year is due to the municipality incorrectly reporting debtors on a net basis in the MFMA Section 71 report, while gross debtors are reflected in the 2017/18 audited AFS. The analysis of debtors below is therefore based on the net debtors reported.
<u>By age analysis</u>			
0-30 days	37 970	16.8%	
31-60 days	16 277	7.2%	
61-90 days	18 472	8.2%	
>90 days	153 600	67.9%	The municipality indicated that the increase in long outstanding debtors within the over 90 days category from the 2017/18 financial year to R153.6 million at the end of 2018/19 is as a result of non-payment of Debtors which has led to an increase in accounts that are being handed over and defended matters taking long to be resolved due to the lengthy legal processes. The municipality also stated that liquidated estates and late estate matters are posing a challenge with regards to debt collection. There are also certain accounts which are under dispute for various reasons, namely resolution of valuation appeals, replacement of faulty meters, properties awaiting expropriation as well as verification of government accounts prior to payment, amongst others.
Total by age analysis	226 319	100.0%	
<u>By customer group</u>			
Organs of state	14 154	6.3%	
Commercial	32 773	14.5%	
Households	134 979	59.6%	
Other	44 414	19.6%	
Total by customer group	226 319	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	131 466		
Creditors as at 30 June 2019	134 581	2.4%	
<u>By age analysis</u>			
0-30 days	133 321	99.1%	
>30 days	1 260	0.9%	Although less than 1 percent of the municipality's Creditors remained outstanding for more than 30 days at the end of the financial year, the municipality indicated that the reason for the delay in payment is due to the fact that the respective user departments delay in forwarding the invoices and directing cheque payment requests to the creditors section for payment. In addition, it has also been identified that service providers sometimes issue invoices whilst the work is still in progress. The municipality then delays payment until the work is completed.
Total by age analysis	134 581	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	28.5%	
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	89.3%	This ratio indicates that the municipality is to a large extent self sufficient as 89.3 percent of the municipality's total Operating budget is funded from the municipality's own revenue streams.
Own funded capital expenditure	-	52.1%	
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	7.1%	The ratio is below the norm range as the municipality did not meet the Capital expenditure programme for the 2018/19 financial year. A ratio less than 10% reflects lower spending by the municipality in infrastructure and holds potential risks to service delivery.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.9.4 Analysis per Municipality: Ndwedwe Local Municipality

Table 4.9 (m) Operating Revenue and Expenditure Performance - Ndwedwe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	15 731	14 501	14 567	100.5	
Service Charges ¹	-	-	-	-	
Transfers recognised - operational	134 412	137 737	137 737	100.0	
Other sources of Revenue ²	13 832	12 825	11 626	90.6	
Total Operating Revenue	163 975	165 063	163 930	99.3	
Operating Expenditure					
Employee related costs	62 307	49 311	47 875	97.1	
Remuneration of councillors	14 324	14 324	14 185	99.0	
Debt impairment	2 600	2 600	1 698	65.3	The variance of 34.7 percent noted for Debt impairment is attributable the to an improvement noted in the debt collection rate for the 2018/19 financial year, hence reduction in the provision and the resultant in the expenditure incurred being less that the anticipated Adjusted Budget.
Depreciation and asset impairment	20 000	20 000	17 826	89.1	Depreciation and asset impairment reflects under-spending of R2.2 million as at the end of June 2019. The municipality indicated that this variance is as a result of the asset impairment value which has not been included and is yet to be captured as well as under-spending on the Capital budget. The verification of immovable assets is still in progress hence the impairment has not been tested as yet and as a result, the value is excluded from the R17.8 million reported as at the end of June 2019.
Bulk purchases	-	-	-	-	
Contracted services	41 046	46 348	38 245	82.5	The under-expenditure noted for Contracted Services is attributable to the municipal management decision where a unanimous resolution was taken to reduce unnecessary expenditure and savings were thus identified within votes to ensure that the net result in the vote does not constitute unauthorised expenditure. The decision is as a result of Cost containment measures being implemented.
Other expenditure items ³	51 294	59 522	52 770	88.7	The under-expenditure reported for Other expenditure is attributed to the municipal management decision where a unanimous resolution was taken to reduce unnecessary expenditure and savings were thus identified within votes to ensure that the net result in the vote does not constitute as unauthorised expenditure. The decision is as a result of Cost containment measures being implemented.
Total Operating Expenditure	191 571	192 105	172 600	89.8	
Operating surplus/(deficit)	(27 596)	(27 042)	(8 670)		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.9 (n) Capital, Cash and Conditional grant Performance - Ndwedwe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	29 267	32 767	32 673	99.7	
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	42 224	29 510	17 030	57.7	The municipality indicated that the Adjusted Budget had included various projects which were to be funded internally in the Capital budget however, the majority of these projects were delayed due to various reasons, including a delay experienced in procurement procedures during the financial year, resulting in the municipality's sources of funding not being utilised to fund capital projects.
Total Capital Revenue	71 491	62 277	49 703	79.8	
Capital Expenditure					
Governance and Administration	1 380	4 142	2 628	63.4	The variance reflected for Governance and administration is due to delays in the process of procuring of printers. Furthermore, the municipality had also planned to source additional office space through the procurement of a park home however, due to delays in the Supply Chain Management (SCM) processes, the municipality was unable to purchase the park home within the 2018/19 financial year.
Community and Public Safety	5 270	4 070	2 166	53.2	The variance reflected for Community and public safety is due to delays in the SCM processes of procuring for capital projects. These projects have since been delayed and is now projected for the 2019/20 financial year.
Eco. & Environmental Services	34 467	54 065	44 910	83.1	The municipality stated that the under-expenditure on Economic and environmental services was mainly attributable to the municipality setting aside funds to improve on Road infrastructure near the market stalls, where various municipal operations are planned to take place however, delays were experienced, resulting in the postponement of these projects. Furthermore, the Ndwedwe /Bhamshela Street Light project has since been adopted by the iLembe District Municipality therefore the municipality will no longer be funding this project, hence the under-spend which has been noted.
Trading Services	-	-	-	-	
Other	30 374	-	-	-	
Total Capital Expenditure	71 491	62 277	49 703	79.8	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	111 731	122 283	122 283		
Cash/cash equiv. at the year end:	64 876	85 303	100 583		The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported.
Net Increase/(Decrease) in cash held	(46 855)	(36 980)	(21 700)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	1 705	86.5%	265	The municipality indicated that the amount of R265 000 which appears as unspent on the MFMA Section 71 returns was due to journal entries which had not been processed at the time of reporting and have been included in the final figure for the Financial Management Grant in the 2018/19 unaudited Annual Financial Statements (AFS), which will result in 100 percent spending, as per the stipulated conditions.
Expanded Public Works Programme	1 195	1 215	101.7%	(20)	The over-spending noted of R20 000 for EPWP was due to an incorrect journal entry when the MFMA Section 71 returns figures were submitted. The municipality has indicated that the grant has been spent fully.
Municipal Infrastructure Grant	32 767	29 561	90.2%	3 206	The municipality indicated that the amount of R3.2 million which appears as unspent on the MFMA Section 71 returns was due to journal entries which had not been processed at the time of reporting and have been included in the final figure for the Municipal Infrastructure Grant in the 2018/19 unaudited AFS, which will result in 100 percent spending, as per the stipulated conditions.
Integrated National Electrification Programme Grant	6 000	6 000	100.0%	-	

¹ Expenditure by munis.

Table 4.9 (o) Debtors, Creditors and Key ratios - Ndwedwe Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	17 128		
Debtors as at 30 June 2019	17 269	0.8%	Reasons for the increase in Debtors as at 30 June 2019 were not provided by the municipality. Debtors have increased by R140 859 from R17.1 million at the end of the 2017/18 financial year to R17.3 million, at the end of the 2018/19 financial year. The municipality is advised to ensure that debt collection and credit control strategies, as well as indigent policies, are rigorously implemented and enforced in an effort to reduce the outstanding Debtors.
<u>By age analysis</u>			
0-30 days	445	2.6%	
31-60 days	20	0.1%	
61-90 days	176	1.0%	
>90 days	16 628	96.3%	The majority of the municipality's Debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long over due debt which negatively impacts on the municipality's cash flow position.
Total by age analysis	17 269	100.0%	
<u>By customer group</u>			
Organs of state	5 424	31.4%	
Commercial	8 076	46.8%	Of the total outstanding Debtors, the Commercial customer group represents 46.8 percent of the outstanding Debtors, which is the highest percentage when compared to other customer groups. Initiatives have been put in place to meet with the business clients to gather information on the challenges they may be experiencing and to arrange repayment plans in order to recover the outstanding debts.
Households	2 519	14.6%	
Other	1 250	7.2%	
Total by customer group	17 269	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	24 515		
Creditors as at 30 June 2019	1 155	-95.3%	It was noted that the municipality has reduced the Creditors significantly from R24.5 million in 2017/18 to R1.2 million in 2018/19, although the municipality appears to have also reported negative amounts as Creditors in the over 30 days category.
<u>By age analysis</u>			
0-30 days	1 821	157.7%	
>30 days	(666)	-	The amount reported appears to be questionable and requires an investigation by the municipality.
Total by age analysis	1 155	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	36.0%	
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	16.0%	As per the year to date unaudited figures reported by the municipality, Own sources of revenue to total Operating revenue amounts to 16 percent suggesting that the municipality is heavily dependant on Grants. The municipality relies on Property rates and Other revenue such as Rentals and Fines, which contribute to revenue.
Own funded capital expenditure	-	34.3%	The municipality is grant reliant in terms of Capital projects, as these projects require substantial financial injection which is mainly sourced from grants and not from Own capital funding.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	22.4%	The municipality's ratio of Capital expenditure to Total expenditure amounts to 22.4 percent and is not within the norm of 10 percent to 20 percent which this suggests that the municipality has committed more funds to improving infrastructure and the eradication of backlogs.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.9.5 Analysis per Municipality: Maphumulo Local Municipality

Table 4.9 (p) Operating Revenue and Expenditure Performance - Maphumulo Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	16 298	13 119	12 920	98.5	
Service Charges ¹	115	5	5	100.0	
Transfers recognised - operational	85 742	85 684	84 746	98.9	According to the municipality, the performance of 98.9 percent against Transfers recognised-operational was as a result of unspent funds relating to the Library grant from the Department of Arts and Culture amounting to R939 305 which agrees to the signed Grants Register as at June 2019. The municipality did not fill the two librarian vacant positions as the candidates that were interviewed earlier in the year were not successful and as a result, the vacancies had to be re-advertised.
Other sources of Revenue ²	6 748	5 739	4 615	80.4	The municipality indicated that the performance of 80.4 percent against Other sources of Revenue was as a result of Interest earned-external investments generated of R1.7 million being less than the budgeted amount of R2.4 million as the municipality did not have adequate excess funds to be deposited in the short term investment accounts as anticipated. It should also be noted that Interest earned-outstanding debtors were not reflected for the first half of the year as billing only commenced in the second half of the financial year. The relevant adjustments will be processed in the 2018/19 AFS, according to the municipality.
Total Operating Revenue	108 903	104 547	102 285	97.8	
Operating Expenditure					
Employee related costs	39 967	34 757	35 282	101.5	
Remuneration of councillors	8 300	8 355	7 990	95.6	As per the municipality, the Remuneration of councillors expenditure reflected of R8 million or 95.6 percent of the 2018/19 Adjusted Budget of R8.4 million was due to one Councillor resigning and another passing on during the year. As at 30 June 2019, the vacant positions remained unfilled.
Debt impairment	883	883	-	-	The municipality did not report on Debt impairment in the 2018/19 financial year against the Adjusted Budget of R883 000 despite Provincial Treasury's advice and the municipality's commitment to do so during the 2018/19 Mid-year performance engagement.
Depreciation and asset impairment	10 497	10 731	10 522	98.1	
Bulk purchases	-	-	-	-	
Contracted services	18 721	22 670	33 325	147.0	The municipality explained that the expenditure of R33.3 million or 147 percent against the 2018/19 Adjusted Budget for Contracted services of R22.7 million was due to certain items of Contracted services being budgeted for under Other expenditure while actual expenditure was reported against Contracted services.
Other expenditure items ³	30 527	35 291	22 493	63.7	The low expenditure of R22.5 million or 63.7 percent against the 2018/19 Adjusted Budget of R35.3 million in respect of Other expenditure items is mainly due to: > Under-expenditure of R441 079 or 36.8 percent against the Adjusted Budget of R1.2 million for Transfers and grants; and > Under-expenditure of R22 million or 64.6 percent against the Adjusted Budget of R34.1 million for Other expenditure. The municipality stated that the reported expenditure in respect of Transfers and grants is understated as certain invoices have not been received from Eskom relating to Free basic services. This will be corrected as part of the 2018/19 AFS preparation process should invoices relating to the 2018/19 financial year be received during the AFS preparation period. The municipality further confirmed that there were misallocations of expenditure between the Other expenditure and the Contracted services line items as discussed above.
Total Operating Expenditure	108 894	112 688	109 612	97.3	
Operating surplus/(deficit)	8	(8 141)	(7 327)		The reported Operating deficit of R7.3 million may be understated due to, amongst others, the municipality not reflecting expenditure against Debt impairment as well as the understatement of expenditure reported against Transfers and grants and Other expenditure.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.9 (q) Capital, Cash and Conditional grant Performance - Maphumulo Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	29 435	31 940	21 897	68.6	According to the municipality, one of the contributing factors to the low expenditure of R21.9 million or 68.6 percent against Transfers recognised-capital is due to the fact that a number of the 2018/19 MIG projects commenced and were accelerated through Internally generated funds in the 2017/18 financial year, hence a portion of the 2018/19 MIG allocation being reflected as unspent. Refer to the comments on MIG below. The municipality further indicated that, the construction of the Mvozane Service Centre as funded by the provincial department of CoGTA was expected to start during the 2018/19 financial year, however due to the planning processes that still needed to be finalised, construction will only commence in the 2019/20 financial year. A rollover application amounting to R4.5 million will be submitted before the 30 August 2019.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	4 287	5 028	5 789	115.1	According to the municipality, the performance of R5.8 million or 115.1 percent against the 2018/19 Adjusted Budget of R5 million was due to the municipality incurring expenditure on other projects that were not budgeted for in the 2018/19 financial year against Internally generated funds, such as drilling of the office borehole due to the water crisis and the installation of CCV Cameras. As a result, the municipality may incur unauthorised expenditure against those functions that reflected over-spending.
Total Capital Revenue	33 722	36 968	27 686	74.9	
Capital Expenditure					
Governance and Administration	1 780	2 189	2 028	92.6	
Community and Public Safety	9 855	10 863	7 935	73.0	As per the municipality, the low expenditure is due to the fact that construction for the Mvozane Service Centre did not commence in the 2018/19 financial year as planned due to planning processes that still needed to be finalised.
Eco. & Environmental Services	22 087	23 916	17 722	74.1	The municipality stated that the low expenditure against Eco. & Environmental Services was mainly due to the fact that the MIG allocation was not fully spent as at 30 June 2019. Refer to comment made under Municipal Infrastructure Grant.
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	33 722	36 968	27 686	74.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	23 034	22 057	22 057		The amount of R22.1 million reflected against Cash/cash equiv. at the year begin agrees to the closing Cash and Cash equivalents as per the 2017/18 Audited AFS.
Cash/cash equiv. at the year end:	24 930	16 667	16 798		As per the municipality, the Cash/cash equiv. at the year end of R16.8 million is incorrect. The total cash amount of R16.2 million which is made up of R14.3 million as per the Investment Register as well as R1.9 million as per the Main Account Bank reconciliation should have been reflected against Cash/cash equiv. at the year end for the 2018/19 financial year. This will be corrected in the 2018/19 AFS. Although a positive cash balance of R16.2 million is reported by the municipality, it should be noted that a portion of the funds represents the municipality's commitments which need to be cash backed, such as Unspent conditional grants, Retentions and Other working capital requirements.
Net Increase/(Decrease) in cash held	1 895	(5 390)	(5 259)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme	1 157	1 157	100.0%	-	
Municipal Infrastructure Grant	21 942	16 365	74.6%	5 577	According to the municipality, the unspent MIG allocation of R5.6 million is due to the fact that a number of the 2018/19 MIG projects commenced and were accelerated in 2017/18 as multi-year projects (funded through Internally generated funds in 2017/18). According to the municipality, their Technical Services department agreed with CoGTA that the 2017/18 expenditure could be funded against the 2018/19 MIG allocation, hence the Technical Services department reflects 100 percent spending whilst the MFMA Section 71 report as well as the signed Grants Register reflects an unspent amount of R5.6 million or 74.6 percent against the 2018/19 MIG allocation of R21.9 million. However, it should be noted that the municipality should have consulted National Treasury in the 2017/18 financial year who has the authority to apply Section 28 of DoRA. The municipality indicated that a rollover application will be submitted for the unspent allocation before the 30 August 2019.
Integrated National Electrification Programme Grant	10 000	10 000	100.0%	-	

¹ Expenditure by munis.

Table 4.9 (r) Debtors, Creditors and Key ratios - Maphumulo Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018 ¹	29 992		
Debtors as at 30 June 2019	30 979	3.3%	The amount for outstanding Debtors as at the end of June 2019 increased by 3.3 percent when compared to the R30 million reported in the 2018/19 Audited AFS. As per the municipality the increase is due to slow payments received from debtors against their accounts.
<u>By age analysis</u>			
0-30 days	214	0.7%	
31-60 days	460	1.5%	
61-90 days	127	0.4%	
>90 days	30 178	97.4%	Outstanding debtors in the period exceeding 90 days amount to R30.2 million or 97.4 percent of the total debtors. A large portion of this balance amounting to R11.9 million relates to the Ingonyama Trust Board (ITB) debtors which continues to accumulate as the ITB properties continues to be billed whilst no collection is received. Due to long outstanding debtors, the liquidity of the municipality might be negatively impacted. The municipality should ensure that appropriate Debt Collection measures, in terms of the municipality's approved Debt Collection policy, are implemented to improve collection and write off irrecoverable debt.
Total by age analysis	30 979	100.0%	
<u>By customer group</u>			
Organs of state	8 408	27.1%	As per the municipality, continuous engagements are being held with the affected departments regarding the settlement of the outstanding amounts, but as at 30 June 2019, no agreements have been entered into.
Commercial	10 153	32.8%	
Households	473	1.5%	
Other	11 945	38.6%	
Total by customer group	30 979	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	19 638		
Creditors as at 30 June 2019	4 487	-77.2%	As per the municipality, the R4.5 million Creditors balance appears to be accurate. It should be noted that only Trade Creditors have been included in the Age Creditors (AC) return as published in the MFMA Section 71 report and not the entire Trade and other payables balance which includes Retentions and Other payables as it is the case with the balance of R19.6 million as per the 2017/18 Audited AFS.
<u>By age analysis</u>			
0-30 days	4 526	100.9%	
>30 days	(39)	-	As per the municipality, the negative amount is as a result of the amount that was erroneously paid/to a supplier which was not recovered as at 30 June 2019 and will be reclassified as a debtor in the 2018/19 Annual Financial System.
Total by age analysis	4 487	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	39.5%	Although the Remuneration as a percentage of Total operating expenditure ratio is within the norm range of 25 percent to 40 percent, the ratio as reflected is possibly overstated due to the understatement of Debt impairment as well as Transfers and grants and Other expenditure. Even after the consideration of reasonable expenditure related to Debt impairment as well as Transfers and grants, the ratio is still approaching the upper limit of 40 percent as per MFMA Circular No. 71. Should the ratio exceed the norm, it might be an indication of inefficiencies, overstaffing and incorrect focus due to misdirected expenditure to non-essential and non-service delivery related expenditure.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	17.1%	The low ratio of 17.1 percent is as a result of the municipality being grant dependant. The municipality has only introduced Service charges refuse revenue in the 2017/18 financial year and the geographical area which is rural does not assist in improving the revenue base. Thus, the municipality relies on Property rates, Interest earned-external investments and Rental of facilities as main contributors to the Own sources of revenue.
Own funded capital expenditure	-	20.9%	
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	20.2%	The ratio suggests that the municipality is investing in infrastructure which will positively affect service delivery and increase the lifespan of existing assets. Furthermore, it should be noted that the Capital expenditure ratio of 20.2 percent might be slightly distorted after considering the reasonable level of operating expenditure for Debt impairment as well as Transfers and grants and Other expenditure.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.9.6 Analysis per Municipality: iLembe District Municipality

Table 4.9 (s) Operating Revenue and Expenditure Performance - iLembe District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	-	-	-	-	
Service Charges ¹	145 503	160 714	151 367	94.2	The municipality indicated that the reason for the low performance against Service charges was that some projects commenced during the financial year which would have resulted in an increased billing were not completed. An increase in Service charges generated in the 2018/19 financial year when compared to the 2017/18 financial year (R130.3 million) was noted.
Transfers recognised - operational	509 101	520 232	510 042	98.0	
Other sources of Revenue ²	68 339	75 188	66 585	88.6	The major contributor to the poor performance reported against Other sources of Revenue is the National Schools Nutritional Programme. As at June 2019, the Department of Education owed R8.9 million to the Entity for National Schools Nutrition Programme which has not been recognised at the reporting date, thus the low revenue reported against Other sources of revenue.
Total Operating Revenue	722 943	756 133	727 993	96.3	
Operating Expenditure					
Employee related costs	238 042	229 062	219 186	95.7	
Remuneration of councillors	9 952	9 320	8 599	92.3	The low expenditure reported as at June 2019 is attributable to the implementation of the Determination of Upper Limits as per the Government Gazette issued in December 2018. This was done in the second half the 2018/19 financial year. The actual payouts were lower than budgeted for which resulted in savings against Remuneration of councillors.
Debt impairment	21 826	19 223	19 223	100.0	
Depreciation and asset impairment	82 285	81 507	95 793	117.5	As at June 2019, the actual expenditure incurred against Depreciation and asset impairment exceeded the budgeted expenditure. According to the municipality, the variance is as a result of the impairment test that was performed at year end which indicated that municipality under-budgeted for Depreciation and asset impairment.
Bulk purchases	99 546	120 006	136 876	114.1	The municipality indicated that the over-performance against the budget is attributable to various factors such as the increase in water purchase which in turn, is due to the increase in new connections and varying increase in water demand. Furthermore, the expenditure increased as a result of the commissioning part (releasing water ready for use at a particular area) of the Lower Tugela Regional Bulk Water infrastructure project. Thus, areas previously supplied by the boreholes (Zinkwazi, Blythdale, Sansucci and parts of Stanger) have now been connected to the main system thus resulting in the increase the water purchase.
Contracted services	76 532	152 520	130 624	85.6	The budgeted expenditure for Contracted Services was increased in the 2018/19 Adjusted Budget in order to align to mSCOA classification. The majority of the budgeted items were re-allocated from Repairs and maintenance (Other materials) and Other expenditure. The municipality indicated that the low performance against budget noted as at June 2019 was due to the fact that the water tanker supply was kept at a minimum and non-urgent expenditure relating to repairs was also delayed in line with the implementation of the austerity measures and the cost containment policy.
Other expenditure items ³	191 910	138 491	137 616	99.4	
Total Operating Expenditure	720 092	750 130	747 918	99.7	
Operating surplus/(deficit)	2 852	6 003	(19 925)		The municipality incurred a deficit of R19.9 million as opposed to a budgeted surplus in the 2018/19 financial year. This was mainly due to under-generation of revenue against Service charges and Other sources of Revenue and over-expenditure noted against Bulk purchases and Depreciation and asset impairment.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.9 (t) Capital, Cash and Conditional grant Performance - iLembe District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	292 800	318 330	215 919	67.8	During the 2018/19 financial year, the Department of Water and Sanitation delayed the transfer of the WSIG to the municipality. The first tranche of R35 million for WSIG was only transferred in January 2019. The rest of the grant (R65 million) was later transferred in March 2019 to the municipality. Thus, resulting in the delay in the implementation of the projects funded by this grant. The municipality is currently in negotiations with the transferring department to apply for a rollover. The municipality further indicated that there were delays in the implementation of certain projects funded by RBIG. No further details were provided in respect of the reasons for the delays. However, the municipality will be applying for a roll-over in line with the requirements of the Division of Revenue Act (DoRA).
Public contributions and donations	–	–	–	–	
Borrowing	63 149	63 149	–	–	The municipality had budgeted to fund the procurement of fleet (budgeted under Government and Administration) from Borrowing in the 2018/19 financial year. However, there were delays in the SCM processes as a result of objections. The municipality indicated that the bid was finalised in June and the expected delivery date is the first quarter of 2019/20 financial year.
Internally generated funds	8 354	12 545	1 824	14.5	The lower recognition of revenue against Internally funded projects are attributable to the smart water meters project and other ICT capital projects not yet implemented mainly due to the implementation of the austerity measures and the cost containment policy.
Total Capital Revenue	364 303	394 023	217 744	55.3	
Capital Expenditure					
Governance and Administration	68 764	71 294	576	0.8	Refer to the comment under Borrowings.
Community and Public Safety	1 000	180	–	–	The municipality had budgeted to procure mobile offices against Community and Public Safety in the 2018/19 financial year. However, the procurement could not be finalised as there were objections received during the bidding process.
Eco. & Environmental Services	1 975	4 375	1 738	39.7	The municipality had budgeted for the National Schools Nutrition Programme IT related Tool for Enterprise iLembe. The reason for the low expenditure was that the entity was advised against spending on this tool as RASET was developing a similar tool for all District Agencies.
Trading Services	292 564	318 173	215 430	67.7	The main reason for low performance against Trading services was due to the delays in the implementation of the WSIG and RBIG funded projects, as indicated above.
Other	–	–	–	–	
Total Capital Expenditure	364 303	394 023	217 744	55.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	55 670	75 814	75 814		
Cash/cash equiv. at the year end:	174 463	71 644	144 570		Based on the bank statements and bank reconciliations provided by the municipality, the actual closing Cash and cash equivalents balance was R203.4 million at the end of the financial year which was higher than the R144.6 million reported as per the MFMA Section 71 report as well as the R71.7 million projected as per the 2018/19 Adjusted Budget. When considering the closing Cash and cash equivalents balance, it must be taken into account that a portion of these funds sitting under the Cash and investments balance represent the municipality's financial commitments which need to be cash-backed, for example, Unspent conditional grants and Other working capital requirements.
Net Increase/(Decrease) in cash held	118 793	(4 170)	68 756		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 000	1 000	100.0%	–	
Expanded Public Works Programme	1 731	1 731	100.0%	–	
Municipal Infrastructure Grant	188 503	170 636	90.5%	17 867	The municipality indicated that the reason for the 90 percent expenditure at the reporting date was that some of the invoices in respect of the MIG funded projects were not yet accrued. Thus, as at June 2019, full expenditure has been incurred for MIG.
Water Services Infrastructure Grant	100 500	49 175	48.9%	51 325	As also indicated under Transfer recognised - capital, the delays in the transfer of the grant to the municipality resulted in the delays in the finalisation of projects funded by WSIG. The municipality further indicated that they will be applying for a roll-over in conjunction with the requirements of the DoRA.

¹ Expenditure by munis.

Table 4.9 (u) Debtors, Creditors and Key ratios - iLembe District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	294 948		
Debtors as at 30 June 2019	359 846	22.0%	The balance for debtors increased as at June 2019 when compared to the audited result in the 2017/18 financial year. The increase was mainly due to new customers billed in 2018/19 as well as low collection as mentioned below.
<u>By age analysis</u>			
0-30 days	29 870	8.3%	
31-60 days	12 840	3.6%	
61-90 days	7 622	2.1%	
>90 days	309 515	86.0%	The municipality indicated that the reason for reflecting high debtors against the category exceeding 90 days was due to the fact that the majority of the consumers are from the rural areas. Thus, the collection rate is low in these areas. The municipality also indicated that incorrect consumer classification results in uncollectable revenue as it becomes difficult to identify indigent customers. In addition, there are limited resources at the disposal of the municipality to carry out the entire credit control processes. The municipality is currently involved in the Vuthela project which is assisting with the compilation of the Indigent register within the district. The municipality has also embarked on a Thuma Mina initiative where different communities within the district are visited in order to assess water meters and also to provide consumer education to relevant consumers. Through these visits, the municipality has been able to provide consumer awareness which has yielded positive results in respect of more customers coming forward and making payments on their accounts. From this initiative, it has been discovered that there are metered consumers who are bypassing water connections (illegal connections). There has also been a challenge with the prepaid consumers as it was also discovered that they are not making regular water purchases.
Total by age analysis	359 846	100.0%	
<u>By customer group</u>			
Organs of state	12 463	3.5%	
Commercial	7 830	2.2%	
Households	311 607	86.6%	Refer to comment above (>90 days).
Other	27 946	7.8%	
Total by customer group	359 846	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	157 815		
Creditors as at 30 June 2019	84 142	-46.7%	
<u>By age analysis</u>			
0-30 days	81 058	96.3%	
>30 days	3 084	3.7%	As at the end of the financial year, the municipality reported Creditors outstanding for a period greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. The municipality has indicated that there were disputes over delivery of certain products which resulted in the municipality holding payments against the affected suppliers. However, this has since been resolved and the payments were subsequently made.
Total by age analysis	84 142	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	30.5%	
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	29.9%	This ratio indicates that the municipality is not self-sufficient and to a large extent, relies on National and Provincial government grants to fund their operations.
Own funded capital expenditure	-	0.8%	The ratio indicates that only 0.8 percent of the municipality's Capital budget is funded through Internally generated funds.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	22.5%	The municipality's ratio of 22.5 percent which is slightly higher than the norm points to higher amounts budgeted and spent on infrastructure and acceleration in service delivery.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.10 Harry Gwala District

The Harry Gwala District is located to the South West of the KwaZulu-Natal Province. Its population is sparsely spread throughout a largely rural area of 10 386 km² (KZNCOGTA, 2017)¹. The district forms part of the border between KwaZulu-Natal and the Eastern Cape Province and is comprised of four local municipalities, namely: the Dr. Nkosazana Dlamini Zuma, Greater Kokstad, uBuhlebezwe, uMzimkhulu Local Municipalities and one district municipality, the Harry Gwala District Municipality. The Greater Kokstad Local Municipality functions as the district node and the central commercial centre in the Harry Gwala District. The Ingonyama Trust land makes up a significant part of the district.

The Dr. Nkosazana Dlamini Zuma Local Municipality was formed in August 2016 after the merger of the former Ingwe and Kwa Sani Local Municipalities following the redetermination of municipal boundaries by the Demarcation Board.

The core function of the Harry Gwala District Municipality is the provision of *Water and Sanitation services*. The Greater Kokstad Local Municipality provides *Electricity and Refuse removal services* whilst the Dr. Nkosazana Dlamini Zuma, uBuhlebezwe and uMzimkhulu Local Municipalities provide *Refuse removal services*.

At the end of the 2018/19 financial year, the Municipal Manager and Chief Financial Officer (CFO) positions were filled in all municipalities within the Harry Gwala District, including the district municipality, with the exception of the uBuhlebezwe Local Municipality whose CFO resigned on 24 May 2019.

The Greater Kokstad, uMzimkhulu and Dr. Nkosazana Dlamini Zuma Local Municipalities in the Harry Gwala District maintained unqualified audit opinions with other matters in the 2017/18 financial year from the 2016/17 financial year. The uBuhlebezwe Local Municipality regressed from an unqualified audit opinion in the 2016/17 financial year to a qualified audit opinion in the 2017/18 financial year. The Harry Gwala District Municipality maintained a qualified audit opinion in both the 2016/17 and 2017/18 financial years.

The Harry Gwala District Municipality is currently experiencing cash flow difficulties however, the municipality's Net cash position could not be determined as the municipality did not submit the Bank reconciliation, Investments register and Grants register as at 30 June 2019.

4.10.1 Overview of the Harry Gwala District Performance

Table 4.10(a) Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Greater Kokstad	378 971	376 544	345 729	91.8
uBuhlebezwe	177 473	186 874	163 926	87.7
uMzimkhulu	202 127	205 480	207 081	100.8
Dr. Nkosazana Dlamini Zuma	178 165	183 817	179 272	97.5
Harry Gwala DM	409 502	464 235	274 879	59.2
Total	1 346 237	1 416 949	1 170 887	82.6

Source: NT Igdatabase

¹ http://www.kzncogta.gov.za/wp-content/uploads/2017/03/Stdmap08.1_1_WEB-1.pdf

Table 4.10(b) Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Greater Kokstad	405 190	399 844	284 988	71.3
uBuhlebezwe	165 948	186 887	139 447	74.6
uMzimkhulu	269 152	275 896	233 109	84.5
Dr. Nkosazana Dlamini Zuma	167 723	168 317	144 229	85.7
Harry Gwala DM	401 696	459 701	411 685	89.6
Total	1 409 709	1 490 645	1 213 458	81.4

Source: NT Igdatabase

Table 4.10(c) Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Greater Kokstad	98 798	134 354	88 555	65.9
uBuhlebezwe	67 263	60 900	42 387	69.6
uMzimkhulu	91 750	95 539	65 162	68.2
Dr. Nkosazana Dlamini Zuma	64 582	72 287	61 217	84.7
Harry Gwala DM	349 789	327 492	286 685	87.5
Total	672 183	690 572	544 005	78.8

Source: NT Igdatabase

Table 4.10(d) Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	16 044	23.3	7 802	11.3	3 627	5.3	41 277	60.0	68 750
uBuhlebezwe	-	-	-	-	-	-	-	-	-
uMzimkhulu	600	6.8	333	3.8	290	3.3	7 531	86.0	8 753
Dr. Nkosazana Dlamini Zuma	2 064	4.0	1 981	3.9	1 741	3.4	45 484	88.7	51 270
Harry Gwala DM	8 308	4.7	6 675	3.8	6 101	3.4	156 559	88.1	177 643
Total	27 015	8.8	16 791	5.5	11 759	3.8	250 851	81.9	306 416

Source: NT Igdatabase

Table 4.10(e) Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	3 672	5.3	18 316	26.6	37 559	54.6	9 202	13.4	68 750
uBuhlebezwe	-	-	-	-	-	-	-	-	-
uMzimkhulu	2 220	25.4	687	7.9	5 845	66.8	-	-	8 753
Dr. Nkosazana Dlamini Zuma	13 225	25.8	6 988	13.6	17 490	34.1	13 567	26.5	51 270
Harry Gwala DM	8 760	4.9	10 852	6.1	158 031	89.0	-	-	177 643
Total	27 877	9.1	36 844	12.0	218 926	71.4	22 769	7.4	306 416

Source: NT Igdatabase

Table 4.10(f) Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	(113)	99.2	(1)	0.8	-	-	-	-	(114)
uBuhlebezwe	8 002	100	-	-	-	-	-	-	8 002
uMzimkhulu	16 138	100	-	-	-	-	-	-	16 138
Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-
Harry Gwala DM	11 068	77.8	2 839	20.0	-	-	316	2.2	14 223
Total	35 094	91.8	2 838	7.4	-	-	316	0.8	38 248

Source: NT Igdatabase

4.10.2 Analysis per Municipality: Greater Kokstad Local Municipality

Table 4.10 (g) Operating Revenue and Expenditure Performance - Greater Kokstad Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	141 700	139 294	129 808	93.2	The municipality indicated that the low generation on Property rates revenue was due to objections of the approved Valuation Roll by some of the ratepayers who opted to pay per the unrevised 2017/18 rate randages which impacted negatively on the budgeted revenue.
Service Charges ¹	150 936	151 457	129 687	85.6	The municipality generated 97 percent of the Adjusted Budget of R24.2 million on Service charges - refuse and 83.5 percent of the Adjusted Budget of R127.2 million on Service charges - electricity at the end of June 2019. The municipality attributed the low Electricity revenue generation to consumers finding alternative means of obtaining energy and the unusually warm winter season.
Transfers recognised - operational	61 065	60 914	57 441	94.3	The municipality indicated that the 94.3 percent reported for Transfers recognised - operating was understated due to an error in reporting which will be corrected in the system to reflect correct information in the 2018/19 Annual Financial Statements (AFS).
Other sources of Revenue ²	25 269	24 880	28 793	115.7	Revenue generated from Interest earned - external investments of R8.9 million exceeded the Adjusted Budget by 4.7 percent at the end of June 2019 and also differs from the Investments register submitted by the municipality for the same period which reflects R10 million interest earned. It appears that the municipality under-budgeted for Interest. The municipality increased capacity and improved the system for collection of Rentals and as a result, more revenue of R4.6 million or 366.1 percent of the Adjusted Budget was generated at the end of June 2019. Other revenue generated of R7.6 million exceeded the Adjusted Budget by 64.2 percent due to land sales which were not included in the Adjusted Budget. The financial system of the municipality currently does not allow capturing of traffic Fines as they are issued by the officers hence the revenue reported amounted to only 3.4 percent of the Adjusted Budget at the end of June 2019. The service provider is working on rectifying the problem. According to the municipality, the requirement to produce proof of residence has resulted in a decline in the number of people registering vehicles in the municipal area hence the low revenue of 76.2 percent was generated on Licences and permits at the end of June 2019.
Total Operating Revenue	378 971	376 544	345 729	91.8	
Operating Expenditure					
Employee related costs	136 237	134 132	113 147	84.4	The municipality attributed low expenditure on Employee related costs to resignations, deaths, disciplinary procedures, with an outcome of a dismissal, and pensioners. The municipality further indicated that the recruitment process for the vacancies will be finalised in the 2019/20 financial year.
Remuneration of councillors	7 589	7 730	7 202	93.2	The municipality referred to the death of one of the councillors as the reason for not spending the Adjusted Budget as projected.
Debt impairment	8 907	9 057	2 300	25.4	The municipality did not provide reasons for low expenditure on Debt impairment at the end of June 2019. The municipality is encouraged to account for Debt impairment on a monthly basis to avoid misstatements or unauthorised expenditure at the end of the financial year.
Depreciation and asset impairment	57 721	44 967	1	0.0	The municipality indicated that due to challenges with the financial system, Depreciation and asset impairment could not be reported on a monthly basis. The municipality further indicated that Depreciation and asset impairment will be finalised and reflected correctly in the 2018/19 AFS. The service provider is currently working towards rectifying the challenge experienced by the municipality.
Bulk purchases	101 771	101 771	86 957	85.4	Under-generation noted on Bulk purchases of R14.8 million appears to correlate with the under-generation of R21 million noted on Service charges - electricity.
Contracted services	56 331	51 118	40 644	79.5	The municipality indicated that a number of contracts which came to an end during the financial year were not yet renewed at the end of June 2019. Furthermore, the municipality indicated that due to low revenue collection noted on Property rates and Electricity, which are the largest revenue sources, it was necessary to be conservative in spending in the second half of the financial year.
Other expenditure items ³	36 634	51 069	34 738	68.0	The municipality indicated that due to low revenue collection noted on Property rates and Electricity, which are the largest revenue sources, expenditure was mainly limited to urgent and necessary items in the second half of the financial year.
Total Operating Expenditure	405 190	399 844	284 988	71.3	
Operating surplus/(deficit)	(26 220)	(23 300)	60 742		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.10 (h) Capital, Cash and Conditional grant Performance - Greater Kokstad Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	30 963	64 997	50 920	78.3	The municipality recognised 78.3 percent of revenue budgeted under Transfers recognised - capital due to low expenditure on projects funded from the Department of Human Settlements Housing Grant and the Integrated National Electrification Grant (INEP). The municipality indicated that due to delays caused by the Department of Human Settlements to facilitate the signing of contracts with the housing beneficiaries, the housing projects were delayed. There were no reasons provided for under-spending on the INEP grant.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	67 835	69 356	37 635	54.3	The municipality indicated that due to low revenue collection noted during the financial year, some of the internally funded projects had to be delayed or stopped and will be reconsidered in the 2019/20 financial year.
Total Capital Revenue	98 798	134 354	88 555	65.9	
Capital Expenditure					
Governance and Administration	5 650	8 190	6 510	79.5	
Community and Public Safety	15 495	29 917	10 248	34.3	
Eco. & Environmental Services	47 089	54 022	42 747	79.1	
Trading Services	30 564	42 224	29 051	68.8	
Other	-	-	-	-	
Total Capital Expenditure	98 798	134 354	88 555	65.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	127 620	114 262	114 262		The opening Cash and cash equivalents is in line with the closing Cash and cash equivalents balance as per the 2017/18 unaudited AFS.
Cash/cash equiv. at the year end:	88 533	56 287	116 065		The Cash and cash equivalents at the end of June 2019 of R116.065 million as per the MFMA Section 71 reports slightly differs from the Cash and cash equivalents at the end of June 2019 of R116.051 million as per the additional documents (Investments register and Bank reconciliation) submitted by the municipality. The Net cash position at 30 June 2019 as per the Bank reconciliation, Investments register and Unspent grants register amounts to R110.3 million. Unspent conditional grants amounting to R5.7 million as per Grants register as at 30 June 2019 therefore appear to be sufficiently cash backed. Furthermore, it was noted that Government - capital was budgeted at R54.5 million whilst R73 million cash inflow was reported which does not appear to be correct.
Net Increase/(Decrease) in cash held	(39 087)	(57 975)	1 803		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 800	1 800	100.0%	-	
Expanded Public Works Programme	1 311	1 954	149.0%	(643)	It was noted that expenditure reported for the Expanded Public Works Programme Grant exceeded the allocation transferred to the municipality by 49 percent as at the end of June 2019 indicating that the excess was funded by the municipality from its own resources.
Municipal Infrastructure Grant	22 549	30 048	133.3%	(7 499)	It was noted that expenditure reported for the Municipal Infrastructure Management Grant exceeded the allocation transferred to the municipality by 33.3 percent as at the end of June 2019 indicating that the excess was funded by the municipality from its own resources.
Integrated National Electrification Programme Grant	17 914	14 561	81.3%	3 353	Failure to spend conditional grants might result in the grant being paid back to the National Revenue Fund at the end of the financial year which might also affect future grant allocations. The municipality is therefore advised to ensure that an application for a rollover of committed funds is prepared and submitted to National Treasury by 31 August 2019 in line with Section 22(2) of the 2019 Division of Revenue Act (DoRA) and MFMA Circular No. 94 read in conjunction with the annexure to MFMA Circular No. 86.

1 Expenditure by munis.

Table 4.10 (i) Debtors, Creditors and Key ratios - Greater Kokstad Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	70 236		
Debtors as at 30 June 2019	68 750	-2.1%	Debtors at at 30 June 2019 have decreased by 2.1 percent as compared to the 2017/18 financial year. It should however be noted that Debtors of R68.8 million appear to be understated in relation to the closing 2017/18 financial year balance, billed revenue of R263.9 million for Property rates, Service charges and Interest on outstanding debtors and cash receipts of R198.1 million for Property rates and Service charges as per the MFMA Section 71 report.
<u>By age analysis</u>			
0-30 days	16 044	23.3%	
31-60 days	7 802	11.3%	
61-90 days	3 627	5.3%	
>90 days	41 277	60.0%	The significant portion of outstanding debtors relates to unpaid Property rates by Households and Commercial customers. The debtors collection rate was very low at 22 percent at the end of June 2019 indicating the serious challenge that the municipality is facing with collecting long outstanding debtors. Provincial Treasury is concerned that Property rates revenue is significant for the sustainability of the municipality which is not grant dependent therefore failure to collect what is due to the municipality could lead to cash flow challenges in the near future.
Total by age analysis	68 750	100.0%	
<u>By customer group</u>			
Organs of state	3 672	5.3%	
Commercial	18 316	26.6%	
Households	37 559	54.6%	
Other	9 202	13.4%	
Total by customer group	68 750	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	8 493		
Creditors as at 30 June 2019	(114)	-101.3%	The municipality indicated that the negative figures reflected in the MFMA Section 71 report are due to reversal of cancelled orders in the system which were not yet cleared when the municipality reported the Creditors and will corrected in the Annual Financial Statements . The Creditors reported as at 30 June 2019 appear to be significantly understated in comparison with the Creditors of R8.5 million as per the 2017/18 audited AFS suggesting that the municipality excluded a number of payables when submitting the Creditors return for June 2019.
<u>By age analysis</u>			
0-30 days	(113)	-	
>30 days	(1)	-	
Total by age analysis	(114)	-	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	42.2%	The ratio of 42.2 percent appears to be above the norm however, total Operating expenditure was understated due to low expenditure on Debt impairment and Other expenditure as well as zero expenditure on Depreciation and asset impairment. The rate is therefore not a true reflection of the actual performance.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	83.4%	The ratio of 83.4 percent indicates that the municipality does not depend on grants to fund its Operating expenditure.
Own funded capital expenditure	-	42.5%	The ratio of 42.5 percent appears to indicate that the municipality depends on grants to fund its Capital expenditure however, the ratio is distorted due to low expenditure on internally funded projects which had to be stopped due to low revenue collection.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	23.7%	The ratio of 23.7 percent appears to be above the norm however, the ratio is distorted as a result of the understatement of Operating expenditure.

1 As per the 2017/18 Audited Annual Financial Statements (AFS)

4.10.3 Analysis per Municipality: uBuhlebezwe Local Municipality

Table 4.10 (j) Operating Revenue and Expenditure Performance - uBuhlebezwe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	36 002	21 927	19 852	90.5	It was noted that during the month of March 2019, the municipality reported R2 730 as billed Property rates revenue which does not appear to be correct. The municipality indicated that Property rates revenue reported was understated and the actual amount generated will be correctly presented in the 2018/19 Annual Financial Statements (AFS).
Service Charges ¹	2 090	2 000	1 591	79.6	The municipality reported revenue generated of R142 964 under Service charges - sanitation and R451 183 under Service charges - other which were not budgeted for. The municipality indicated that the amounts were misallocated and should be reflected under Service charges - refuse. Furthermore, the municipality indicated that the overall revenue generation of 79.6 percent on Service charges is attributable to errors in the billing system. The municipality is currently working with the service provider to correct the errors to ensure that correct figures are reflected in the 2018/19 AFS.
Transfers recognised - operational	122 380	142 131	124 960	87.9	The Adjusted Budget was overstated by R37.3 million which constituted of R16 million for INEP and R21.3 million for Housing which should not have been captured in Table B4 as the municipality was acting on an agency basis for the respective departments.
Other sources of Revenue ²	17 000	20 816	17 523	84.2	It appears that the municipality incorrectly reported revenue generated from Interest earned - external investments under Interest earned - outstanding debtors which was not budgeted for, in the months of April and June 2019. Furthermore, Interest reported at the end of June 2019 of R9 million differs from the Investments register submitted by the municipality for the same period which reflects R14.4 million. The municipality did not provide reasons for under-generation of revenue on Agency services which reflected 46.9 percent, Rental of facilities and equipment which reflected 45.2 percent and the over-generation of Other revenue which reflected 117.1 percent at the end of June 2019. The municipality however indicated that all errors are currently being rectified through the process of journal entries and the correct figures will be reflected in the 2018/19 AFS. The municipality indicated that an amount of R9 178 reported under Gains on disposal of PPE was an error which will be corrected before the 2018/19 AFS is finalised.
Total Operating Revenue	177 473	186 874	163 926	87.7	
Operating Expenditure					
Employee related costs	68 426	67 856	57 546	84.8	The municipality did not provide reasons for low expenditure of 84.8 percent on Employee related costs at the end of June 2019 however, it was noted that there was no expenditure reported during the month of June 2019 which could have affected the year-to-date expenditure.
Remuneration of councillors	9 862	10 359	7 892	76.2	The municipality did not provide reasons for low expenditure of 76.2 percent on Remuneration of councillors at the end of June 2019 however, it was noted that there was no expenditure reported in April, May and June 2019 which could have affected the year-to-date expenditure.
Debt impairment	1 578	1 578	(1)	-	The municipality indicated that Debt impairment is calculated and adjusted accordingly at the end of the financial year. At the time of submitting the MFMA Section 71 report for the end of the financial year, the total amount of expenditure incurred for the financial year had not been calculated.
Depreciation and asset impairment	20 000	20 000	9 802	49.0	The municipality indicated that Depreciation and asset impairment reported in the MFMA Section 71 report as at the end of June 2019 is understated and will be corrected during the finalisation of the 2018/19 AFS.
Bulk purchases	-	-	-	-	
Contracted services	21 048	21 022	19 422	92.4	The municipality did not indicate the reasons for spending 92.4 percent of the Adjusted Budget on Contracted services however, the municipality indicated that the expenditure does not appear to be correct and will be investigated to ensure that correct figures are reflected in the 2018/19 AFS.
Other expenditure items ³	45 033	66 072	44 786	67.8	Expenditure of R32 835 which was not budgeted for was reported on Finance charges which the municipality indicated was incorrect and will be corrected before the finalisation of the 2018/19 AFS. The municipality did not provide reasons for low expenditure of 92.7 percent on Other materials, 70.3 percent on Transfers and grants and 62.7 percent on Other. The municipality included expenditure relating to the INEP and Housing grants under Transfers and grants in the Adjusted Budget therefore low expenditure appears to correlate to low revenue generated on Transfers recognised - operational.
Total Operating Expenditure	165 948	186 887	139 447	74.6	
Operating surplus/(deficit)	11 525	(13)	24 479		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.10 (k) Capital, Cash and Conditional grant Performance - uBuhlebezwe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	26 439	31 439	32 399	103.1	The municipality indicated that the unaudited actual for Capital grants reported at the end of June 2019 is slightly overstated for the Municipal Infrastructure Grant (MIG) and understated for Provincial grants and the error will be rectified during the finalisation of the 2018/19 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	40 824	29 461	9 988	33.9	The municipality indicated that low expenditure of 33.9 percent on internally funded projects was due to delays in SCM processes. The municipality however did not provide comprehensive details of the delayed projects or the SCM challenges referred to.
Total Capital Revenue	67 263	60 900	42 387	69.6	
Capital Expenditure					
Governance and Administration	5 238	2 208	954	43.2	
Community and Public Safety	14 188	17 545	10 922	62.3	
Eco. & Environmental Services	46 815	41 147	30 258	73.5	
Trading Services	-	-	252	-	Expenditure of R252 488 reported under Waste water management does not appear to be correct and should be investigated and reallocated to the correct function before the finalisation of the 2018/19 AFS.
Other	1 022	-	-	-	
Total Capital Expenditure	67 263	60 900	42 387	69.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	99 229	82 396	134 944		The opening Cash and cash equivalents is in line with the closing Cash and cash equivalents balance as per 2017/18 unaudited AFS.
Cash/cash equiv. at the year end:	85 795	61 280	292 602		<p>The Cash and cash equivalents at the end of June 2019 of R292.6 million as per the MFMA Section 71 does not agree to the Cash and cash equivalents at the end of June 2019 of R145.4 million as per the additional documents (Investments register and Bank statement) submitted by the municipality.</p> <p>The municipality did not submit the Bank reconciliation as at the end of June 2019. The Investments register reflects a balance of R120.8 million and the Unspent grants register reflects R1.2 million as at 30 June 2019 therefore unspent grants appear to be cash backed.</p> <p>The following which do not appear to be correct were reported in the cash flow by the municipality:</p> <ul style="list-style-type: none"> - Other revenue inflow amounted to 221 percent of the budget; - Government - capital inflow amounted to only 37.8 percent of the budget; - Interest cash inflow amounted to only 49.4 percent of the budget; - Suppliers and employees outflow was only 50.4 percent of the budget; - Transfers and grants outflow was only 25.9 percent of the budget; - Capital assets outflow was only 23.8 percent of the budget; - An amount of R18.4 million which was not budgeted for was reported under Proceeds on disposal of PPE; and - An amount of R38 million which was not budgeted for was reported under Decrease in non current investments.
Net Increase/(Decrease) in cash held	(13 433)	(21 116)	157 659		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 970	1 970	100.0%	-	
Expanded Public Works Programme	1 590	1 590	100.0%	-	
Municipal Infrastructure Grant	26 439	26 439	100.0%	-	
Integrated National Electrification Programme Grant	16 000	16 000	100.0%	-	

1 Expenditure by munis.

Table 4.10 (I) Debtors, Creditors and Key ratios - uBuhlebezwe Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	31 988		
Debtors as at 30 June 2019	-	-100.0%	The municipality did not report on outstanding Debtors as at the end of June 2019 due to challenges with the financial system.
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	
<u>By customer group</u>			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	-	-	
Total by customer group	-	-	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	26 322		
Creditors as at 30 June 2019	8 002	-69.6%	
<u>By age analysis</u>			
0-30 days	8 002	100.0%	Creditors amounting to R8 million reported as per the MFMA Section 71 report at the end of June 2019 do not appear reasonable in relation to Creditors amounting to R26.3 million as per the 2017/18 audited AFS, Operating and Capital expenditure of R172 million, cash payment of R88.3 million for Suppliers and employees, Transfers and grants and Capital assets as per the MFMA Section 71 report.
>30 days	-	-	
Total by age analysis	8 002	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	46.9%	The ratio of 46.9 percent appears to be above the norm however, total Operating expenditure was understated due to low expenditure on Remuneration of councillors, Depreciation and asset impairment and Other expenditure as well as zero expenditure on Debt impairment. The ratio is therefore not a true reflection of the actual performance.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	23.8%	The ratio of 23.8 percent indicates that the municipality is highly dependent on grants to fund its Operating expenditure.
Own funded capital expenditure	-	23.6%	The ratio of 23.6 percent appears to indicate that the municipality depends on grants to fund its Capital expenditure however the ratio is distorted due to low expenditure on internally funded projects.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	23.3%	The ratio of 23.3 percent appears to be above the norm however, the ratio is distorted as a result of the understatement of Operating expenditure.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.10.4 Analysis per Municipality: uMzimkhulu Local Municipality

Table 4.10 (m) Operating Revenue and Expenditure Performance - uMzimkhulu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	9 798	7 722	8 561	110.9	According to the municipality, there was a property that was incorrectly billed R1.1 million for Property rates in the 2018/19 financial year. The municipality further indicated that a correcting journal entry will be passed, the Month 12 return will be resubmitted to the Local Government database and the correct amount reflected in the 2018/19 Annual Financial Statements (AFS).
Service Charges ¹	2 915	2 854	3 456	121.1	The municipality indicated that the reported over-performance of R3.5 million or 121.1 percent was the result of incorrectly reducing the budget in the 2018/19 Adjustments Budget. It must be noted that reported Revenue earned from Service charges - refuse revenue was R1.6 million or 55.7 percent which was slightly above the projections of R1.5 million or 50 percent of the Approved Budget as at Mid-Year. The municipality was therefore requested to consider adjusting the budget upwards in the Adjustments Budget if the revenue generation trend as at Mid-Year was expected to be maintained over the rest of the financial year however, the budget was adjusted downwards by R62 000 in the Adjustments Budget and there were no reasons indicated for the downward adjustment.
Transfers recognised - operational	174 931	174 938	174 873	100.0	
Other sources of Revenue ²	14 483	19 966	20 191	101.1	
Total Operating Revenue	202 127	205 480	207 081	100.8	
Operating Expenditure					
Employee related costs	90 961	95 966	91 441	95.3	
Remuneration of councillors	15 365	14 908	14 893	99.9	
Debt impairment	3 800	3 800	-	-	The municipality did not report any expenditure against Debt impairment which is due to the municipality only accounting for Debt impairment only at the end of the financial year. The municipality is encouraged to account for Debt impairment on a monthly basis in order to avoid the possibility of understatements or unauthorised expenditure at the end of the financial year.
Depreciation and asset impairment	50 638	52 321	48 784	93.2	The municipality attributed the reported under-performance of R48.8 million or 93.2 percent on Depreciation and asset impairment to the Infrastructure assets that have not yet been capitalised which were planned to be capitalised by 30 June 2019 in the Adjustments Budget. The completion certificates have not yet been received for these projects.
Bulk purchases	-	-	-	-	
Contracted services	50 638	48 589	34 594	71.2	The municipality attributed the under-performance of R34.6 million or 71.2 percent on Contracted services to the Contractor's poor performance in the maintenance of the Ward 13 Hall and the lower than expected performance from the Zwelinzima sports field contractor.
Other expenditure items ³	57 750	60 311	43 398	72.0	Reported under-performance of R43.4 million or 72 percent from Other expenditure items was attributed to low expenditure of 14.4 percent on Transfers and grants, 34.5 percent on Other materials and 84 percent on Other expenditure. The municipality attributed the reported under-expenditure on Other materials to delays in the appointment of service providers for certain projects that were budgeted to be implemented in the 2018/19 financial year which will now be implemented in the 2019/20 financial year. The municipality indicated that they are still awaiting the approval from the Department of Human Settlement to utilise the R10.4 million which was included in the Transfers and grants budget. The municipality further indicated that cost cutting savings were realised on Other expenditure which resulted in the under-expenditure.
Total Operating Expenditure	269 152	275 896	233 109	84.5	
Operating surplus/(deficit)	(67 025)	(70 416)	(26 028)		

Source: NT Igdatabase

¹ Includes Services Charges - electricity, water, sanitation, refuse and other

² Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

³ Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.10 (n) Capital, Cash and Conditional grant Performance - uMzimkhulu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	50 386	50 886	35 632	70.0	The municipality attributed the reported under-performance of 70 percent to poor performance by the contractors as the expectation was for the last project of the 2018/19 financial year to be completed by the end of May 2019 and indicated that roll-over applications will therefore be submitted to National Treasury since the funds are committed to identifiable projects which are in progress.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	41 364	44 653	29 529	66.1	The reported under-performance of 66.1 percent on projects funded internally was attributed to delays in the internal processes.
Total Capital Revenue	91 750	95 539	65 162	68.2	
Capital Expenditure					
Governance and Administration	8 005	5 100	2 878	56.4	
Community and Public Safety	1 940	8 970	290	3.2	
Eco. & Environmental Services	70 155	76 364	61 994	81.2	
Trading Services	11 650	5 106	-	-	
Other	-	-	-	-	
Total Capital Expenditure	91 750	95 539	65 162	68.2	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	159 325	206 384	206 384		The opening Cash and cash equivalents is in line with the closing Cash and cash equivalents as per the 2017/18 AFS.
Cash/cash equiv. at the year end:	98 900	159 517	222 314		The unaudited actual cash balance of R222.3 million at year end as per the MFMA Section 71 report appears to be overstated when compared to R188.7 million as per the Bank reconciliation and Investments register as at 30 June 2019. The Unspent grants balance is R40.7 million as per the Grants register therefore the Net available cash is R148 million as at 30 June 2019.
Net Increase/(Decrease) in cash held	(60 425)	(46 867)	15 929		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme	2 324	2 324	100.0%	-	
Municipal Infrastructure Grant	42 536	33 098	77.8%	9 438	The municipality attributed the reported under-performance of 77.8 percent to poor performance by the contractors as the expectation was for all the 2018/19 financial year projects to be completed by the end of May 2019 and further indicated that a roll-over application will be submitted to National Treasury since the funds are committed to identifiable projects which are in progress.
Integrated National Electrification Programme Grant	15 000	18 175	121.2%	(3 175)	The municipality indicated that the reported unaudited actual amount of R18.2 million includes the 2017/18 financial year approved roll-over expenditure of R5.3 million therefore, the unaudited actual expenditure relating to the 2018/19 financial year allocation of R15 million is R12.9 million or 86.1 percent. As a result, the municipality will submit a roll-over application to National Treasury for the R2.1 million unspent Integrated National Electrification Programme (INEP) Grant as the funds are committed to identifiable projects which are in progress.

¹ Expenditure by munis.

Table 4.10 (o) Debtors, Creditors and Key ratios - uMzimkhulu Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/	
Debtors as at 30 June 2018 ¹	9 761		
Debtors as at 30 June 2019	8 753	-10.3%	The unaudited Debtors balance of R8.8 million as at 30 June 2019 reflects an improvement in collections in relation to the balance as per the 2017/18 audited AFS of R9.8 million. However, the Debtors balance of R8.8 million appears to be understated in relation to the opening Debtors balance as per the 2017/18 AFS, billed Revenue of R12.4 million for Property rates, Service charges and Interest earned - outstanding debtors and the cash receipts of R7.7 million as per the MFMA Section 71 report.
<u>By age analysis</u>			
0-30 days	600	6.8%	
31-60 days	333	3.8%	
61-90 days	290	3.3%	
>90 days	7 531	86.0%	The majority of the Debtors balance of 86 percent is outstanding for more than 90 days as at 30 June 2019. The municipality indicated that the data cleansing exercise is an ongoing process which is anticipated to assist in reducing the long outstanding Debtors. Furthermore, the 25.4 percent outstanding debt due from Organs of state is mainly in relation to the Section 14 schools where there are still challenges as to which department is responsible for payments between the KZN Department of Education and the KZN Department of Public Works. Moreover, the 66.8 percent Debtors that are due from Households constitutes a significant amount of outstanding Debtors of R8.8 million. The municipality is actively providing awareness campaigns and incentives in order to improve collection however there have not yet been any major improvements. The awareness campaigns and other efforts to reduce the Debtors balance will be intensified in the 2019/20 financial year as per the municipality.
Total by age analysis	8 753	100.0%	
<u>By customer group</u>			
Organs of state	2 220	25.4%	
Commercial	687	7.9%	
Households	5 845	66.8%	
Other	-	-	
Total by customer group	8 753	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018 ¹	9 376		
Creditors as at 30 June 2019	16 138	72.1%	Creditors of R16.1 million as at 30 June 2019 increased by R6.8 million or 72.1 percent as compared to 30 June 2018. The total Creditors are outstanding for less than 30 days which is in line with Section 65(2)(e) of the MFMA which requires the municipality to pay its creditors within 30 days of receipt of invoice.
<u>By age analysis</u>			
0-30 days	16 138	100.0%	
>30 days	-	-	
Total by age analysis	16 138	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	45.6%	The ratio of 45.6 percent is above the norm however, it must be noted that the Total operating expenditure is currently understated as a result of reporting nil Debt impairment expenditure therefore the ratio is slightly distorted. The inclusion of Debt impairment of R3.8 million as per the Adjusted Budget will result in the ratio decreasing to 44.9 percent which is still above the norm. The ratio in excess of the norm could indicate inefficiencies, overstaffing or even incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. It is therefore vital that the municipality investigate the ratio and that it is kept within the norm.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	15.6%	The ratio of 15.6 percent indicates that although the municipality can finance some of its operating activities through own sources of revenue, the municipality is still highly reliant on grant funding.
Own funded capital expenditure	-	45.3%	The ratio of 45.3 percent indicates that the municipality is reliant on grants to fund Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	21.8%	The ratio of 21.8 percent reflects higher spending on infrastructure and acceleration in service delivery. The higher spending on infrastructure could also increase financial sustainability risks if the infrastructure does not include revenue generating infrastructure. Furthermore, it must be noted that the Total operating expenditure is currently understated as a result of reporting nil Debt impairment expenditure therefore the ratio is slightly distorted.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.10.5 Analysis per Municipality: Dr. Nkosazana Dlamini Zuma Local Municipality

Table 4.10 (p) Operating Revenue and Expenditure Performance - Dr Nkosazana Dlamini Zuma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	36 215	35 656	31 338	87.9	The municipality indicated that upon investigation it was noted that there were properties which were not supposed to be billed and were reversed in the system. The municipality stopped billing the properties after the Adjusted Budget had already been approved therefore the budget for the 2018/19 financial year was inflated.
Service Charges ¹	3 732	2 790	3 334	119.5	The municipality indicated that the over-generation of revenue will be investigated to ensure that the correct amount is reflected in the 2018/19 Annual Financial Statements (AFS). However, based on the MFMA Section 71 monthly reports, it appears that the municipality might have under-budgeted for Service charges - refuse.
Transfers recognised - operational	120 150	126 879	126 957	100.1	
Other sources of Revenue ²	18 068	18 492	17 643	95.4	The municipality indicated that the budgeted amount for Rental of facilities and equipment included housing rental for two Senior Managers who could not assume duties in the 2018/19 financial year due to delays in the recruitment process hence revenue generated was at 72.5 percent at the end of June 2019. Interest on investments of 109.5 percent reported by the municipality in the MFMA Section 71 report exceeded the budget by 9.5 percent as the municipality generated more interest than anticipated during the 2018/19 financial year. The municipality did not provide reasons for generating only 60.1 percent on Interest earned - outstanding debtors, 59.4 percent on Other own revenue and for exceeding the budget by 731 percent on Fines, penalties and forfeits at the end of June 2019. The municipality indicated that following the criminal investigations on the licencing department of the municipality, the revenue for Licences and permits declined as people used other centres for services such as learners and drivers licences hence the municipality generated only 68.7 percent at the end of June 2019. The municipality indicated that the process of auctioning some of the vehicles was delayed till April 2019 hence revenue reported on Gains on disposal of PPE was only R1.1 million or 29.8 percent of the Adjusted Budget of R3.8 million.
Total Operating Revenue	178 165	183 817	179 272	97.5	
Operating Expenditure					
Employee related costs	55 356	55 156	50 456	91.5	The municipality attributed the low spending to two Senior Manager positions being vacant in the 2018/19 financial year.
Remuneration of councillors	11 991	11 991	11 229	93.6	The municipality indicated that the resolution taken by Council to hold most of the meetings within the municipality as part of implementing Cost containment measures reduced the Subsistence and travelling expenditure for Councillors drastically.
Debt impairment	4 340	1 390	3 662	263.5	The municipality indicated that the long outstanding debt for Natal Midlands had to be written off following a court ruling which declared the company insolvent. The municipality recovered only R2 million of the R5.6 million outstanding and the remaining amount had to be written off. Moreover, the municipality indicated that the Debt impairment expenditure will still be calculated and reflected correctly in the 2018/19 AFS.
Depreciation and asset impairment	21 402	22 514	21 924	97.4	
Bulk purchases	-	-	(0)	-	A negative amount of R110 which does not appear to be correct was reflected under Bulk purchases.
Contracted services	36 744	40 283	26 671	66.2	The municipality indicated that the implementation of the Regulation on Cost containment measures resulted in the municipality implementing some of the services in-house which reduced the expenditure for Contracted services drastically.
Other expenditure items ³	37 890	36 983	30 287	81.9	The municipality indicated that the implementation of the Regulation on Cost containment measures resulted in the municipality implementing mainly the essential services related expenditure which reduced the expenditure for Other materials (32.2 percent) and Other (85 percent) drastically.
Total Operating Expenditure	167 723	168 317	144 229	85.7	
Operating surplus/(deficit)	10 441	15 500	35 042		

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors, Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.10 (q) Capital, Cash and Conditional grant Performance - Dr Nkosazana Dlamini Zuma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	26 666	26 292	26 667	101.4	The Municipal Infrastructure Grant (MIG) allocation was incorrectly reduced by R374 000 in the Adjusted Budget therefore the amount generated has not actually exceeded the budget.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	37 916	45 995	34 551	75.1	The municipality indicated that there was a delay in the procurement of the Fire Truck as a result of the appointed supplier who could not build the engine to the required specification and the inability to obtain suitable contractors to build the Fire Station hence the low expenditure on internally funded projects. The two projects will be finalised in the 2019/20 financial year.
Total Capital Revenue	64 582	72 287	61 217	84.7	
Capital Expenditure					
Governance and Administration	5 194	7 417	3 714	50.1	
Community and Public Safety	8 193	7 739	3 868	50.0	
Eco. & Environmental Services	51 196	57 131	53 636	93.9	
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	64 582	72 287	61 217	84.7	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	32 192	88 957	88 836		The opening Cash and cash equivalents as per the MFMA Section 71 report is in line with the closing Cash and cash equivalents balance as per the 2017/18 audited AFS.
Cash/cash equiv. at the year end:	40 310	66 949	121 808		The unaudited actual cash of R121.8 million at year end as per the MFMA Section 71 report appears to be slightly overstated when compared to the Bank reconciliation and Investments register submitted by the municipality as at 30 June 2019 which reflects R121.7 million. The Net cash position at 30 June 2019 as per the Bank reconciliation, Investments register and Unspent grants register amounts to R116.6 million. Unspent conditional grants amounting to R5.1 million as per Grants register as at 30 June 2019 therefore appear to be sufficiently cash backed. Furthermore, it was noted that Government - capital was budgeted at R26.7 million whilst R40.2 million cash inflow was reported which does not appear to be correct.
Net Increase/(Decrease) in cash held	8 118	(22 008)	32 972		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	3 870	3 870	100.0%	-	
Expanded Public Works Programme	1 596	1 596	100.0%	-	
Municipal Infrastructure Grant	26 666	26 666	100.0%	-	
Integrated National Electrification Programme Grant	13 540	13 540	100.0%	-	

¹ Expenditure by munis.

Table 4.10 (r) Debtors, Creditors and Key ratios - Dr Nkosazana Dlamini Zuma Local Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	51 797		
Debtors as at 30 June 2019	51 270	-1.0%	Debtors as at 30 June 2019 have decreased by 1 percent as compared to the 2017/18 financial year. It should however be noted that Debtors of R51.3 million appear to be understated in relation to the closing 2017/18 balance, billed revenue of R36.2 million for Property rates, Service charges and Interest on outstanding Debtors and cash receipts of R27.8 million for Property rates and Service charges as per the MFMA Section 71 report.
<u>By age analysis</u>			
0-30 days	2 064	4.0%	
31-60 days	1 981	3.9%	
61-90 days	1 741	3.4%	
>90 days	45 484	88.7%	
Total by age analysis	51 270	100.0%	The municipality indicated that all internal debt collection strategies as per the Credit Control and Debt Collection Policy were exhausted with not much change in the Debtors book. The final stage of handing over defaulters to external attorneys could not be undertaken as the municipality was still in the process of finalising the appointment of the attorneys. Furthermore, the municipality indicated that they uncovered properties which were unlawfully/incorrectly billed in the system which could indicate that the data cleansing exercise was not adequately conducted.
<u>By customer group</u>			
Organs of state	13 225	25.8%	
Commercial	6 988	13.6%	
Households	17 490	34.1%	
Other	13 567	26.5%	
Total by customer group	51 270	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	18 009		
Creditors as at 30 June 2019	-	-100.0%	
<u>By age analysis</u>			
0-30 days	-	-	
>30 days	-	-	
Total by age analysis	-		The municipality captured the Creditors return for June 2019 incorrectly resulting in the database reading it as a nil return. As per the return, Creditors amounted to R13.6 million at the end June 2019 which appears to be understated in relation to the opening balance as per the 2017/18 AFS, Operating and Capital expenditure of R179.8 million and cash payments of R175.3 million for Suppliers and employees, Transfers and grants and Capital assets as per the MFMA Section 71 report.
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % ... of Total operating expenditure	25% - 40%	42.8%	The ratio of 42.8 percent slightly exceeds the norm of 40 percent which could indicate overstaffing.
<u>Grant dependency</u>			
Own sources of revenue ... to total operating revenue	-	29.2%	The ratio of 29.2 percent indicates that although the municipality can finance some of the operating activities through own sources of revenue, it is still highly reliant on grant funding.
Own funded capital expenditure	-	56.4%	The ratio of 56.4 percent indicates that the municipality does not entirely depend on grants to finance its Capital projects.
<u>Asset Management</u>			
Capital Expenditure ... to Total expenditure	10% - 20%	29.8%	The ratio of 29.8 percent indicates that the municipality appears to be spending more on infrastructure and accelerating service delivery. The higher spending on infrastructure could increase financial sustainability risks if the infrastructure does not include revenue generating infrastructure.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

4.10.6 Analysis per Municipality: Harry Gwala District Municipality

Table 4.10 (s) Operating Revenue and Expenditure Performance - Harry Gwala District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	–	–	–	–	
Service Charges ¹	59 157	82 841	68 300	82.4	It was noted that the municipality significantly increased the budget for Service charges in the Adjusted Budget to unreasonable high figures which was not justified thereby resulting in the under-performance. Furthermore, the municipality indicated that there were billing errors on Service charges reported.
Transfers recognised - operational	328 823	361 595	189 290	52.3	The actual performance reported appears to be understated as the municipality did not report any revenue from Transfers recognised - operational as from January 2019 in the MFMA Section 71 report. Furthermore, the reported amount does not agree to the MFMA Grants monitoring schedule which reflects Operating grants revenue of R321.4 million.
Other sources of Revenue ²	21 522	19 799	17 289	87.3	According to the municipality, the under-performance was caused by the negative revenue figures reported in February and March 2019 which resulted in the understatement of Other revenue. The figures will be corrected during the finalisation of the 2018/19 Annual Financial Statements (AFS).
Total Operating Revenue	409 502	464 235	274 879	59.2	
Operating Expenditure					
Employee related costs	166 778	188 491	181 982	96.5	
Remuneration of councillors	6 848	7 013	7 135	101.7	
Debt impairment	25 266	5 961	–	–	No expenditure was reported for Debt impairment despite the municipality being advised by Provincial Treasury to report expenditure on a monthly basis to avoid misstatements or unauthorised expenditure at the end of the year.
Depreciation and asset impairment	41 944	37 856	47 593	125.7	The credibility of the actual performance reported is questionable since R36.9 million or 77.5 percent of the R47.6 million was reported only in January 2019 as the municipality was not reporting on Depreciation and asset impairment consistently over the financial year. The municipality did not provide the explanation for the over-expenditure reported.
Bulk purchases	15 000	12 876	10 529	81.8	Bulk purchases appears to be understated as no expenditure was reported for November 2018 whilst exactly R443 628 was reported for both February and March 2019 and R443 509 was reported for May 2019 which appears to be low in comparison to the rest of the months. The municipality did not provide the explanation for the under-expenditure reported.
Contracted services	34 510	139 387	60 680	43.5	The municipality indicated that the reason for the low performance is that a portion of the Contracted services expenditure was misallocated to Other expenditure which will be corrected during the finalisation of the 2018/19 AFS.
Other expenditure items ³	111 349	68 117	103 767	152.3	The municipality indicated that the reason for the over-expenditure is that some Contracted services expenditure was misallocated to Other expenditure which will be corrected during the finalisation of the 2018/19 AFS.
Total Operating Expenditure	401 696	459 701	411 685	89.6	
Operating surplus/(deficit)	7 807	4 534	(136 806)		The Operating deficit of R136.8 million is misstated due to the understatement of Transfers recognised - operational revenue and Operating expenditure as identified above.

Source: NT Igdatabase

1 Includes Services Charges - electricity, water, sanitation, refuse and other

2 Includes Rental of facilities and equipment, Interest earned - external investments, Interest earned - outstanding debtors,

Dividends received, Fines, Penalties and Forfeits, Licences and permits, Agency services, Other own revenue and Gains on disposal of PPE

3 Includes Finance charges, Transfers and grants, Other materials, Other expenditure and Loss on disposal of PPE

Table 4.10 (t) Capital, Cash and Conditional grant Performance - Harry Gwala District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	341 982	322 016	282 792	87.8	According to the municipality, it was noted that the under-expenditure resulted from the delays and disruptions in implementing the Municipal Infrastructure Grant (MIG) funded projects due to community protests which delayed the expenditure.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	7 807	5 476	3 892	71.1	
Total Capital Revenue	349 789	327 492	286 685	87.5	
Capital Expenditure					
Governance and Administration	4 310	450	3 447	766.0	The Adjusted Budget was reduced to unreasonable low figure which could not be substantiated by the municipality and resulted in the over-expenditure when compared to the budget.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	497	-	284	-	
Trading Services	342 482	327 042	282 954	86.5	
Other	2 500	-	-	-	
Total Capital Expenditure	349 789	327 492	286 685	87.5	According to the municipality, it was noted that the under-expenditure resulted from the delays and disruptions in implementing the MIG funded projects due to community protests which delayed the expenditure.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	43 023	100 003	96 962		The opening Cash and cash equivalents amount of R97 million appears to be understated when compared to the 2017/18 AFS which reflects R112.3 million. The municipality did not report the consolidated information as the municipal entity's figures were omitted.
Cash/cash equiv. at the year end:	65 034	13 306	58 374		The municipality did not submit the Bank reconciliation and investments register as at 30 June 2019 therefore the Cash/cash equivalents at the year end could not be confirmed.
Net Increase/(Decrease) in cash held	22 011	(86 697)	(38 588)		
National Conditional Grant					
	Total Avail. 2018/19	Unaudited Actual	% Spent¹	Amount Unspent/ (Overspent)	
Financial Management Grant	1 000	1 000	100.0%	-	
Expanded Public Works Programme	2 518	2 306	91.6%	212	The municipality did not provide reasons for the under-expenditure on Expanded Public Works Programme grant.
Municipal Infrastructure Grant	196 587	174 223	88.6%	22 364	According to the municipality, it was noted that the under-expenditure resulted from the delays and disruptions in implementing the MIG funded projects due to community protests which delayed the expenditure.
Water Services Infrastructure Grant	100 400	73 416	73.1%	26 984	The municipality indicated that the Water Services Infrastructure Grant has been spent in full and the correct figure will be reported in the 2018/19 AFS.

¹ Expenditure by munis.

Table 4.10 (u) Debtors, Creditors and Key ratios - Harry Gwala District Municipality

R'000	Amount	% of Total debt / payables	Comments
Debtors			
		% Increase/ Decrease	
Debtors as at 30 June 2018¹	181 641		
Debtors as at 30 June 2019	177 643	-2.2%	Debtors decreased from R181.6 million in the 2017/18 AFS to R177.6 million in June 2019. The reasonability of the Debtors balance in relation to the billing and cash collection on Service charges could not be confirmed as the municipality indicated that there were billing errors on Service charges reported.
By age analysis			
0-30 days	8 308	4.7%	
31-60 days	6 675	3.8%	
61-90 days	6 101	3.4%	
>90 days	156 559	88.1%	Debtors outstanding for longer than 90 days amount to R156.6 million or 88.1 percent of total Debtors. It appears that the municipality is failing to implement the credit control and collection strategies to recover long outstanding debtors.
Total by age analysis	177 643	100.0%	
By customer group			
Organs of state	8 760	4.9%	
Commercial	10 852	6.1%	
Households	158 031	89.0%	The portion of total outstanding Debtors that relates to Households is 89 percent which appears to be significant. The municipality indicated that the significant balance relates largely to long outstanding Debtors and is attributable to the poor payment culture from the households that are amongst other factors, affected by the high rate of unemployment.
Other	-	-	
Total by customer group	177 643	100.0%	
Creditors			
		% Increase/ Decrease	
Creditors as at 30 June 2018¹	154 818		
Creditors as at 30 June 2019	14 223	-90.8%	The Creditors balance of R14.2 million appears to be understated in comparison to Trade and other payables of R154.8 million as per the 2017/18 AFS which suggests that the municipality excluded a number of Trade and other payables categories when the Trade and other payables return for June 2019 was submitted.
By age analysis			
0-30 days	11 068	77.8%	
>30 days	3 155	22.2%	
Total by age analysis	14 223	100.0%	The Creditors balance of R3.2 million or 22.2 percent was outstanding for more than 30 days in contravention of Section 65(2)(e) of the MFMA which requires the municipality to pay the creditors within 30 days of receiving either the invoice or the statement from the supplier.
Key Ratios			
	Norm/ Range	% Actual	
Expenditure management			
Remuneration as a % ... of Total operating expenditure	25% - 40%	45.9%	Remuneration as a percentage of total Operating expenditure is 45.9 percent which is in excess of the norm range of between 25 to 40 percent. However, the municipality did not capture all Operating expenditure for the year such as Depreciation and asset impairment and Debt impairment therefore the ratio is distorted.
Grant dependency			
Own sources of revenue ... to total operating revenue	-	31.1%	The ratio of 31.1 percent for Own sources of revenue indicates that the municipality is highly grant dependent. The ratio could be higher as the municipality appears to have understated Transfers recognised - operational in the MFMA Section 71 report.
Own funded capital expenditure	-	1.4%	The ratio of 1.4 percent indicates that the municipality is highly dependent on grants to fund Capital expenditure.
Asset Management			
Capital Expenditure ... to Total expenditure	10% - 20%	41.1%	The ratio of 41.1 percent is above the norm of 20 percent. It was noted that the municipality did not capture all Operating expenditure for the year such as Depreciation and asset impairment and Debt impairment therefore the current ratio is not a true reflection of the municipality's performance.

¹ As per the 2017/18 Audited Annual Financial Statements (AFS)

Chapter 5: MFMA Implementation

5.1 2018/19 Mid-Year Budget and Performance Assessment Reports and Adjustments Budgets

5.1.1 Background

Section 72(1)(a) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) states that *the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year.* Section 72(3) of the MFMA further requires that *the accounting officer must, as part of the review, make recommendations as to whether an adjustments budget is necessary.* Section 28(1) of the MFMA states that *a municipality may revise an approved annual budget through an Adjustments Budget.* Section 28(2)(a-g) of the MFMA provides the circumstances for which municipalities would need to adjust their annual budgets.

To ensure compliance with the requirements of the MFMA as well as the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury issued Circular PT/MF 8 of 2018/19 dated 13 December 2018 to all delegated municipalities providing guidance on the following:

- Preparation of the 2018/19 Mid-Year Budget and Performance Assessment Report;
- Format for the Mid-Year Budget and Performance Assessment Report;
- Engagements with municipalities on the Mid-Year Budget and Performance Assessment Reports;
- The 2018/19 Adjustments Budget Process;
- Impact of the mSCOA Regulations on the Adjustments Budget Process;
- The 2018/19 Adjusted Allocations;
- Separation of tabling dates for the Mid-Year Budget and Performance Assessment Report and the Adjustments Budget;
- Submission of the 2018/19 Mid-Year Budget and Performance Assessment Report and the 2018/19 Adjustments Budget; and
- Publication of the 2018/19 Mid-Year Budget and Performance Assessment Report and the 2018/19 Adjustments Budget.

Subsequently in January 2019, Provincial Treasury provided municipalities with a checklist in order to assist the municipalities in the preparation of their Section 72 Mid-Year Budget and Performance Reports as well as their Adjustments Budgets.

5.1.2 Process for the submission, tabling and assessment of the 2018/19 Mid-Year Budget and Performance Assessment Reports

Submission of the 2018/19 Mid-Year Budget and Performance Assessment Reports

As at 25 January 2019, 49 of the 51 delegated municipalities had submitted their 2018/19 Mid-Year Budget and Performance Assessment Reports to Provincial Treasury. Non-compliance letters were issued to the uMkhanyakude District Municipality and the uMshwathi Local Municipality as they were the only municipalities that did not submit their 2018/19 Mid-Year Budget and Performance Assessments Reports to Provincial Treasury by this date, thereby contravening Section 72(1)(b)(iii) of the MFMA.

The uMkhanyakude District Municipality and the uMshwathi Local Municipality subsequently submitted their 2018/19 Mid-Year Budget and Performance Assessment Reports to the Provincial Treasury on 28 January 2019 and 29 January 2019 respectively.

A further three non-compliance letters were issued to the iMpendle, the uBuhlebezwe and the Dr. Nkosazana Dlamini Zuma Local Municipalities as their 2018/19 Mid-Year Budget and Performance Assessment Reports submitted to Provincial Treasury were not in the prescribed format as required in terms of Regulation 33 of the MBRR and did not include the required tables and supporting documentation as per the said regulation.

Alignment of the 2018/19 Mid-Year Budget and Performance Assessment Reports figures to the figures reflected in the MFMA Section 71 Reports (Returns)

The PT Circular issued on 13 December 2018, amongst others, emphasised the importance of ensuring perfect alignment between the figures reflected in the MFMA Section 71 Report for the first six months of the financial year, the figures in the Month 6 mSCOA data strings and the figures reflected on the MFMA Section 72 Mid-Year Budget and Performance Assessment Report submitted to the Mayor, National Treasury and Provincial Treasury.

Despite this request, the MFMA Section 71 Reports for the first 6 months of the financial year submitted by the municipalities as shown in Table 5.1 were not fully aligned to the MFMA Section 72 Mid-Year Budget and Performance Assessment Reports submitted to the Mayors, the National Treasury and Provincial Treasury.

Table 5.1: List of the 42 municipalities with figures in their 2018/19 Mid-Year Budget and Performance Assessment Reports which did not fully align to the figures reflected in their MFMA Section 71 Reports (Returns)

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	15	eNdumeni	29	Jozini
2	uMzumbe	16	Nquthu	30	Mtubatuba
3	uMuziwabantu	17	uMsinga	31	Big Five Hlabisa
4	Ray Nkonyeni	18	uMvoti	32	uMkhanyakude DM
5	uMshwathi	19	uMzinyathi DM	33	uMfolozi
6	Mpofana	20	eMadlangeni	34	Mthonjaneni
7	iMpendle	21	Amajuba DM	35	Nkandla
8	Mkhambathini	22	eDumbe	36	King Cetshwayo DM
9	Richmond	23	uPhongolo	37	Mandeni
10	uMgungundlovu DM	24	AbaQulusi	38	Maphumulo
11	Okhahlamba	25	Nongoma	39	Greater Kokstad
12	iNkosi Langalibalele	26	Ulundi	40	uBuhlebezwe
13	Alfred Duma	27	Zululand DM	41	Dr. Nkosazana Dlamini Zuma
14	uThukela DM	28	uMhlabyalingana	42	Harry Gwala DM

Source: KZN Provincial Treasury

Tabling of the 2018/19 Mid-Year Budget and Performance Assessment Reports

All delegated municipalities tabled their 2018/19 Mid-Year Budget and Performance Assessments Reports to Council by 31 January 2019 as required by Section 54(1)(f) of the MFMA.

Uploading of the 2018/19 Mid-Year Budget and Performance Assessment Reports to the municipal websites

Non-compliance letters were issued to uMshwathi, Mpofana, uMfolozi and Nkandla Local Municipalities as they did not upload their 2018/19 Mid-Year Budget and Performance Assessment

Reports on their municipal websites within 5 days of 25 January 2019, as required by Regulation 34(1) of the MBRR read together with Section 75(2) of the MFMA.

Engagements on the 2018/19 Mid-Year Budget and Performance Assessment Reports

In line with the monitoring and oversight roles in terms of Section 5 of the MFMA, Provincial Treasury conducted bi-lateral engagements with the delegated municipalities on their 2018/19 Mid-Year Budget and Performance Assessment Reports. The aim of the engagements was to assess and review the progress made on the implementation of the 2018/19 Approved Budgets as well as to influence the 2018/19 Adjustments Budget process.

The following key focus areas were on the agenda for the engagements, amongst others:

- The actual mid-year results for the 2018/19 financial year;
- Cash flow position as at mid-year of the 2018/19 financial year;
- Performance and spending of all National and Provincial Conditional Grants and progress made in achieving the grant conditions for the 2018/19 financial year;
- Progress made on the preparation of the 2018/19 Revised Procurement Plan;
- Progress made on the preparation of the 2019/20 Procurement Plan;
- Quarterly reporting on Irregular expenditure;
- Regulations on Financial Misconduct;
- Functionality of the mSCOA compliant financial systems;
- Status of differences between the 2018/19 Approved Budget and the related data string;
- Results of mSCOA ITEM segment analysis and the impact on the 2018/19 Adjustments Budget;
- The preparation of the 2018/19 Adjustments Budget and inputs thereto;
- The submission of the 2018/19 Adjustments Budget (B Schedule), the Adjustments Budget Returns and the relevant mSCOA data string(ADJB); and
- Progress made in achieving the milestones and timelines specified in the approved 2019/20 Schedule of Key Deadlines for the 2019/20 budget process.

Provincial Treasury's Supply Chain Management (SCM) Unit and Internal Audit Unit were part of the bi-lateral engagements resulting in more detailed and integrated feedback to the municipalities.

A total of 48 engagements on the 2018/19 Mid-Year Budget and Performance Assessment Reports were conducted with delegated municipalities.

Table 5.2 shows the 48 municipalities and the respective dates when they were engaged on their 2018/19 Mid-Year Budget and Performance Assessment Reports.

Table 5.2: List of the 48 municipalities that were engaged on their 2018/19 Mid-Year Budget and Performance Assessment Reports and their respective dates of engagement

No	Name of municipality	Date of Engagement	No	Name of municipality	Date of Engagement	No	Name of municipality	Date of Engagement
1	uMdoni	15-Feb-19	17	Nquthu	13-Feb-19	33	uMkhanyakude DM	20-Feb-19
2	uMzombe	08-Feb-19	18	uMsinga	11-Feb-19	34	uMfolozi	12-Feb-19
3	uMuziwabantu	07-Feb-19	19	uMvoti	12-Feb-19	35	uMlalazi	18-Feb-19
4	Ray Nkonyeni	12-Feb-19	20	uMzinyathi DM	20-Feb-19	36	Mthonjaneni	01-Feb-19
5	uMshwathi	14-Feb-19	21	Newcastle	21-Feb-19	37	Nkandla	14-Feb-19
6	uMngeni	08-Feb-19	22	eMadlangeni	14-Feb-19	38	King Cetshwayo DM	12-Feb-19
7	Mpofana	19-Feb-19	23	Amajuba DM	21-Feb-19	39	Mandeni	19-Feb-19
8	iMpendle	18-Feb-19	24	eDumbe	13-Feb-19	40	KwaDukuza	14-Feb-19
9	Mkhambathini	07-Feb-19	25	uPhongolo	19-Feb-19	41	Ndwedwe	13-Feb-19
10	Richmond	15-Feb-19	26	AbaQulusi	12-Feb-19	42	Maphumulo	15-Feb-19
11	uMgungundlovu DM	19-Feb-19	27	Nongoma	13-Feb-19	43	iLembe DM	18-Feb-19
12	Okhahlamba	13-Feb-19	28	Zululand DM	18-Feb-19	44	Greater Kokstad	18-Feb-19
13	iNkosi Langalibalele	19-Feb-19	29	uMhlabuyalingana	12-Feb-19	45	uBuhlebezwe	20-Feb-19
14	Alfred Duma	15-Feb-19	30	Jozini	11-Feb-19	46	uMzimkhulu	20-Feb-19
15	uThukela DM	11-Feb-19	31	Mtubatuba	21-Feb-19	47	Dr. Nkosazana Dlamini Zuma	14-Feb-19
16	eNdumeni	14-Feb-19	32	Big Five Hlabisa	19-Feb-19	48	Harry Gwala DM	12-Feb-19

Source: KZN Provincial Treasury

Provincial Treasury did not engage with the Dannhauser Local Municipality, Ulundi Local Municipality and Ugu District Municipality due to the unavailability of municipal officials.

The SCM Unit attended the bi-lateral engagements of 24 municipalities listed in Table 5.3, which represents 50 percent of the engagements convened.

Table 5.3: List of the 24 bi-lateral engagements on the 2018/19 Mid-Year Budget and Performance Assessment Reports that were attended by the SCM Unit

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMzombe	9	uThukela DM	17	Mtubatuba
2	Ray Nkonyeni	10	eNdumeni	18	Big Five Hlabisa
3	uMuziwabantu	11	uMvoti	19	KwaDukuza
4	Mkhambathini	12	Newcastle	20	Greater Kokstad
5	Richmond	13	eMadlangeni	21	uBuhlebezwe
6	Okhahlamba	14	Amajuba DM	22	uMzimkhulu
7	iNkosi Langalibalele	15	uMhlabuyalingana	23	Dr. Nkosazana Dlamini Zuma
8	Alfred Duma	16	Jozini	24	Harry Gwala DM

Source: KZN Provincial Treasury

The Internal Audit Unit attended eight bi-lateral engagements listed in Table 5.4 due to their capacity constraints.

Table 5.4: List of the 8 bi-lateral engagements on the 2018/19 Mid-Year Budget and Performance Assessment Reports that were attended by the Internal Audit Unit

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	Nquthu	4	KwaDukuza	7	uThukela DM
2	uMzinyathi DM	5	uMhlabuyalingana	8	Okhahlamba
3	Amajuba DM	6	Alfred Duma		

Source: KZN Provincial Treasury

5.1.3 Process for the tabling, submission and assessment of the 2018/19 Adjustments Budgets

When the annual budget has been adjusted, the Mayor is required to table the Adjustments Budget to Council at any time after the Mid-Year Budget and Performance Assessment Report has been tabled in Council but not later than 28 February of the current year as required by Regulation 23(1) of the MBRR.

Tabling of the 2018/19 Adjustments Budget

As at 28 February 2019, 48 of the 51 delegated municipalities tabled their 2018/19 Adjustments Budgets in Council. The Mtubatuba Local Municipality, the eDumbe Local Municipality and the uMkhanyakude District Municipality did not table their 2018/19 Adjustments Budgets by 28 February 2019 as required by Regulation 23(1) of the MBRR and non-compliance letters were issued to these municipalities. The Mtubatuba Local Municipality, the uMkhanyakude District Municipality and the eDumbe Local Municipality subsequently tabled their 2018/19 Adjustments Budget on 04 March 2019, 07 March 2019 and 14 March 2019 respectively.

Submission of the 2018/19 Adjustments Budget

All 51 delegated municipalities submitted their 2018/19 Adjustments Budget to Provincial Treasury within the legislated timeframe.

Assessment of the 2018/19 Adjustments Budget

A high level assessment was conducted on the 2018/19 Adjustments Budgets submitted by the 51 delegated municipalities to Provincial Treasury. Written feedback on the 2018/19 Adjustments Budgets was provided to all the delegated municipalities by Provincial Treasury.

Provincial Treasury's assessment of the 2018/19 Adjustments Budgets revealed a regression in the funding status of the delegated municipalities. The outcome of the assessment of the 2018/19 Original Budgets was 35 funded budgets, 13 unfunded budgets and three (3) budgets for which the funding status could not be determined due to the inaccurate population of the A Schedules. The 2018/19 Adjustments Budget assessment process revealed that seven (7) of the municipalities with funded 2018/19 Original Budgets regressed to unfunded 2018/19 Adjustments Budgets as shown in Table 5.6. All 13 of the municipalities with unfunded 2018/19 Original Budgets remained unfunded as shown in Table 5.7, while two (2) of the three (3) 2018/19 Original Budgets with a funding status that could not be determined had unfunded 2018/19 Adjustments Budgets and the one (1) remaining 2018/19 Adjustments Budget was funded. Therefore, the outcome of the 2018/19 Adjustments Budgets is 29 funded budgets and 22 unfunded budgets. The 2018/19 Adjustments Budgets for the 22 municipalities shown in Table 5.5 were assessed by the Provincial Treasury to be unfunded.

Table 5.5: List of municipalities with unfunded 2018/19 Adjustments Budgets

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	Ugu DM	9	uMvoti	16	AbaQulusi
2	Mpofana	10	uMzinyathi DM	17	Ulundi
3	iMpindle	11	Newcastle	18	Zululand DM
4	uMgungundlovu DM	12	Dannhauser	19	uMkhanyakude DM
5	iNkosi Langelibalele	13	Amajuba DM	20	Mthonjaneni
6	uThukela DM	14	eDumbe	21	Nkandla
7	eNdumeni	15	uPhongolo	22	Harry Gwala DM
8	uMsinga				

Source: KZN Provincial Treasury

Table 5.6: List of municipalities that regressed to unfunded 2018/19 Adjustments Budgets

No	Name of municipality	Funding Position of 2018/19 Original Budget	Funding Position of 2018/19 Adjustments Budget
1	iMpendle	Funded	Unfunded
2	eNdumeni	Funded	Unfunded
3	uMzinyathi DM	Funded	Unfunded
4	uPhongolo	Funded	Unfunded
5	Zululand DM	Funded	Unfunded
6	uMkhanyakude DM	Funded	Unfunded
7	Nkandla	Funded	Unfunded

Source: KZN Provincial Treasury

Table 5.7: List of municipalities with consistent unfunded 2018/19 Adjustments Budgets

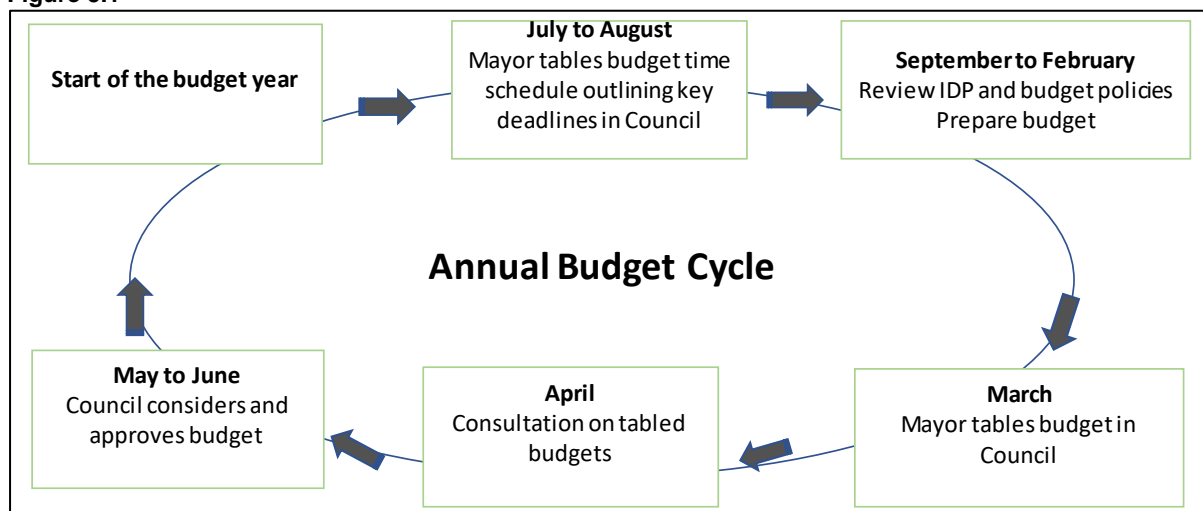
No	Name of municipality	Funding Position of 2018/19 Original Budget	Funding Position of 2018/19 Adjustments Budget
1	Ugu DM	Unfunded	Unfunded
2	Mpofana	Unfunded	Unfunded
3	uMgungundlovu DM	Unfunded	Unfunded
4	iNkosi Langalibalele	Unfunded	Unfunded
5	uThukela DM	Unfunded	Unfunded
6	New castle	Unfunded	Unfunded
7	Dannhauser	Unfunded	Unfunded
8	Amajuba DM	Unfunded	Unfunded
9	eDumbe	Unfunded	Unfunded
10	AbaQulusi	Unfunded	Unfunded
11	Ulundi	Unfunded	Unfunded
12	Mthonjaneni	Unfunded	Unfunded
13	Harry Gwala DM	Unfunded	Unfunded

Source: KZN Provincial Treasury

5.2 2019/20 Budget Evaluation Process

The annual budget cycle as illustrated in Figure 5.1 begins in July when municipalities are required to prepare their budget *Time schedules outlining key deadlines* which sets out the key activities and timeframes required to ensure that the annual budget process and the review of the Integrated Development Plan (IDP) are completed before the start of the next budget year. The key milestones in the municipal budget cycle are the tabling of the budget in Council by 31 March, the subsequent public participation process, the consideration of the budget for approval in Council by 31 May and the approval of the budget by Council on or before 30 June.

Figure 5.1



5.2.1 Tabling of the 2019/20 Time schedules outlining key deadlines for the budget process

Section 21(1)(b) of the MFMA requires the Mayor of a municipality to table in Council at least 10 months before the start of the budget year, a *Time schedule outlining key deadlines* for the budget process. The main objectives of this section are to ensure that the budget preparation process commences timeously and complies with all legislative requirements.

In this regard, 46 of the 51 delegated municipalities timeously tabled their *Time schedule outlining key deadlines* in Council by 31 August 2018 as per the requirements of the MFMA. Table 5.8 lists the municipalities which did not table their *Time schedule outlining key deadlines* by the prescribed deadline of 31 August 2018. The eNdameni Local Municipality applied for an extension before 31 August 2018 and thus was not issued with a non-compliance letter. The Dannhauser Local Municipality did not respond to various requests from Provincial Treasury requesting confirmation that the Mayor had tabled their 2019/20 *Time schedule outlining key deadlines*. The Mayor was notified of the non-compliance as part of the high level review of the 2019/20 *Time schedule outlining key deadlines* letter sent to the municipality. The eMadlangeni and Dr. Nkosazana Dlamini Zuma Local Municipalities as well as the Zululand District Municipality were all issued with non-compliance letters in this regard. Five municipalities as shown in Table 5.8 did not table their *Time schedule outlining key deadlines* by 31 August 2018.

Table 5.8: Municipalities which tabled their 2019/20 Time schedules outlining key deadlines after 31 August 2018

No	Name of municipality	No	Name of municipality
1	eMadlangeni	4	Zululand DM
2	Dannhauser	5	Dr. Nkosazana Dlamini Zuma
3	eNdameni		

Source: KZN Provincial Treasury

All five Mayors of the municipalities shown in Table 5.8 subsequently tabled their *Time schedule outlining key deadlines* in Council.

Provincial Treasury conducted a high level review on the *Time schedule outlining key deadlines* of the 51 delegated municipalities. Compliance and credibility issues were identified in the *Time schedule outlining key deadlines* of 35 municipalities as listed in Table 5.9.

The issues identified were communicated to the municipalities in writing, with the common issues being:

- Municipalities did not include the bilateral engagements between Provincial Treasury and municipalities in January – March 2019 and/or in April – May 2019;
- No indication was received by Provincial Treasury from some municipalities regarding the timelines for the annual review of budget related policies including rates and tariffs; and
- The consultative process for some municipalities did not include public participation in respect of the budget related policies, the annual budget and the IDP.

Table 5.9: Municipalities where gaps were identified in their 2019/20 Time schedules outlining key deadlines

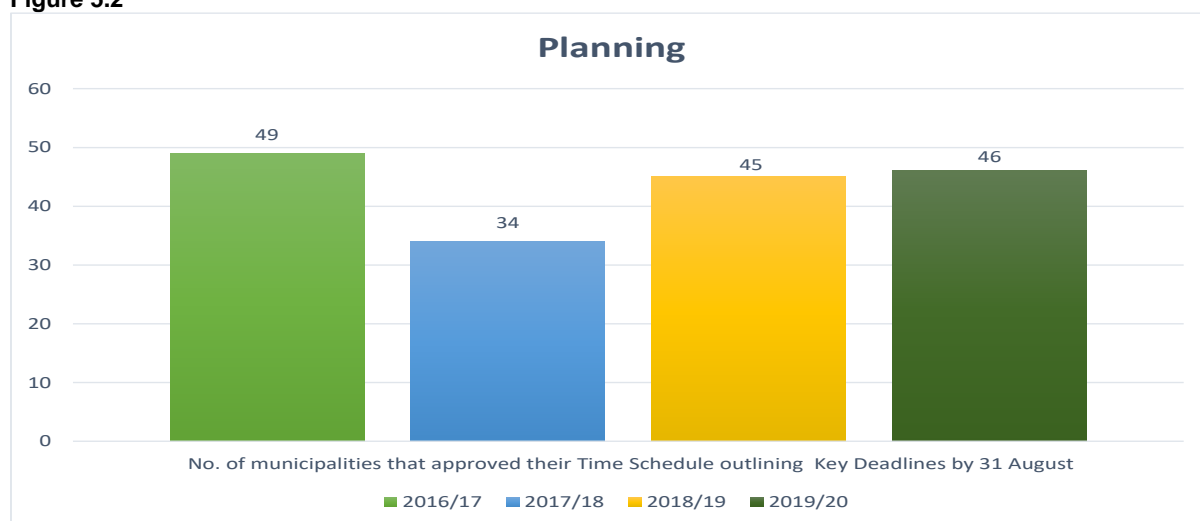
No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMdoni	13	eNdumeni	25	Ulundi
2	uMuziwabantu	14	Nquthu	26	Zululand DM
3	Ray Nkonyeni	15	uMsinga	27	uMfolozi
4	Ugu DM	16	uMvoti	28	uMlalazi
5	uMshwathi	17	uMzinyathi DM	29	Nkandla
6	uMngeni	18	Newcastle	30	King Cetshwayo DM
7	Mpofana	19	eMadlangeni	31	Ndwedwe
8	iMpendle	20	Dannhauser	32	Greater Kokstad
9	Mkhambathini	21	Amajuba DM	33	uBuhlebezwe
10	uMgungundlovu DM	22	eDumbe	34	Dr. Nkosazana Dlamini Zuma
11	iNkosi Langalibalele	23	uPhongolo	35	Harry Gwala DM
12	uThukela DM	24	AbaQulusi		

Source: KZN Provincial Treasury

There has been an increase in the number of municipalities from 45 in 2018/19 to 46 in 2019/20 that tabled their *Time schedules outlining key deadlines* within the prescribed date of 31 August as per Section 21(1)(b) of the MFMA as illustrated in Figure 5.2. This is encouraging as better planning will lead to improved compliance and possibly, more credible budgets.

Figure 5.2 illustrates the number of municipalities that approved their *Time schedules outlining key deadlines* by 31 August over 2016/17 to 2019/20.

Figure 5.2



Source: KZN Provincial Treasury

5.2.2 Provincial Treasury's support to municipalities on the 2019/20 Municipal Budget preparation process

Section 5(4)(a)(ii) of the MFMA states that *to the extent necessary to comply with subsection (3), a Provincial Treasury must monitor the preparation by municipalities in the province of their budgets.* Furthermore, Section 5(4)(b) of the MFMA states that *a Provincial Treasury may assist municipalities in the province in the preparation of their budgets.*

As part of the budget preparation process, all municipalities which are licensed to supply electricity are expected to submit their applications for an electricity tariff increase in line with Section 43 of the MFMA to the National Energy Regulator of South Africa (NERSA). To ensure an improvement in the quality and timeliness of the tariff applications by municipalities, NERSA, jointly with Provincial Treasury, conducted workshops on 10 October 2018 in Richards Bay and on 12 October 2018 in Durban. The purpose of the workshops was mainly to highlight the correct process for the completion and submission of the relevant application forms to NERSA and to remind municipalities of the deadlines for the various processes. The workshops were conducted for all delegated and non-delegated municipalities in the province which are licenced to provide electricity services and were attended by 65 municipal officials from 25 municipalities.

Furthermore, Provincial Treasury provided technical support to a number of delegated municipalities with a view of ensuring that, amongst others:

- The correct Version 6.3 of the prescribed Schedule A1 was used in the preparation of their 2019/20 Medium Term Revenue & Expenditure Framework (MTREF) Budget;
- The mSCOA data strings were extracted directly from the system and reconciled to the Council Approved Budget;
- The 2019/20 MTREF Budgets incorporated the requirements of the latest budget circulars, namely, MFMA Circulars No. 93 and 94; and

On-site technical support for the preparation of the 2019/20 Budget was provided to the six municipalities shown in Table 5.10 at their request.

Table 5.10: On-site technical support to municipalities on the 2019/20 budget preparation process

No	Name of municipality	No	Name of municipality
1	uMdoni	4	iMpindle
2	uMzambe	5	uMgungundlovu DM
3	Ugu DM	6	iNkosi Langalibalele

Source: KZN Provincial Treasury

To further guide all 51 delegated municipalities with the preparation of their 2019/20 budgets and to monitor compliance with the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury issued Circular PT/MF 10 of 2018/19 dated 12 March 2019 (Preparation, submission and publication of the 2019/20 MTREF budget) to the municipalities. The circular covered the following areas relating to the Budget preparation process:

- Preparation of the 2019/20 MTREF Municipal Budgets;
- Format Requirements for the 2019/20 MTREF Municipal Budgets;
- Funding Position of the 2019/20 MTREF Municipal Budgets;
- Technical Assistance on the 2019/20 MTREF Tabled Budgets;
- Engagement with municipalities on the 2019/20 MTREF Tabled Budgets;
- Submission of the 2019/20 MTREF Municipal Budgets;
- Publication of the 2019/20 MTREF Municipal Budgets;

- 2019/20 MTREF Municipal Budget Verification Process;
- Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- National and Provincial Transfers to municipalities;
- Further matters for consideration in the 2019/20 MTREF Municipal Budget Process; and
- Municipal Budget Submission Process.

The Provincial Treasury Circular included some of the areas of weaknesses and common mistakes identified by both Provincial and National Treasury in prior years that should have been considered and addressed (where applicable) by municipalities when preparing their 2019/20 MTREF budgets.

5.2.3 The status of Budget Steering Committees (BSC)

Regulation 4(1) of the MBRR states that *the Mayor of a municipality must establish a budget steering committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.*

The majority of municipalities have indicated that they have an established BSC in place however, it is important that the composition of the BSC is in compliance with Regulation 4 of the MBRR and that the committee fully executes the required functions thereof in order to make a meaningful impact at the municipality. All municipalities were requested to invite Provincial Treasury to their BSC meetings. Table 5.11 lists the municipalities who invited Provincial Treasury to their BSC meetings as well as the applicable meeting dates.

Table 5.11: Municipalities who invited Provincial Treasury to their BSC meetings

No	Name of municipality	Date of BSC meeting
1	Nquthu	12-Feb-19
2	uMvoti	22-Mar-19

Source: KZN Provincial Treasury

Guidance on important factors for members of the BSC to consider during the review of the 2019/20 Tabled Budget process was offered by Provincial Treasury during the BSC meetings.

5.2.4 Municipal Standard Chart of Accounts (mSCOA)

MFMA Circular No. 93 indicated in paragraph 6.1 that Version 6.3 of the mSCOA classification framework is effective from the 2019/20 financial year and must be used to compile the 2019/20 MTREF Budget. The circular further required all municipalities to prepare their 2019/20 MTREF Budgets on their financial systems and that the Schedule A1 be produced directly from their financial system. Based on this premise, all municipalities should have been able to timeously upload accurate mSCOA data strings to the National Treasury portal as the Schedule A1 and the data strings would both be produced from the same financial system.

Paragraph 7.4 of MFMA Circular No. 94 indicated that municipalities must upload the mSCOA data strings for the tabled (TABB) and adopted (ORGB) budget to the upload portal accompanied by the IDP project details data strings (PRTA and PROR). The deadlines for the submission of the mSCOA data strings were set at the same dates as the deadlines for the submission of the tabled and approved budget documents.

Provincial Treasury compared the data strings uploaded for the 2019/20 Tabled Budgets to the Schedule A1 tabled in Council and found a significant number of differences for all 51 delegated municipalities.

This was a key indicator that municipalities may not have produced their Schedule A1 directly from their financial systems as required by MFMA Circular No. 94. The differences were communicated to all municipalities to make the necessary corrections.

Section 24(3) of the MFMA read together with Regulation 20(1) of the MBRR and paragraph 7.4 of MFMA Circular No. 94 requires that the mSCOA data strings for the Approved Budgets must be submitted to National Treasury and the relevant Provincial Treasury within ten working days after the Council has approved the annual budget. As at 22 August 2019, the uPhongolo Local Municipality still had not submitted their data strings, despite having approved their budget on 27 May 2019. Furthermore, the iNkosi Langalibalele, uMvoti and eNdumeni Local Municipalities while having submitted their mSCOA data strings, did not do so within ten working days of approving their budgets and were issued with non-compliance letters in this regard. As at 22 August 2019, the iNkosi Langalibalele Local Municipality still reflected segment errors for the ORGB mSCOA data strings submitted. Furthermore, the Nquthu Local Municipality and uThukela District Municipality reflected segment errors for PROR data strings as at 22 August 2019.

5.2.5 2019/20 Tabled Budget Assessment Process

5.2.5.1 Tabling of the 2019/20 Budgets

Section 16(2) of the MFMA states that *the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year.*

Fifty (50) of the 51 delegated municipalities tabled their 2019/20 Draft Budget within the legislated deadlines. The Mandeni Local Municipality is the only municipality in the province which did not table their 2019/20 Draft Budget at least 90 days before the start of the budget year and was issued with a non-compliance letter by the MEC for Finance in this regard. The municipality indicated that a service protest prevented them from tabling the Draft Budget on 29 March 2019. The municipality subsequently tabled their 2019/20 Draft Budget on 04 April 2019.

5.2.5.2 Submission of the 2019/20 Tabled Budgets

Section 22(b)(i) of the MFMA requires that *immediately* after an annual budget is tabled in a municipal Council, the annual budget must be submitted to National and Provincial Treasury in both printed and electronic formats. As per MFMA Circular No. 94, the date for the submission of the electronic copies was 03 April 2019 and 05 April 2019 for the printed copies for a municipality that tabled the budget on 29 March 2019.

Table 5.12 lists the 19 municipalities that did not submit one or more of the following required documents within the prescribed timeframe:

1. Electronic copy of the 2019/20 Tabled Budget;
2. Printed copy of the 2019/20 Tabled Budget;
3. Draft Service Delivery and Budget Implementation Plan (SDBIP); and
4. mSCOA data strings (TABB).

Non-compliance letters were issued to 18 of the 19 municipalities in this regard as shown in Table 5.12 below. The KwaDukuza Local Municipality experienced an abnormal intrusion of their IT network which resulted in a complete server shutdown. The municipality was unable to submit their TABB mSCOA data strings timeously and communicated their challenges to National Treasury before the submission deadline of 03 April 2019.

Table 5.12: Municipalities that did not submit electronic or printed copies of their 2019/20 Tabled Budgets timeously

No	Municipalities that did not submit electronic copies timely	No	Municipalities that did not submit printed copies timely	No	Municipalities that did not submit Draft SDBIP timely	No	Municipalities that did not submit mSCOA data strings (TABB) timely
1	Ugu DM	1	Amajuba DM	1	Ugu DM	1	uThukela DM
2	Nquthu	2	Nquthu	2	uMgungundlovu DM	2	Amajuba DM
				3	Amajuba DM	3	eNdumeni
				4	Zululand DM	4	Newcastle
				5	Harry Gwala DM	5	iNkosi Langalibalele
				6	uMdoni	6	KwaDukuza
				7	uMzambe		
				8	uMshwathi		
				9	Mpofana		
				10	iMpindle		
				11	Mkhambathini		
				12	eNdumeni		
				13	Nquthu		
				14	Dannhauser		
				15	Ulundi		

Source: KZN Provincial Treasury

5.2.5.3 Outcomes of the 2019/20 Tabled Budgets Assessments/Evaluations

Upon the receipt of the tabled 2019/20 Budgets, Provincial Treasury undertook an assessment of the Tabled Budgets and provided comments to the respective municipalities as per the requirements of Section 23(1) of the MFMA which states that *when the annual budget has been tabled, the municipal Council must consider any views of (a) the local community and (b) the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.* The assessment process also included compliance checks on all Tabled Budgets received to establish the level of compliance with the requirements of the MFMA and MBRR in general and to verify amongst others, whether:

- The Tabled Budgets submitted were in the correct Version 6.3 of the Schedule A1;
- The information provided in the main budget Tables (A1 to A10) and supporting Tables (SA1-SA38) reconciled to the budget documents and schedules submitted to the National Treasury portal; and
- The information is sufficient to enable the assessments of the Tabled Budgets.

Provincial Treasury established that only the uMgungundlovu District Municipality in the province failed to submit the 2019/20 Tabled Budget in the correct format of Version 6.3 of the Schedule A1. The remaining 50 out of the 51 delegated municipalities submitted their 2019/20 Tabled Budgets in the correct format of Version 6.3 of the Schedule A1 and the Tabled Budgets provided a reasonable basis for the assessments and comments.

Of the 51 delegated municipalities' budgets assessed, Provincial Treasury determined that only 27 Tabled Budgets were funded, 20 were unfunded while the funding position for the remaining 4 municipalities could not be established.

5.2.5.4 Bi-lateral engagements

In a bid to improve the funding position and the overall presentation of the municipal budgets, Provincial Treasury continued to support the delegated municipalities throughout the 2019/20 Budget preparation process. The support included bilateral engagements with the municipalities during which detailed guidance was provided on the causes of the unfunded budgets and actions that could be taken to improve the funding position of the municipalities' budgets.

The findings on the 2019/20 Tabled Budgets were communicated through formal feedback letters to all delegated municipalities. Prior to communicating the feedback to municipalities, Provincial Treasury held bilateral meetings with 50 delegated municipalities to discuss the comments and recommendations on the findings relating to their 2019/20 Tabled Budgets. At these meetings, Provincial Treasury requested the municipalities to consider the comments and recommendations provided by Provincial Treasury during the preparation of the final budgets to be approved by Council. The bilateral meeting could not be held with the uMshwathi Local Municipality as a result of the non-availability of senior managers of the municipality. The municipalities were also requested to table in Council for noting, Provincial Treasury's comments and responses by municipalities as part of the 2019/20 Approved Budget and related documents.

5.2.5.5 Key findings on the 2019/20 Tabled Budgets Assessments

The following were the key findings emanating from Provincial Treasury's assessment of the 2019/20 Tabled Budgets:

- **Compliance with MBRR and other legislations**

As indicated above, 50 of the 51 delegated municipalities managed to submit their 2019/20 Tabled Budgets using the latest Version 6.3 of the Schedule A1. The uMgungundlovu District municipality failed to submit their 2019/20 Tabled Budget in the latest version 6.3 of the Schedule A1.

Compliance checks reflected that many municipalities did not provide all the required budget information and did not submit all the required budget supporting documents such as the budget related policies, the draft SDBIP, the draft IDP and the budget assumptions, etc. The budget narrative reports for some of the municipalities were of a poor quality, were not comprehensive and in some cases, contradicted information contained in the Schedule A1. Provincial Treasury also found that some municipalities did not submit key calculations supporting significant budget line items. Fifteen (15) out of the 51 delegated municipalities did not submit their draft SDBIPs timeously as shown in Table 5.13 and were thus issued with non-compliance letters.

Table 5.13: Municipalities that did not submit the draft SDBIP

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMdoni	6	iMpendle	11	Dannhauser
2	uMzumbe	7	Mkhambathini	12	Amajuba DM
3	Ugu DM	8	uMgungundlovu	13	Ulundi
4	uMshwathi	9	eNdumeni	14	Zululand DM
5	Mpofana	10	Nquthu	15	Harry Gwala DM

Source: KZN Provincial Treasury

Table A10: *Basic service delivery measurement* was not completed or poorly completed by most municipalities. Table A10 is critical for reflecting amongst others, information on the number of households within a municipal area, a measurement of the number of households receiving basic services at the minimum service level, the number of households receiving Free basic services, the cost of providing Free basic services and the unit of measurement thereof such as kilolitres for water, kilowatt hour for electricity and how frequently refuse is being removed, etc. Due to the poor quality of information in Table A10, Provincial Treasury was not able to, in many cases, determine the accuracy of budget for the *Cost of Free basic services* and whether municipalities are effectively delivering basic services to their indigent customers.

Other critical supporting tables which were not completed or poorly completed were Table SA7: *Measurable performance objectives*, Table SA9: *Social, economic and demographic statistics and assumptions*, Table SA24: *Summary of personnel numbers*, Table SA34b: *Capital expenditure on the renewal of existing assets by asset class*, Table SA34e: *Capital expenditure on the upgrading of existing assets by asset class*, Table SA37: *Project delayed from previous financial year/s* and Table SA38: *Consolidated detailed operational projects*.

- **Credibility of budget figures**

The budget tables in Schedule A1 for some municipalities were either not fully and/or accurately populated. Discrepancies were noted in the following areas:

- Audited Outcome figures did not reconcile to the audited Annual Financial Statement (AFS) figures;
- The full year forecast figures for 2018/19 were merely replicated as the Adjusted Budget figures and were not in line with the performance trends;
- The 2018/19 Adjusted Budget figures did not reconcile to the approved Schedule B figures; and
- Differences were noted between the figures quoted in the narrative report and Schedule A1.

Challenges were also experienced in some cases where municipalities did not provide the basis for their budget assumptions and/or no budget assumptions were supplied at all for certain line items, thus limiting the analysis by Provincial Treasury.

- **Sustainability of the municipality**

Many municipalities' operating budgets continue to be funded mainly from grants. Provincial Treasury has noted with concern that some municipalities have **budgeted for Operating deficits** for the 2019/20 MTREF. These municipalities were alerted to the fact that continued Operating deficits may result in the erosion of municipal cash reserves leading to possible future unfunded budgets.

Many municipalities still continue to provide water, sanitation and refuse removal services at a deficit, despite the advice contained in the MFMA Circulars that tariffs set by municipalities should be cost reflective. It is also of great concern that some of these municipalities did not indicate any plans aimed at rectifying the challenges that have resulted in providing these services at deficits, thereby exposing the municipality to the risk of not being sustainable.

- **Funding of budgets**

Despite the ongoing advice given to the municipalities through the MFMA Circulars that municipalities should prepare funded budgets as per Section 18 of the MFMA, many municipalities still tabled unfunded budgets.

Some municipalities still failed to adequately complete Table A7: *Budgeted cash flows* and Table A8: *Cash backed reserves/accumulated surplus reconciliation* which are critical not only to reflect the cash flow status of the municipality but also to assist in determining the funding position of municipal budgets.

In Table A7, the most common error was the capturing of incorrect figures in the Adjusted Budget and Audited Outcomes columns. Consequently, incorrect opening balances were being carried over the MTREF. Furthermore, the majority of municipalities neither accurately populated the Full Year Forecast column in the budget, nor provided Provincial Treasury with their workings for the 2018/19 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the 2019/20 Opening *Cash and cash equivalents* balance. The budgeted cash inflow in some cases was also based on collection rate assumptions which were not realistic and adequately justified.

Provincial Treasury recalculated an estimate for *Other working capital requirements* in Table A8 based on the *Receivables* and *Payables* in the audited AFS as well as the Adjusted Budget for the current year (2018/19) and the budget assumptions for revenue and expenditure in the budget year (2019/20). This process highlighted that some municipalities significantly understated their cash outflows for *Suppliers and employees* in Table A7 and/or their *Trade and other creditors* balance as at the end of 2019/20 budget year in Table SA3: *Supporting detail to 'Budgeted Financial Position'*. Similarly, municipalities overstated their cash inflows for the various operating revenue line items in Table A7 and/or their *Other*

debtors and *Long term receivables* as per Table A6 and *Consumer debtors* balances as at the end of 2019/20 budget year in Table SA3.

Table A8 was commonly characterised by incomplete information which did not correlate with information contained in the audited AFS whereby estimates on *Unspent conditional transfers*, *Statutory requirements* and *Other provisions* were not reflected which together with the unrealistic *Other working capital requirements*, resulted in an incorrect status of *Surplus/(shortfall)*.

Some municipalities have reflected negative *Cash/cash equivalents at the year end* and *Shortfall* positions over the entire MTREF period thus, raising concerns over their liquidity and whether or not the municipalities would be able to pay their debts as and when they fall due.

- **Operating revenue**

Regarding the Operating revenue budget, some municipalities did not justify, in their budget narratives, all increases to their tariffs in excess of the projected Consumer Price Index (CPI) for the 2019/20 financial year of 5.2 percent as specified in MFMA Circular No. 94.

Most municipalities did not disclose the rateable properties, market values as well as valuation reductions and any other rating criteria in Tables SA11: *Property rates summary*, SA12b: *Property rates by category* which limited the analysis of the reasonableness of the budgets for *Property rates* revenue by Provincial Treasury. Due to the non-submission of Property rates policies and/or calculations to support the budgets by some municipalities, Provincial Treasury could not determine whether these municipalities have incorporated the amendments resulting from the Municipal Property Rates Amendment Act (Act No. 29 of 2014).

Some municipalities that provide services such as water and electricity did not budget for the *Cost of free basic services* against the relevant revenue items in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* as a result of incorrectly populating Table SA9: *Social, economic and demographic statistics and assumptions*. Some municipalities also do not appear to have considered the basic services component of the Equitable Share allocation for use in free basic service support for residents within the municipality's jurisdiction and rather budgeted to utilise the majority of the Equitable Share allocation for municipal expenses.

- **Operating expenditure**

With regards to the Operating expenditure budget, most municipalities did not justify all their increases above the projected CPI of 5.2 percent against various expenditure items as required by MFMA Circular No. 94.

Tables SA22, SA23 and SA24 relating to councillors and staff benefits, salaries and allowances as well as personnel numbers for the municipality were either poorly populated or not populated thereby limiting the extent to which the reasonableness of the budgeted salary increases could be assessed.

Despite the guidance provided in MFMA Circular No. 71 for the ratio of *Remuneration (Employee related costs and Remuneration of councillors)* to *Total operating expenditure* to be between 25 and 40 percent, the ratio was found to be excessive in many municipalities.

Some municipalities under-budgeted for *Debt impairment* and *Depreciation and asset impairment*. While both these are non-cash expenses, the municipalities could still incur unauthorised expenditure at the end of the financial year due to under-budgeting. Significant under-budgeting also results in municipalities projecting unrealistic Operating surpluses.

Other expenditure, in particular, was of concern as the increases were excessive in some cases. Furthermore, undefined projects and non-priority items could be included in *General expenses* resulting in significantly high budget amounts for *Other expenditure*. Some municipalities also did not detail *Other expenditure* sufficiently in Table SA1: *Supporting detail to 'Budgeted Financial Performance'*.

For most municipalities, *General expenses*, as detailed in Table SA1 contributed more than 10 percent towards *Other expenditure* in 2019/20. In terms of the MFMA Budget Format Guide, *General expenses* should not exceed 10 percent of the *Other expenditure* budget. Some municipalities reflected *General expenses* which were 100 percent of *Other expenditure* which made it impossible for Provincial Treasury to assess whether the municipalities concerned applied the guidance provided in MFMA Circulars No. 58, 66 and other subsequent MFMA Circulars which encouraged reducing non-priority expenditure. Municipalities were advised to review their allocation of expenditure to *General expenses* and reallocate the expenditure to the appropriate expenditure items accordingly. The mSCOA classification framework does not allow municipalities to budget for *General expenses* therefore it is concerning to note a number of municipalities still reflected this line item in Table SA1 and would appear to have manually inserted the *General expenses* figures in order to reflect it in the Schedule A1. National Treasury is in a continuous process of refining the definitions of *Other materials*, *Other expenditure* and *Contracted services* which is partly affected by the feedback obtained from municipalities and would therefore inform how municipalities should budget for expenditure in relation to the mSCOA classification framework in the future.

Municipalities did not increase tariffs according to NERSA guidelines and as a result, had to adjust their tariffs in the 2019/20 Approved Budget.

- **Capital expenditure and Asset management**

Some municipalities continue to submit incomplete Budget Tables relating to their Capital budget, including Table SA36: *Detailed capital budget* and Table SA37: *Project delayed from previous financial year/s*. Most of the municipalities still have a challenge in budgeting for at least 40 percent of the Capital expenditure budget for the *Renewal of existing assets* as per MFMA Circular No. 55. Furthermore, the budgets for *Repairs and maintenance* were in some cases unrealistic or questionable and the *Asset register summary – PPE (WDV)* values in Table A9: *Asset Management* were also not linked to asset registers thereby distorting the information which forms the basis for the correct calculation of *Repairs and maintenance*.

Some municipalities did not indicate the budget allocations to sub-functions in Table A5 such as *Executive and Council*, *Internal audit* and *Public safety* thereby raising concerns over the credibility of their budgets.

Notwithstanding the importance of supplementing the capital programme from *Internally generated funds*, the narrative reports of some municipalities could not adequately demonstrate that they have sufficient cash backed accumulated funds from previous financial years. With the poorly populated Tables A7 and A8, the municipalities' ability to finance capital programmes from internal funding, in some cases, could not be established.

In instances where municipalities intended to finance their capital programme through *Borrowings*, some municipalities did not submit sufficient supporting documents such as the projected workings and as a result, Provincial Treasury could not assess the reasonableness of their budgeted *Finance charges* and *Repayment of borrowings*.

- **Submission of Service level standards**

Most municipalities did not submit their Service level standards as required by MFMA Circular No. 78, despite the guideline being issued to municipalities on how to formulate Service level standards. Provincial Treasury will continue to monitor the municipalities to ensure that they put in place appropriate Service level standards.

5.2.5.6 Municipal responses to Provincial Treasury findings on the 2019/20 Tabled Budgets

Section 23(2) of the MFMA states that *after considering all budget submissions, the Council must give the Mayor an opportunity to respond to the submissions; and if necessary, to revise the budget and*

table amendments for consideration by the Council. In an attempt to assist municipalities in complying with Section 23(2) of the MFMA, in particular to respond to the submissions made by Provincial Treasury, a section was provided in the Budget assessment feedback report for the respective municipalities to provide responses to Provincial Treasury’s comments with the submission of their Approved Budget documents in accordance with Regulation 20 of the MBRR. In this regard, only 12 municipalities shown in Table 5.14 provided responses to Provincial Treasury.

Table 5.14: Municipalities that provided formal responses to Provincial Treasury’s comments

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMshwathi	5	uMfolozi	9	KwaDukuza
2	Okhahlamba	6	Nkandla	10	Ndwedwe
3	Alfred Duma	7	King Cetshwayo DM	11	Greater Kokstad
4	Amajuba DM	8	Mandeni	12	uMzimkhulu

Source: KZN Provincial Treasury

5.2.5.7 Summary of the 2019/20 Tabled Budget Assessment Process

A trend analysis of milestones for the Tabled Budget process over the four year period from 2016/17 to 2019/20 as per Table 5.15 shows significant improvement in the tabling of the *Time Schedule outlining key deadlines* which assists municipalities to fully comply with all legislative requirements for the budget process. While 18 municipalities submitted their budgets late to Provincial Treasury, all delegated municipalities submitted their budgets enabling Provincial Treasury to assess the budgets of all delegated municipalities.

Despite regular reminders, seven (7) municipalities still failed to upload their budget documentation to their municipal websites timeously. This is of great concern to Provincial Treasury as this step in the process is integral to the municipalities’ transparent communication with its communities. Some municipalities have indicated that the non-compliance was due to non-functioning websites. Municipalities were thus reminded of the importance of Section 75 of the MFMA and an adequately functioning website in order to fully comply with this legislative requirements.

The quality of the 2019/20 Tabled Budgets submitted by delegated municipalities improved from previous years, enabling Provincial Treasury to decrease the number of budgets where the funding position could not be determined from 12 for the 2018/19 Tabled Budgets submitted to 4 for the 2019/20 Tabled Budgets submitted. Municipalities were also reminded to improve the quality of their Tabled Budgets in order for Provincial Treasury to provide more detailed feedback on improving their budgeted funding positions in PT/MF 10 of 2018/19 dated 12 March 2019.

Table 5.15: Trend analysis of milestones for the Tabled Budget process

No	Item	2016/17 Process	2017/18 Process	2018/19 Process	2019/20 Process	Year on year movement
Budget Timelines						
1	Time Schedules outlining key deadlines NOT tabled by 31 August	9 (16%)	17 (33%)	6 (12%)	5 (10%)	
2	Time Schedules outlining key deadlines NOT tabled	0 (0%)	1 (2%)	0 (0%)	0 (0%)	
Tabled (Draft) Budget						
3	Technical support provided to munis. by PT on the budget preparation process	1 (2%)	2 (4%)	5 (10%)	8 (16%)	
4	Nos. of munis. that did NOT submit their Tabled Budget to PT by the due date as per MFMA Budget circ.	4 (7%)	1 (2%)	4 (8%)	18 (35%)	
5	Nos. of munis. that did NOT place their Budget on the municipal website within 5 working days of tabling	4 (7%)	6 (12%)	7 (14%)	7 (14%)	
6	Nos. of munis. that did NOT provide a consolidated budget (where applicable)	0 (0%)	0 (0%)	0 (0%)	1 (2%)	
7	Nos. of munis. whose Tabled budgets were NOT in the correct format/version applicable	0 (0%)	0 (0%)	0 (0%)	1 (2%)	
8	Nos. of munis. with Funded Tabled budgets	25 (43%)	24 (47%)	23 (45%)	27 (53%)	
9	Nos. of munis. with Unfunded Tabled budgets	16 (28%)	13 (25%)	16 (31%)	20 (39%)	
10	Nos. of munis. where funding positions of the Tabled budget could not be determined	17 (29%)	14 (27%)	12 (24%)	4 (8%)	
11	Nos. of munis. that were engaged by PT on the Tabled budget	50 (86%)	45 (88%)	45 (88%)	50 (98%)	
12	Nos. of Feedback letters* sent (PT findings on Tabled budget)	58 (100%)	51 (100%)	51 (100%)	51 (100%)	
SDBIP						
13	Nos. of Draft SDBIPs NOT submitted to PT	21 (36%)	11 (22%)	10 (20%)	6 (12%)	

* Nos. of delegated munis. in KZN decreased from 58 to 51 after the August 2016 Local Government election

Key

- Year on year improvement noted or No improvement possible
- No change noted year on year
- Year on year regression noted

Source: KZN Provincial Treasury

5.2.6 2019/20 Approved Budget Assessment Process

5.2.6.1 Approval and submission of the 2019/20 Budgets

As per Section 24(1) of the MFMA, the municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget, while Section 25(1) of the MFMA stipulates that if a municipal Council fails to approve an annual budget, including revenue-raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the Council meeting that fails to approve the budget. With the exception of three municipalities, namely, the Mpozana, AbaQulusi and eDumbe Local Municipalities, all the delegated municipalities tabled their 2019/20 MTREF Budgets for consideration at least 30 days before the start of the budget year. The Mpozana Local Municipality applied for an extension before 30 June 2019 in terms of Section 27(2) of the MFMA and was thus not issued with a non-compliance letter. The AbaQulusi and eDumbe Local Municipalities were issued with non-compliance letters as the two municipalities did not table their 2019/20 MTREF Budget for consideration at least 30 days before the start of the budget year. The AbaQulusi Local Municipality approved their 2019/20 Budget on 03 June 2019 and the eDumbe Local Municipality approved their 2019/20 Budget on 27 June 2019.

Section 24(3) of the MFMA read together with Regulation 20 of the MBRR requires the Accounting Officer to submit the electronic and printed copies of the Approved Budget to National Treasury and Provincial Treasury within 10 working days after tabling in Council. Five non-compliance letters were issued to the municipalities that did not submit the electronic and/or printed copies of their budgets within the prescribed time as shown in Table 5.16.

Table 5.16: Municipalities that did not submit electronic or printed copies of their 2019/20 Approved Budgets timely

No	Municipalities that did not submit printed copies timeously	No	Municipalities that did not submit mSCOA data strings (PRTA) timeously	No	Municipalities that did not submit mSCOA data strings (ORGB) timeously
1	Amajuba DM	1	uPhongolo	1	uPhongolo
		2	uMvoti	2	iNkosi Langalibalele
		3	eNdumeni		

Source: KZN Provincial Treasury

5.2.6.2 Outcomes of the High Level Assessment of the Approved 2019/20 Budgets

Provincial Treasury conducted a high level assessment of the 2019/20 Approved Budgets of all 51 delegated municipalities with a view of establishing whether the comments and recommendations made by Provincial Treasury were considered in their 2019/20 Approved Budgets. Municipalities shown in Table 5.17 were reminded to table funded 2019/20 Adjustments Budgets in terms of Section 28 of the MFMA, failing which, the MEC for Finance in the province will report the errant municipalities to National Treasury to consider the stopping of their Equitable Share transfers in terms of Section 38 of the MFMA. Municipalities with unfunded budgeted were also requested to table a plan in Council indicating how and by when their budgets will be funded as required by MFMA Circular No.89.

Table 5.17: Municipalities with unfunded 2019/20 Approved Budgets

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	Ugu DM	7	Newcastle	13	Zululand DM
2	Mpofana	8	Amajuba DM	14	uMkhanyakude DM
3	iMpendle	9	eDumbe	15	Mthonjaneni
4	uMgungundlovu DM	10	uPhongolo	16	Harry Gwala DM
5	iNkosi Langalibalele	11	AbaQulusi		
6	uThukela DM	12	Ulundi		

Source: KZN Provincial Treasury

5.2.6.3 Key findings on the high level assessments of the 2019/20 Approved Budgets

The following key findings are based on the Approved Budget assessments conducted on the 51 delegated municipalities:

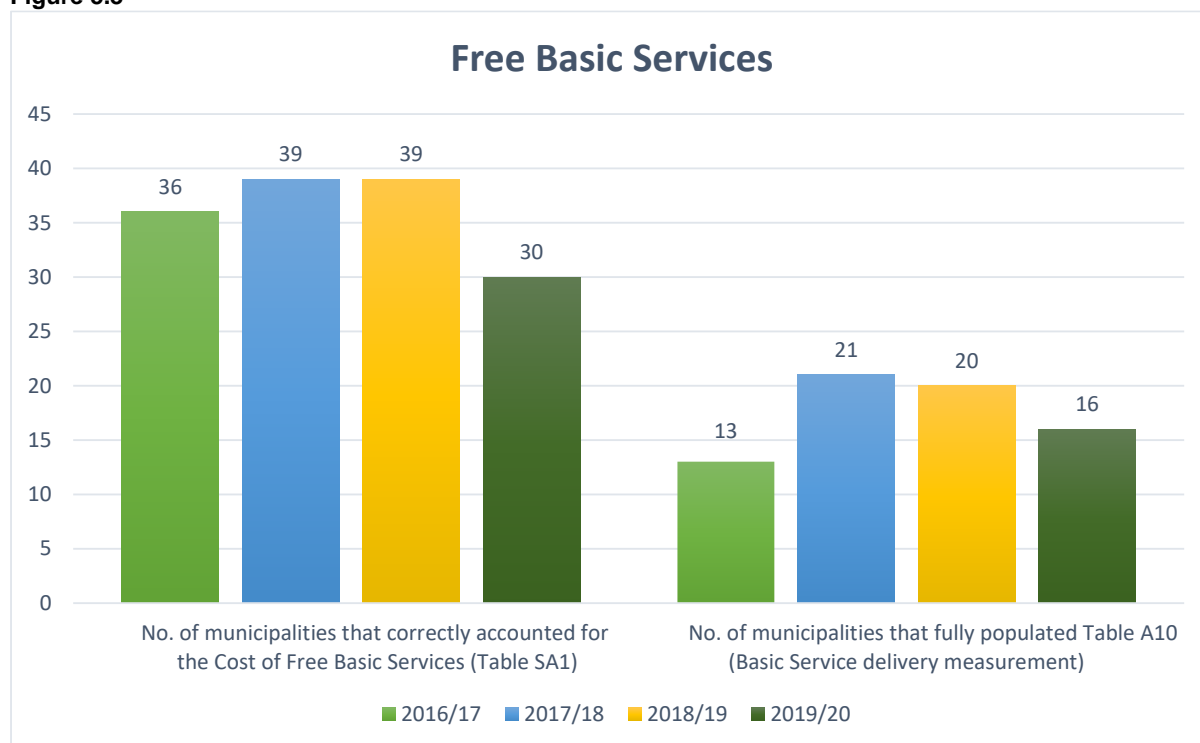
- **Free Basic services**

A number of municipalities that provide services such as water, sanitation, electricity and refuse did not budget for the *Cost of free basic services*. Figure 5.3 illustrates that only 30 out of 51 municipalities (58.8 percent) correctly accounted for the *Cost of Free Basic Services* in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* of Schedule A1. The balance of 21 out of 51 municipalities failed to correctly account for *Cost of free basic services*.

A number of municipalities did not fully populate Table A10: *Basic service delivery measurement*. Figure 5.3 illustrates that only 16 municipalities (31.4 percent) fully populated Table A10: *Basic service delivery measurement*. Table A10 is essential to provide statistics on the cost of Free basic services according to National policy as well as the revenue cost of free services, rebates, exemptions and discounts as per the municipal Council policy. MFMA Circular No. 58 indicates that the purpose of this information is to enable the Council and the municipality to gain an understanding of the impact that these discounts and free services have on the municipality's revenues in order to tailor its social package

appropriately taking into consideration the equitable share funds provided to subsidise the provision of Free basic services. Information in Table A10 also facilitates the analysis of which customer groups benefit from a municipality’s social package as well as actual service delivery and service delivery backlogs. As a result of the incomplete information, Provincial Treasury was not in a position to fully comment in the feedback letters to municipalities on the credibility of the budget for Free basic services. Municipalities were encouraged to consider the basic services component of the Equitable Share allocation when budgeting for Free basic services during the 2019/20 Tabled Budget engagements.

Figure 5.3



Source: KZN Provincial Treasury

- **Operating revenue**

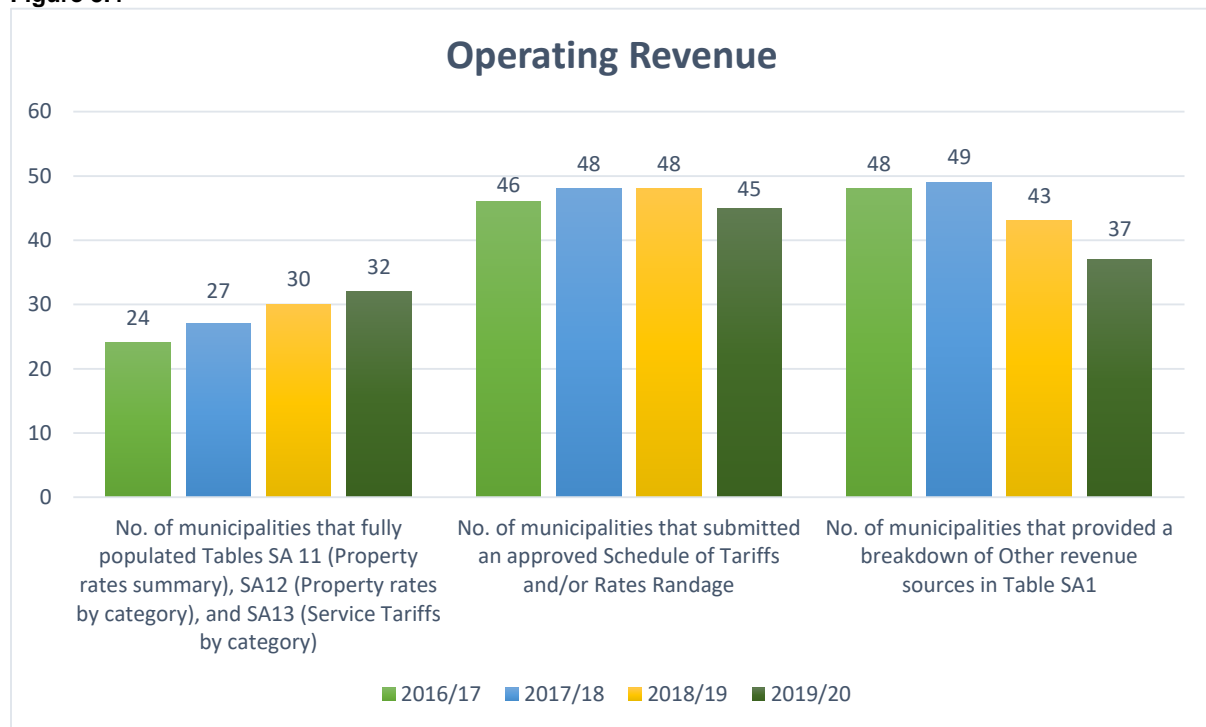
A number of municipalities did not fully populate all the supporting tables in Schedule A1. Figure 5.4 illustrates that there is an increasing number of municipalities that are fully populating Tables SA11: *Property rates summary*, SA12: *Property rates by category* and SA13: *Service tariff by category*. Despite the increase, only 32 municipalities (62.7 percent) fully populated Tables SA11, SA12 and SA13 that is used to determine the credibility of the budget for *Property rates* and *Service charges*.

There are still a number of municipalities that do submit their approved schedule of tariffs and/or rates randages. As represented in Figure 5.4, 45 municipalities (88.2 percent) submitted their approved schedule of tariffs with their budgets which enabled Provincial Treasury to assess the reasonability of the budget for applicable revenue items against the approved tariffs. This represents a regression from the 2018/19 budget submissions to the 2019/20 budget submissions.

A number of municipalities failed to provide a breakdown of *Other revenue* sources in Table SA1. Municipalities were reminded to ensure that Table SA1: *Supporting detail to 'Budgeted Financial Performance'* and the narrative budget document are effectively used to provide a detailed breakdown of *Other revenue* as this information provides an indication of realistically anticipated revenue.

Figure 5.4 illustrates that only 37 (72.5 percent) out of the 51 delegated municipalities provided a breakdown of *Other revenue* sources in Table SA1.

Figure 5.4



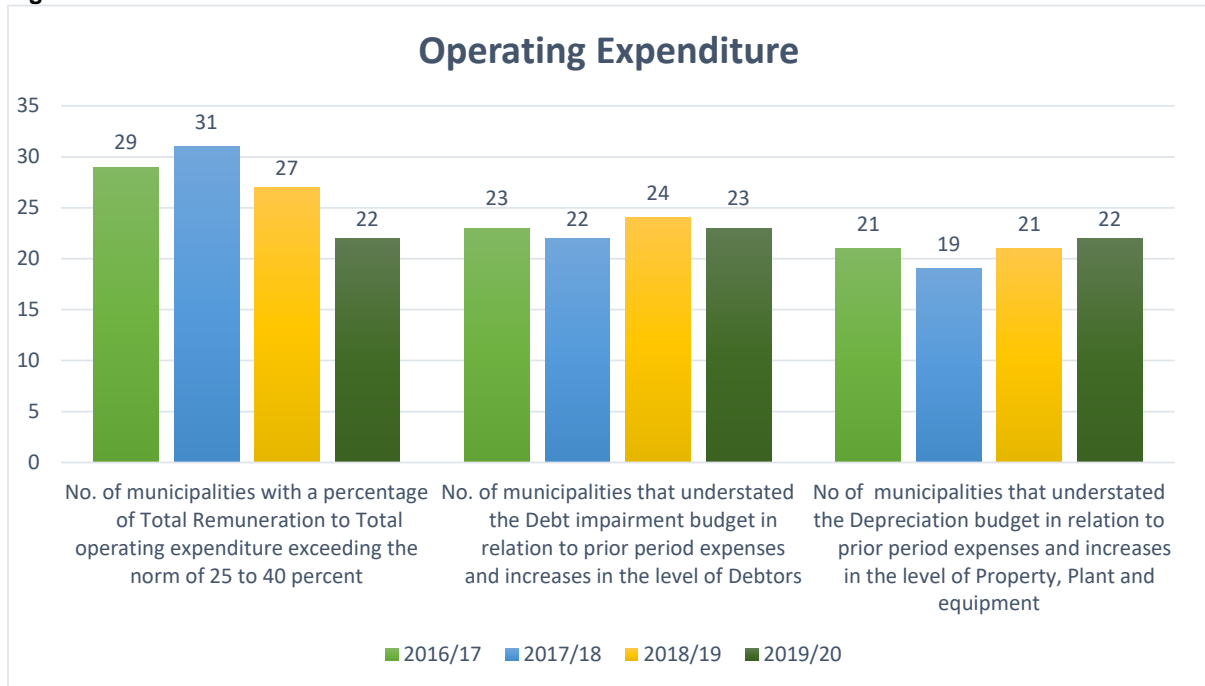
Source: KZN Provincial Treasury

- **Operating expenditure**

The percentage of total Remuneration to total Operating expenditure exceeded the norm range for a number of municipalities in the 2019/20 Approved Budget. As per MFMA Circular No. 71, the norm range for total Remuneration as a percentage of total Operating expenditure is between 25 and 40 percent. MFMA Circular No. 71 indicates that ratios in excess of the norm could indicate inefficiencies, overstaffing or even incorrect focus due to misdirected expenditure to non-essential or non-service delivery related expenditure. Based on the assessments of the 2019/20 Approved Budgets, at least 22 municipalities (43.1 percent) are above the norm as illustrated in Figure 5.5.

Municipalities are still understating the budget for non-cash expenditure. Figure 5.5 illustrates that at least 23 municipalities (45.1 percent) understated their *Debt impairment* budget and 22 municipalities (43.1 percent) understated their *Depreciation and asset impairment* budget. While these two line items in the Statement of financial performance are non-cash items, they do contribute to the calculation of the Operating surplus/deficit of the municipality. Understating the *Operating expenditure* budget also implies that municipalities are not taking all costs into account when determining cost reflective tariffs for their municipalities.

Figure 5.5

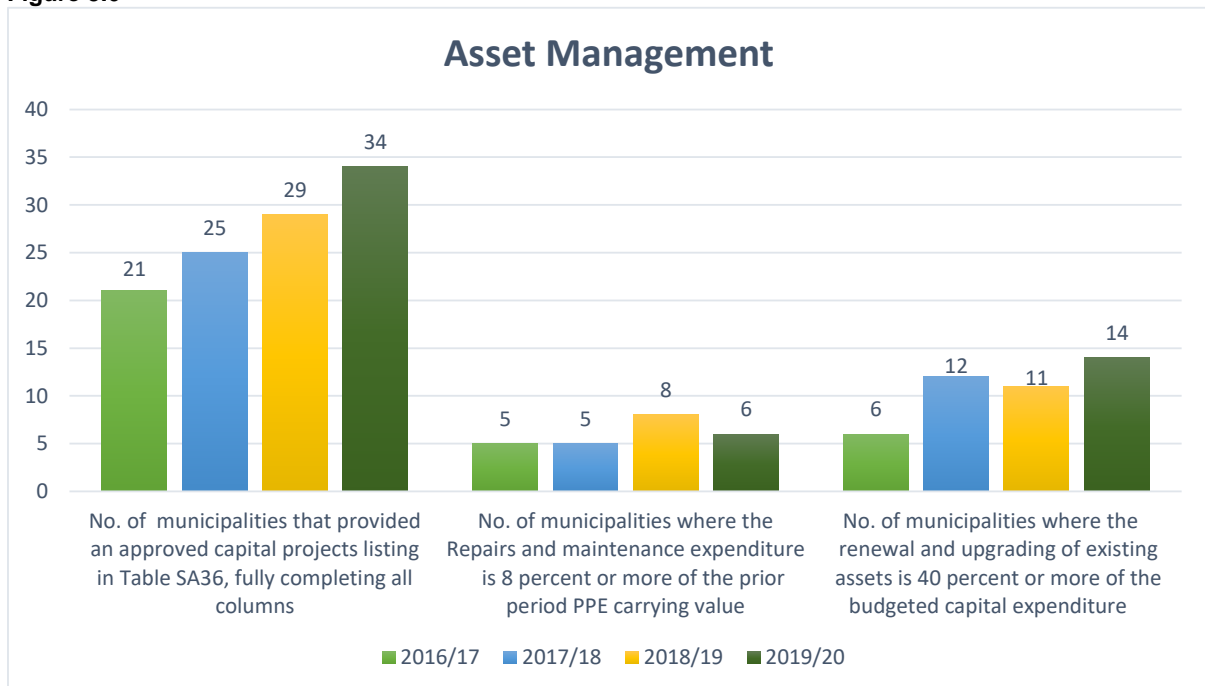


Source: KZN Provincial Treasury

- **Asset management**

Figure 5.6 illustrates an increasing trend in municipalities fully populating Table SA36 in the 2019/20 Approved Budget.

Figure 5.6



Source: KZN Provincial Treasury

Thirty-four (34) municipalities (66.7 percent) fully completed Table SA36 which requires the following descriptions:

- *Description of the projects;*
- *Asset classifications;*
- *GPS co-ordinates;*
- *The relevant wards;*
- *Whether the project is a new or renewal of an asset; and*
- *The estimated rand value.*

This information assists with effective planning for the Capital budget and therefore all municipalities must provide the required details.

MFMA Circular No. 55 highlighted the concern about the low levels of expenditure on repairs and maintenance and the renewal of existing infrastructure in most municipalities. Municipal Councils, Mayors and Municipal Managers were therefore urged to ensure that allocations to repairs and maintenance and the renewal of existing infrastructure are prioritised. In this regard, municipalities were requested to allocate at least 8 percent of the prior year PPE value towards *Repairs and maintenance* and at least 40 percent of the Capital budget towards the *Renewal and upgrading of existing assets*. It was however noted with concern that municipalities are still not adequately budgeting for the repairs and maintenance of assets or for the renewal and upgrading of existing assets. As per the assessment of the 2019/20 Approved Budgets, only six (6) municipalities (11.8 percent) budgeted for *Repairs and maintenance* of at least 8 percent or more of the prior period PPE value while only 14 municipalities (27.5 percent) allocated 40 percent or more of the Capital budget towards the *Renewal and upgrading of municipal assets*. Insufficient expenditure towards repairs and maintenance of assets could increase the impairment of assets whilst low expenditure towards the renewal and upgrading of existing assets would result in aged assets and may negatively impact on service delivery.

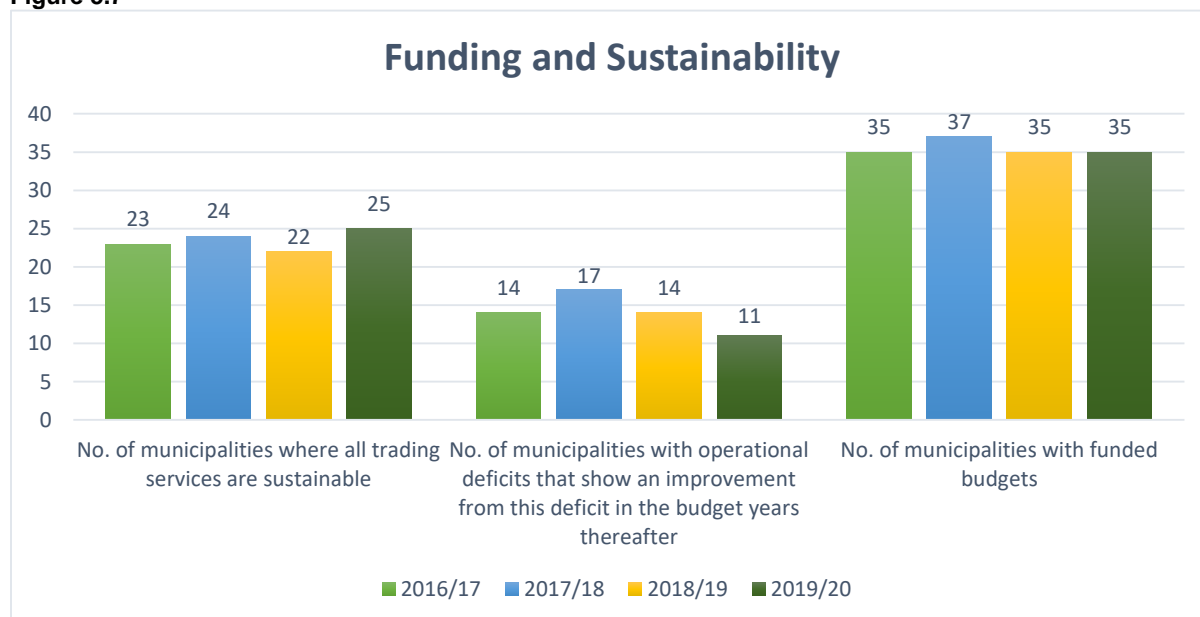
- **Funding and sustainability**

Figure 5.7 illustrates that only 25 municipalities (49 percent) are in a position where all their trading services are sustainable. The remaining 26 municipalities have budgeted to trade at a deficit on some or all of their services which will negatively impact the future sustainability of the municipality. The budgeted trading losses are caused by the municipalities not having cost reflective tariffs as well as inefficiencies in the provision of these services.

MFMA Circular No. 55 states that a municipality should budget for a moderate surplus so as to contribute to the funding of the Capital budget. There are 11 (21.6 percent) municipalities that budgeted for operational deficits for the 2019/20 budget year but reflected improvements in the two outer years.

Figure 5.7 also illustrates that only 35 delegated municipalities approved funded budgets for the 2019/20 budget year. One of the causes of unfunded budgets is due to the fact that some municipalities' have trading services that are simply not sustainable given the current structure of the municipalities. Municipalities must therefore increase revenue and decrease expenditure to the extent necessary to improve their financial performance and approve funded budgets.

Figure 5.7



Source: KZN Provincial Treasury

5.2.6.4 Summary of 2019/20 Approved Budget Assessment Process

Table 5.18 summarises the trend analysis of milestones for the Approved Budget process over a four year budget period (2016/17 – 2019/20).

Table 5.18: Trend analysis of milestones for the Approved Budget process

No	Item	2016/17 Process	2017/18 Process	2018/19 Process	2019/20 Process	Year on year
Approved (Final) Budget						
1	Nos. of Approved budgets NOT considered by 31 May (30 days prior to the start of the financial year)	1 (2%)	1 (2%)	3 (6%)	3 (6%)	
2	Nos. of munis. that did NOT submit their Approved Budget to PT within 10 working days	0 (0%)	1 (2%)	2 (4%)	5 (10%)	
3	Nos. of munis. whose Approved budgets were NOT in the correct format/version applicable	0 (0%)	0 (0%)	0 (0%)	0 (0%)	
4	Nos. of munis. that did NOT place their Budget on the municipal website within 5 working days of tabling	7 (12%)	15 (29%)	3 (6%)	3 (6%)	
5	Nos. of munis. that did NOT provide a consolidated budget (where applicable)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	
6	Nos. of munis. that re-tabled an Approved Budget before 30 June (start of the financial year)	0 (0%)	3 (20%)	1 (7%)	2 (4%)	
7	Nos. of munis. with Funded Approved budgets	41 (71%)	37 (73%)	35 (69%)	35 (69%)	
8	Nos. of munis. with Unfunded Approved budgets	13 (22%)	13 (25%)	13 (25%)	16 (31%)	
9	Nos. of munis. where funding positions of the Approved budget could not be determined	4 (7%)	1 (2%)	3 (6%)	0 (0%)	
10	Nos. of munis. that formally responded to PT's findings on the Tabled Budget	16 (28%)	11 (22%)	14 (27%)	12 (24%)	
11	Nos. of munis. that provided Council resolution indicating that PT comments were considered		16 (31%)	22 (43%)	19 (37%)	
SDBIP						
12	Nos. of FINAL SDBIP's NOT submitted to PT	4 (7%)	1 (2%)	1 (2%)	1 (2%)	

Source: KZN Provincial Treasury

The four year trend analysis reflects that the number of municipalities that did not consider their budgets for approval by 31 May 2019 remained the same for the 2019/20 budget process as the 2018/19 budget process at three municipalities.

Municipalities appear to have utilised the feedback given during the 2019/20 Tabled Budget process to improve the quality of their budgets as there were no municipalities where the funding position of the 2019/20 Approved Budget could not be determined. However, the number of funded budgets approved in the province during the 2019/20 budget process remained the same at 35 municipalities as in the 2018/19 budget process whilst the number of unfunded Approved Budgets increased from 13 in the 2018/19 budget process to 16 in the 2019/20 budget process. Two municipalities re-tabled their budgets to reflect more realistic revenue. The uMsinga Local Municipality had initially understated *Transfers and subsidies* and the uMvoti Local Municipality had to revise the *Service charges – electricity revenue* downwards as their application for higher tariffs was turned down by NERSA.

5.2.7 Summary of the 2019/20 Budget Process

Table 5.19 shows a summary of the statistics on the 2019/20 municipal budget assessment process for both the Tabled and Approved Budget:

Table 5.19: Summary of the outcomes on the 2019/20 Budget Assessment Process

	No. of Budgets	Name of municipality
<u>2019/20 Tabled Budgets</u>		
Budgets tabled late (less than 90 days before 1 July 2019)	1	Mandeni
Budgets received (electronic and printed copies)	51	
Budgets Assessed	51	
Budgets Tabled in correct formats	50	
Funded Budgets	27	
Unfunded Budgets	20	
Undetermined Funding Position	4	
<u>2019/20 Approved Budgets</u>		
Budgets not considered for Approval by 31 May 2019	3	Mpofana, eDumbe and Abaqulusi
Budgets approved in correct formats	51	
Budgets received (electronic and printed copies)	51	
High level assessments conducted on Approved Budgets	51	
Funded Budgets	35	
Unfunded Budgets	16	
Undetermined Funding Position	0	

Source: KZN Provincial Treasury

Table 5.19 shows the funding positions of the 2019/20 Tabled and Approved Budgets of all delegated municipalities. The table shows that initially there were only 27 Tabled Budgets which were funded, 20 were unfunded while the funding position for four (4) municipalities could not be determined mainly due to incomplete information. However, through further engagement and support to municipalities by Provincial Treasury, the funding position of the Approved Budgets improved. Table 5.19 shows that 35 of the Approved Budgets were funded, 16 were unfunded while no municipalities remained with a funding position which could not be determined.

Table 5.20 shows the funding position of each delegated municipality's 2019/20 Tabled Budget and 2019/20 Approved Budget as per Provincial Treasury's assessments.

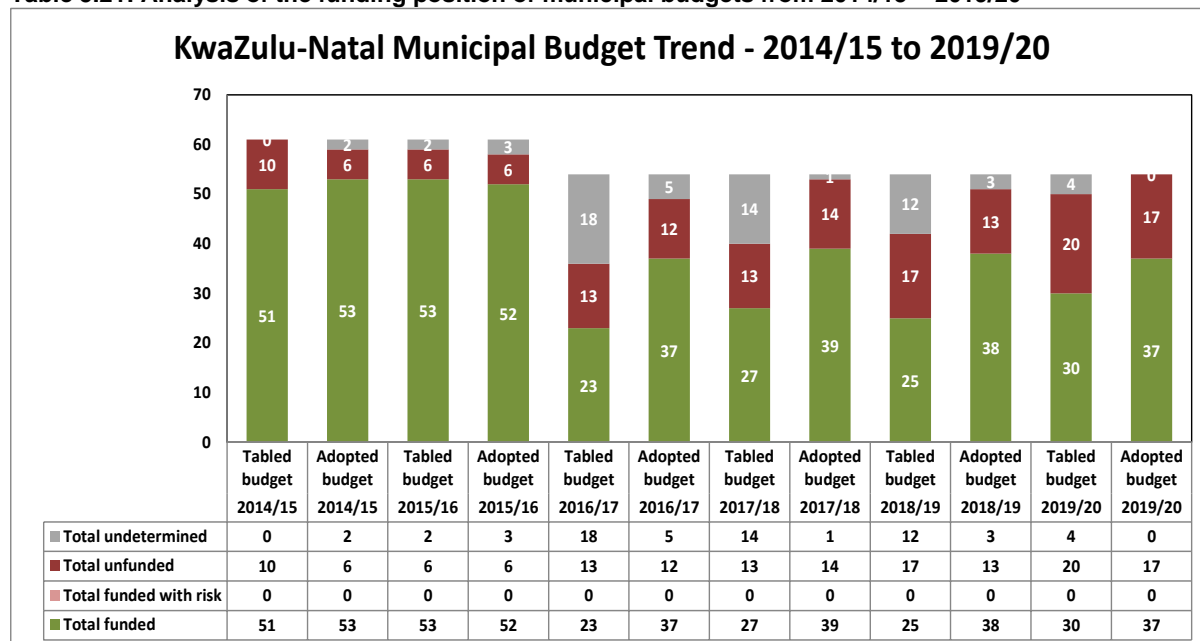
Table 5.20: Funding Position of 2019/20 Tabled and Approved Budgets

No.	Municipalities	Tabled budget	Approved budget
1	uMdoni	Funded	Funded
2	uMzumbe	Funded	Funded
3	uMuziwabantu	Funded	Funded
4	Ray Nkonyeni	Funded	Funded
5	Ugu DM	Unfunded	Unfunded
6	uMshwathi	Funded	Funded
7	uMngeni	Funded	Funded
8	Mpofana	Unfunded	Unfunded
9	iMpendle	Unfunded	Unfunded
10	Mkhambathini	Funded	Funded
11	Richmond	Funded	Funded
12	uMgungundlovu DM	Unfunded	Unfunded
13	Okhahlamba	Funded	Funded
14	iNkosi Langalibalele	Unfunded	Unfunded
15	Alfred Duma	Unfunded	Funded
16	uThukela DM	Unfunded	Unfunded
17	eNdumeni	Funded	Funded
18	Nquthu	Undetermined	Funded
19	uMsinga	Funded	Funded
20	uMvoti	Unfunded	Funded
21	uMzinyathi DM	Funded	Funded
22	Newcastle	Unfunded	Unfunded
23	eMadlangeni	Funded	Funded
24	Dannhauser	Unfunded	Funded
25	Amajuba DM	Undetermined	Unfunded
26	eDumbe	Unfunded	Unfunded
27	uPhongolo	Unfunded	Unfunded
28	AbaQulusi	Unfunded	Unfunded
29	Nongoma	Funded	Funded
30	Ulundi	Unfunded	Unfunded
31	Zululand DM	Unfunded	Unfunded
32	uMhlabuyalingana	Funded	Funded
33	Jozini	Funded	Funded
34	Mtubatuba	Funded	Funded
35	Big Five Hlabisa	Funded	Funded
36	uMkhanyakude DM	Undetermined	Unfunded
37	uMfolozi	Unfunded	Funded
38	uMlalazi	Funded	Funded
39	Mthonjaneni	Unfunded	Unfunded
40	Nkandla	Unfunded	Funded
41	King Cetshwayo DM	Funded	Funded
42	Mandeni	Funded	Funded
43	KwaDukuza	Funded	Funded
44	Ndwedwe	Funded	Funded
45	Maphumulo	Undetermined	Funded
46	iLembe DM	Funded	Funded
47	Greater Kokstad	Unfunded	Funded
48	uBuhlebezwe	Funded	Funded
49	uMzimkhulu	Funded	Funded
50	Dr Nkosazana Dlamini Zuma	Funded	Funded
51	Harry Gwala DM	Unfunded	Unfunded

Source: KZN Provincial Treasury

Table 5.21 shows the trend analysis of the funding position of all KZN municipalities over the last six budget years (2014/15 – 2019/20).

Table 5.21: Analysis of the funding position of municipal budgets from 2014/15 – 2019/20



Source: KZN Provincial Treasury

Note: The table and the graph above includes data for the non-delegated municipalities namely; the eThekweni Metro, and the Msunduzi and uMhlatuze Local Municipalities. The budget assessments for the non-delegated municipalities were performed by National Treasury. The number of municipalities in KZN decreased from 61 to 54 after the August 2016 Local Government elections.

5.3 Non-Compliance with the Division of Revenue Act and the Municipal Finance Management Act Reporting Requirements

Municipalities are required to comply with the Division of Revenue Act, Act No. 1 of 2018 (DoRA) and the MFMA reporting requirements. The MEC for Finance issues circulars to Mayors regarding non-compliance with the MFMA and the DoRA bi-annually. Despite the issuing of non-compliance circulars in prior years, it is of serious concern that a number of municipalities in KwaZulu-Natal are still not fully complying with all the reporting requirements of the MFMA and the DoRA.

Following the reports submitted for the fourth quarter of the 2018/19 financial year, it emerged that a number of municipalities in the province are either failing to comply with all the reporting requirements as set out in the different sections of the MFMA and the DoRA and/or are submitting reports for compliance purposes only without ensuring the accuracy of the information submitted.

Both the National and Provincial Treasuries have provided support and training to assist municipalities in meeting their reporting requirements and can no longer allow any deliberate or inadvertent non-compliance with the law by municipalities.

Support provided to municipalities includes, but is not limited to the following: sending the exception reports drawn from National Treasury's Database reflecting the status of compliance by all the delegated municipalities on a weekly basis; discussing the status of compliance with the municipalities during various Bilateral engagements as well as frequent reminders to municipalities to submit outstanding documents through telephonic and email correspondence. Provincial Treasury also provided technical support when requested by the municipalities.

During the 2018/19 financial year, Provincial Treasury reported non-compliance with both the MFMA and the DoRA reporting requirements to the KwaZulu-Natal Provincial Legislature on a quarterly basis through the MFMA Section 71(7) Reports, where the MEC for Finance is required to submit a consolidated statement on the state of municipalities' budgets.

The tables below show some of the important MFMA and DoRA reporting requirements that have not been complied with by municipalities together with a list of those municipalities who did not fully comply with these reporting requirements as noted in Provincial Treasury Circular PT/MF 02 of 2019/20 issued on 13 August 2019.

5.3.1 MFMA Implementation Plan

National Treasury issued MFMA Circular No. 7 “MFMA Implementation Plan Template” on 23 September 2004. As per the circular, all municipalities are required to prepare and submit their MFMA Implementation Plan indicating how they will implement the MFMA reforms. The MFMA Implementation Plan should be used by municipalities to enable them to achieve compliance with relevant legislation. Municipalities are required to establish a steering committee to manage and oversee, inter alia their MFMA Implementation Plan. The MFMA Implementation Plan for the 2018/19 financial year was due on 31 October 2018.

As at 05 August 2019, the 8 municipalities shown in Table 5.22 had still not submitted their 2018/19 MFMA Implementation Plans.

Table 5.22: List of municipalities that did not submit their MFMA implementation plan for the 2018/19 financial year

Non-Compliant Municipalities	Non-Compliant Municipalities	Non-Compliant Municipalities
Mpofana	uMshwathi	Okhahlamba
uMgungundlovu DM	iNkosi Langalibalele	uMvoti
eMadlangeni	Maphumulo	

Source: Local Government Database

5.3.2 2018/19 Budget Returns (Appendix B) and 2017/18 Annual Returns

In terms of Section 22(b) of the MFMA, *the Accounting Officer of the municipality must submit the annual budget -*

- (i) *in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury; and*
- (ii) *in either format to any prescribed national or provincial organs of the state and to other municipalities affected by the budget.”*

The budget figures from Appendix B: Budget Returns Forms is utilised by National Treasury for their quarterly publications on municipal financial performance. National Treasury further hosts the LG Database to which municipalities submit various other monthly, quarterly and annual returns, as the department endeavours to maintain accurate and complete financial information on all municipalities for planning, reporting and decision making purposes. Table 5.23 shows the municipalities that had not uploaded/submitted their relevant return forms to the LG Database. The non-compliant municipalities have been identified from the National Treasury database report dated 05 August 2019.

Table 5.23: List of municipalities that have not submitted the Appendix B Budget Returns Forms and Annual Returns as at 05 August 2019

Name of Return	Period	Non-Compliant Municipalities
IDP to Budget	2018/19	Harry Gwala DM, Nquthu, uPhongolo, uMshwathi
Age Debtors Audited	2017/18	Dannhauser

Source: Local Government Database

5.3.3 2018/19 MFMA Section 71 Monthly Returns

In terms of Section 71(1) of the MFMA, *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 Provincial Treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:*

- (a) *actual revenue, per revenue source;*
- (b) *actual borrowings;*
- (c) *actual expenditure, per vote;*
- (d) *actual capital expenditure, per vote;*
- (e) *the amount of any allocations received; and*
- (f) *actual expenditure of those allocations, excluding expenditure on-*
 - (i) *its share of the local government equitable share; and*
 - (ii) *allocations exempted by the annual Division of Revenue Act from compliance with this paragraph.*

As at 05 August 2019, the monthly returns shown in Table 5.24 had not been submitted to the local government database by the municipalities listed in the table.

Table 5.24: List of municipalities that did not submit the monthly returns

Name of Return	Period	Non-Compliant Municipalities
Age Creditors	January 2019	uPhongolo
	April 2019	Amajuba DM
	May 2019	Amajuba DM
	June 2019	Amajuba DM, Dannhauser, Harry Gwala DM, Ray Nkonyeni, uMuziwabantu, Richmond
Age Debtors	December 2018	Dannhauser
	January 2019	Dannhauser
	February 2019	Dannhauser, AbaQulusi
	March 2019	Dannhauser
	April 2019	Dannhauser
	May 2019	Dannhauser
	June 2019	Amajuba DM, Dannhauser, uBuhlebezwe, uMlalazi, Ray Nkonyeni, Richmond
Financial Position	April 2019	Dannhauser
	May 2019	Dannhauser, uMlalazi, uMzombe, Nquthu, uThukela DM
	June 2019	Amajuba DM, Dannhauser, Ray Nkonyeni, Nquthu, uMvoti, Richmond
Financial Performance	May 2019	uMuziwabantu
	June 2019	Amajuba DM, Dannhauser, Ray Nkonyeni, Ugu DM, uMuziwabantu, Mpofana, Richmond
Capital Acquisitions Actuals	April 2019	Dannhauser, uMlalazi, uPhongolo
	May 2019	Dannhauser, uMlalazi, uPhongolo
	June 2019	Amajuba DM, Dannhauser, uMlalazi, Ray Nkonyeni, uThukela DM, uPhongolo, KwaDukuza, Richmond
Cash Flow Actuals	July 2018	uMdoni
	March 2019	Dannhauser
	May 2019	Ulundi
	June 2019	Dannhauser, Ray Nkonyeni, uPhongolo, Richmond
Repair and Maintenance Expenditure	February 2019	Jozini
	April 2019	Dannhauser
	June 2019	Amajuba DM, Dannhauser, Ray Nkonyeni, Nquthu, Mpofana, Richmond

Source: Local Government Database

5.3.4 2018/19 Quarterly Returns

Section 74(1) of the MFMA states that *the Accounting Officer of a municipality must submit to the National Treasury, the Provincial Treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.*

National Treasury has prescribed that the quarterly returns must be submitted on borrowings, investments, long term contracts, municipal entities, the implementation of the MFMA priorities (as specified in MFMA Circular No. 38) and public-private partnerships. Table 5.25 shows the list of municipalities that did not submit the required quarterly returns for 2018/19 as at 05 August 2019.

It should be noted that Table 5.25 also includes municipalities that do not have municipal entities, however these municipalities were still required to submit a MFMA Municipal Entity return with nil information.

Table 5.25: List of municipalities that did not submit the different quarterly returns for the 2018/19 financial year

Quarter	MFMA Long Term Contracts	Borrowings Monitoring	MFMA Municipal Entity	MFMA Implementation Priorities	Investment Monitoring
Quarter 1	Dannhauser Big Five Hlabisa uThukela DM		Big Five Hlabisa		
Quarter 2	uThukela DM Mpofana		Mpofana	uMsinga iNkosi Langalibalele	Nongoma
Quarter 3	Amajuba DM Dannhauser uMsinga uThukela DM	uPhongolo	Dannhauser Mpofana	Dannhauser Okhahlamba uPhongolo	Nkandla uMsinga uPhongolo
Quarter 4	Ugu DM uThukela DM		Ugu DM	Ray Nonyeni uMsinga, Ugu DM	

Source: Local Government Database

5.3.5 2018/19 Conditional Grants Returns

In terms of Section 12(2)(b) of the 2018 DoRA, a municipality must, as part of the report required in terms of Section 71 of the MFMA, report on their grant expenditure to the relevant Provincial Treasury, the National Treasury and the relevant transferring officer.

Section 12(4) of the 2018 DoRA further specifies that *a report for a municipality in terms of subsection (2)(b) must set out for the month in question and for the 2018/19 financial year up to the end of the month—*

- (a) *the amount received by the municipality;*
- (b) *the amount of funds stopped or withheld in terms of section 18 or 19 and the reason for the stopping or withholding;*
- (c) *the extent of compliance with this Act and with the conditions of the allocation or part of the allocation provided for in its framework;*
- (d) *an explanation of any material problems experienced by the municipality regarding an allocation which has been received and a summary of the steps taken to deal with such problems;*
- (e) *any matter or information that may be determined in the framework for the allocation; and*
- (f) *such other matters and information as the National Treasury may determine.*

As at 05 August 2019, the conditional grant returns shown in Table 5.26 had not been submitted to the Local Government Database by the municipalities listed in the table.

Table 5.26: List of municipalities that did not submit the monthly conditional grants returns for the 2018/19 financial year

Name of Return	Period	Non-Compliant Municipalities
Energy Efficiency and Demand Mng Grant	June 2019	Ray Nkonyeni
Finance Management Grant	July 2018	uMsinga
	May 2019	Dannhauser, Nquthu
	June 2019	Amajuba DM, Dannhauser, Newcastle, Ray Nkonyeni, Richmond
Integr Nat Electrification Progr Grant	April 2019	uPhongolo
	June 2019	Ray Nkonyeni, eNdumeni, Mpofana, Richmond
Municipal Infrastructure Grant	February 2019	uPhongolo
	March 2019	uPhongolo
	April 2019	uPhongolo
	May 2019	uPhongolo
	June 2019	Amajuba DM, Dannhauser, Ray Nkonyeni, eNdumeni, Richmond
Expanded Public Works Programme Grant	May 2019	Nquthu
	June 2019	Amajuba DM, Dannhauser, Ray Nkonyeni, Richmond
Rural Roads Assets Mng Systems Grant	June 2019	Amajuba DM
Water Services Infrastructure Grant	June 2019	Amajuba DM

Source: Local Government Database

5.3.6 2018/19 Verification of Figures for Quarter 4

Provincial Treasury is concerned about the reliability of budget and expenditure figures published by National Treasury. It was noted in the past that there have been discrepancies in the data submitted to the Local Government Database by municipalities. To ensure that the figures published by National Treasury are reliable, it is imperative that municipalities scrutinise, verify and sign-off the verifications schedules sent to them by National Treasury on a quarterly basis.

There are four quarterly verification schedules, namely:

- (a) Statement of Operating and Capital Expenditure (MFMA Section 71 Verification);
- (b) Conditional Grants Actual Transfers and Expenditure Schedule (Grant Verification);
- (c) Borrowing Monitoring Schedule; and
- (d) Investment Monitoring Schedule.

5.3.7 Publication of MFMA Section 75 Information on Municipal Websites

In terms of Section 75(1) of the MFMA, municipalities are required to place the following documents on their municipal websites:

- a) *The annual and adjustments budgets and all budget-related documents;*
- b) *all budget-related policies;*
- c) *the annual report;*
- d) *all performance agreements required in terms of Section 57(1)(b) of the Municipal Systems Act;*
- e) *all service delivery agreements;*
- f) *all long-term borrowing contracts;*
- g) *all supply chain management contracts above a prescribed value;*

- h) *an information statement containing a list of assets over a prescribed value that have been disposed of in terms of Section 14(2) or (4) during the previous quarter;*
- i) *contracts to which subsection (1) of Section 33 apply, subject to Subsection (3) of that Section;*
- j) *public-private partnership agreements referred to in Section 120;*
- k) *all quarterly reports tabled in the council in terms of Section 52(d); and*
- l) *any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.*

Section 75(2) of the MFMA further requires that documents *must be placed on the website not later than five working days after its tabling in the Council, or on the date on which it must be made public, whichever occurs first.*

As at 05 August 2019, the 10 municipalities shown in Table 5.27 had not placed the majority of the required documents on their websites.

Table 5.27: List of municipalities that did not place majority of the required documents on their websites

Non-Compliant Municipalities	Non-Compliant Municipalities
eMadlangeni	Nquthu
Mpofana	eDumbe
uMuziwabantu	iNkosi Langalibalele
Dannhauser	Nkandla
Greater Kokstad	uMfolozi

Source: Municipal Websites

5.3.8 Financial Management Grant Conditions/Appointment of Municipal Interns

In terms of the Financial Management Grant (FMG) conditions published in the 2018 DoRA, the grant may be utilised for amongst others, appointing at least five interns in local municipalities and three interns in metropolitan and district municipalities over a multi-year period.

As at 05 August 2019, the Richmond Local Municipality was the only local municipality out of the 51 KZN delegated local municipalities which had not appointed five interns. All 10 district municipalities had appointed at least three interns within the province.

5.4 Implementation of the Municipal Regulations on Standard Chart of Accounts

The Minister of Finance promulgated Government Gazette No. 37577, Municipal Regulations on Standard Chart of Accounts (mSCOA), on 22 April 2014. All municipalities and related municipal entities were required to transact in compliance with the mSCOA Regulations from 01 July 2017.

Provincial Treasury continued with the monitoring of the implementation of mSCOA in the province during the 2018/19 financial year by means of providing onsite support and engagements.

5.4.1 A Schedule Validation of the Tabled Budget to the mSCOA Tabled budget datastring submission (TABB) (2019/20)

MFMA Circular No. 94 highlighted that in terms of Section 22(b)(i) of the MFMA, municipalities were required to submit the tabled draft budget to the National Treasury and the relevant Provincial Treasury in both printed and electronic formats immediately after an annual budget was tabled in the municipal

Council. Therefore, if the annual budget was tabled to Council on 29 March 2019, the final date of submission of the electronic budget documents and corresponding data strings was Wednesday, 03 April 2019. The deadline for submission of printed copies including a Council resolution was Friday, 05 April 2019.

Further to the above, MFMA Circular No. 94 indicated that from 2019/20 onwards, municipalities will no longer be required to continue with the use of the budget reform returns to upload budget and monthly expenditure to the National Treasury Local Government (LG) Database for publication purposes. The National Treasury will use only the mSCOA data strings required for submission as prescribed and all publications will use the data collected from the mSCOA data strings.

The circular clearly highlighted that the responsibility of ensuring accurate, reliable and complete information rests with the Accounting Officer and/or delegated official.

The data string submissions must go through four validation processes once submitted:

- Stage 1: The structure of the data string is in the correct format;
- Stage 2: The data string once submitted successfully is assessed against the 16 validation rules of the LG database;
- Stage 3: The return form is compared to the mSCOA data string submissions and differences must be addressed by the municipality where applicable; and
- Stage 4: An analysis of the use of the segments beyond the 16 validation rules, which entails the review of the appropriate use of the segments as well as the application of the correct accounting treatment as required by the accounting standards.

Stage 1 Validation: Submission of the mSCOA Data String (TABB) in the correct format

Stage 1 validation refers to whether the mSCOA data string file was submitted to the LG database in the correct file format. Table 5.28 shows municipalities that have submitted the required files in the correct format.

Table 5.28: List of municipalities that have submitted the required files in the correct format for 2019/20 Tabled Budget

No	Name of the municipality	mSCOA data string submitted on	Submitted Immediately of Council Approval	Status of Submission	No	Name of the municipality	mSCOA data string submitted on	Submitted Immediately of Council Approval	Status of Submission
1	AbaQulusi	03/27/19	Yes	Submitted Successfully	28	Newcastle	05/15/19	No	Submitted Successfully
2	Alfred Duma	04/01/19	No	Submitted Successfully	29	Nkandla	04/03/19	No	Submitted Successfully
3	Amajuba DM	04/08/19	No	Submitted Successfully	30	Nongoma	04/02/19	No	Submitted Successfully
4	Dannhauser	04/01/19	No	Submitted Successfully	31	Nquthu	04/09/19	No	Submitted Successfully
5	Dr Nkosazana Dlamini Zuma	03/15/19	Yes	Submitted Successfully	32	Okhahlamba	04/03/19	No	Submitted Successfully
6	eDumbe	05/23/19	No	Submitted Successfully	33	Ray Nkonyeni	04/01/19	No	Submitted Successfully
7	eMadlangeni	04/01/19	Yes	Submitted Successfully	34	Richmond	04/01/19	No	Submitted Successfully
8	Endumeni	05/15/19	No	Submitted Successfully	35	Big Five Hlabisa	04/08/19	No	Submitted Successfully
9	eThekweni Metro	05/17/19	No	Submitted Successfully	36	uBuhlebezwe	04/01/19	No	Submitted Successfully
10	Greater Kokstad	03/29/19	Yes	Submitted Successfully	37	Ugu DM	04/09/19	No	Submitted Successfully
11	Harry Gwala DM	04/04/19	No	Submitted Successfully	38	Ulundi	03/27/19	Yes	Submitted Successfully
12	iLembe DM	03/29/19	No	Submitted Successfully	39	uMdoni	03/28/19	Yes	Submitted Successfully
13	iMpendle	04/09/19	No	Submitted Successfully	40	uMgungundlovu DM	04/17/19	No	Submitted Successfully
14	iNkosi Langalibalele	06/21/19	No	Submitted Successfully	41	uMhlabuyalingana	04/01/19	No	Submitted Successfully
15	Jozini	04/01/19	No	Submitted Successfully	42	uMhlathuze	04/03/19	No	Submitted Successfully
16	King Cetshwayo DM	03/29/19	Yes	Submitted Successfully	43	uMkhanyakude DM	04/03/19	No	Submitted Successfully
17	KwaDukuza	06/01/19	No	Submitted Successfully	44	uMlalazi	04/29/19	No	Submitted Successfully
18	Mandeni	03/29/19	Yes	Submitted Successfully	45	uMngeni	03/26/19	Yes	Submitted Successfully
19	Maphumulo	04/03/19	No	Submitted Successfully	46	uMshwathi	04/17/19	No	Submitted Successfully
20	uMfolozi	04/02/19	No	Submitted Successfully	47	uMuzwabantu	03/28/19	Yes	Submitted Successfully
21	Mkhambathini	03/30/19	No	Submitted Successfully	48	uMvoti	05/17/19	No	Submitted Successfully
22	Mpofana	04/10/19	No	Submitted Successfully	49	uMzimkhulu	04/01/19	No	Submitted Successfully
23	uMsinga	04/02/19	No	Submitted Successfully	50	uMzinyathi DM	04/03/19	No	Submitted Successfully
24	Msunduzi	06/19/19	No	Submitted Successfully	51	uMzombe	04/05/19	No	Submitted Successfully
25	Mthonjaneni	04/05/19	No	Submitted Successfully	52	uPhongolo	Outstanding	No	Outstanding
26	Mtubatuba	04/05/19	No	Submitted Successfully	53	uThukela DM	04/12/19	No	Submitted Successfully
27	Ndwedwe	03/28/19	Yes	Submitted Successfully	54	Zululand DM	04/09/19	No	Submitted Successfully

Source: National Treasury LG Database

The uPhongolo Local Municipality is the only municipality that had not submitted their TABB as at the end of 30 June 2019. The municipality had indicated that there is a legal dispute with the service provider and had communicated as such to National Treasury. Further to the above, the municipality continues not to comply with the submission requirements to the LG Database, as they have not submitted the monthly data strings from December 2018.

As part of the Tabled budget submission, municipalities were required to submit the Project Details Tabled Budget (PRTA) which is the Integrated Development Plan file that links to the TABB. Table 5.29 shows the status of submission of the PRTA data string to the LG Database as at 30 June 2019.

Table 5.29: List municipalities that have submitted the PRTA data string to the LG Database as at 30 June 2019

No	Name of the municipality	Date Submitted	Status of Submission	No	Name of the municipality	Date Submitted	Status of Submission
1	AbaQulusi	04/03/19	Submitted Successfully	28	Newcastle	04/12/19	Submitted Successfully
2	Alfred Duma	06/06/19	Submitted Successfully	29	Nkandla	04/03/19	Submitted Successfully
3	Amajuba DM	05/07/19	Submitted Successfully	30	Nongoma	04/02/19	Submitted Successfully
4	Dannhauser	03/30/19	Submitted Successfully	31	Nquthu	04/09/19	Submitted Successfully
5	Dr Nkosazana Dlamini Zuma	04/04/19	Submitted Successfully	32	Okhahlamba	04/25/19	Submitted Successfully
6	eDumbe	05/07/19	Submitted Successfully	33	Ray Nkonyeni	04/02/19	Submitted Successfully
7	eMadlangeni	04/01/19	Submitted Successfully	34	Richmond	04/01/19	Submitted Successfully
8	eNdumeni	* Outstanding	Outstanding	35	Big Five Hlabisa	04/03/19	Submitted Successfully
9	eThekweni Metro	05/17/19	Submitted with Errors	36	uBuhlebezwe	05/23/19	Submitted Successfully
10	Greater Kokstad	03/29/19	Submitted Successfully	37	Ugu DM	04/08/19	Submitted Successfully
11	Harry Gwala DM	04/04/19	Submitted Successfully	38	Ulundi	04/03/19	Submitted Successfully
12	iLembe DM	04/02/19	Submitted Successfully	39	uMdoni	04/08/19	Submitted Successfully
13	iMpendle	05/20/19	Submitted Successfully	40	uMgungundlovu DM	04/25/19	Submitted Successfully
14	iNkosi Langalibalele	* Outstanding	Outstanding	41	uMhlabyalingana	04/02/19	Submitted Successfully
15	Jozini	04/01/19	Submitted Successfully	42	uMhlathuze	06/04/19	Submitted Successfully
16	King Cetshwayo DM	03/29/19	Submitted Successfully	43	uMkhanyakude DM	04/04/19	Submitted Successfully
17	KwaDukuza	* Outstanding	Outstanding	44	uMlalazi	04/05/19	Submitted Successfully
18	Mandeni	04/03/19	Submitted Successfully	45	uMngeni	04/03/19	Submitted Successfully
19	Maphumulo	04/03/19	Submitted Successfully	46	uMshwathi	06/07/19	Submitted Successfully
20	uMfolozi	04/04/19	Submitted Successfully	47	uMuzwabantu	03/28/19	Submitted Successfully
21	Mkhambathini	04/26/19	Submitted Successfully	48	uMvoti	06/03/19	Submitted Successfully
22	Mpofana	06/05/19	Submitted Successfully	49	uMzimkhulu	05/21/19	Submitted Successfully
23	uMsinga	04/02/19	Submitted Successfully	50	uMzinyathi DM	04/03/19	Submitted Successfully
24	Msunduzi	* Outstanding	Outstanding	51	uMzumbe	04/04/19	Submitted Successfully
25	Mthonjaneni	04/09/19	Submitted Successfully	52	uPhongolo	*Outstanding	Outstanding
26	Mtubatuba	04/10/19	Submitted Successfully	53	uThukela DM	06/18/19	Submitted Successfully
27	Ndwedwe	05/16/19	Submitted Successfully	54	Zululand DM	04/09/19	Submitted Successfully

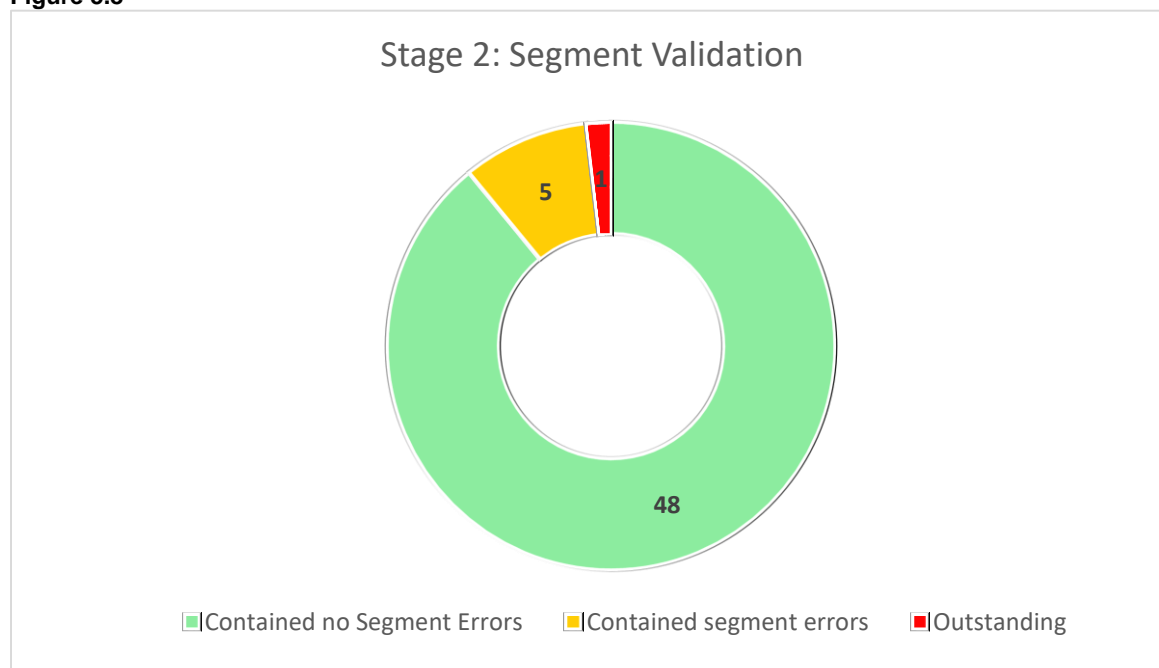
Source: National Treasury LG Database

Stage 2 Validation: Segment Validation of 2019/20 Tabled Budget mSCOA data string

Stage 2 validation refers to the process once the submission of stage 1 is successful. Subsequent to the submission of the Tabled Budget, National Treasury validated the datastring against the 16 segment validations to ensure that the municipalities applied the segments appropriately. There were five municipalities whose data files contained errors. All segment errors were communicated to municipalities to be rectified including providing guidance on the error and the probable solution. The uPhongolo Local Municipality's Tabled Budget mSCOA data string could not be validated as it was outstanding.

Figure 5.8 graphically illustrates the status of segment validation (municipalities that have correctly applied the 16 validation rules of the LG Database).

Figure 5.8



Source: National Treasury LG Database

Table 5.30 lists the municipalities that had files which contained Stage 2 segment validation errors for the 2019/20 Tabled budgets.

Table 5.30: List of municipalities with Segment Validation Errors on the 2019/20 Tabled Budget

No	Name of the municipality	No	Name of the municipality	No	Name of the municipality
1	eThekweni Metro	3	Msunduzi	5	uMdoni
2	iNkosi Langalibalele	4	Newcastle		

Source: National Treasury LG Database

The municipalities' PRTA reflects the alignment of the financial budget projects to the Integrated Development Plan projects (IDP). Table 5.31 lists those municipalities whose financial budget projects did not align to the IDP projects.

Table 5.31: List of Segment Validation Errors on the project details 2019/20 Tabled Budget

No	Name of the municipality	Segment Error	No	Name of the municipality	Segment Error
1	Dr Nkosazana Dlamini Zuma	Contain Segment Errors	8	Nquthu	Contain Segment Errors
2	eNdumeni	Outstanding	9	Ugu DM	Contain Segment Errors
3	eThekweni Metro	Submitted with Errors	10	uMkhanyakude DM	Contain Segment Errors
4	iLembe DM	Contain Segment Errors	11	uMngeni	Contain Segment Errors
5	iNkosi Langalibalele	Outstanding	12	uMzimbhulu	Contain Segment Errors
6	KwaDukuza	Outstanding	13	uPhongolo	Outstanding
7	Msunduzi	Outstanding	14	uThukela DM	Contain Segment Errors

Source: National Treasury LG Database

Stage 3 Validation: Alignment of the Tabled Budget to the mSCOA data string

The process of verifying the alignment between the Schedule A1 tabled in Council and mSCOA data string for Tabled Budgets (TABB) was undertaken by Provincial Treasury and material variances were noted for all delegated municipalities. This was a key indicator that municipalities may not have produced their Schedule A1 directly from their financial systems as required by MFMA Circular No. 94. The variances were communicated to all municipalities to make the necessary corrections in their Approved Budgets mSCOA data string.

Stage 4 Validation: Analysis of the use of segments (Common findings)

As National Treasury will be moving away from the budget returns as indicated in MFMA Circular No. 94, emphasis has been placed on the accuracy of the mSCOA data string. It is important for municipalities to ensure that the A Schedules are extracted directly from the system and that the municipalities budget how they intend to transact in the forthcoming financial year. Therefore, the requirement is that municipalities must budget on an accrual basis and the budget must be aligned to Generally Recognised Accounting Principles (GRAP). Provincial Treasury have conducted a review of all municipalities with the exception of the uPhongolo Local Municipality (outstanding TABB) and the Msunduzi Local Municipality (submitted late, subsequent to 30 June 2019) and have noted the following:

- The incorrect use of the Region segment;
- The function selection between core and non-core was not aligned to the municipality's mandate;
- The funding source was not balanced and in addition was linked to incorrect sources of funding;
- Costing, which is applicable to all municipalities providing services such as water, electricity, waste management, and waste-water management, was not being applied by all municipalities with the exception of the eThekweni Metro;
- With regards to the Item segment:
 - The opening balances as at 1 July 2018 did not balance in terms of the trial balance and/or not processed on the financial system
 - Transactions did not reflect the business process flow. This was evident as there were no liabilities, debtors and/or Value Added Tax (VAT) raised on transactions;
 - There was no double entry principle applied by some municipalities;
 - The item and project and/or funding segment did not align (over and above the 16 standard validation rules);
 - No elimination of intercompany transactions on consolidation;
 - District Municipalities did not account for water as inventory; and
 - Conditional grant accounting was not correctly applied.
- With regards to the Project segment:
 - The item and project segment did not align (over and above the 16 standard validation rules);
 - The Project Capital segment description did not agree to the item segment description for assets;
 - There was no Cost of Free basic services, Property rebates and Revenue Cost of Free basic services used in certain instances; and
 - Project segment was incorrectly aligned between strategic initiatives and operational costs to run the municipality.

Feedback was sent and engagements were held with municipalities to ensure that the Approved Budgets would be corrected accordingly.

5.4.2 A Schedule Validation of the Council's Approved Budget to the mSCOA Original budget (ORGB) data string submission (2019/20)

During the Tabled Budget process, all issues regarding the mSCOA data strings were submitted to the municipalities for correction and updating of the Original Budget datastrings (ORGB) prior to Council

approval. Furthermore, communication was issued through MFMA Circular No. 94 that indicated the following:

*“It is imperative that all municipalities prepare their 2019/20 MTREF budgets in their financial systems and that the Schedule A1 be produced **directly from their financial system**. Vendors have recently demonstrated their budget modules to the National Treasury and provincial treasuries. All financial systems have this functionality to assist and prepare budgets and to generate the prescribed Schedule A1 directly from the financial system. Municipalities must start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and must ensure that they produce their Schedule A1 directly out of the budget module.*

To promote this approach from the 2020/21 MTREF, the National Treasury will only accept a Schedule A1 in PDF format, containing ALL sheets as prescribed and with each worksheet displaying an embedded system stamp to certify that it has been produced directly from the system. For purposes of collecting additional data which we previously did using the Schedule A1 in Excel, a prescribed data string containing the data must be populated and uploaded by each municipality (refer to the attachment to MFMA Budget Circular No. 93 on the NT Website)”

Stage 1 Validation: Submission of the mSCOA datastrings for the Approved Budget (ORGB) in the correct format

With regards to Stage 1 of the Validation for the ORGB, Table 5.32 lists the municipalities which submitted the file in the correct format within the required reporting time of 10 days after Council adopted the budget.

Table 5.32: List of municipalities that submitted the file in the correct format for the 2019/20 Approved Budget

No	Name of the municipality	mSCOA data string submitted on	Within 10 days of Council Approval	Submission	No	Name of the municipality	mSCOA data string submitted on	Within 10 days of Council Approval	Submission
1	AbaQulusi	05/27/19	Yes	Successful	28	Ndwedwe	06/12/19	Yes	Successful
2	Alfred Duma	05/30/19	Yes	Successful	29	Newcastle	06/12/19	Yes	Successful
3	Amajuba DM	06/14/19	Yes	Successful	30	Nkandla	06/07/19	Yes	Successful
4	Dannhauser	06/12/19	No	Successful	31	Nongoma	05/31/19	Yes	Successful
5	Dr Nkosazana Dlamini Zuma	05/21/19	Yes	Successful	32	Nquthu	06/03/19	Yes	Successful
6	eDumbe	Only Tabled on the 27/06/2019			33	Okhahlamba	05/28/19	Yes	Successful
7	eMadlangeni	05/30/19	Yes	Successful	34	Ray Nkonyeni	06/12/19	No	Successful
8	eNdumeni	06/12/19	Yes	Successful	35	Richmond	06/10/19	Yes	Successful
9	eThekweni Metro	* Outstanding	No	Outstanding	36	uBuhlebezwe	05/28/19	Yes	Successful
10	Greater Kokstad	05/28/19	Yes	Successful	37	Ugu DM	06/19/19	No	Successful
11	Harry Gwala DM	06/20/19	No	Successful	38	Ulundi	05/28/19	Yes	Successful
12	Big Five Hlabisa	06/01/19	No	Successful	39	uMdoni	06/08/19	Yes	Successful
13	iLembe DM	05/28/19	Yes	Successful	40	uMgungundlovu DM	06/14/19	Yes	Successful
14	iMpindle	05/31/19	Yes	Successful	41	uMhlabuyalingana	05/24/19	Yes	Successful
15	iNkosi Langalibalele	06/21/19	No	Successful	42	uMhlatuze	06/12/19	Yes	Successful
16	Jozini	06/01/19	Yes	Successful	43	uMkhanyakude DM	06/03/19	Yes	Successful
17	King Cetshwayo DM	06/11/19	No	Successful	44	uMlalazi	06/18/19	No	Successful
18	KwaDukuza	06/07/19	Yes	Successful	45	uMngeni	05/20/19	Yes	Successful
19	Mandeni	05/31/19	Yes	Successful	46	uMshwathi	06/13/19	Yes	Successful
20	Maphumulo	06/03/19	Yes	Successful	47	uMuziwabantu	06/11/19	Yes	Successful
21	uMfolozi	05/25/19	Yes	Successful	48	uMvoti	05/29/19	Yes	Successful
22	Mkhambathini	06/05/19	Yes	Successful	49	uMzimkhulu	06/03/19	Yes	Successful
23	Mpoofana	04/03/19	No	Submitted with Error	50	uMzinyathi DM	05/29/19	Yes	Successful
24	uMsinga	06/07/19	Yes	Successful	51	uMzumbe	06/10/19	Yes	Successful
25	Msunduzi	* Outstanding	No	Outstanding	52	uPhongolo	* Outstanding	No	Outstanding
26	Mthonjaneni	06/07/19	Yes	Successful	53	uThukela DM	06/18/19	No	Successful
27	Mtubatuba	05/30/19	Yes	Successful	54	Zululand DM	06/15/19	No	Successful

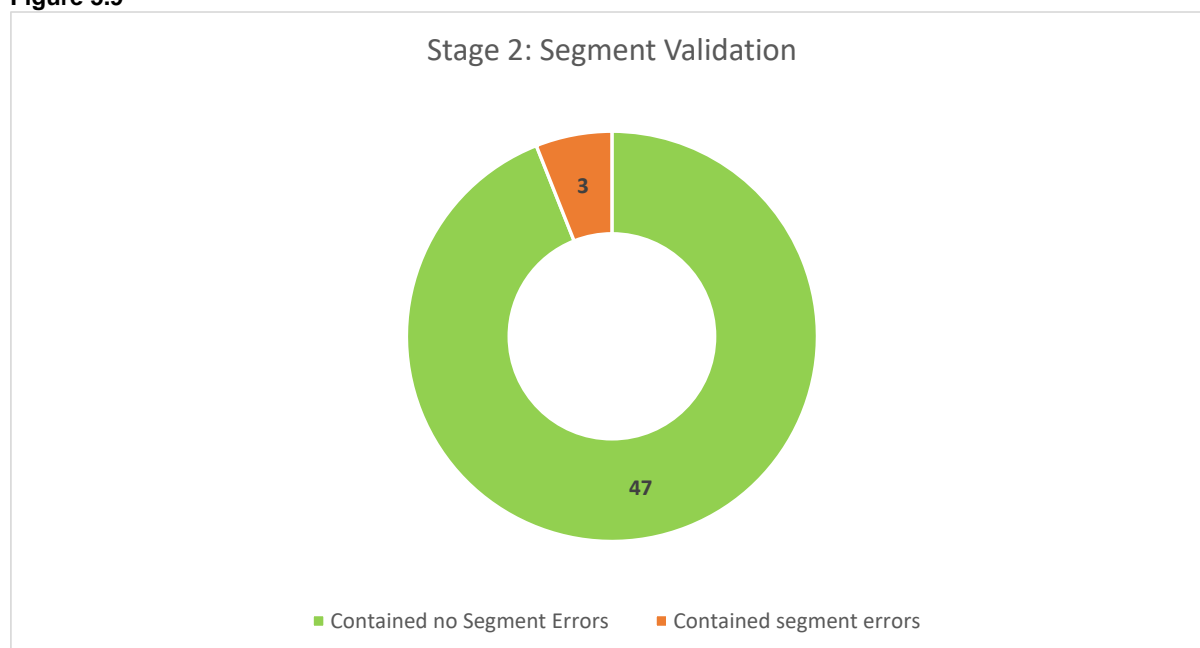
Source: National Treasury LG Database

Stage 2 Validation: Segment Errors on the 2019/20 Approved Budget mSCOA datastrings

Stage 2 validation refers to the process once the submission of Stage 1 is successful. Of the 50 municipalities that submitted their mSCOA data strings in the correct format, the National Treasury validated the data strings against the sixteen business rules. The Mpofana Local Municipality could not be validated as it contained a Stage 1 segment error. The Ugu District Municipality, the Newcastle Local Municipality and the iNkosi Langalibalele Local Municipality data strings contained Segment errors.

Figure 5.9 graphically illustrates the status of segment validation (municipalities that have correctly applied the 16 validation rules of the LG Database).

Figure 5.9



Source: National Treasury LG Database

Stage 3 Validation: Alignment of the 2019/20 Approved Budget to the mSCOA data string

Similarly to the Tabled Budget process, the process of verifying the alignment between the Schedule A1 approved by Council and mSCOA data string for Approved Budgets (ORGB) was undertaken by Provincial Treasury. Provincial Treasury noted with concern that there were still material variances for all delegated municipalities. The municipalities were therefore, requested to correct and resubmit their mSCOA data string before the 30 September 2019.

Stage 4 Validation: Analysis of the use of segments (Common findings)

Provincial Treasury is currently undertaking the review of the Approved Budget data strings in terms of the use of segments. The findings will be communicated to all municipalities and the feedback of common findings will be reported in Quarter 1 of the 2019/20 financial year.

5.4.3 Reporting in terms of Section 71 of the MFMA for the 2018/19 financial year

The Accounting Officer of a municipality is required to, by no later than 10 working days after the end of each month, submit to the Mayor of the municipality and the relevant Provincial Treasury in the

prescribed format, the statutory monthly reporting (M01-M12) for the municipality, which includes the electronic monthly mSCOA transactional information.

Stage 1 Validation: Submission of Monthly Data strings

With regards to Stage 1 Validation, municipalities must have submitted the file in the correct format within the required reporting time of 10 days after month end. For the period of 01 April 2019 to 30 June 2019, the following municipalities did not submit the required mSCOA data string or submitted with errors. Month 12 legislative due date falls outside the reporting period and will be reported in Quarter 1 of 2019/20.

- The eThekweni Metropolitan Municipality submitted with errors M09 to M11;
- The Msunduzi Local Municipality did not submit the required data string from M09 to M11;
- The uPhongolo Local Municipality did not submit the required data string from M09 to M11;
- The Mpofana Local Municipality did not submit the required data string from M10 and M11; and
- The Richmond Local Municipality did not submit the required data string for M11.

There was an average 92.5 percent submission rate during the period of 01 April 2019 to 30 June 2019.

Stage 2 Validation: Segment Validation of monthly datastrings

Subsequent to the mSCOA data string successfully passing Stage 1, the mSCOA data string proceeds to Stage 2 where it is assessed against the 16 validation rules of the LG Database as built in. Table 5.33 shows summary status of segment validation errors for Month 09 to Month 11.

Table 5.33: Summary status of Stage 2 Segment Validation Errors

Segment Validation Errors	M09	M10	M11
Submitted Successfully and Contains NO Segment Errors	50	48	47
Submitted Successfully and contains Segment Errors	1	2	2

Source: National Treasury LG Database

The findings for segment errors that contained cumulative errors (M01-M11) were communicated via email for correction in the subsequent reporting period. Month 12 falls outside this reporting period and will be reported in the Quarter 1 of 2019/20. Table 5.34 lists municipalities with cumulative segment validation errors as at 30 June 2019.

Table 5.34: List of municipalities with Cumulative Segment Validation errors as at the 30 June 2019

No	Name of the municipality	No	Name of the municipality	No	Name of the municipality	No	Name of the municipality
1	AbaQulusi	2	Dr Nkosazana Dlamini Zuma	3	uMdoni	4	uMhlatuze

Source: National Treasury LG Database

Stage 3 Validation: Reconciliation of the mSCOA data string to the Monthly MFMA Section 71 Reports

The process of verifying the alignment of the MFMA Section 71 returns and the monthly mSCOA data strings was undertaken by Provincial Treasury and the feedbacks were sent to all delegated municipalities on monthly basis. Municipalities were required to investigate the variance and rectify the errors to ensure accurate reporting in all reporting platforms. Ideally, the figures as per the MFMA Section 71 returns and the monthly mSCOA data strings should be perfectly aligned. However there were variances noted for all delegated municipalities from Month 01 to Month 11.

Stage 4 Validation: Use of Segment Analysis for the MSCOA datastrings

Stage 4 refers to an analysis beyond the validation rules of the LG Database, which entails detailed reviews of the appropriate application of the segments for which the portal does not currently test. The monthly analysis was performed for M01 to M10. Furthermore, communication and onsite visits were carried-out for some municipalities with a view to indicate the impact that the incorrect transactional information may have on the year-end readiness of municipalities. It was noted that amendments to the Adjustments Budget were not done or not corrected and this negatively impacted on the In-year reporting. This was evident by the following findings which are not exhaustive:

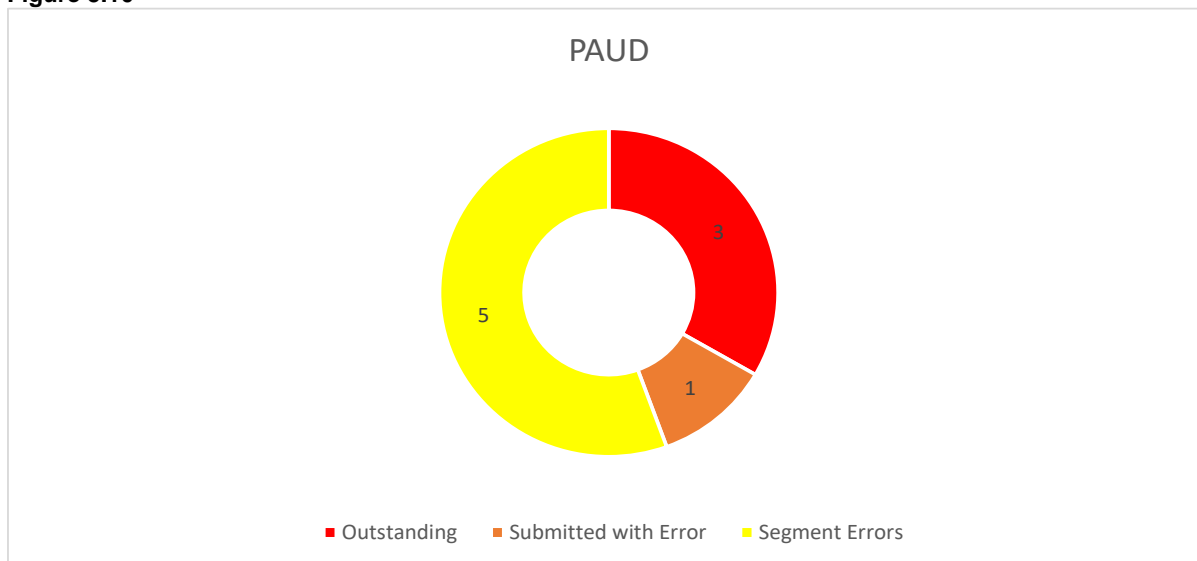
- Region segment incorrectly being used;
- Function not aligned to the mandate of the municipality and correctly distinguished between core and non-core;
- Funding source incorrectly applied and or did not match to the revenue segment. The fund segment remained out of the balance;
- The incorrect use of posting levels within the Item segment. This would affect disclosure and reporting requirements in the preparation of the Annual Financial Statements; and
- Project segment not appropriately aligned and/or used between Project Capital, Operational and Default.

5.4.4 Submission of the 2017/18 Pre-Audited Annual Financial Statements (data string)

In terms of Section 74(1) of the MFMA, Provincial Treasury may request information from time to time to enable them to monitor compliance with the Act and provide oversight and monitoring to fulfil the mandate in terms of Section 5(4) of the MFMA. Such information can include, returns, documents, explanations and motivations as may be prescribed or as may be required.

In light of the above, municipalities were requested to submit to the LG Database, the Pre-Audited Annual Financial Statement data strings for the 2017/18 financial year. As at 30 June 2019, 50 municipalities uploaded the pre-audited data strings (PAUD), which represents only 92.6 percent of municipalities within the province. Figure 5.10 shows that there are further three municipalities that are outstanding (denoted in the red), one municipality that submitted with errors (i.e. the data string did not pass stage 1 validation and is denoted in orange) and five municipalities whose submission contained Stage 2 validation errors.

Figure 5.10



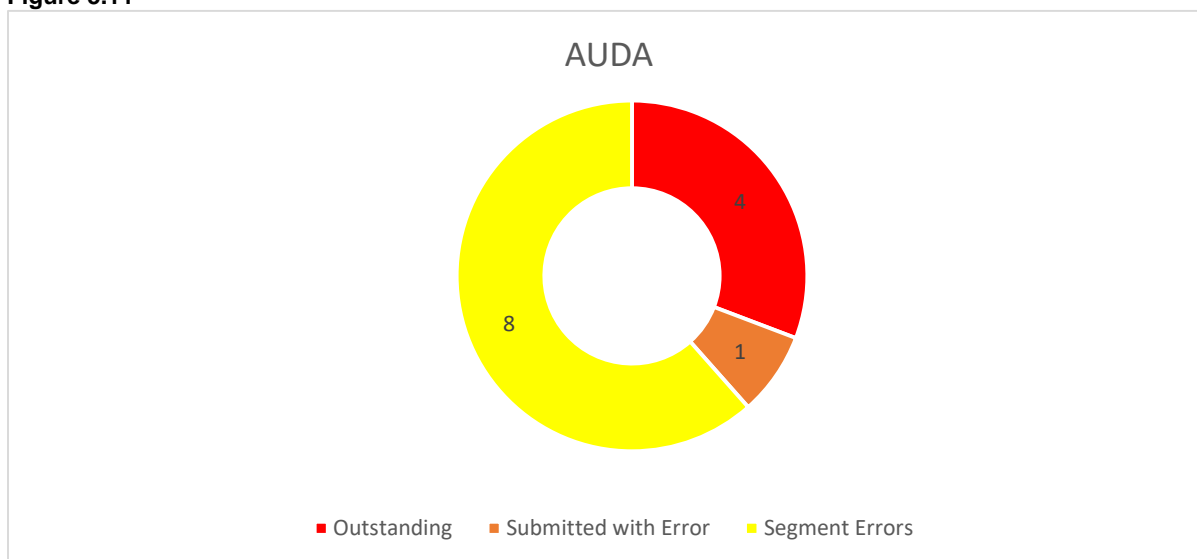
Source: National Treasury LG Database

5.4.5 Submission of the 2017/18 Audited Annual Financial Statements (data string)

In terms of Section 74(1) of the MFMA, Provincial Treasury may request information from time to time to enable them to monitor compliance with the Act and provide oversight and monitoring. Such information can include, returns, documents, explanations and motivations as may be prescribed or as may be required.

In light the above, municipalities were requested to submit to the LG Database the Audited Annual Financial Statement data strings (AUDA) for the 2017/18. As at the 30 June 2019, 50 municipalities uploaded the audited data strings (AUDA), which represents only 90.7 percent of municipalities within the province. As shown in Figure 5.11, there are four municipalities that are outstanding (denoted in the red), one municipality that submitted with errors (i.e. the data string did not pass Stage 1 validation and is denoted in orange) and eight municipalities whose audited actual data strings contained a Stage 2 validation error.

Figure 5.11



Source: National Treasury LG Database

5.4.6 Provincial Treasury Support to Municipalities and Entities

The KwaZulu-Natal Provincial Treasury has actively engaged municipalities and entities through various forums, training workshops, one on one sessions and district engagements. A summary of the support provided during the 2018/19 financial year is shown below:

- Training of the IDP Managers through CoGTA IDP and Performance forum (20 April 2018):
 - This included the linking of the Integrated development plan to the mSCOA classification framework.
- Training of the Auditor General (SA) – KwaZulu-Natal (14 – 15 May 2018)
 - mSCOA understanding of legislation
 - mSCOA understanding of the Framework
 - The comparison of Old General Ledger to New mSCOA chart
 - Budgeting in MSCOA
 - Business Processes and impact of mSCOA
 - MFMA Circular No. 80 - Systems and Processes
- Training of Finance Portfolio – Ndwedwe Local Municipality (15 May 2018) – Role of councillors and status of the municipality.
- Presentation to Operation Clean Audit Committee (18 May 2018) - Presented on status of the province, challenges being experienced and reporting capability.
- Training at CIGFARO KwaZulu-Natal (13 June 2018) – Preparation of Annual Financial Statements using mSCOA general ledger and trial balance.
- mSCOA Basics - eMadlangeni Local Municipality (28 June 2018)
 - mSCOA understanding of legislation
 - mSCOA understanding of the Framework
 - The comparison of Old General Ledger to New mSCOA chart
 - Budgeting in MSCOA
 - Business Processes and impact of mSCOA
 - MFMA Circular No. 80 - Systems and Processes
- Councillor Training - Alfred Duma Local Municipality (29 June 2018) – Role of councillors and status of the municipality.
- KwaZulu Natal Provincial Treasury CFO Forum – Correction of Validation Errors and Alignment to the Council Approved Budget (26 September 2018)
- KwaZulu Natal Provincial Treasury CFO Forum – Adjustment Budget and Correction Process (13 November 2018)
- Councillor Training – uMlalazi Local Municipality (20 November 2018)
- mSCOA Training and the Role of the Internal Auditor – Newcastle Local Municipality (11 December 2018)
- mSCOA refresher training, chart changes and impact of A Schedule 2019 was conducted for delegated municipalities between 14 January 2019 to 31 January 2019

- Bi-Lateral engagements were attended with the following municipalities:
 - Jozini Local Municipality – 13 May 2019; and
 - Maphumulo Local Municipality – 14 May 2019.
- District Area Financial Forum (DAFF) – iLembe District – 06 June 2019
- Meeting held with the Maphumulo Local Municipality to discuss the segment validation findings on the Tabled Budget – 17 May 2019.
- Asset Module and Grant Module Assessments: 17 May 2019 – 5 June 2019 (Completed 19 municipalities).
- Review of the In-year reporting – readiness for Annual Financial Statements – (In progress and will be reported on in the next quarter).
- KZN Provincial Treasury/Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO) CFO Forum – 14 June 2019.

Further to the above, the mSCOA Advisors have provided individual support to all municipalities in addressing the challenges with regards to the vendor, processing and understanding of mSCOA. This includes budgeting and transacting, clearing of validation errors on the data files, findings on the opening balances, how to correct the errors, the review of the General ledger and In-year reporting. Based on the assessment tool for local government, all mSCOA Advisors were requested to prepare a report for their municipalities on the status of mSCOA. This report was confirmed with the municipalities during the engagements held with senior management of Provincial Treasury and KwaZulu-Natal CoGTA.

5.4.7 National and Provincial Vendor Engagements

Provincial Treasury as well as National Treasury have conducted the following engagements:

- Attendance at user groups sessions: Munsoft 7 June 2018, 28 September 2018, 6 December 2018 and meeting 1 February 2019 (Only vendor that has a user group within KZN) all other vendors have national engagements
- Engagement with OS Holdings and Municipality on the 6 March 2019
- Informal engagements were held with vendors during the onsite assessments and during other site visits
- National Treasury Vendor Engagements: 20-22 November 2018 - Demonstration of the Budget Module by vendors
- National Treasury Vendor Engagements: 25 February 2019 to 1 March 2019 - Demonstration of the Supply Chain Module
- National Treasury Vendor Engagements: 18-19 June 2019 - Demonstration of the Asset Management Module. This is still in progress.

5.4.8 Way forward

Provincial Treasury will continue to engage with the municipalities in addressing the outstanding issues via monthly site visits, and frequent communication via email and telephonically as well as the various platforms such as CFO Forums and District engagements.

The focus areas of the mSCOA implementation team for the next financial year is planned as follows:

- Monitor and support municipalities in ensuring that the monthly data submissions are in compliance with National Treasury's requirements and free from errors;

- Provide municipalities with feedback on Stage 1 to Stage 4 validation of the Approved 2019/20 Budget;
- Conduct a CFO Forum to discuss trending matters such as Costing, Budgeting and Transacting in mSCOA and Alignment;
- Review of the municipal data transactions to ensure the quality of the transactional data and provide feedback to municipalities;
- Provide guidance to municipalities on system implementation issues and governance matters including onsite engagements and assessments;
- Review of the Audit Working Paper files for the mSCOA implementation for all municipalities;
- Engagement with National Treasury on the demonstration of the Asset Management Modules;
- Attendance of training to be held by National Treasury on Budgeting and Transacting in mSCOA, Change Management and Dashboards; and
- Review and provide guidance on the revised project plans to address the mSCOA implementation feedback provided.

5.5 Budget Steering Committee

Section 16(1) of the MFMA requires the municipal Council of a municipality to approve the annual budget for the municipality before the commencement of the financial year. Further to this, Section 153 of the Constitution of the Republic of South Africa, 1996 requires municipalities to structure and manage their administration, budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community. The annual budget of a municipality therefore plays a critical role in ensuring that municipalities comply with their legislative requirements and social obligations.

Regulation 4(1) of the MBRR states that *the Mayor of a municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act.*

The Provincial Treasury is currently undertaking a review regarding the establishment and functioning of the BSCs for the delegated municipalities, which entails the following:

- Determining if the Mayors of the delegated municipalities have established BSCs to provide technical assistance to Mayors in discharging the responsibilities set out in Section 53 of the Act; and
- Determining if the composition of the BSCs are in line with Regulation 4(2) of the MBRR.

5.6 Financial Management Capability Maturity Model

The Financial Management Capability Maturity Model (FMCMM) is one of the tools which was designed by National Treasury to support municipalities in monitoring their financial management capability and assist them in identifying areas of financial weakness with a view of improving their financial position and overall sustainability.

In terms of the FMCMM reports issued by National Treasury to municipalities, a municipality should develop an FMCMM implementation plan which addresses the corrective measures to be undertaken in respect of the identified weaknesses of the municipality.

The FMCMM implementation plan for the municipality should be developed and owned jointly by the Municipal Manager and Chief Financial Officer. Upon completion, the FMCMM implementation plan should be submitted to Council for approval. Copies of the approved FMCMM implementation plan and the resolution approving such should also be submitted to both National Treasury and the Provincial Treasury.

Provincial Treasury issued Circular PT/MF 01 of 2018/19 dated 03 August 2018 which required municipalities and their related entities to develop and approve an FMCMM implementation plan and report on the aforementioned plan to Council, National Treasury and the Provincial Treasury by not later than 28 September 2018.

The 15 delegated municipalities shown in Table 5.35 have submitted copies of their FMCMM implementation plans to Provincial Treasury as at 25 July 2019, while the copies of the FMCMM implementation plans for the remaining 36 delegated municipalities and their related entities were outstanding.

Table 5.35: Municipalities that have submitted copies of their FMCMM Implementation Plans to Provincial Treasury as at 25 July 2019

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	6	eNdumeni	11	uMlalazi
2	uMzumbe	7	Jozini	12	iLembe DM
3	Mkhambathini	8	Okhahlamba	13	uBuhlebezwe
4	Richmond	9	uMkhanyakude DM	14	uMzimkhulu
5	iNkosi Langalibalele	10	Mandeni	15	Greater Kokstad

Source: KZN Provincial Treasury

The seven municipalities identified by National Treasury shown in the Table 5.36 below had their FMCMM Level 1, 2 and 3 reassessed by National Treasury in the 2018/19 financial year. The different maturity levels can be described as (1) start-up, (2) developmental and (3) control levels of maturity.

Table 5.36: Municipalities that had their FMCMM level 1, 2 and 3 reassessed by National Treasury

No	Name of Municipality	No	Name of Municipality
1	Ndwedwe	5	eMadlangeni
2	uMkhanyakude DM	6	Jozini
3	Amajuba DM	7	Mkhambathini
4	Mpofana		

Source: KZN Provincial Treasury

National Treasury has undertaken to assist the seven municipalities in the development of their FMCMM implementation plans. At the time of reporting, National Treasury has provided assistance with the development of the FMCMM Action Plans to two of the seven municipalities, namely, the Mkhambathini Local Municipality and the eMadlangeni Local Municipality.

Chapter 6: Municipal Support and Oversight

6.1 Municipal Support Program (MSP)

The Municipal Support Sub-Program (MSP) within the Municipal Finance Management Programme was established to assist and provide specialised support to delegated municipalities. The main objectives of the program are to:

- Support municipalities where their financial sustainability is threatened;
- Identify the root causes of financial challenges; and
- Implement innovative support initiatives that will empower municipalities, develop capacity and build the foundation for effective financial management.

6.1.1 Support Provided to Municipalities

A critical challenge impacting financial management is the high staff turnover and the lack of adequate capacity within the municipal environment. Against this background, the MSP focuses on developing capacity through its innovative initiatives. The result is a solid foundation on which municipalities can base their internal policies and procedures thereby ensuring sound financial management and sustainability.

Successful implementation of support initiatives hinges on the commitment by the leadership and officials at municipalities in embracing the improvements introduced and implementing the processes effectively.

The Value Added Tax (VAT) Review initiative was implemented at five municipalities in the 2018/19 financial year. The initiative is intended to address the shortcomings relating to the management of VAT. The filing of VAT returns and the processes associated with this function have often been outsourced to service providers which has resulted in a significant cost implication for several municipalities. In addition, there has not been adequate transfer of skills to municipal officials on the relevant tasks and best practices required in implementing the VAT function effectively. The VAT Review initiative aims to empower municipalities to undertake the function independently.

The Pay As You Earn (PAYE) Review was implemented at eight municipalities in the 2018/19 financial year. The review assessed a five year period and is intended to assist municipalities in:

- Complying with the South African Revenue Services (SARS) to ensure that no VAT refunds are withheld due to PAYE non-compliance;
- Timeous submission of PAYE returns thus preventing fruitless and wasteful expenditure in the form of interest and penalties; and
- Capacitate municipal officials.

The MSP previously launched the “Guide to Grant Management” which presents a holistic approach to effective grant management. The intention is to embed key foundation principles in a municipal environment, covering areas such as municipal planning, budgeting, financial accounting and reporting, cash management, compliance as well as document management. The publication was rolled out with intensive training to three pilot municipalities who volunteered to be part of the pilot project. The pilot was completed during the 2018/19 financial year with the roll out commencing at an additional five municipalities.

Table 6.1 shows a list of municipalities that were supported by MSP during the 2018/19 financial year.

Table 6.1: Municipalities supported by the MSP during the 2018/19 financial year

No	Municipality	VAT Review	PAYE Review	Grant Management
1	uMshwathi	✓		
2	iMpendle	✓	✓	
3	uMsinga	✓	✓	
4	uThukela DM			✓
5	New castle		✓	✓
6	Amajuba DM		✓	✓
7	AbaQulusi	✓	✓	
8	Big Five Hlabisa		✓	
9	King Cetshwayo DM			✓
10	Mandeni		✓	✓
11	KwaDukuza			✓
12	Ndwedwe			✓
13	iLembe DM	✓	✓	
14	Harry Gwala DM			✓

Source: KZN Treasury

6.1.2 Other Support

The MSP also engaged with other sub-programmes within Provincial Treasury to support municipalities with challenges that fall within their respective area of expertise. These included initiatives to support municipalities on mSCOA, supply chain management and infrastructure management.

6.1.3 Conclusion

The MSP will continue to work in partnership with other sub-programmes within Provincial Treasury and municipalities to implement innovative initiatives that will assist them in building the foundation for effective financial management.

6.2 Municipal Supply Chain Management

The KwaZulu-Natal (KZN) Provincial Treasury Supply Chain Management (SCM) Unit continued to provide support to all delegated municipalities in the province through routine and ad-hoc SCM assessments, direct and indirect support interventions, policy revision and formulation and SCM training and workshops. The key challenges from the prior year through to the 2018/19 financial year included the lack of policy and implementation thereof, inadequate segregation of duties, poor skills capacity and contract and supplier management by municipalities.

The Municipal Bid Appeals Tribunal (MBAT) has improved decision making at the local government level and has significantly reduced the number of appeals and court challenges thus enhancing service delivery and good governance. The MBAT has dealt with 91 appeals throughout the province in the 2018/19 financial year. The SCM Unit continues to provide active support in the hearing and facilitation of MBAT matters.

One of the targeted interventions by the SCM Unit is the Contract management project. Contract management was rolled out to all municipalities in KZN, excluding eThekweni Metro. The eThekweni Metro is supported directly by National Treasury.

The Contract management project included two initial phases which were:

- The establishment of internal systems for Contract management including the creation of contract registers and the development of both manual and electronic filing systems to ensure effective document management; and
- The review of existing contracts to determine financial and legal risks that municipalities are exposed to.

The SCM Unit continued to provide continuous monitoring and reviewed the contract registers of municipalities during the 2018/19 financial year. Municipalities were required to submit their expenditure reports and updated contract registers twice yearly as per Circular No. 1 of 2017/18 for analysis purposes which enabled the SCM Unit to identify gaps and shortcomings in Contract management and assist municipalities to develop the necessary framework to address the findings and monitor the implementation of action plans by municipalities to address the findings. A detailed report and action plan were compiled based on the site visits that were conducted in order to gauge the day-to-day functioning of Contract management including structural failings within all municipalities.

The lack of monitoring of the performance of service providers was identified as a failing area and weakness on the part of municipalities. Against this backdrop, the SCM Unit developed a monthly *Contract management service provider assessment tool* which enabled municipalities to:

- Assess the performance of the service provider;
- Assess the service provider's compliance in terms of the provisions of the contracts;
- Assess whether the budget amounts and subsequent payments made are in accordance with the contract conditions; and
- Assess, where the municipality has encountered non-performance from the service provider, whether steps such as black-listing, penalties or other steps need to be taken.

In addition to the above, it was noted that the contracts procured in terms of Regulation 32 of the Municipal Finance Supply Chain Management Regulations led to large amounts of irregular expenditure being incurred by municipalities. To overcome this, Circular 1 of 2017/18 was issued, which required all municipalities in the province to submit an application for the use of a contract in terms of SCM Regulation 32 for vetting by the KZN Provincial Treasury SCM Unit. This ensured that municipalities were not incurring irregular expenditure which could be avoided by a full and proper scrutiny of the SCM process.

6.2.1 Scope of Support

Routine Compliance Assessments

The support provided at municipalities entailed assessing compliance with prescripts and thereafter providing guidance and assistance where required.

The following areas of SCM were assessed:

- The structure and functioning of the SCM Unit at the municipality;
- SCM Policy and procedures;
- The structure and functioning of SCM Bid committees;
- Contract management;
- Suppliers database;
- Emergency delegations;
- SCM processes; and
- Objections/complaints.

During the 2018/19 financial year, ad-hoc assessments by the SCM Unit covered the following areas:

- Documentary evidence of approval by the Accounting Officer in the awarding of contracts in terms of SCM Regulation 36(1)(a);
- Documentary evidence of approval by the Accounting Officer on the ratification of minor breaches of the SCM policy in terms of SCM regulation 36(1)(b);
- Documentary evidence of approval by the Accounting Officer in the awarding of contracts in terms of SCM Regulation 32;
- Existence of an annual procurement plan approved by the Accounting Officer;
- Advice on the implementation of SCM Regulations 22, 33 and 36;
- Providing clarification to a service provider regarding implementation of SCM Regulation 32 at the affected municipality;
- Clarification on conditions of subcontracting on specific bids and general advice on challenges experienced during the evaluation of bids; and
- Providing detailed guidance on the treatment of identified irregular expenditure.

6.2.2 Summary of the key challenges identified in the assessments

The SCM Unit, as part of the routine compliance assessment, identified the following key challenges faced by municipalities, amongst others:

- Shortage of staff resulting in inadequate segregation of duties and poor performance and accountability;
- Poor procurement planning;
- Poor contract management;
- Poor supplier management;
- Poor bid appeals process management; and
- Lack of proper procedures and understanding of policy.

6.2.3 Training and Workshops

Training and workshops were seen as key interventions to improve awareness and skills on the ground. The SCM Unit conducted training on the role of bid committees, the SCM policies and procedures and other SCM related issues. During the course of the 2018/19 financial year, training was conducted at municipalities shown in Table 6.2.

Table 6.2: Training conducted at the following municipalities:

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	8	uMgungundlovu DM	15	uMzinyathi DM
2	Amajuba DM	9	Mpofana	16	uMsinga
3	uMuziwabantu	10	Newcastle	17	eDumbe
4	uMvoti	11	Ray Nkonyeni	18	Harry Gwala DM
5	uMshwathi	12	Greater Kokstad	19	Nquthu
6	eNdumeni	13	Dannhauser		
7	iMpindle	14	uMkhanyakude DM		

Source: KZN Provincial Treasury

6.2.4 Policy development/review

The Municipal SCM Regulations require that SCM policies be reviewed on an annual basis. The Policy Development section of the SCM Unit has assisted the Big Five Hlabisa Local Municipality with this process.

6.2.5 Direct Support Interventions, Ad-Hoc Assessments, Routine and Follow-up Assessments

Different support interventions were undertaken at some of municipalities based on request. This occurs within municipalities that do not have the necessary skills or capabilities. Officials from the KZN Provincial Treasury's SCM Unit thereafter assume certain duties at the municipality with the aim of capacitating and transferring skills to municipal officials. Operational assistance also ensures compliance with policies. Table 6.3 shows municipalities which were given direct operational assistance.

Table 6.3: Operational assistance provided to the following municipalities:

No	Name of Municipality	Support Description
1	Big Five Hlabisa	Intervention
2	AbaQulusi	Intervention
3	uMlalazi	Advice
4	King Cetshwayo DM	Compliance Assessment
5	Mandeni	Advice

Source: KZN Provincial Treasury

During the course of the 2018/19 financial year, routine assessments were done as part of the SCM Unit's operational plan. In some cases, follow-up assessments were done in order to measure the progress made with respect to the action plan emanating from previous routine assessments. Table 6.4 shows municipalities where routine and follow-up assessments were conducted.

Table 6.4: Routine assessments and Follow-up assessments at the following municipalities:

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMlalazi	13	iLembe DM	25	Harry Gwala DM
2	Dannhauser	14	uMuziwabantu	26	uMngeni
3	Mkhambathini	15	uMzombe	27	Nquthu
4	Msunduzi	16	Richmond	28	uMzimkhulu
5	Nkandla	17	uMshwathi	29	Amajuba DM
6	King Cetshwayo DM	18	Jozini	30	uThukela DM
7	uMhlathuze	19	KwaDukuza	31	Mandeni
8	uMkhanyakude DM	20	Mthonjaneni	32	uMfolozi
9	Maphumulo	21	Alfred Duma	33	Nongoma
10	Ndwedwe	22	uPhongolo	34	eMadlangeni
11	Mtubatuba	23	uMhlabayalingana		
12	Ray Nkonyeni	24	New castle		

Source: KZN Provincial Treasury

6.2.6 Implementation of Contract Management System

The SCM Unit has now implemented Contract management at all municipalities within the province, to which KZN Provincial Treasury provides support. This system ensures effective supplier performance management and value for money and has culminated in municipalities having fully completed contract registers supported by legitimate contract documents. Table 6.5 shows municipalities where reviews and assessments have been conducted.

Table 6.5: Contract Management implementation at the following municipalities:

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	AbaQulusi	19	Mandeni	37	uMfolozi
2	Alfred Duma	20	Maphumulo	38	uMgungundlovu DM
3	Amajuba DM	21	Mkhambathini	39	uMhlabuyalingana
4	Big Five Hlabisa	22	Mpofana	40	uMkhanyakude DM
5	uMhlathuze	23	Mthonjaneni	41	uMlalazi
6	Dannhauser	24	Mtubatuba	42	uMngeni
7	Dr. Nkosazana Dlamini Zuma	25	New castle	43	uMshwathi
8	eDumbe	26	Nkandla	44	uMuziwabantu
9	eMadlangeni	27	Nongoma	45	uMvoti
10	Greater Kokstad	28	Nquthu	46	uMzinyathi DM
11	Harry Gwala DM	29	Okhahlamba	47	uMzumbe
12	iLembe DM	30	Ray Nkonyeni	48	uPhongolo
13	iMpendle	31	Richmond	49	uThukela DM
14	iNkosi Langalibalele	32	uBuhlebezwe	50	Zululand DM
15	Jozini	33	Ugu DM	51	uMdoni
16	uMzimkhulu	34	Ndwedwe	52	uMsinga
17	King Cetshwayo	35	Ulundi	53	Msunduzi
18	KwaDukuza	36	eNdumeni		

Source: KZN Provincial Treasury

6.2.7 Conclusion

There have been notable improvements in the vacancy rates within municipal SCM Units, SCM policy development and general functioning of SCM bid committees. However, Contract management and Supplier management continued to be a concern in most municipalities.

6.3 Banking

In terms of the MFMA, municipalities and municipal entities are required to advise the municipal Council (or the parent municipality in a case of a municipal entity), the National and Provincial Treasuries and the Auditor-General of changes in banking, overdraft and investment information.

6.3.1 Quarterly Withdrawals from Municipal Bank Accounts

Background

Section 11(4) of the MFMA states that *the Accounting Officer must within 30 days after the end of each quarter:*

- (a) *table in the municipal council a consolidated report of all withdrawals made in terms of subsection (1)(b) to (j) during that quarter; and*
- (b) *submit a copy of the report to the relevant Provincial Treasury and the Auditor General.*

Municipalities were provided with National Treasury MFMA Circular No. 61 on Banking, Overdrafts and Investments, dated April 2012.

Progress / Outcome

During Quarter 1 of the 2018/19 financial year, all the municipalities within the province fully complied with the requirements of submitting the quarterly withdrawal reports. Tables 6.6, 6.7 and 6.8 show the municipalities that have not submitted withdrawal reports for Quarter 2, 3 and 4 in the 2018/19 financial year.

Table 6.6: Municipalities that have Outstanding Withdrawal Quarterly Reports for Quarter 2 of 2018/19

No	Municipality	No	Municipality	No	Municipality	No	Municipality
1	uPhongolo	2	uThukela DM	3	Newcastle	4	Jozini

Source: KZN Provincial Treasury

Table 6.7: Municipalities that have Outstanding Withdrawal Quarterly Reports for Quarter 3 of 2018/19

No	Municipality	No	Municipality	No	Municipality	No	Municipality
1	Ugu DM	5	Ray Nkonyeni	9	iNkosi Langalibalele	13	uMgungundlovu DM
2	Jozini	6	Mtubatuba	10	iLembe DM		
3	uMshwathi	7	Mpofana	11	uPhongolo		
4	Nkandla	8	Harry Gwala DM	12	uMkhanyakude DM		

Source: KZN Provincial Treasury

Table 6.8: Municipalities that have Outstanding Withdrawal Quarterly Reports for Quarter 4 of 2018/19

No	Municipality	No	Municipality	No	Municipality	No	Municipality
1	uThukela DM	7	iNkosi Langalibalele	13	Amajuba DM	19	uMngeni
2	Jozini	8	uMgungundlovu DM	14	uMshwathi	20	Nquthu
3	Mpofana	9	iMpendle	15	Mkhambathini	21	AbaQulusi
4	uMvoti	10	eDumbe	16	uPhongolo	22	Harry Gwala DM
5	uMfolozi	11	uMlalazi	17	Nkandla		
6	uBuhlebezwe	12	uMzimkhulu	18	uMhlabuyalingana		

Source: KZN Provincial Treasury

6.3.2 Bank Accounts

Background

In terms of Sections 9 and 86 of the MFMA, the Accounting Officer of a municipality and municipal entity must submit to Provincial Treasury in writing:

- (a) *within 90 days after opening a bank account, the details of such new bank account; and*
- (b) *annually, before the start of the financial year, the name of each bank where the municipality/municipal entity holds an account.*

Progress / Outcome

A request in terms of Sections 9(b), 86(1)(b) and 86(2) of the MFMA was sent to all municipalities during April 2018 requiring the Accounting Officer to submit a schedule of all bank accounts held by the municipality and those held by any municipal entities. Only 2 municipalities complied with the request and submitted their bank account details in respect of the 2017/18 financial year.

6.3.3 Cash Management and Investments

Background

In terms of Section 13(1) of the MFMA, *the Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must:*

- (a) *conduct their cash management and investments; and*

(b) *invest money not immediately required.*

Section 13(2) of the MFMA further states that *a municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).*

Progress / Outcome

All municipalities were provided with:

- The municipal Investment Regulations (Government Gazette No. 27431); and
- A generic investment policy.

The regulation and the generic policy were to be used by municipalities to tailor their own investment policy in order to ensure compliance with the regulations and to make economically beneficial investments.

6.3.4 Status of support offered to municipalities

Background

Provincial Treasury assisted all municipalities with the implementation of the following sections of the MFMA during the 2018/19 financial year:

- Section 11(4) – Quarterly bank withdrawal reports;
- Section 8(5) – Primary Bank Account;
- Section 9(b) – Details of all bank accounts details before year-end;
- Section 45(4)(a) – Short Term Debt; and
- Section 13 – Investment and Cash Management Policy.

6.3.5 Impending Overdrafts

Background

In terms of Section 70(2) of the MFMA, *if a municipality's bank account, or if the municipality has more than one bank account, the consolidated balance in those bank accounts, shows a net overdraft position for a period exceeding a prescribed period, the Accounting Officer of the municipality must promptly notify the National Treasury in the prescribed format of:*

- (a) *the amount by which the account or accounts are overdrawn;*
- (b) *the reason for the overdrawn account or accounts; and*
- (c) *the steps taken or to be taken to correct the matter.*

In terms of Section 101 of the MFMA, *(1) the Accounting Officer of a municipal entity must report, in writing, to the board of directors of the entity, at its next meeting, and to the Accounting Officer of the entity's parent municipality any financial problems of the entity, including-*

- (a) *any impending or actual-*
 - (i) *under collection of revenue due;*
 - (ii) *shortfalls in budgeted revenue;*
 - (iii) *overspending of the entity's budget;*
 - (iv) *delay in the entity's payments to any creditors; or*

- (v) *overdraft in any bank account of the entity for a period exceeding 21 days; and*
- (b) *any steps taken to rectify such financial problems.*
- (2) *The Accounting Officer of the municipality must table a report referred to in subsection (1) in the municipal council at its next meeting.*

National Treasury MFMA Circular No. 61 on Banking, Overdrafts and Investments, dated April 2012 further states that *if the bank account, or if the municipality or municipal entity has more than one bank account, the consolidated balance in those bank accounts shows a net overdrawn position for a period exceeding 3 months, the Accounting Officer of the municipality must notify the National Treasury (Form F) within 14 days after the 3 months period lapses for municipalities and 21 days for municipal entities.*

Progress / Outcome

Municipalities were made aware of the reporting requirements of Sections 70 and 101 of the MFMA via a letter dated 12 November 2018 in this regard. No municipality reported any impending overdrafts during the 2018/19 financial year.

6.4 Provincial Internal Audit Services – Risk and Advisory Services

6.4.1 Purpose

The purpose of this report is to provide the status of the work performed as at 30 June 2019 with regards to financial misconduct regulations, risk management and internal audit services to municipalities and municipal entities within KwaZulu-Natal.

6.4.2 Background

The Provincial Internal Audit Services (PIAS) provided support in financial misconduct, risk management and internal audit to selected municipalities during the 2018/19 financial year in line with the requirements of the MFMA.

6.4.3 Regulations on Financial Misconduct and Criminal Proceedings

The objective of the regulations is to set out processes and procedures that municipalities must follow when dealing with allegations of financial misconduct with the view of reducing irregular expenditure at municipalities and ensure implementation of consequence management to hold offenders accountable.

During the period under review, financial misconduct regulations workshops were conducted at various municipalities with the objective of ensuring that municipalities establish Disciplinary Boards in line with the regulations.

Table 6.9 shows a list of municipalities who established disciplinary boards as at 30 June 2019

Table 6.9: List of municipalities who established disciplinary boards as at 30 June 2019

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Greater Kokstad	5	Newcastle	8	uMshwathi
2	uMgungundlovu DM	6	Jozini	9	Ray Nkonyeni
3	Mandeni	7	Ulundi	10	Okhahlamba
4	Amajuba DM				

Source: KZN Provincial Treasury

Challenges noted

Regardless of the countless awareness sessions conducted at various platforms, most municipalities still do not have Disciplinary Boards established in line with the regulations. Issues noted as contributing to slow progress are listed below:

- Lack of interest from municipalities (they know they are unlikely to face any consequences); and
- Lack of understanding of the regulations (the Disciplinary Board is viewed as a duplication of existing structures).

It should be noted though that a number of municipalities indicated that they have initiated the process of establishing the Disciplinary Boards. It is expected that the next reporting cycle will reflect an improved situation in this regard.

6.4.4 Risk Management Support

Municipalities and municipal entities operate in environments where factors such as technology, regulations, restructuring, changing service requirements and political influence create uncertainty. Uncertainty emanates from an inability to precisely determine the probability that certain potential events will occur together with the associated outcomes. Risk management processes must therefore be implemented effectively to assist municipalities and municipal entities in identifying risks, managing risks and exploiting risks to provide reasonable assurance that goals and objectives are met.

Risk management training

During the period under review, risk management training workshops were facilitated at the following municipalities and municipal entities as listed in Table 6.10.

Table 6.10 List of municipalities and municipal entities provided with risk management training workshops

No	Name of Municipality	Audience	No	Name of Municipality/Entity	Audience
1	Nquthu	Management and staff	10	KwaDukuza	Risk Champions*
2	Okhahlamba	Management and staff	11	uMfolozi	Management and staff
3	uMzimkhulu	Management and staff	12	uMgungundlovu DM	Risk Champions*
4	uBuhlebezwe	Management and staff	13	iLembe DM	Risk Champions*
5	Richmond	Management and staff	14	uMdoni	Management and staff
6	uMkhanyakude DM	Management and staff	15	Harry Gwala DM	Management and staff
7	Mtubatuba	Management and staff	16	Enterprise iLembe	Management and staff
8	eMadlangeni	Management and staff	17	Umhlosinga Development Agency	Management and staff
9	uThukela DM	Management and staff			

*Risk Champions are officials selected by departments as coordinators of risk activities in their respective departments

Source: KZN Provincial Treasury

Risk and control assessment workshops

In the period under review, risk and control assessment workshops were conducted at the following municipalities and municipal entities as listed in Table 6.11 and final reports were issued to them.

Table 6.11 List of municipalities and municipal entities assisted with risk and control assessment workshops

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality/Entity
1	Nquthu	8	eMadlangeni	15	iNkosi Langalibalele
2	Okhahlamba	9	uThukela DM	16	uMzinyathi DM
3	uMzimkhulu	10	KwaDukuza	17	Mpofana
4	uBuhlebezwe	11	uMfolozi	18	Enterprise iLembe
5	Richmond	12	uMhlabuyalingana	19	Umhlosinga Development Agency
6	uMkhanyakude DM	13	iLembe DM	20	Harry Gwala Development Agency
7	Mtubatuba	14	uMdoni		

Source: KZN Provincial Treasury

Top 10 common risks facing municipalities in the province

- Instability in leadership and management of municipalities;
- Poor financial management practices;
- Delays in filling critical vacancies;
- Poor collection of revenue;
- Ageing infrastructure;
- Disregard of supply chain management policies and regulations;
- Non-implementation of consequence management;
- High rate of losses due to illegal connections and leaks (water and electricity);
- Poor contract management; and
- Poor coordination of local economic development activities.

Risks listed above are not necessarily listed in accordance of any ranking.

Challenges noted

Even though all municipalities and municipal entities know and understand that risk management should be implemented and be integrated with the processes of each organisation, the following concerns were noted:

- Misplacement of some risk management functions within the organisations organogram;
- Risk management is still largely done for compliance purposes;
- Most municipalities still view risk management as an isolated process and not integrated into everyday operations;
- Lack of responsibility and accountability for risk management;
- Lack of attendance by key personnel (decision makers) during risk assessment sessions; and
- No clear reporting lines for the risk management function.

6.4.5 Internal audit support

Internal audit plays a vital role by assisting organisations through identifying and evaluating significant exposures to risk and contributing to the improvements of risk management, control systems and governance by providing an independent and objective reasonable assurance that controls put in place are working.

During the period under review, the Unit managed to support only three municipalities, namely: the Amajuba District Municipality; the uPhongolo Local Municipality; and the Mandeni Local Municipality.

Challenges noted

Due to capacity constraints and lack of resources faced by the unit, PIAS was unable to fulfil its role in terms of ensuring that internal audit functions/activity at municipalities are functioning effectively.

6.4.6 Audit committee support

Audit committees are established and their purpose is to provide oversight responsibilities on organisation's financial management, risk management, governance, internal control and audit processes.

During the period under review, the Unit attended only a few audit committee meetings to observe the proceedings. The Ulundi Local Municipality was assisted with the induction of its new members of the committee.

Challenges noted

Below are some of the challenges noted:

- Lack of skilled (Information Technology, accounting, legal, risk management, local government knowledge) audit committee members. This could be attributed to the introduction of MFMA Circular No. 65 that bars officials in the employ of the state to be remunerated when they participate in municipalities' audit committees;
- Some of audit committee members overstretch themselves by participating in too many audit committees and therefore create a challenge in attending some meetings;
- Lack of reporting and poor content reported to Council by the audit committee; and
- Audit committees appointed by Accounting Officers feel indebted to the Accounting Officers and therefore compromising their objectivity and independence.

6.4.7 Way forward

The PIAS Unit has developed and approved the operational plan for the 2019/20 financial year with the view of responding positively in addressing challenges faced by municipalities. The challenge of unavailability of resources remains a huge concern as it poses a real hindrance in the Unit fulfilling its mandate.

6.5 Norms and Standards

6.5.1 Specified Policies and Priorities

To facilitate optimised performance-orientated financial management in municipalities and municipal entities as envisaged in the MFMA.

6.5.2 The Strategic Objective

The strategic objective of the Norms and Standards Unit is to develop, facilitate implementation and monitor compliance with financial norms and standards in municipalities and municipal entities to enhance financial management.

6.5.3 Background, nature and scope of support

The Unit provides support with the review of approved policies where they are in existence and customises such to suit the operational circumstances of the municipality or municipal entity. Policy development is conducted where policies are non-existent. The municipality or municipal entity is assisted in developing and customising such policies. The operational staff and senior management of municipalities and municipal entities are extensively engaged when the exercise is undertaken.

The Unit endeavors to focus on what it deems to be critical financial management policies; it has, however, extended its support beyond such policies based on the needs of each municipality or municipal entity where circumstances warrant such deviation.

The review of the delegations framework is aimed at ensuring that municipalities and municipal entities delegate powers and functions to lower levels of staff in order to facilitate decision making and flexible administrative processes that allows senior management to focus on strategic matters. The Unit responded to requests in providing support to municipalities and municipal entities in customising the delegations framework to suit the approved structure of the municipality or municipal entity, its finance staff compliment and its level of competency.

6.5.4 Support undertaken during the 2018/19 Financial Year

The Norms and Standards Unit was engaged in numerous assignments that emanated from the ad-hoc requests received from municipalities and municipal entities.

Municipalities supported in the area of Policy Assistance during the 2018/19 financial year

Specific focus was dedicated to ensure proper alignment between new and/or revised processes and policies. Municipalities shown in Table 6.12 below were supported in response to requests received either during the financial year or prior to the commencement of 2018/19 financial year. The eMadlangeni Local Municipality was visited and the Big Five Hlabisa Local Municipality was re-visited as a result of special requests from the Chief Financial Officers of these municipalities. Nkandla Local Municipality made a special request to have its Bereavement Policy reviewed by the Unit.

Table 6.12: Draft policies that resulted from the support provided during the 2018/19 financial year

No	Name of Municipality	Quarter	Critical Policies Reviewed	Other Policies Reviewed
1	Big Five Hlabisa	Quarter 3	Budget policy Virement policy Indigent policy	
2	Nkandla	Quarter 3		Bereavement Policy
3	eMadlangeni	Quarter 4	Credit control policy Budget policy Virement policy Cash and Investment policy Indigent policy Petty Cash policy	
4	uMkhanyakude DM	Quarter 4	Budget policy Virement policy Credit control policy Banking, Cash and Investment policy Tariffs policy	

Source: KZN Provincial Treasury

Municipalities supported in the area of System of Delegations during the 2018/19 financial year

The development of financial delegations frameworks for municipalities was initiated nationally by National Treasury in response to Presidential outcome 12 which relates to enhancing administrative efficiency in municipalities. Delegation frameworks were also revised as a result of changes within the finance departments of municipalities concerned. Table 6.13 lists the municipalities and municipal entities supported in the area of System of delegations.

Table 6.13 Municipalities/Municipal entities supported in the area of System of delegations during the 2018/19 financial year

No	Name of Entity	No	Name of Municipality
1	Ilembe Development Enterprise	1	eMadlangeni
2	Umhlosinga Development Agency	2	uMkhanyakude DM

Source: KZN Provincial Treasury

6.5.5. Conclusion

The Unit will continue to facilitate performance orientated financial management in municipalities and municipal entities as envisaged in the MFMA.

6.6 Municipal Accounting and Reporting

6.6.1 Implementation: Municipal Accounting and Reporting Sub-programme

Introduction and Background

In terms of Provincial Treasury's mandate to support municipalities in strengthening their financial management capacity, Provincial Treasury continued to provide financial management support to identified municipalities within the province during the 2018/19 financial year. The fundamental objective of the financial support initiative is to improve weaknesses within the financial management, accounting and reporting processes at the delegated municipalities and assist them in addressing their audit findings.

This includes amongst others the following:

- An assessment of the status of financial management practice at identified municipalities and the development of a project plan;
- Review or perform monthly general ledger reconciliations and monitoring of the quality of financial management reconciliations and accounting processes, as required;
- Address prior year audit matters as raised by the Auditor-General to ensure that such matters are resolved adequately;
- Provide guidance and oversight in the asset register preparation process and asset management processes or assist in the preparation of the asset register as required;
- Monitor and assist in the preparation of the Interim Financial Statements and Annual Financial Statements (AFS);
- Preparation of AFS and supporting reconciliations and schedules, as required;
- Assist in the preparation and review of the audit working paper file including all financial reconciliations and disclosure requirements;
- Training and development, including continuous on-the-job training of municipal officials in terms of financial management throughout the project;

- Monitor and implement compliance with the MFMA and other relevant local government legislation;
- Provide support with the alignment and the compliance of Municipal Standard Chart of Accounts (mSCOA) requirements for financial management transactions;
- Attendance at audit steering committee meetings. Provide guidance and support during the audit process to the Chief Financial Officer in addressing all financial management audit queries until the issue of the final audit report; and
- Attendance at management meetings that relate to financial management within the municipality.

Municipalities supported during the 2018/19 financial year for the 2017/18 Audit

The implementation of the financial management support initiative to the selected municipalities is shown in Table 6.14 below:

Table 6.14: List of the municipalities supported in the 2018/19 Financial Year for 2017/18 Audit

No	Name of Municipality	Financial Management Support	AFS Reviews
1	Ray Nkonyeni		✓
2	Mpofana	✓	
3	iMpendle	✓	✓
4	Mkhambathini		✓
5	Richmond	✓	✓
6	uMgungundlovu DM		✓
7	uThukela DM	✓	✓
8	uMzinyathi DM	✓	✓
9	eMadlangeni	✓	✓
10	Amajuba DM		✓
11	eDumbe		✓
12	uPhongolo		✓
13	Nongoma		✓
14	Big Five Hlabisa	✓	✓
15	uMfolozi		✓
16	Nkandla		✓
17	Mandeni		✓
18	iLembe DM		✓
19	Harry Gwala DM	✓	✓

Source: KZN Provincial Treasury

The financial management support initiative provided full time on site support which included; updating monthly reconciliations, addressing prior period errors and audit queries, assistance with the preparation of the AFS and related audit files as well as the provision of technical support in resolving audit queries raised during the 2017/18 audit.

The financial management support initiative provided support to the iMpendle Local Municipality on the change in accounting policy from the revaluation model to the cost model for certain identified assets, which commenced in the 2016/17 audit period and was successfully completed in 2017/18.

The financial management support initiative assisted the uMzinyathi District Municipality with the resolution of audit issues which included prior period qualifications on retentions that were not raised, incorrect depreciation calculations, queries related to the methodology for residual values and useful lives of vehicles as well as water losses calculations.

A review of VAT transactions and related processes was performed at the Harry Gwala District Municipality and resulted in the identification of a significant VAT refund. Training of the responsible officials was undertaken to ensure that reviews continue for the future years to ensure that proper processing of VAT transactions take place.

Provincial Treasury and CoGTA jointly provided an intervention task team to assist the Administrator at the Mpfana Local Municipality from 26 October 2018. The financial management support resources assisted the finance section in addressing prior period audit adjustments, preparation of reconciliations and monitoring cash flow management.

During the month of August 2018, Provincial Treasury conducted the review of the AFS for the 2017/18 financial year at the identified municipalities in the province. The objective of the review was to ensure that the municipalities' financial statements complied with the Generally Recognised Accounting Practice (GRAP) framework as well as to improve the quality of submissions to the Auditor-General.

The support included the transfer of skills and training to the municipalities' internal audit and finance officials on the process for the review of the AFS.

The implementation of the item segment for mSCOA was included in the audit for 2017/18 raising concerns that the quality of the AFS prepared by the municipalities for the 2017/18 financial year may be negatively impacted. The concerns were mitigated by the Provincial Treasury mSCOA team who conducted reviews of the AFS to the general ledger as part of their support programme.

Municipalities identified for support in the 2019/20 financial year

A review of the 2017/18 audit report findings indicated that material losses and impairments and restatement of corresponding figures received the most comment in the main audit report. Compliance matters reported centered on procurement and contract management, expenditure management, asset management, annual financial statements and irregular, fruitless and wasteful expenditure.

Provincial Treasury performed an assessment of key financial matters as reflected in the audit report and management report of certain negatively affected municipalities in order to identify possible areas of intervention and support within the available capacity and scope.

The 2017/18 outcomes from the Auditor-General indicated that municipalities in the KZN Province received the following audit opinions:

- 13 qualifications;
- One (1) disclaimer;
- Six (6) adverse;
- 33 unqualified; and
- One (1) clean audit opinion.

Table 6.15 reflects the municipalities identified by Provincial Treasury for inclusion in the financial management support initiative in the 2019/20 financial year:

Table 6.15: List of the municipalities identified for support which commenced during the 2018/19 municipal financial year

No	Name of Municipality	2017/18 Audit Opinion	Extent of support
1	Ray Nkonyeni	Unqualified	Full time Support
2	uMuziwabantu	Unqualified	Full time Support
3	Ugu DM	Adverse	Full time Support
4	uThukela DM	Qualified	Full time Support
5	uPhongolo	Unqualified	Full time Support
6	Mandeni	Unqualified	Full time Support
7	uBuhlebezwe	Qualified	Full time Support

Source: KZN Provincial Treasury

The support program commenced in May 2019 and it is anticipated to be concluded in November 2019.

Challenges identified during the implementation of the Support Programme

The challenges faced by municipalities are similar each year and show little improvement over the financial years. The challenges identified during the financial management support and preparation of AFS initiative include, among others, the following:

- A lack of resources due to the high levels of vacancies/skills at the municipalities which negatively impacts effective skills transfer, particularly in the preparation of the AFS and resolving audit queries;
- The resignation of key officials, such as the Chief Financial Officer, during key periods resulting in other municipal officials acting in the respective positions for long periods without the vacancies being filled;
- Significant reliance is placed on Provincial Treasury support, consultants or interns to perform the work of municipal officials without adequate commitment from the respective officials to ensure sufficient transfer of skills;
- The complexity of the accounting treatment resulting from the demarcation process was not clearly understood and implemented by affected municipalities;
- The implementation of mSCOA has reduced the capacity available at the municipalities to undertake financial management responsibilities;
- Poor record keeping and maintenance of adequate supporting documentation negatively impacts the correction of prior period errors identified from the prior year audit;
- Inadequate skills on credit control and debt management, including basic financial accounting and document management systems;
- Lack of systems to address audit queries and recommendations for both internal and external auditing;
- Inadequate asset management processes within the municipality which impacts the maintenance of the asset register as well as the accuracy and timelines of related reporting;
- Poor controls over routine accounting processes, i.e. failing to prepare and review monthly reconciliations between the sub ledger and control accounts in the general ledger as well as between the general ledger and external source information and related registers, failure to clear control/suspense accounts and failure to maintain supporting schedules such as accruals listings;
- Lack of effective controls and processes to prevent non-compliance with relevant legislation and supply chain management processes as well as to prevent the incurrence of unavoidable expenditure which results in irregular, fruitless and wasteful expenditure;
- Little or no action taken in investigating or condoning the unauthorised, irregular, fruitless and wasteful expenditure;

- Lack of evidence based reporting and failure to prepare comprehensive audit working paper files supporting the AFS; and
- Unavailability of municipal financial management officials to address challenges identified during the support provided.

The significant challenges identified during the 2017/18 AFS review performed by Provincial Treasury were as follows:

- The review was significantly delayed as the AFS were still being prepared at the agreed date of submission, with the bulk of the reviews taking place in the last week of August 2018;
- The AFS submitted for review were incomplete with special reference to asset disclosure and was also not supported by relevant documentation and/or working papers;
- Audit working paper files were still in the process of being compiled at the time of submission of the AFS to Provincial Treasury for review; and
- In many instances, internal audit officials were not appointed or not available, therefore the Provincial Treasury team could not adequately transfer skills regarding the review process for the AFS.

Action steps to address identified challenges

To address the challenges identified above, the financial management support initiative has focused on the achievement of the following objectives:

- Implementation of basic accounting practices and routine monthly reconciliation processes and controls including onsite oversight support and quality assurance;
- Review and monitoring of the AFS preparation plan;
- Assistance in resolving prior period audit issues;
- Identify financial management and audit risk areas and implement appropriate mitigating strategies;
- Robust consultative forums through effective collaboration with all relevant stakeholders internal to Provincial Treasury (Municipal Accounting and Reporting, Asset Management, Supply Chain Management, Norms and Standards, Internal Audit) and the Auditor-General for a uniform, integrated and consistent support approach; and
- Strengthen financial management by training and capacitating municipal officials on the effective accounting processes, controls, reconciliations and reporting including the preparation of the AFS and supporting working paper files.

6.6.2 Asset Management Improvement Program

Provincial Treasury continued to provide asset management support in response to the continuing challenges faced by municipalities and the resulting impact on audit outcomes. National Treasury also provided a resource from the Municipal Finance Improvement Programme (MFIP III) – Asset Management whose aim was to address weaknesses identified, ensure the establishment of an asset management steering committee and the capacitation of the asset management unit as well as provide assistance with the development of policies and procedures.

The support provided included reviews of the draft asset register and asset components prior to the submission of the AFS on 31 August 2018 as well as reviews of the final asset registers provided for audit. On site guidance was also provided by the MFIP Asset Advisor including assistance with prior period errors, technical advice on audit queries and guidance on the finalisation of the 2017/18 asset registers. Additional support included the review of policies and strategies at identified municipalities as well as monitoring the status of the MFIP action plans and focus areas. Table 6.16 shows the municipalities that have been supported on Asset Management Improvement Programme.

Table 6.16: List of the municipalities that were supported on MFIP Asset Management for the 2017/18 Audit

No	Name of Municipality	No	Name of Municipality
1	Alfred Duma	6	Mpoofana
2	AbaQulusi	7	uPhongolo
3	Richmond	8	Harry Gwala DM
4	Jozini	9	iMpendle
5	uMsinga	10	uMzinyathi DM

Source: KZN Provincial Treasury

The significant challenges experienced during the implementation of the asset management support include the following:

- Asset management activities related to the physical verification, conditional assessments, impairments, depreciation calculations, additions, disposals and assets under construction transfers all occur at year end and are not executed throughout the year resulting in errors at year end impacting on the finalisation of the AFS;
- The consultants required to assist with the preparation of the asset register are appointed close to year end, sometimes resulting in delays in, or impacting the AFS and audit preparation;
- Lack of capacity or skills of officials responsible for asset management. The municipalities visited have an Assets Management Unit capacity disparity, as well as an oversight weakness.

Action steps to provide continued assistance

National Treasury will continue to provide assistance and support through the implementation of the MFIP III – Asset Management and the assigned resource.

The resource analysed all audit reports and management reports for the 2017/18 financial year to identify municipalities with significant asset management issues. This analysis was considered in conjunction with the insights gained from the prior year's support resulting in a selection of 10 municipalities for the asset management programme. Notably, six municipalities will continue to receive support from 2017/18 and four new municipalities will receive support in 2018/19 as shown in Table 6.17.

Table 6.17: List of the municipalities to be supported on MFIP Asset Management

No	Name of the municipality	Continued MFIP support from 2017/18	New MFIP support for 2018/19
1	AbaQulusi	✓	
2	uMsinga	✓	
3	Harry Gwala DM	✓	
4	iMpendle	✓	
5	uMzinyathi DM	✓	
6	uThukela DM	✓	
7	Nongoma		✓
8	uBuhlebezwe		✓
9	uMgungundlovu DM		✓
10	Ugu DM		✓

Source: KZN Provincial Treasury

6.6.3 Municipal Debt Recovery Project

Introduction

In keeping with Provincial Treasury's mandate to assist and support municipalities and provincial departments in strengthening and building their financial management capacity, Provincial Treasury has undertaken an initiative/ project to address the outstanding inter-governmental debt issue and to bring inter-governmental debt to an acceptable level.

The purpose of this initiative is to reconcile all debt owing by provincial departments to municipalities, resolve disputes expeditiously, facilitate the debt settlement thereof in the short and medium term and undertake a data cleansing exercise in pursuit of a sustainable long-term solution to intergovernmental debt in the province as a key oversight function of Provincial Treasury.

Objectives of the project

The primary goal of the Inter-Governmental Debt Recovery Project is to facilitate a reduction in Government debt due to municipalities. The following objectives have been identified to achieve this goal:

- To gather debtors' age analysis data and assess the current debt owed to municipalities in the province through a process of disaggregating inter-governmental debt as follows:
 - Disaggregation of debt by department;
 - Property Rates Debt; and
 - Utility Services Debt.
- To gather documentation and information in support of the inter-departmental debt;
- To facilitate the settlement of debt by departments to municipalities where no disputes/discrepancies exist; and
- To facilitate a data cleansing process as a long-term exercise so as to provide sustainable solutions to the inter-governmental debt challenge.

Project status to date: data gathering, analysis and disaggregation of debt

Table 6.18: Accounts Data Management for the period 01 July 2018 to 31 December 2018

No	Name of Municipality	Accounts Data Base Management		
		Total No. of Accounts As per Age Analysis	No. of Accounts Cleansed	No. of Accounts with Exceptions
1	Dr. Nkosazana Dlamini Zuma	475	285	190
2	Nquthu	1880	72	1808
3	Ugu DM	507	105	402
4	Ray Nkonyeni	432	129	303
5	uThukela DM	146	56	90
6	uMzinyathi DM	221	44	177
7	uMlalazi	1084	735	349
8	AbaQulusi	421	319	102
9	Nongoma	477	208	269
10	Ulundi	848	748	100
11	Zululand DM	720	85	635
12	iMpendle	240	34	206
13	Richmond	218	119	99
14	uMuziwabantu	183	123	60
15	uMdoni	337	128	209
16	uMzumbhe	251	32	219
17	uMsinga	649	126	523
Total No. of Accounts		9 089	3 348	5 741
Percentage of Accounts Verified		100%	37%	63%

Source: KZN Provincial Treasury

Table 6.19: Debt Recovery Status for the 17 Municipalities shown above

Debt Breakdown	Amount R'000	Recovery Rate
Recovery to date	66 724	30%
*Debt Escalated to Departments for recovery (Refer to table below)	158 830	70%
Total Debt	225 554	100%
*Value of Debt escalated to Departments for Resolution (In respect of an amount of R158 830 480)		
Breakdown	Amount R'000	Department/Municipality
Section 21 schools	7 814	KZN Department of Education
ITB/ Municipality owned land	15 750	ITB /Dept. of National Public Works
Section 14 schools	3 141	KZN Department of Public Works
Write off issues	36 858	Municipalities
Department of Human Settlements – Power of Attorney	25 123	KZN Department of Human Settlement
Accounting systems issues	39 406	Municipalities
Verification by National and Provincial Works	30 739	National Public Works & KZN Department of Public Works
Total	158 830	

Source: KZN Provincial Treasury

Table 6.20 shows Municipal Accounts Verification and Debt Recovery status: 01 January 2019 to 30 June 2019.

Table 6.20: Dashboard view of Debt Position in the province of new municipalities engaged in the quarter

DATA CLEANSING AND VERIFICATION					DEBT RECOVERY STATUS			
	Number of accounts per the age analysis	Number of accounts verified	Number of accounts matched	Number of accounts escalated	Total Debt as per Age Analysis R'000	Recovery to Date/ Resolution reached/ Write-off R'000	Debt Escalated for recovery to departments R'000	Irrecoverable Debt R'000
AMAJUBA DM								
National Public Works	21	21	19	2	21	19	2	-
Correctional Services	4	4	4	-	1 330	1 330	-	-
Provincial Public Works	48	48	-	48	598	-	598	-
Agriculture	1	1	-	1	61	-	61	-
Education	35	35	9	26	1 774	33	1 741	-
Health	18	18	11	7	245	183	62	-
Arts and Culture	1	1	1	-	0	0	-	-
Social Development	3	3	-	3	83	-	83	-
Transport	1	1	1	-	5	5	-	-
Total	132	132	45	87	4 118	1 570	2 548	-
NEWCASTLE								
National Public Works	188	188	77	111	20 360	12 931	7 429	-
Water Affairs	8	8	-	8	1 060	-	1 060	-
Rural Development and Land Reform	14	14	14	-	37	-	37	-
Provincial Public Works	119	119	27	92	9 206	2 717	6 489	-
Human Settlements	4	4	-	4	13 644	13 209	435	-
Health	34	34	22	12	1 877	1 694	183	-
Education	112	112	3	109	2 251	-	2 251	-
Agriculture	3	3	2	1	248	172	76	-
Economic Development	2	2	1	1	15	10	5	-
Coqta	1	1	1	-	47	47	-	-
Social Development	10	10	1	9	707	3	704	-
Sports and Recreation	2	2	-	2	18	18	-	-
Transport	5	5	3	2	1 094	1 094	-	-
Total	502	502	151	349	50 563	31 895	18 668	-
EMADLANGENI								
National Public Works	26	26	6	20	1 362	774	587	-
Rural Development and Land Reform	49	49	-	49	369	209	160	-
Provincial Public Works	177	177	13	164	5 678	1 518	4 160	-
Health	6	6	1	5	75	69	6	-
Education	12	12	4	8	469	7	462	-
Agriculture	1	1	1	-	29	29	-	-
Social Development	3	3	2	1	9	9	0	-
Total	274	274	27	247	7 990	2 615	5 375	-
UMKHANYKUDE DM								
National Public Works	45	45	12	33	4 020	3 811	209	-
Water Affairs	2	2	-	2	275	-	275	-
Provincial Public Works	9	9	1	8	174	-	174	-
Economic Development	1	1	1	-	100	100	-	-
Health	22	22	17	5	1 046	773	273	-
Education	85	85	-	85	1 630	-	1 630	-
Agriculture	5	5	-	5	252	-	252	-
Human Settlement	1	1	1	-	21	21	-	-
Transport	14	14	-	14	289	12	277	-
Royal House Hold	1	1	-	1	161	-	161	-
Social Development	58	58	5	53	1 022	138	884	-
Total	243	243	37	206	8 988	4 855	4 133	-
MTUBATUBA								
National Public Works	53	53	19	34	3 242	556	2 686	-
Provincial Public Works	143	143	81	62	5 729	2 854	2 876	-
Rural Development and Land Reform	12	12	-	12	692	-	692	-
ITB	2	2	-	2	108	-	108	-
Total	210	210	100	110	9 771	3 410	6 361	-
BIG FIVE HLABISA								
National Public Works	10	10	7	3	329	-	329	-
Rural Development and Land Reform	6	6	-	6	926	-	926	-
Provincial Public Works	158	158	58	100	4 736	1 989	2 746	-
Education	7	7	-	7	186	-	186	-
Social Development	2	2	-	2	145	-	145	-
ITB	5	5	-	5	1 489	-	1 489	-
Agriculture	3	3	-	3	58	-	58	-
Total	191	191	65	126	7 869	1 989	5 880	-

Source: KZN Provincial Treasury

Project risks, challenges and dependencies

The recurring challenges that frustrate the effective and efficient implementation of support initiatives are:

- Lack of discipline and specific skills to implement recommended support initiatives;
- Undue reliance placed on Provincial Treasury officials to effect changes/improvements without the requisite support of officials from client agencies/service providers;
- Ownership of land held under the Ingonyama Trust is still under dispute. A court ruling should determine issues relating to ownership and payment of all outstanding rates;
- The vesting process with respect to properties registered in the name of “RSA” is incomplete. These properties could either be National Public Works, Provincial Public Works, Land Reform or Human Settlement properties. Amounts for Property rates are still being levied by various municipalities in respect of these properties. These amounts will only be paid once the vesting process is completed. It should be noted that these outstanding amounts are currently attracting interest;
- Certain municipalities are sending invoices to the wrong departments. (for example, provincial invoices are being sent to national and vice versa);
- The payment for services with respect to Section 21 schools remains a concern. It would appear that funding received by certain Section 21 schools is inadequate to cover the costs of Municipal services levied; and
- A review of certain municipal billing systems revealed that certain accounts have a combination of rates and service charges. These accounts must be separated by rates and service and then be sent to the correct department/s.

6.6.4 Conclusion

In order to sustain the improved financial management status of the municipalities under review, the need for municipal-wide and cross cutting support by key stakeholders becomes increasingly significant. To this end, ensuring the appropriate and proportionate balance between effective municipality stewardship and the dependency on outside support becomes critical, if not significant. It is hoped that the support provided by Provincial Treasury during the 2018/19 financial year has provided municipalities with the necessary skills and expertise to continue their quest for sound financial management and an improvement in the future audit outcomes.

6.7 Municipal Public Private Partnerships

Provincial Treasury provides effective and efficient transversal Public Private Partnerships (PPP) project advisory services to a number of municipalities in the province. Provincial Treasury established the PPP Unit with the main objective of facilitating, managing and overseeing PPPs at a provincial level in accordance with legislative mandates (Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA) and Municipal PPP Regulations, April 2005).

Provincial Treasury assisted the following municipalities with projects registered with National Treasury as PPPs:

- The KwaDukuza Local Municipality;
- The uMhlatuze Local Municipality; and
- The iLembe District Municipality.

Additionally, Provincial Treasury assisted the uMvoti Local Municipality with potential PPP projects.

6.7.1 Advisory services and support to municipalities with registered projects

KwaDukuza Local Municipality - Solid Waste Removal

The KwaDukuza Local Municipality undertook a Section 78 assessment in terms of the MSA to investigate a solution to provide solid waste removal services through a PPP. In relation to this project, Provincial Treasury was involved with the appointment of the transaction advisor to undertake an investigation on behalf of the municipality. The municipal Council resolved, in terms of Section 78(2) (b) of the MSA, that before a decision on an appropriate mechanism could be taken, the possibility of providing the service through an external mechanism had to be explored.

The feasibility study was completed and submitted to National Treasury. The National Treasury Views and Recommendations I (TVR: I) were granted and the Council took a resolution to procure the service through a PPP model. The feasibility study was undertaken and approved on the basis that there would be an agreement entered into with one private party for the entire project. However, the Council thereafter recommended that the project be divided into three in terms of the regions in the municipality and each region would have one main contractor. Provincial Treasury recommended that the feasibility study be updated to assess the recommendation of the Council and to ensure that each of the regions that were proposed will be viable and that the project would attract the requisite market appetite for each of the regions.

The municipality subsequently initiated the procurement process without implementing the recommendations of Provincial Treasury and continued with the procurement processes of solid waste removal services without soliciting the views and recommendations of Provincial Treasury as required by the Municipal PPP Regulations. The municipality issued the procurement documents to the market and received 10 proposals on the closing date. The proposals were evaluated for supply chain compliance requirements and only one proposal passed the stage one evaluation and was further evaluated for functionality. The proposal was also evaluated for price and BBBEE requirements. The proposal passed all the evaluation stages. The municipality thereafter submitted the evaluated report to National Treasury for their views and recommendations II: B (TVR: IIB) without soliciting Provincial Treasury's views and recommendations in terms of Regulation 4(1)(b) of the Municipal PPP Regulations.

iLembe District Municipality - Information and Communication Technology ("ICT") infrastructure/Broadband project

The iLembe District Municipality is one of 10 district municipalities in the KwaZulu-Natal Province in South Africa and is situated in the north coast town of KwaDukuza, formerly Stanger. The district comprises of four local municipalities; namely; the KwaDukuza, Ndwedwe, Maphumulo and Mandeni Local Municipalities. The municipality, together with the four local municipalities within the district, has long recognised and embraced the socio-economic benefits provided by accessible and reliable broadband connectivity to all citizens and business entities.

The municipality aims to develop a broadband master plan that targets the connectivity patterns of the district as a whole, with prioritisation being on government and/or Council owned buildings. This will entail ICT infrastructure which will include both broadband and public Wi-Fi capabilities within the iLembe District.

The municipality, through its municipal entity, Enterprise iLembe, has facilitated the process of engaging with the Development Bank of South Africa (DBSA), in their application for Project Development Funding through the DBSA's Infrastructure Investment Programme for South Africa (IIPSA) facility. Enterprise iLembe, as per the IIPSA's recommendations, has compiled the Terms of Reference for an independent scoping study.

Enterprise iLembe has engaged with Broadband Infraco (BBI) for conducting an extensive on-site technical assessment of the broadband backhaul infrastructure requirements of the iLembe District and will explore all possible commercial arrangements with respect to the deployment of the backhaul infrastructure. Enterprise iLembe has also received funding from KZN Department of Cooperative Governance and Traditional Affairs (CoGTA) for the Ndwedwe and Maphumulo Local Municipalities for public Wi-Fi deployment and the development of a district-wide public Wi-Fi business model and implementation plan.

The municipality has also received buy-ins, in the form of Council resolutions, from the iLembe District Municipality and the Mandeni and Maphumulo Local Municipalities. Buy-ins from the Ndwedwe and KwaDukuza Local Municipalities are still being sought. The Council resolutions are a requirement from the DBSA for funding approval.

uMhlathuze Local Municipality - Waste Water and Associated By-Product Reuse

The uMhlathuze Local Municipality is a large and growing economic region which is dependent on an adequate supply of water to sustain both itself and its residents. The municipality has undertaken preparatory work in the form of water resource studies and master planning documents that resulted in the municipality recognising the importance of securing an adequate water supply in order to underpin its planned growth. The preparatory work undertaken identified that the water demand in 2025 is expected to increase by 75 percent from the current levels and is expected to exceed the current lawful water use by the municipality within the next few years. Whilst the long-term water supply solution for the municipality will be multifaceted and multi-phased, the imminence of the supply shortfall requires a solution which will yield results in the near term.

To this end, the uMhlathuze Local Municipality has correctly prioritised the treatment and reuse of waste water. This source of water is readily available in meaningful quantities. By planning and executing waste water reuse project(s) as a near term priority, the uMhlathuze Local Municipality will avail itself the time required to plan, fund and execute more capital intensive longer-term initiatives such as desalination and basin transfer projects.

In order to advance this priority action, National Treasury advised the municipality to undertake the comprehensive feasibility study in accordance with Section 120 of the MFMA, the Municipal PPP Regulations (1 April 2005) and the Municipal PPP Guidelines (2007) to determine the viability of reusing treated waste water in order to augment its other sources of water supply and specifically assess the desirability and viability of procuring a PPP as the delivery mechanism for the preferred technical solution. The municipality appointed a transaction advisor to assist in undertaking the comprehensive feasibility study. The comprehensive feasibility study was concluded and the municipality initiated a mandatory 60 day public participation process in terms of the Section 120(6)(b) of the MFMA and the Section 78 notice of the MSA. The 60 day public participation period was concluded and the feasibility study was submitted by the municipality to National Treasury and Provincial Treasury for their Views and Recommendations: I (TVR: I).

The views and recommendation were provided by both Treasuries which reflected that the project is affordable with value for money and risk transfer if the project is procured as a PPP however, the municipality will be required to make a capital contribution of R390 million or commit to pay R103 million every year for 20 years in order to match the current tariffs charged to the off-takers for portable water. The PPP unit advised the municipality to make the contributions within the first 3 years of construction of the waste water treatment plant within the municipality's existing capital budget or apply for grant funding from DBSA to pay for the funding gap of R390 million. The municipality wrote a letter capturing the funding request, which was sent to DBSA. The municipality and DBSA agreed on the R390 million funding gap with the provision that R300 million will be funded by the DBSA Infrastructure Investment Programme of South Africa funding and the remaining R90 million will be funded by the municipality in the first year of construction of the waste water treatment plant.

The municipal Council approved the funding request in order to make the project affordable and the Development bank of Southern Africa (DBSA) confirmed that the bank will make R300 million available provided that the project reaches the request for proposal stage in the current financial year. Subsequently, the feasibility study, together with the views and recommendations was submitted to both the municipal executive Council and the municipal Council and was approved by both bodies. The transaction advisor assisted the municipality in drafting the request for qualification that will be issued to the market for the construction and operation of a waste water treatment plant. The municipality solicited the comments from Provincial Treasury, National Treasury, the DBSA and the Department of Water and Sanitation with regards to the request for qualification.

The industries around Richards Bay (off-takers) have contracts with the Water Board (uMhlathuze Water) to purchase the portable water at a lower tariff than what the municipality would charge for treated water which is due to expire at the end of 2021 and they are in a process to renew the contract when the current contract comes to an end. The PPP unit has recommended that the municipality appoint consultants that will assist the municipality in drafting a by-law that will restrict other water services institutions to sell portable water to off-takers for industrial use. The consultants have been appointed by the municipality to assist with the amendment of by-laws.

uMhlathuze Local Municipality - Richards Bay Airport Relocation

The uMhlathuze Local Municipality is concerned about the long term sustainability of the Richards Bay airport and has undertaken a pre-feasibility study in response to this concern. The situation has been exacerbated by ongoing difficulties presented by the current concession arrangement under which the airport is operated and managed, which is scheduled to end in about 2020. On a technical level, the main concern relate to the ability of the airport to meet the International Civil Aviation Organisation (ICAO) requirements for compliance of new aircraft types to be introduced on feeder routes in South Africa during the analysis period. Consultations with stakeholders have indicated that this is unlikely, owing to the physical restrictions that the current site presents for new-generation regional jet aircrafts such as the Embraer 190, already in service with SA Airlink Airways and the Canadair CRJ 700/900 series aircraft, which are planned to form the backbone of the SA Express fleet in future. The current site offers neither sufficient runway extension opportunities nor options to increase the lateral safety strips that these aircrafts require to operate at full loads. The airport is currently located between the Birdswood and Mandlazini residential areas and while it is accessible to the Richards Bay Town and Industrial areas, it has poor accessibility to the national road network and other key transport infrastructure required to develop any significant activity nodes around the airport.

The airport access road also runs through residential areas. Informal settlement activities have been encroaching on the airport buffer area thereby limiting future expansion of the area and impeding safety. A significant challenge to the growth and development of the current Richards Bay airport is its spatial location. Therefore, in order to consider a more robust and sustainable airport that can better serve the interests of the King Cetshwayo District and more particularly, the Empangeni – Richards Bay conurbation, the uMhlathuze Local Municipality has identified a potential site for the relocation of the airport.

A pre-feasibility study has been undertaken establishing the appropriate site or location of a regional Airport within the District and estimate figures for the potential economic returns that may be accrued through the growing numbers of visitors that may use the facility. The municipality is keen to know precisely what the conservative and realistic cost of the establishment of such a facility would be and other relevant direct and indirect costs that may be incurred. The uMhlathuze Local Municipality has identified the need to investigate the feasibility and affordability of the different procurement options which will provide the best technical, financial and legal solution in delivering the project.

The project has been registered with National Treasury as a potential PPP project and Provincial Treasury and National Treasury recommended that the municipality must appoint a transaction advisor that will assist the municipality in undertaking the comprehensive feasibility study. Provincial Treasury assisted

the municipality in drafting the Terms of Reference to appoint a transaction advisor to assist the municipality in conducting a feasibility study and compiling a comprehensive feasibility study report that will demonstrate affordability, value for money and risk transfer for the project and procurement of the project if applicable, in compliance with the MSA, MFMA and the Municipal Services Delivery and PPP Guidelines.

6.7.2 Advisory services and support to municipalities with closed projects

iLembe District Municipality – Siza Water Concession project

Background

In January 1999, the Borough of Dolphin Coast (now the iLembe District Municipality) and the Sembcorp Siza Water (Siza Water) entered into a PPP agreement whereby Siza Water would oversee, manage and implement the provision of water and sanitation services within the then municipal boundary, on a concession basis, for a period of 30 years.

Project Management

The Vuthela LED Support Programme, launched by the municipality, together with the KZN Department of Economic Development, Tourism and Environmental Affairs (EDTEA), has been tasked to assist the municipality in its contract and project management obligations, with the objective of reviewing the contract and compiling draft amendments to the contract.

Skills Development, B-BBEE and SMME

The municipality, together with its entity, Enterprise iLembe, reported that they have initiated a contractor development programme to facilitate the development of small and emerging contractors within the district. The purpose of that initiative is to create capacity throughout the district in order that contractors can participate in major projects that occur within the district, such as the Siza Water concession. Provincial Treasury and Enterprise iLembe proposed that the concessionaire makes use of the contractors being developed by the municipality in the performance of its contractual obligations.

Change in Shareholding

The change in shareholding and control has been finalised with the concessionaire now being referred to as South Africa Water Works (SAWW) Siza Water. The concessionaire is now 100 percent South African owned.

Profit Sharing

The municipality is in the process of negotiating a profit sharing structure with the concessionaire and has obliged the concessionaire to update its base case financial model as required with the submission of the five year plan. The update of the financial model will reveal the current internal rate of return. The negotiations will evaluate the various options provided in the concession agreement.

The Five-Year Plan

On five year intervals, the concessionaire undertakes a five-year plan that details the work that it plans to complete in the upcoming five-year term. This plan will entail work planned by the concessionaire itself and the district. The concession contract provides that the *“five-year plan must be developed by the concessionaire and be approved by the Council at least four (4) months prior to the expiry of the current”*

The municipality and the concessionaire have been in communication over the provision of inputs into the five-year plan. The five-year plan requires inputs from the iLembe District Municipality as the successor in law of the concession contract from the Borough of Dolphin Coast and the KwaDukuza Local Municipality as the concession area falls within the local municipality.

6.7.3 Advisory services and support to municipalities with potential projects

uMvoti Local Municipality – Forestry

The uMvoti Local Municipality owns farmland properties within the Greytown and surrounding areas which consists of approximately 2,780 hectares (Ha.) of plantations of varying ages and species, including; Eucalyptus, Black wattle and Pine, among others. The municipality aims to utilise these properties for a profit generating forestry business.

The municipality wishes to engage in a partnership with a private party to finance, operate and manage the forestry business on its behalf. The aim of engaging the private sector is to utilise the private sector financing strength, expertise and innovation to manage the municipal owned forestry and associated agricultural land in a sustainable manner for the benefit of the municipality. The municipality also wishes to utilise this project to achieve mainly its socio-economic objectives in the form of capacity building, skills development and job creation.

The municipality has recently finalised an Expression of Interest (EoI) process with the aim of gauging the markets’ interest in the project. The EoI showed immense interest from the market with bidders providing concepts of great innovation on how to incorporate the municipal owned properties in a revenue generating business.

6.8 Infrastructure Management

6.8.1 The Infrastructure Support Team

The provision of infrastructure is integral in the realisation of government’s goal to provide basic services to all South Africans. However, underperformance on Capital expenditure (within the full value chain of service delivery) by municipalities delays the delivery of basic infrastructure services and exacerbates the current infrastructure backlogs.

The purpose of the Infrastructure Support Team is to assist provincial departments, entities as well as municipalities in the identification and unblocking of bottlenecks in the assessment, planning, implementation and delivery of essential infrastructure services to communities. Table 6.21 shows the scope of support provided.

Table 6.21: Municipality supported by the Infrastructure Support Team

No	Name of Municipality	Scope of support provided
1	Dannhauser	Conditional assessment/ remedial recommendations and budget for urban roads. Conditional assessment complete and report issued in March 2019. Status: project complete

Source: KZN Treasury

The deployment of the Infrastructure Support Team provides municipalities with the necessary expertise to tackle infrastructure related projects in various stages of the project cycle, thus increasing their delivery capacity. This has ultimately improved the return on investment and the value for money in the delivery of infrastructure. In addition, the services of the team seek to improve internal capacity at municipalities by augmenting the required skills, thereby improving spending on capital projects/infrastructure.

6.9 Intergovernmental Relations

Background

The Intergovernmental Relations (IGR) Unit coordinated the Municipal Finance Management Internship Programme (MFMIIP) on behalf of National Treasury to strengthen the implementation of the minimum competency levels in municipal finance and budgeting through the Local Government Sector Education and Training Authority (LGSETA) funding.

The Municipal Finance Management Internship Programme

The MFMIIP seeks to assist municipalities to develop the knowledge and skills of the interns employed under the programme in areas such as strategic planning and management, municipal budgeting and finance management. It is an organised professional training and work experience programme with the goal of providing high quality training and practical exposure in all aspects of municipal finance management.

The programme is designed to provide interns (who are graduates in the fields of accounting, economics and finance) with a logical training sequence founded on the knowledge and competencies that they acquired as graduates. It is envisaged that through workplace rotation, there will be interaction and mentoring by Chief Financial Officers, heads of SCM and other components within the budget and treasury office.

In the 2017/18 financial year, Provincial Treasury successfully organised four MFMA Induction workshops where Provincial Treasury and KZN Department of Cooperative Governance and Traditional Affairs made presentations that gave a broad overview and understanding of the public sector ethos and ethics, including the municipal service delivery mandate, as well as the municipal finance environment and MFMA reforms. Unfortunately, only 30 out of 54 municipalities (including the non-delegated municipalities) were represented at the intern induction workshops by 214 interns in the 2017/18 financial year. Due to the poor attendance in the 2017/18 financial year, the Head of Department of KZN Provincial Treasury approved a “mop-up” workshop to accommodate the municipalities that could not attend at various venues during the 2017/18 financial year. Table 6.22 indicates that three additional municipalities were able to send interns to the MFMA induction workshop in the 2018/19 financial year, furthermore, three municipalities which had sent interns in the 2017/18 financial year sent additional interns to the 2018/19 MFMA induction workshop.

Table 6.22: Summary of attendance for 2018/19 MFMA Municipal interns’ induction

Date / Venue	Municipality	Day 1	Day 2
05-06 July 2018	eThekwinini Metro	15	15
eThekwinini Metro	Mthonjaneni	4	4
	uMngeni	4	4
	King Cetshwayo DM	4	4
	iMpindle	3	3
	uMzinyathi	1	1
	TOTAL	31	31

Source: KZN Provincial Treasury

Chapter 7: Conclusion

As per Section 5(4)(a)(i) of the Municipal Finance Management Act, No. 56 of 2003 (MFMA), Provincial Treasury is mandated to monitor the compliance by municipalities with the MFMA. Section 5(4)(a)(iii) of the MFMA further requires the Provincial Treasury to monitor the monthly outcomes of the municipalities' budgets. The aim of this report was therefore to provide a holistic view of the level of compliance with the MFMA as well as on the state of financial affairs of the 51 delegated municipalities in the province. It is against this background, and in terms of Section 71(7) of the MFMA, that the consolidated Municipal Finance Management 4th Quarter Review Close-out Report as at 30 June 2019 was prepared and submitted to the Provincial Legislature. The report also includes the initiatives and support provided by various business units within Provincial Treasury in a bid to improve the level of compliance with the MFMA and its related Regulations.

Chapter 2 highlighted the current socio-economic status of the KwaZulu-Natal (KZN) Province at a district level with a focus on the demographics, economic performance, the labour markets, international trade, development, social grants, education, household infrastructure and crime in the province. Through the economic analysis, the performance gaps and the opportunities for improvement which exist in the provincial economy were also highlighted.

Chapter 3 provided a provincial overview of the financial performance of municipalities within KZN for the 2018/19 financial year at a district level. The detail analysis of the performance against the Adjusted Budget was provided in Chapter 4 for all 51 delegated municipalities within the province. The provincial overview and the detail analysis in Chapters 3 and 4, respectively are based on the MFMA Section 71 reports submitted by the municipalities to the National Treasury (NT) Local Government Database (lgdatabase). The credibility of the information submitted by the municipalities remains of significant concern to Provincial Treasury. A number of municipalities still do not report on accruals and provisions on a monthly basis which affects the overall performance against the budget for the province. It is also concerning to note that the Accounting Officers and Chief Financial Officers continue to sign and submit their MFMA Section 71 reports to National Treasury via the NT lgdatabase that are incomplete and/or inaccurate. This may suggest that reporting to National Treasury continues to be for compliance purposes only and little or no effort is being made to ensure that the reports are accurate.

Legislation exists to guide and steer municipalities towards good governance, transparency and proper financial management controls, however, it appears that some municipalities are circumventing these controls by adhering to legislation for compliance purposes only. A well-managed municipality accounts for accruals, performs month-end reconciliations, accounts for provisions and assesses the performance against the budget on a monthly basis. The purpose of MFMA Section 71 is to instil financial management principles at municipalities and serves no purpose if municipalities continue to leave these crucial processes for after the end of the financial year when the draft Annual Financial Statements (AFS) are prepared for submission to the Auditor-General in terms of Section 126(1) of the MFMA. Municipalities are accountable to National Treasury, Provincial Treasury and the people that they are required to serve therefore every effort must be made to ensure that the in-year financial records are always complete and reflect a true reflection of the actual performance of the municipality.

Council must be aware that in terms of Section 171(1)(d)(i) of the MFMA, the Accounting Officer of a municipality commits an act of financial misconduct if that Accounting Officer deliberately or negligently provides incorrect or misleading information in any document which in terms of the requirements of the MFMA must be submitted to the Mayor, the Council, the Auditor-General, the National Treasury or other Organ of State. The municipal Council is required to investigate instances of financial misconduct in terms of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings (Government Gazette No. 37699). The above prescript amongst others provide the mechanism for the Council to implement consequence management.

Chapter 5 provided an overview of the key municipal processes during the 2018/19 municipal financial year which includes the 2018/19 Mid-Year budget and performance assessments, the 2018/19 Adjustments Budget and the 2019/20 Budget assessments. The chapter further covered the non-compliance with the Division of Revenue Act (DoRA), MFMA, the implementation of Municipal Regulations on Standard Chart of Accounts (mSCOA), Budget Steering Committees (BSCs) and the Financial Management Capability Maturity Model (FMCMM).

Chapter 6 details the support that was provided by Provincial Treasury to municipalities during the 2018/19 financial year.

While some municipalities are performing reasonably well, this report concludes that a significant number of the remaining municipalities continue to perform poorly and this remain a cause of concern for Provincial Treasury. At an aggregate level:

- **Municipalities continue to under-spend on Operating budgets:** Operating expenditure of R58.8 billion or 91.6 percent was incurred against the Adjusted Budget of R64.2 billion resulting in under-expenditure of R5.4 billion or 8.4 percent. This is however not a true reflection of the expenditure incurred in the province as 24 municipalities did not report on *Debt impairment* and 13 municipalities did not report on *Depreciation and asset impairment*. Of the 54 municipalities in KZN, 32 municipalities incurred expenditure of less than 90 percent against their Adjusted budget. Five municipalities overspent their operating budgets in the 2018/19 financial year. Over-expenditure against the Operating budget will result in municipalities incurring unauthorised expenditure.
- **Slight year-on-year improvement in the generation of Operating Revenue:** In the 2018/19 financial year, municipalities generated total Operating revenue of R61.7 billion or 98.7 percent against the Adjusted Budget of R62.5 billion which represents a slight improvement as compared to the 2017/18 financial year where 97.8 percent against the Adjusted Budget was generated. In total, 33 municipalities generated revenue in excess of 95 percent against their respective Adjusted Budgets while 11 municipalities generated revenue between 85 and 95 percent. The remaining 10 municipalities generated revenue less than 85 percent, which may require these municipalities to decrease expenditure, shift priorities and decrease discretionary infrastructure spending. Continued poor revenue generation may result in municipalities being unable to fulfil their mandate.
- **Under-spending on Capital budgets continues to be a challenge:** Capital expenditure of R10.4 billion or 72.5 percent was incurred against the Adjusted Budget of R14.3 billion resulting in under-expenditure of R3.9 billion. Forty-five (45) municipalities spent less than 90 percent of their adjusted Capital budgets with the municipality incurring the lowest Capital expenditure at 35 percent against their respective Adjusted budget. The under-performance is noted with concern as Capital expenditure directly impacts service delivery and under-spending on Capital expenditure negatively impacts on service delivery.
- **Reliance on National and Provincial Government grants:**
Operating performance: While some of municipalities in KZN reflect Own sources of revenue as the most significant contributor to operating revenue generated, the majority remain grant reliant to fund their operations. In the 2018/19 financial year, 36 municipalities or 67 percent (71 percent excluding non-delegated municipalities) reflect *Transfers recognised-operational* as being the most significant contributor (50 percent and above) to total Operating revenue generated and represents a regression from 32 municipalities reflected in the 2017/18 financial year. High reliance on National and Provincial Government grants in order to fund operational budgets raises concerns over the future sustainability of municipalities.

Capital performance: An overview of the Capital source of funding indicates that municipalities in the province are reliant on grants to fund their Capital expenditure as *Transfers recognised-capital* contributed 62.6 percent or R6.5 billion to the total Capital source of funding of R10.4 billion as at the end of the 2018/19 financial year. In 2018/19, 48 municipalities or 89 percent (92 percent excluding non-delegated municipalities) reflected *Transfers recognised-capital* as being the most significant contributor (50 percent and above) towards total Capital revenue generated. High reliance on National and Provincial Government transfers in order to fund Capital expenditure raises concerns over the municipalities' ability to contribute to the decrease in infrastructure backlogs.

- **Year-on-year growth in Debtors:** Debt owed to municipalities increased from R19.8 billion in the 2017/18 financial year to R23.6 billion in the 2018/19 financial year, which is an increase of R3.8 billion or 19.1 percent. The growth in the value of debt owed to municipalities is of further concern when considering that six municipalities did not report their outstanding Debtors balance as compared to four municipalities in the 2017/18 financial year. Of the total Debt, the Customer group with the most substantial balance was *Households* (R16.1 billion or 68 percent). It is noted that while debt owed by *Organs of state* contributes only R1.9 billion or 8 percent of total Debtors, debtors from this customer group have increased from R1.5 billion in the 2017/18 financial year to R1.9 billion in 2018/19. The year-on-year increase in outstanding debt is an indication that municipalities have a challenge in collecting outstanding debtors.

It should be noted that a large number of municipalities in the province are not effectively implementing their Debt collection and Credit Control Policy and are not writing off their irrecoverable debtors which could imply that the outstanding debt reported by municipalities may be overstated by a significant amount. It is therefore imperative that the political and administrative leadership take ownership of the debt management processes and enforce the municipality's Debt Collection and Credit Control Policies. Rendering services will not be sustainable if municipalities are unable to collect the revenue generated from the services that they provide to the communities they serve. Local government may not be able to succeed in its mandate to deliver basic services to communities if the culture of non-payment continues.

- **Increasing trend in total Creditors:** Although the total debt owed by municipalities as at the end of the 2018/19 financial year of R6.39 billion represented a decrease of R26.7 million or 0.4 percent from the previous financial year, the total reported Creditors balance is understated as nine municipalities did not report on Creditors in their MFMA Section 71 reports, two municipalities reported negative Creditors balances and most municipalities did not account for year-end accruals. This is a regression from the six municipalities that did not report on Creditors in the 2017/18 financial year.

An increasing trend in the amounts reported in respect of Creditors was noted. A total of 42 municipalities reported on their creditors for both the 2017/18 and 2018/19 financial years. Of the 42 municipalities, 24 or 57.1 percent of municipalities reported significant increases in the creditors balance as compared to the 2017/18 financial year. It is of further concern that debt owed by municipalities for a period of greater than 30 days have increased from R1.3 billion in 2017/18 to R2.2 billion in the 2018/19 financial year which is in contravention of Section 65(2)(e) of the MFMA which states that the Accounting Officer *must take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement*. Furthermore, it is noted that a large number of municipalities reflect their total Creditors as Trade Creditors as opposed to reflecting these against more appropriate classifications.

- **Increase in amounts owing in respect of MFMA Section 41 Debt (Bulk purchases):** In line with the increasing trend noted in total Creditors, an increasing trend was also noted in respect of debt owed to Eskom, the Umgeni Water Board and the Mhlathuze Water Board. Debt owed by municipalities to the Umgeni Water Board for Bulk water increased by 61.4 percent from R371.7 million in 2017/18 to R599.9 million in 2018/19. Similarly, debt owed by municipalities to Eskom increased by 5.8 percent from R2.1 billion in 2017/18 to R2.3 billion in 2018/19.

It is of further concern that amounts outstanding for a period of greater than 30 days have also increased. Debt outstanding for a period of greater than 30 days for Bulk water from the Umgeni Water Board have increased by 359.9 percent from R44.8 million in the 2017/18 financial year to R205.9 million in the 2018/19 financial while debt outstanding for a period of greater than 30 days for Eskom have increased by 48.6 percent from R332.4 million in 2017/18 financial year to R493.9 million in the 2018/19 financial year.

Failure by municipalities to pay amounts related to Bulk purchase timeously may impact on the municipalities' ability to provide services which may result in fruitless and wasteful expenditure due to interest being charged on overdue amounts.

- **Under-spending against 2018 DoRA allocations (specific grants):** Municipalities reported spending of R6 billion or 86.9 percent against the total amount transferred to the municipalities of R6.86 billion as per the 2018 DoRA. Under-spending on conditional grants remain a significant challenge for municipalities. In terms of Section 22 of the DoRA, unspent conditional grants revert to the National Revenue Fund unless the relevant municipality can prove to the satisfaction of National Treasury that the unspent allocations are committed to identifiable projects, in which case, the funds may be rolled over. Municipalities fail to fully spend their conditional allocations every year which raises concerns over the municipality's ability to effectively manage their grants. Continued under-spending against grants has resulted in an increase of unspent grants (both National and Provincial) from R306.9 million in the 2016/17 financial year to R588.8 million in the 2017/18 financial year.

It is noted that spending against the most significant national grants listed below during the 2018/19 financial year reflected a decreasing trend against allocations as compared to the 2017/18 financial year.

- Municipal Infrastructure Grant (MIG): Expenditure reported against the total allocation decreased from 97.2 percent in 2017/18 to 95.8 percent in 2018/19;
- Water Services Infrastructure Grant (WSIG): Expenditure reported against the total allocation decreased from 96.6 percent in 2017/18 to 84.7 percent in 2018/19;
- Integrated National Electrification Programme (INEP): Expenditure reported against the total allocation decreased from 92.8 percent in 2017/18 to 90.7 percent in 2018/19;
- Regional Bulk Infrastructure Grant (RBIG): Expenditure reported against the total allocation decreased from 88.2 percent in 2017/18 to 80.5 percent in 2018/19; and
- Expanded Public Works Programme (EPWP): Expenditure reported against the total allocation decreased from 101.8 percent in 2017/18 to 99.7 percent in 2018/19.

Provincial Treasury has taken the lead and developed a guide for grant management in line with the principles set out in applicable legislation and standards. The guide has been rolled out to municipalities with an aim of presenting a holistic approach to effective grant management. In the 2017/18 financial year, the grant management program was rolled out and completed at three municipalities. In the 2018/19 financial year, the grant management program was rolled out at five municipalities thereby increasing the number of municipalities being supported.

- **Improvement in Net cash position from the 2016/17 financial year to the 2018/19 financial year (Unaudited figures):** It is noted that the number of municipalities that ended the financial year with a negative net cash position decreased from 10 in the 2016/17 financial year to 7 at the end of the 2017/18 financial year. It is further noted that the number of municipalities which have a positive cash coverage ratio improved from 43 municipalities in the 2016/17 financial year to 47 municipalities at the end of the 2017/18 financial year. Based on the Unaudited 2018/19 AFS (*Cash and cash equivalents* and *Unspent conditional grants* balances subject to adjustment), only 3 municipalities reflected a negative net cash position which represent a further decrease in the number of municipalities with a negative net cash position from the 2017/18 financial year. This implies that there has been an improvement in the number of municipalities that have ensured that all unspent grants are fully cash backed over the last 3 financial years.
- **Persistent non-compliance with relevant legislation:** Provincial Treasury noted with concern that some municipalities were still not fully complying with numerous reporting prescripts of the DoRA and MFMA during the 2018/19 financial year. This is despite the respective legislations being applicable for a number of years and Provincial Treasury providing ongoing technical support on the related reporting requirements to municipalities. Instances of non-compliance were communicated via a bi-annual non-compliance circular issued by the Office of the MEC for Finance to all municipalities in August 2018 and February 2019.

The onus of addressing non-compliance by the municipalities rests strictly with the Mayors, Accounting Officers (Municipal Managers), municipal Councillors and senior managers who must demonstrate political and administrative determination to ensure that there is full compliance with the prescripts of the DoRA and MFMA. Part of the solution is to ensure that all critical vacancies within municipalities and the municipalities Budget and Treasury Offices (BTOs) are filled with officials equipped with requisite qualifications, skills and experience.

- **Inconsistency in In-Year reporting (MFMA Section 71 vs. MFMA Section 72):** The common challenge faced with regards to the Mid-Year Budget and performance assessments reports is a lack of correlation between the MFMA Section 71 reports and the MFMA Section 72 reports. Ideally, these two reports should reconcile as the related processes are expected to be seamless. Due to the discrepancies in the MFMA Sections 71 and 72 reports, changes to budgets effected during the Adjustments Budget process are often inaccurate which results in Adjustments Budgets that are misstated.
- **Slight improvement in the status of funded budgets while cash flow budgeting remains a challenge:** An assessment of the 2019/20 Tabled Budgets of all 51 of the delegated municipalities was conducted during April and May 2019. It was noted that the Tabled Budgets of 27 municipalities for 2019/20 were funded which represents an improvement from the 2018/19 financial year where only 23 municipal budgets were found to be funded. Of the remaining Tabled Budgets assessed for 2019/20, 20 municipal budgets were unfunded while the funding position for the remaining four municipalities could not be established.

A number of municipalities still experience challenges with cash flow budgeting despite support being provided by Provincial Treasury and as a result, many municipalities populated the budget tables on *Budgeted cash flows* (Table A7) and *Cash backed reserves/accumulated surplus reconciliation* (Table A8) incorrectly or inadequately.

In a bid to improve the funding position and the overall presentation of the municipal budgets, Provincial Treasury continued to support the delegated municipalities through the 2019/20 Budget process. The support included bilateral engagements with the municipalities during which detailed guidance was provided on the causes of the unfunded budgets and what actions could be taken to improve the funding position of the municipalities. Provincial Treasury also conducted high level assessments of the 2019/20 Approved Budgets of all 51 delegated municipalities with a view of

establishing whether the comments and recommendations made by Provincial Treasury were considered in their 2019/20 Approved Budgets.

With regards to the Approved Budget, it was noted that 35 of the 51 delegated municipalities approved funded budgets, while 16 municipalities approved budgets that were assessed to be unfunded. This is a significant improvement from the initial assessments of the Tabled Budgets.

- **Continued challenges with the implementation of mSCOA:** Being the second financial year of municipalities and municipal entities transacting in compliance with the mSCOA Regulations, it is noted with concern that municipalities in the province are still facing significant challenges in the implementation of the mSCOA which include, amongst others, incorrect processing of accounting entries, lack of support and poor contract management of system vendors.

Provincial Treasury provided extensive support to municipalities within the province by reviewing the mSCOA audit files, opening balances and general ledgers, where information was submitted to Provincial Treasury by municipalities, amongst others. Provincial Treasury will continue to support municipalities within the province to assist with the challenges experienced.

- **Functioning Budget Steering Committees (BSCs) to improve the quality of municipal budgets:** In terms of Regulation 4 of the Municipal Budget and Reporting Regulations (MBRR), municipalities are required to establish BSCs to assist the Mayors of municipalities to discharge their obligations. In this regard, 49 of the 51 delegated municipalities have established BSCs or have alternative committees that serve as their BSC. Although the results are positive, it is crucial that the BSCs fully execute their functions and in doing so, improve the quality of the budgets that are approved by the municipalities.

In response to the challenges and municipal failures highlighted above, Provincial Treasury will continue to provide support to municipalities in the province. Provincial Treasury will also continue to monitor municipalities through the In-Year-Monitoring (IYM) process to ensure that municipalities continually improve on their reporting.

Provincial Treasury in its oversight role allocated substantial resources in terms of human capital across the various business units of the department during the 2018/19 financial year to assist municipalities in achieving full compliance with the MFMA as well as improving the credibility of figures for budgeting and reporting purposes. It is hoped that the 2018/19 municipal audit outcomes reflect the hard work and dedication of the Provincial Treasury staff that assisted municipalities in order to improve on their audit outcomes.

Whilst Provincial Treasury will continue to support municipalities, the primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality itself in terms of Section 135(1) of the MFMA. It is therefore incumbent upon the political and administrative leadership at municipalities to be vigilant with regard to the early identification of financial problems that would threaten their liquidity and the achievement of their service delivery obligations.

The ability of municipalities to rise to these challenges will ultimately be determined by the quality of their governance and administrative practices. Stronger and more participatory governance practices will, however, only have a meaningful impact if municipalities provide stable and attractive work environments. Ultimately, municipal Councils must ensure that they appoint the right people with the right qualifications and experience to lead their municipalities.

Appendix 1 : Operating Revenue - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Property rates	Property rates - penalties and collection charges	Service charges - electricity revenue	Service charges - water revenue	Service charges - sanitation revenue	Service charges - refuse revenue	Service charges - Other	Rental of facilities and equipment	Interest earned - external investments	Interest earned - outstanding debtors	Dividends received	Fines	Licences and permits	Agency services	Transfers recognised - operational	Other own revenue	Gains on disposal of PPE
A KZN2000 eThekweni	35 175 463	35 366 557	35 196 133	99.5	8 924 508	-	12 403 509	3 948 972	984 295	725 648	-	805 660	601 434	680 766	-	(136 744)	43 967	13 091	5 582 871	614 710	3 445
B KZN212 uMdoni	296 829	306 278	277 037	90.5	92 406	-	-	-	-	9 370	-	6 188	7 082	(9 180)	-	6 484	7 631	-	140 823	16 232	-
B KZN213 uMzombe	156 383	156 383	148 578	95.0	-	-	-	-	-	-	-	189	2 966	9 784	-	1	15	-	131 424	3 463	736
B KZN214 uMuziwabantu	177 023	170 439	152 684	89.6	26 580	-	31 054	-	-	2 379	(8 125)	63	12 726	(911)	-	37	(387)	1 858	86 787	622	-
B KZN216 Ray Nkonyeni	987 501	891 255	1 061 080	119.1	623 402	-	113 636	-	-	57 073	-	18 033	4 021	5 095	-	2 161	6 590	3 425	209 138	18 506	-
C DC21 Ugu DM	894 514	895 513	892 370	99.6	-	-	-	269 820	91 509	-	-	141	14 267	6 674	-	-	-	-	497 391	12 569	-
Total: Ugu Municipalities	2 512 249	2 419 867	2 531 749	104.6	742 389	-	144 690	269 820	91 509	68 822	(8 125)	24 613	41 062	11 462	-	8 683	13 849	5 284	1 065 563	51 393	736
B KZN221 uMshwathi	159 192	165 797	172 417	104.0	45 505	-	-	-	-	2 402	-	840	2 620	8 980	-	44	-	2 911	107 972	383	759
B KZN222 uMngeni	391 818	394 347	363 035	92.1	190 156	10 918	69 374	-	-	7 202	-	1 088	1 951	-	-	176	3 535	-	75 231	3 404	-
B KZN223 Mpofana	149 754	158 424	80 684	50.9	17 306	-	26 010	-	-	3 559	-	57	-	-	-	18 883	502	-	14 141	227	-
B KZN224 iMpindle	44 674	44 808	47 141	105.2	2 526	-	-	-	-	-	61	333	1 087	84	-	0	96	-	23 584	19 369	-
B KZN225 Msunduzi	5 032 038	4 969 234	5 008 502	100.8	918 571	3 902	2 024 501	650 865	158 285	100 473	(0)	20 618	20 379	230 588	-	12 557	836	1 851	602 211	95 512	167 354
B KZN226 Mkhambathini	93 577	87 318	92 861	106.3	14 465	-	-	-	-	-	787	2	2 524	1 716	-	422	6 389	-	62 274	4 283	-
B KZN227 Richmond	103 545	93 481	283 417	303.2	93 064	-	-	-	-	8 621	-	29 200	21 632	1 349	-	2 023	5 158	-	65 031	57 338	-
C DC22 uMgungundlovu DM	827 071	763 324	783 583	102.7	-	-	-	225 162	28 471	-	-	256	295	39 014	-	-	-	-	489 553	832	-
Total: uMgungundlovu Municipalities	6 801 668	6 676 734	6 831 639	102.3	1 281 594	14 820	2 119 885	876 027	186 756	122 256	848	52 394	50 488	281 731	-	34 105	16 516	4 762	1 439 996	181 348	168 113
B KZN235 Okhahlamba	174 738	171 953	172 284	100.2	29 649	-	-	-	-	2 588	-	185	3 148	-	-	5 998	2 761	887	126 319	647	102
B KZN237 iNkosi Langalibalele	516 163	528 901	557 252	105.4	108 255	22 160	230 911	-	-	9 542	-	197	1 164	-	-	362	3 826	-	178 140	2 695	-
B KZN238 Alfred Duma	832 320	836 126	799 415	95.6	157 842	-	339 379	-	-	26 779	-	2 490	14 791	6 347	-	36 005	5 198	-	206 663	3 921	-
C DC23 uThukela DM	758 374	781 320	755 509	96.7	-	-	-	173 851	9 840	-	119 683	-	6 093	58 373	-	12	-	-	362 939	24 717	-
Total: uThukela Municipalities	2 281 594	2 318 301	2 284 460	98.5	295 746	22 160	570 290	173 851	9 840	38 909	119 683	2 872	25 196	64 720	-	42 379	11 784	887	874 061	31 980	102
B KZN241 eNdumeni	344 972	316 520	297 440	94.0	78 592	10 131	115 032	-	-	21 560	-	1 200	2 899	-	-	745	4 119	-	60 358	1 804	1 000
B KZN242 Nquthu	178 585	203 158	173 382	85.3	35 810	1 847	12 835	-	-	1 712	-	272	19 094	443	15	746	879	-	98 679	1 050	-
B KZN244 uMsinga	196 826	174 682	178 572	102.2	18 470	-	-	-	15	500	-	709	1 740	-	-	-	-	-	152 928	4 211	-
B KZN245 uMvoti	262 953	289 149	259 480	89.7	40 053	-	69 582	-	-	9 120	-	1 105	2 458	4 498	-	28	3 290	(1)	120 615	8 732	-
C DC24 uMzinyathi DM	420 804	420 932	398 514	94.7	-	-	-	32 513	7 333	-	0	337	54 673	11 668	-	-	-	-	291 305	684	-
Total: uMzinyathi Municipalities	1 404 141	1 404 440	1 307 388	93.1	172 925	11 979	197 448	32 513	7 348	32 892	0	3 623	80 865	16 610	15	1 519	8 288	(1)	723 885	16 481	1 000
B KZN252 Newcastle	1 768 721	1 845 800	1 842 887	99.8	287 110	-	630 194	176 507	108 894	88 291	-	8 141	4 961	8 015	-	8 589	12	-	498 547	23 627	-
B KZN253 eMadlangeni	75 347	80 227	79 276	98.8	18 130	-	11 551	-	-	1 265	-	980	718	11	-	407	842	-	44 585	788	-
B KZN254 Dannhauser	192 547	126 194	95 629	75.8	13 521	-	-	-	-	775	20	38	(97)	-	-	63	493	15 180	64 714	922	-
C DC25 Amajuba DM	189 318	191 308	263 356	137.7	-	-	-	21 614	3 899	-	-	9	4 764	5 423	-	-	-	-	212 832	14 814	-
Total: Amajuba Municipalities	2 225 933	2 243 528	2 281 149	101.7	318 761	-	641 745	198 121	112 793	90 331	20	9 168	10 347	13 448	-	9 059	1 347	15 180	820 678	40 151	-
B KZN261 eDumbe	125 707	125 707	105 824	84.2	19 852	3 450	10 297	-	-	-	11 339	1 529	-	2 570	-	253	966	-	55 040	531	-
B KZN262 uPhongolo	227 291	235 944	237 358	100.6	35 749	2	42 389	-	-	11 645	-	518	1 289	9 953	-	2 563	1 305	844	130 300	799	-
B KZN263 Abaqulusi	517 105	493 206	438 773	89.0	71 281	-	175 630	32 658	27 051	18 419	23 861	3 909	2 015	4 877	-	4 524	4 399	-	57 395	12 756	-
B KZN265 Nongoma	173 695	174 244	172 545	99.0	22 122	-	-	-	-	-	1 977	210	1 581	3 519	-	408	847	-	141 696	186	-
B KZN266 Ulundi	307 201	308 882	240 271	77.8	60 813	-	13 151	-	-	8 827	36 048	820	-	2 675	-	512	47	2 254	107 790	7 332	-
C DC26 Zululand DM	562 673	586 031	481 625	82.2	-	8	-	27 753	10 463	-	-	156	8 259	40	-	10	-	-	433 885	1 051	-
Total: Zululand Municipalities	1 913 673	1 924 015	1 676 396	87.1	209 817	3 460	241 467	60 411	37 514	38 891	73 224	7 142	13 143	23 634	-	8 269	7 564	3 098	926 106	22 655	-
B KZN271 uMhlabayalingana	185 561	219 724	181 575	82.6	20 161	-	-	-	-	583	-	241	694	2 963	-	497	878	-	152 832	2 383	344
B KZN272 Jozini	224 318	234 381	232 305	99.1	25 698	-	-	-	-	(304)	3 383	673	31	32 911	-	(97)	1 046	-	168 960	4	-
B KZN275 Mtubatuba	219 659	218 440	240 331	110.0	74 800	-	-	-	-	20 923	78	227	739	28 156	-	1 367	1 196	-	106 589	6 256	-
B KZN276 Big Five Hlabisa	132 085	142 576	105 661	74.1	16 799	-	-	-	-	2 065	18	529	2 471	501	-	574	2 515	-	73 246	5 195	1 747
C DC27 uMkhanyakude DM	455 028	445 513	433 033	97.2	-	-	4 929	27 697	521	-	-	98	6 213	-	-	-	-	-	393 354	221	-
Total: uMkhanyakude Municipalities	1 216 650	1 260 634	1 192 905	94.6	137 458	-	4 929	27 697	521	23 267	3 479	1 769	10 147	64 532	-	2 340	5 634	-	894 981	14 059	2 092
B KZN281 uMfolozi	147 527	196 947	159 514	81.0	26 681	-	-	-	-	581	-	134	1 174	591	-	238	288	-	129 755	73	-
B KZN282 uMhlathuze	3 054 874	2 990 431	2 889 492	96.6	477 138	-	1 374 731	420 005	99 313	85 041	291	6 856	32 482	1 636	-	12 147	3 773	6 360	345 162	23 196	1 361
B KZN284 uMlalazi	360 201	403 603	397 544	98.5	52 383	-	68 750	-	-	12 244	1	1 471	4 828	-	-	35 928	21	3 481	216 486	1 951	-
B KZN285 Mthonjaneni	128 221	144 035	111 252	77.2	8 296	333	20 043	-	-	1 783	537	231	1 010	437	-	206	1 249	-	76 273	856	-
B KZN286 Nkandla	136 655	138 347	166 065	120.0	23 527	1	386	-	-	-	14 001	1 304	655	1 985	-	16	28 986				

Appendix 2 : Operating Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Employee related costs	Remuneration of councillors	Debt impairment	Depreciation and asset impairment	Finance charges	Bulk purchases	Other Materials	Contracted services	Transfers and grants	Other expenditure	Loss on disposal of PPE		
A	KZN2000	eThekweni	35 227 111	35 417 436	32 768 677	92.5	10 169 071	125 715	13 391	2 221 497	685 220	11 236 316	1 148 095	4 595 849	471 099	2 101 537	887
B	KZN212	uMdoni	296 829	306 278	278 984	91.1	102 643	14 488	1 270	39 293	161	-	4 040	72 172	4 743	40 174	-
B	KZN213	uMzombe	190 255	190 255	154 139	81.0	45 869	14 874	-	24 649	95	-	252	31 306	9 834	27 159	100
B	KZN214	uMuziwabantu	184 351	182 164	142 339	78.1	42 995	8 275	-	-	(8 266)	23 788	2 605	7 987	2 334	62 620	-
B	KZN216	Ray Nkonyeni	945 363	872 543	685 935	78.6	334 235	30 672	3 765	-	1 219	79 329	4 495	114 473	(1 155)	118 902	-
C	DC21	Ugu DM	884 865	1 108 085	879 106	79.3	397 045	8 653	-	-	2 602	69 194	1 132	296 196	5	96 107	8 172
Total: Ugu Municipalities			2 501 663	2 659 325	2 140 503	80.5	922 787	76 963	5 034	63 943	(4 189)	172 311	12 525	522 133	15 762	344 962	8 272
B	KZN221	uMshwathi	153 299	158 883	148 225	93.3	67 348	9 915	-	13 420	-	-	-	24 932	-	32 611	-
B	KZN222	uMngeni	391 608	394 164	347 542	88.2	104 802	8 736	-	32 340	2 382	95 167	1 119	62 664	1 919	38 413	-
B	KZN223	Mpofana	177 452	214 226	130 031	60.7	41 043	2 764	-	-	-	53 529	448	10 650	-	21 596	-
B	KZN224	iMpendle	54 633	54 651	43 752	80.1	29 378	2 089	-	-	73	-	-	3 218	399	8 050	544
B	KZN225	Msunduzi	4 928 912	4 925 581	5 167 662	104.9	1 111 293	44 131	324 546	466 814	54 810	2 132 173	58 537	566 216	24 698	193 672	190 772
B	KZN226	Mkhambathini	112 650	117 165	75 659	64.6	33 966	6 096	700	7 113	-	-	1 462	15 998	-	10 324	-
B	KZN227	Richmond	124 459	117 503	308 992	263.0	43 378	5 720	-	-	11	-	43 233	148 275	2 588	65 787	-
C	DC22	uMgungundlovu DM	808 648	795 236	741 371	93.2	234 976	11 706	56 901	20 750	23 316	147 577	-	208 400	-	37 746	-
Total: uMgungundlovu Municipalities			6 751 660	6 777 409	6 963 233	102.7	1 666 185	91 157	382 147	540 436	80 592	2 428 447	104 799	1 040 353	29 604	408 199	191 316
B	KZN235	Okhahlamba	183 018	191 789	175 246	91.4	75 595	10 500	4 402	14 427	2 020	-	1 046	33 789	90	33 375	-
B	KZN237	iNkosi Langalibalele	499 914	527 739	434 582	82.3	168 280	14 165	3 500	23 830	8 834	116 735	14 813	27 671	1 508	55 244	-
B	KZN238	Alfred Duma	995 475	1 046 705	687 663	65.7	294 522	25 363	-	10 283	474	204 520	22 106	64 534	7 530	58 331	-
C	DC23	uThukela DM	720 109	716 845	631 815	88.1	283 640	6 526	109 459	23 065	207	7 506	6 664	79 367	619	114 762	-
Total: uThukela Municipalities			2 398 516	2 483 079	1 929 306	77.7	822 036	56 554	117 361	71 606	11 535	328 762	44 629	205 362	9 748	261 712	-
B	KZN241	eNdumeni	341 564	318 339	270 078	84.8	112 892	4 105	119	-	-	78 535	534	26 772	2 091	45 031	-
B	KZN242	Nquthu	179 596	173 501	138 545	79.9	59 770	11 224	-	-	-	18 852	-	15 402	(1 163)	34 387	74
B	KZN244	uMsinga	234 673	226 825	218 737	96.4	60 424	12 251	28 064	22 014	-	-	8 519	49 783	-	37 680	-
B	KZN245	uMvoti	299 897	331 981	291 976	87.9	106 175	9 986	9 267	28 163	196	50 010	8 090	45 811	1 052	33 226	-
C	DC24	uMzinyathi DM	423 579	422 971	399 984	94.6	138 731	5 090	-	-	-	15 458	73 940	100 590	200	65 975	-
Total: uMzinyathi Municipalities			1 479 310	1 473 618	1 319 320	89.5	477 992	42 656	37 450	50 177	196	162 856	91 084	238 357	2 180	216 299	74
B	KZN252	Newcastle	2 234 510	2 297 430	2 008 020	87.4	560 056	24 475	89 608	361 917	61 665	524 211	5 975	74 012	-	306 101	-
B	KZN253	eMadlangeni	74 447	78 974	72 279	91.5	30 886	3 571	-	8 973	154	12 423	599	7 226	-	8 447	-
B	KZN254	Dannhauser	219 189	117 753	81 793	69.5	32 167	8 216	-	-	2 153	-	129	23 382	-	15 836	(90)
C	DC25	Amajuba DM	231 651	234 280	190 884	81.5	77 174	5 418	2 842	30 413	1 654	12 804	-	20 814	124	39 642	-
Total: Amajuba Municipalities			2 759 796	2 728 437	2 352 976	86.2	700 281	41 680	92 450	401 304	65 626	549 437	6 703	125 434	124	370 027	(90)
B	KZN261	eDumbe	123 998	123 998	101 843	82.1	53 727	7 159	-	135	-	19 714	-	15 784	1 932	3 392	-
B	KZN262	uPhongolo	263 912	260 831	238 509	91.4	74 786	7 071	10 834	9 209	1 090	25 539	10 250	25 261	4	74 343	121
B	KZN263	AbaQulusi	540 078	560 806	517 820	92.3	204 149	16 032	-	676	(20 250)	151 878	21 004	78 702	5 904	59 699	27
B	KZN265	Nongoma	164 775	170 204	187 972	110.4	92 167	12 399	-	16 589	10	-	1 436	5 233	86	60 051	-
B	KZN266	Ulundi	342 860	382 806	252 584	66.0	132 840	14 937	253	16	6 213	31 719	-	49 130	217	17 271	(11)
C	DC26	Zululand DM	624 184	605 726	551 710	91.1	194 486	9 122	-	55 060	-	89 306	10 868	135 144	687	57 037	-
Total: Zululand Municipalities			2 059 806	2 104 372	1 850 436	87.9	752 156	66 720	11 087	81 550	(12 803)	318 155	43 557	309 253	8 829	271 793	136
B	KZN271	uMhlabuyalingana	184 497	219 389	161 128	73.4	64 359	12 472	11 393	7 730	91	-	-	40 081	1 129	23 769	104
B	KZN272	Jozini	233 773	232 555	197 651	85.0	80 756	12 824	1 960	11 190	296	1	24	38 334	20 793	31 473	-
B	KZN275	Mtubatuba	213 536	215 237	225 481	104.8	80 802	17 870	-	29 955	2 185	-	7 626	51 118	527	35 014	384
B	KZN276	Big Five Hlabisa	129 578	142 546	134 189	94.1	74 485	6 913	4 443	4 293	475	-	2 018	20 730	1 664	19 166	-
C	DC27	uMkhanyakude DM	455 028	489 029	446 242	91.3	163 516	8 929	439	1 219	1 219	122 696	5 753	92 589	-	51 101	-
Total: uMkhanyakude Municipalities			1 216 412	1 298 755	1 164 690	89.7	463 918	59 009	18 235	53 168	4 266	122 697	15 420	242 852	24 113	160 524	488
B	KZN281	uMfolozi	143 266	161 605	140 548	87.0	54 945	10 842	775	-	714	-	468	41 158	562	31 084	-
B	KZN282	uMhlathuze	3 016 497	3 049 313	2 890 202	94.8	753 633	30 395	33 465	376 060	59 359	947 341	105 821	354 507	15 558	214 064	-
B	KZN284	uMlalazi	406 349	458 196	436 129	95.2	123 413	21 510	46 798	44 185	341	52 329	9 727	101 027	5 131	31 668	-
B	KZN285	Mthonjaneni	124 600	139 413	140 708	100.9	48 927	8 787	-	15 839	35	22 620	329	25 343	340	18 489	-
B	KZN286	Nkandla	139 386	148 379	116 772	78.7	45 130	8 634	-	11 455	(56)	2 876	1 113	29 774	441	17 406	-
C	DC28	King Cetshwayo DM	836 433	902 822	797 003	88.3	218 840	11 679	262	67 288	5 322	33 093	24 439	310 015	19 355	106 709	-
Total: King Cetshwayo Municipalities			4 666 531	4 859 729	4 521 362	93.0	1 244 889	91 847	81 301	514 826	65 714	1 058 258	141 897	861 823	41 387	419 420	-
B	KZN291	Mandeni	247 900	263 092	233 090	88.6	85 047	13 112	3 000	28 527	633	22 907	14 360	31 625	6 708	27 491	(320)
B	KZN292	KwaDukuza	1 524 768	1 576 197	1 323 690	84.0	355 659	22 230	-	66 283	22 223	564 414	12 404	159 287	6 706	114 485	-
B	KZN293	Ndwedwe	191 571	192 105	172 600	89.8	47 875	14 185	1 698	17 826	6	-	1 588	38 245	20 616	30 560	-
B	KZN294	Maphumulo	108 894	112 688	109 612	97.3	35 282	7 990	-	10 522	38	-	0	33 325	441	22 014	-
C	DC29	iLembe DM	720 092	750 130	747 918	99.7	219 186	8 599	19 223	95 793	5 289	136 876	7 706	130 624	-	124 621	-
Total: iLembe Municipalities			2 793 225	2 894 212	2 586 911	89.4	743 048	66 116	23 921	218 951	28 189	724 198	36 059	393 107	34 472	319	

Appendix 3 : Capital Revenue (Source of finance) - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated/ Received	Transfers recognised - capital				Other sources of finance				
					National Government	Provincial Government	District Municipality	Other transfers and grants	Borrowing	Internally generated funds	Public contr. and donations		
A	KZN2000	eThekwini	7 110 162	7 100 361	5 113 119	72.0	1 707 091	450 592	-	-	2 955 436	-	
B	KZN212	uMdoni	50 485	54 589	39 327	72.0	24 388	144	-	-	14 795	-	
B	KZN213	uMzombe	71 392	77 396	43 829	56.6	43 800	-	-	-	-	28	
B	KZN214	uMuziwabantu	79 353	72 795	122 023	167.6	136 933	-	-	-	(14 879)	(31)	
B	KZN216	Ray Nkonyeni	223 131	227 653	103 237	45.3	58 185	37 254	-	-	2 172	5 626	
C	DC21	Ugu DM	301 163	337 286	252 690	74.9	242 509	-	-	-	10 181	-	
Total: Ugu Municipalities			725 523	769 720	561 106	72.9	505 815	37 398	-	-	12 269	5 624	
B	KZN221	uMshwathi	32 842	34 012	29 267	86.0	27 686	-	-	-	1 581	-	
B	KZN222	uMngeni	34 500	44 842	29 884	66.6	17 305	11 376	-	-	1 202	-	
B	KZN223	Mpofana	16 878	18 878	14 802	78.4	14 802	-	-	-	-	-	
B	KZN224	iMpendle	12 265	19 188	16 861	87.9	16 337	524	-	-	-	-	
B	KZN225	Msunduzi	571 382	595 676	426 052	71.5	281 690	42 466	-	43 729	58 168	-	
B	KZN226	Mkhambathini	19 285	34 370	26 033	75.7	19 385	-	-	-	6 648	-	
B	KZN227	Richmond	25 389	29 403	14 968	50.9	14 471	-	-	-	486	12	
C	DC22	uMgungundlovu DM	207 528	210 828	254 968	120.9	254 968	-	-	-	-	-	
Total: uMgungundlovu Municipalities			920 069	987 197	812 835	82.3	646 644	54 366	-	43 729	68 084	12	
B	KZN235	Okhahlamba	35 475	43 933	47 080	107.2	32 295	8 036	-	-	6 749	-	
B	KZN237	iNkosi Langelibalele	53 649	59 944	59 626	99.5	48 789	6 117	-	-	4 720	-	
B	KZN238	Alfred Duma	127 847	110 155	81 714	74.2	49 549	8 676	-	-	23 277	-	
C	DC23	uThukela DM	407 831	314 681	224 924	71.5	224 914	-	-	-	10	-	
Total: uThukela Municipalities			624 802	528 713	413 343	78.2	355 547	22 829	-	212	34 756	-	
B	KZN241	eNdumeni	45 178	40 176	29 685	73.9	22 933	2 415	-	-	4 338	-	
B	KZN242	Nquthu	128 885	109 260	75 316	68.9	49 404	-	-	2 035	23 877	-	
B	KZN244	uMsinga	40 115	61 227	47 283	77.2	37 364	-	-	-	9 919	-	
B	KZN245	uMvoti	39 537	40 373	38 322	94.9	26 790	-	-	-	11 532	-	
C	DC24	uMzinyathi DM	428 459	353 698	315 045	89.1	306 314	-	-	-	8 731	-	
Total: uMzinyathi Municipalities			682 174	604 734	505 651	83.6	442 804	2 415	-	2 035	58 398	-	
B	KZN252	Newcastle	205 576	224 064	158 893	70.9	108 854	18 785	-	-	31 254	-	
B	KZN253	eMadlangeni	16 147	16 500	15 941	96.6	15 247	-	-	-	-	694	
B	KZN254	Dannhauser	77 132	77 132	54 464	70.6	14 250	-	-	7 360	32 853	-	
C	DC25	Amajuba DM	127 206	161 631	104 743	64.8	104 616	-	-	-	127	-	
Total: Amajuba Municipalities			426 061	479 327	334 041	69.7	242 968	18 785	-	7 360	64 234	694	
B	KZN261	eDumbe	41 414	41 414	47 138	113.8	47 138	-	-	-	-	-	
B	KZN262	uPhongolo	67 471	48 623	44 076	90.6	37 169	6 749	-	-	159	-	
B	KZN263	AbaQulusi	41 284	38 512	29 158	75.7	14 395	283	-	-	14 480	-	
B	KZN265	Nongoma	55 206	50 326	44 417	88.3	43 544	-	-	-	873	-	
B	KZN266	Ulundi	48 335	158 957	55 664	35.0	55 664	-	-	-	-	-	
C	DC26	Zululand DM	408 113	449 929	254 458	56.6	248 619	-	-	-	5 839	-	
Total: Zululand Municipalities			661 824	787 761	474 911	60.3	446 528	7 032	-	-	21 351	-	
B	KZN271	uMhlabyalingana	53 329	40 601	37 998	93.6	33 003	2 284	-	-	2 711	-	
B	KZN272	Jozini	48 306	38 513	23 827	61.9	21 561	2 243	-	-	23	-	
B	KZN275	Mtubatuba	34 943	39 758	39 547	99.5	35 551	2 042	-	-	1 953	-	
B	KZN276	Big Five Hlabisa	23 400	21 820	22 095	101.3	21 320	-	-	-	775	-	
C	DC27	uMkhanyakude DM	266 059	285 443	235 899	82.6	231 365	-	-	-	4 534	-	
Total: uMkhanyakude Municipalities			426 037	426 135	359 365	84.3	342 800	6 569	-	-	9 996	-	
B	KZN281	uMfolozi	28 734	64 315	65 038	101.1	24 579	4 958	-	-	7 430	28 071	
B	KZN282	uMhlathuze	525 161	586 328	482 843	82.4	117 584	-	-	246 652	118 607	-	
B	KZN284	uMlalazi	74 043	74 043	52 498	70.9	52 498	-	-	-	-	-	
B	KZN285	Mthonjaneni	36 339	37 565	30 657	81.6	30 054	-	-	-	604	-	
B	KZN286	Nkandla	56 200	54 400	39 383	72.4	38 726	-	-	-	658	-	
C	DC28	King Cetshwayo DM	324 513	337 214	162 034	48.1	157 550	-	-	-	4 485	-	
Total: King Cetshwayo Municipalities			1 044 990	1 153 865	832 454	72.1	420 989	4 958	-	246 652	131 783	28 071	
B	KZN291	Mandeni	56 547	71 381	48 433	67.9	38 508	-	-	-	9 962	(37)	
B	KZN292	KwaDukuza	344 762	236 754	101 295	42.8	43 999	601	-	3 945	52 750	-	
B	KZN293	Ndwedwe	71 491	62 277	49 703	79.8	32 673	-	-	-	17 030	-	
B	KZN294	Maphumulo	33 722	36 968	27 686	74.9	17 401	4 496	-	-	5 789	-	
C	DC29	iLembe DM	364 303	394 023	217 744	55.3	213 438	2 482	-	-	1 824	-	
Total: iLembe Municipalities			870 824	801 403	444 860	55.5	346 019	7 579	-	3 945	87 355	(37)	
B	KZN433	Greater Kokstad	98 798	134 354	88 555	65.9	39 606	11 314	-	-	37 635	-	
B	KZN434	uBuhlebezwe	67 263	60 900	42 387	69.6	28 799	3 599	-	-	9 988	-	
B	KZN435	uMzimkhulu	91 750	95 539	65 162	68.2	34 691	941	-	-	29 529	-	
B	KZN436	Dr. Nkosazana Dlamini Zuma	64 582	72 287	61 217	84.7	26 667	-	-	-	34 551	-	
C	DC43	Harry Gwala DM	349 789	327 492	286 685	87.5	282 792	-	-	-	3 892	-	
Total: Harry Gwala Municipalities			672 183	690 572	544 005	78.8	412 555	15 854	-	-	115 595	-	
Total			14 164 647	14 329 788	10 395 691	72.5	5 869 758	628 377	-	6 192	297 741	3 559 258	34 364

Source: NT Igdatabase

Appendix 4 : Capital Expenditure - 2018/19

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Governance and Admin.			Community and Public Safety					Economic and Environmental Services			Trading Services				Other			
					Executive & Council	Budget & Treasury Office	Corporate Services	Community & Social Services	Sport And Recreation	Public Safety	Housing	Health	Planning and Dev.	Road Transport	Environ. Protection	Electricity	Water	Waste Water Mgt.	Waste Mgt.				
A	KZN2000	eThekweni	7 110 162	7 100 361	5 113 119	72.0	13 171	342 610	346	211 568	70 251	95 707	993 835	13 076	278 691	845 983	-	647 151	634 221	865 315	100 199	995	
B	KZN212	uMdoni	50 485	54 589	39 327	72.0	182	888	560	2 911	2 400	80	-	100	30 420	-	-	-	-	-	1 787	-	
B	KZN213	uMzumbi	71 392	77 396	43 829	56.6	-	-	1 904	401	-	-	-	-	41 524	-	-	-	-	-	-	-	
B	KZN214	uMuziwabantu	79 353	72 795	122 023	167.6	(625)	173	3	2 761	9 276	-	-	62 787	46 928	-	667	-	-	-	54	-	
B	KZN216	Ray Nkonyeni	223 131	227 653	103 237	45.3	32 103	106	72	16 076	-	1	37 074	82	10 293	-	7 429	-	-	-	-	-	
C	DC21	Ugu DM	301 163	337 286	252 690	74.9	-	-	10 181	-	-	-	-	-	-	-	-	215 624	26 885	-	-	-	
Total: Ugu Municipalities					725 523	769 720	561 106	72.9	31 661	1 167	12 720	22 148	11 675	82	37 074	-	62 969	129 165	-	8 097	215 624	26 885	1 841
B	KZN221	uMshwathi	32 842	34 012	29 267	86.0	1 411	-	-	7 540	5 179	-	-	-	15 137	-	-	-	-	-	-	-	
B	KZN222	uMngeni	34 500	44 842	29 884	66.6	67	270	215	70	-	-	-	11 544	17 316	-	-	-	-	-	-	402	
B	KZN223	Mpofana	16 878	18 878	14 802	78.4	-	-	-	-	-	-	-	-	14 802	-	-	-	-	-	-	-	
B	KZN224	iMpendle	12 265	19 188	16 861	87.9	-	-	-	303	2 101	-	-	14 458	-	-	-	-	-	-	-	-	
B	KZN225	Msunduzi	571 382	595 676	426 052	71.5	334	5 976	1 090	18 085	7 267	2 818	33 260	12 759	196 195	1 329	53 199	56 514	28 042	5 546	3 638		
B	KZN226	Mkhambathini	19 285	34 370	26 033	75.7	-	-	2 716	14 576	-	-	-	242	8 500	-	-	-	-	-	-	-	
B	KZN227	Richmond	25 389	29 403	14 968	50.9	60	17	136	4 888	166	-	-	14	9 687	-	-	-	-	-	-	-	
C	DC22	uMgungundlovu DM	207 528	210 828	254 968	120.9	-	-	-	-	-	-	-	-	-	-	-	254 968	-	-	-	-	
Total: uMgungundlovu Municipalities					920 069	987 197	812 835	82.3	1 871	6 263	4 157	45 462	14 713	2 818	33 260	-	39 017	261 636	1 329	53 199	311 482	28 042	5 546
B	KZN235	Okhahlamba	35 475	43 933	47 080	107.2	-	454	869	-	-	-	-	45 742	-	-	-	-	-	-	-	15	
B	KZN237	iNkosi Langalibalele	53 649	59 944	59 626	99.5	2 364	444	193	1 594	-	-	970	5 477	34 086	-	14 498	-	-	-	-	-	
B	KZN238	Alfred Duma	127 847	110 155	81 714	74.2	2 485	-	12 828	9 179	-	5 182	-	5 289	13 024	-	7 121	-	26 387	216	2		
C	DC23	uThukela DM	407 831	314 681	224 924	71.5	-	10	-	-	-	-	-	-	-	-	-	224 914	-	-	-	-	
Total: uThukela Municipalities					624 802	528 713	413 343	78.2	4 849	908	13 890	10 773	-	5 182	970	-	56 508	47 109	-	21 619	224 914	26 387	232
B	KZN241	eNdameni	45 178	40 176	29 685	73.9	117	84	164	1 206	-	410	-	243	24 663	-	2 477	-	-	-	320	-	
B	KZN242	Nquthu	128 885	109 260	75 316	68.9	1 940	270	703	13 819	-	2 211	-	6 049	30 343	-	17 587	-	-	-	2 393	-	
B	KZN244	uMsinga	40 115	61 227	47 283	77.2	-	2 384	-	7 535	-	-	-	-	37 364	-	-	-	-	-	-	-	
B	KZN245	uMvoti	39 537	40 373	38 322	94.9	1 006	45	87	2 984	-	-	-	23	27 578	-	6 600	-	-	-	-	-	
C	DC24	uMzinyathi DM	428 459	353 698	315 045	89.1	-	3 109	-	444	-	-	-	334	-	-	-	294 022	17 135	-	-	-	
Total: uMzinyathi Municipalities					682 174	604 734	505 651	83.6	3 063	5 893	954	25 988	-	2 622	-	6 649	119 949	-	26 664	294 022	17 135	2 713	-
B	KZN252	Newcastle	205 576	224 064	158 893	70.9	-	1 329	-	4 147	2 711	-	44	19 879	93 360	-	3 625	33 799	-	-	-	-	
B	KZN253	eMadlangeni	16 147	16 500	15 941	96.6	-	-	694	-	-	-	-	-	10 048	-	5 199	-	-	-	-	-	
B	KZN254	Dannhauser	77 132	77 132	54 464	70.6	591	-	1 121	-	-	-	-	52 752	-	-	-	-	-	-	-	-	
C	DC25	Amajuba DM	127 206	161 631	104 743	64.8	-	80	47	-	-	-	-	-	-	-	-	104 616	-	-	-	-	
Total: Amajuba Municipalities					426 061	479 327	334 041	69.7	591	1 409	1 862	4 147	2 711	-	72 631	103 408	-	8 824	138 415	-	-	-	-
B	KZN261	eDumbe	41 414	41 414	47 138	113.8	-	-	-	-	-	-	-	-	32 009	-	15 128	-	-	-	-	-	
B	KZN262	uPhongolo	67 471	48 623	44 076	90.6	-	-	225	6 718	23 138	-	6 749	886	3 888	-	2 473	-	-	-	-	-	
B	KZN263	AbaQulusi	41 284	38 512	29 158	75.7	-	-	6	5 241	-	-	-	-	23 892	-	20	-	-	-	-	-	
B	KZN265	Nongoma	55 206	50 326	44 417	88.3	4	11	858	-	-	-	-	-	43 544	-	-	-	-	-	-	-	
B	KZN266	Ulundi	48 335	158 957	55 664	35.0	-	-	-	10 765	-	1 032	-	-	23 867	-	20 000	-	-	-	-	-	
C	DC26	Zululand DM	408 113	449 929	254 458	56.6	-	192	205 754	-	-	-	-	5 560	-	-	-	42 951	-	-	-	-	
Total: Zululand Municipalities					661 824	787 761	474 911	60.3	4	204	206 843	22 724	23 138	1 032	6 749	-	6 446	127 200	-	37 621	42 951	-	-
B	KZN271	uMhlabyalingana	53 329	40 601	37 998	93.6	-	2 343	41	14 020	54	-	-	2 539	18 929	-	-	-	-	-	73	-	
B	KZN272	Jozini	48 306	38 513	23 827	61.9	-	-	10	-	-	-	-	852	22 964	-	-	-	-	-	-	-	
B	KZN275	Mtubatuba	34 943	39 758	39 547	99.5	627	324	509	-	-	60	-	-	38 028	-	-	-	-	-	-	-	
B	KZN276	Big Five Hlabisa	23 400	21 820	22 095	101.3	589	186	-	7 109	4 512	-	-	9 380	320	-	-	-	-	-	-	-	
C	DC27	uMkhanyakude DM	266 059	285 443	235 899	82.6	3 688	390	456	-	-	-	-	-	-	-	-	194 818	36 547	-	-	-	
Total: uMkhanyakude Municipalities					426 037	426 135	359 365	84.3	4 904	3 243	1 016	21 129	4 566	60	-	12 771	80 241	-	-	194 818	36 547	73	-
B	KZN281	uMfolozi	28 734	64 315	65 038	101.1	200	1 112	21 532	5 138	7 346	4 980	-	-	24 712	-	-	-	-	-	18	-	
B	KZN282	uMhlathuze	525 161	586 328	482 843	82.4	276	468	115 715	41 157	9 764	531	-	363	84 961	222	76 871	70 328	75 202	6 985	-	-	
B	KZN284	uMlalazi	74 043	74 043	52 498	70.9	-	1 154	1 816	11 189	14 003	3 120	-	661	14 169	-	3 824	-	77	2 485	-	-	
B	KZN285	Mthonjaneni	36 339	37 565	30 657	81.6	22	46	30	23	-	10	-	-	20 918	-	9 608	-	-	-	-	-	
B	KZN286	Nkandla	56 200	54 400	39 383	72.4	-	-	-	1 752	-	-	-	37 632	-	-	-	-	-	-	-	-	
C	DC28	King Cetshwayo DM	324 513	337 214	162 034	48.1	160	761	1 496	50	-	-	-	86	-	236	-	141 387	17 189	563	108		
Total: King Cetshwayo Municipalities					1 044 990	1 153 865	832 454	72.1	658	3 541	140 589	59 308	31 113	8 642	-	38 742	144 759	457	90 302	211 715	92 468	10 052	108
B	KZN291	Mandeni	56 547	71 381	48 433	67.9	2 010	-	418	4 894	-	2	-	5 687	33 209	-	2 213	-	-	-	-	-	
B	KZN292	KwaDukuza	344 762	236 754	101 295	42.8	-	5 973	-	4 057	9 765	454	2 077	1 359	63 893	-	12 991	-	-	726	-	-	
B	KZN293	Ndwedwe	71 491	62 277	49 703	79.8	-	178	2 450	2 166	-	-											

Appendix 5 : Debtors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		30 - 60 Days		60 - 90 Days		Over 90 Days		Total	Actual Bad Debts Written Off to Debtors		Impairment - Bad Debts to Council Policy			
	Total	%	Total	%	Total	%	Total	%		Amount	%	Amount	%		
A	KZN2000	eThekweni	1 695 431	14.5	703 090	6.0	626 280	5.4	8 636 357	74.1	11 661 159	-	-	5 130 910	44.0
B	KZN212	uMdoni	615	0.7	2 660	3.2	1 691	2.0	78 908	94.1	83 875	-	-	-	-
B	KZN213	uMzumbhe	(2)	-0.0	-	-	-	-	23 149	100.0	23 147	-	-	-	-
B	KZN214	uMuziwabantu	3 395	13.6	1 773	7.1	1 141	4.6	18 609	74.7	24 918	-	-	-	-
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC21	Ugu DM	28 924	5.4	23 849	4.4	15 936	3.0	469 531	87.2	538 239	-	-	-	-
Total: Ugu Municipalities			32 932	4.9	28 282	4.2	18 768	2.8	590 197	88.1	670 179	-	-	-	-
B	KZN221	uMshwathi	4 843	3.9	3 009	2.4	2 097	1.7	114 941	92.0	124 889	-	-	-	-
B	KZN222	uMngeni	5 537	4.2	4 539	3.5	3 435	2.6	117 845	89.7	131 355	-	-	-	-
B	KZN223	Mpofana	(1 474)	-1.0	386	0.3	4 462	3.0	145 041	97.7	148 414	-	-	-	-
B	KZN224	iMpendle	273	3.3	172	2.1	159	1.9	7 603	92.6	8 207	-	-	-	-
B	KZN225	Msunduzi	620 166	17.4	13 068	0.4	83 498	2.3	2 843 368	79.9	3 560 100	-	-	1 650 722	46.4
B	KZN226	Mkhambathini	1 131	4.2	834	3.1	687	2.5	24 582	90.3	27 234	-	-	-	-
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	46 426	6.8	(379)	-0.1	15 874	2.3	624 592	91.0	686 513	-	-	-	-
Total: uMgungundlovu Municipalities			676 902	14.4	21 629	0.5	110 210	2.4	3 877 972	82.7	4 686 712	-	-	1 650 722	35.2
B	KZN235	Okhahlamba	4 772	7.5	(121)	-0.2	1 309	2.1	57 389	90.6	63 350	-	-	-	-
B	KZN237	iNkosi Langalibalele	11 199	4.1	10 170	3.8	11 249	4.2	237 644	87.9	270 262	-	-	-	-
B	KZN238	Alfred Duma	45 086	11.6	9 540	2.5	8 999	2.3	325 359	83.6	388 983	-	-	-	-
C	DC23	uThukela DM	22 380	2.3	18 525	1.9	16 254	1.7	916 730	94.1	973 889	-	-	-	-
Total: uThukela Municipalities			83 437	4.9	38 114	2.2	37 811	2.2	1 537 122	90.6	1 696 484	-	-	-	-
B	KZN241	eNdumeni	-	-	10 801	10.5	3 601	3.5	88 854	86.1	103 256	-	-	-	-
B	KZN242	Nquthu	1 471	2.9	825	1.6	1 762	3.5	46 272	91.9	50 330	-	-	-	-
B	KZN244	uMsinga	1 317	3.3	1 158	2.9	1 095	2.7	36 721	91.1	40 292	-	-	-	-
B	KZN245	uMvoti	5 779	8.3	(256)	-0.4	2 648	3.8	61 762	88.3	69 932	-	-	-	-
C	DC24	uMzinyathi DM	7 354	2.5	3 970	1.3	7 960	2.7	276 970	93.5	296 253	-	-	(721)	-0.2
Total: uMzinyathi Municipalities			15 921	2.8	16 497	2.9	17 066	3.0	510 580	91.2	560 064	-	-	(721)	-0.1
B	KZN252	Newcastle	73 616	5.5	46 829	3.5	35 796	2.7	1 192 795	88.4	1 349 036	142 874	10.6	-	-
B	KZN253	eMadiangeni	3 830	9.8	(19)	-0.0	1 360	3.5	33 851	86.7	39 023	-	-	-	-
B	KZN254	Dannhauser	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC25	Amajuba DM	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Amajuba Municipalities			77 446	5.6	46 810	3.4	37 156	2.7	1 226 646	88.4	1 388 059	142 874	10.3	-	-
B	KZN261	eDumbe	8 850	6.3	(56)	-0.0	3 789	2.7	127 295	91.0	139 878	-	-	-	-
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN263	AbaQulusi	19 956	10.5	6 521	3.4	5 020	2.6	159 413	83.5	190 909	-	-	-	-
B	KZN265	Nongoma	1 856	3.2	(28)	-0.0	676	1.2	55 372	95.7	57 876	-	-	-	-
B	KZN266	Ulundi	9 173	10.0	844	0.9	983	1.1	80 603	88.0	91 604	-	-	-	-
C	DC26	Zululand DM	8 597	7.3	2 436	2.1	2 214	1.9	104 562	88.8	117 808	-	-	-	-
Total: Zululand Municipalities			48 432	8.1	9 717	1.6	12 681	2.1	527 245	88.2	598 075	-	-	-	-
B	KZN271	uMhlalabuyalingana	1 833	4.6	-	-	756	1.9	37 426	93.5	40 014	11 393	28.5	-	-
B	KZN272	Jozini	6 340	3.9	(0)	-0.0	1 769	1.1	153 508	95.0	161 616	-	-	-	-
B	KZN275	Mtubatuba	6 598	6.1	(69)	-0.1	2 416	2.2	99 059	91.7	108 004	-	-	-	-
B	KZN276	Big Five Hlabisa	697	1.6	870	2.0	560	1.3	40 324	95.0	42 451	-	-	-	-
C	DC27	uMkhanyakude DM	9 710	9.1	(29)	-0.0	980	0.9	95 689	90.0	106 349	-	-	-	-
Total: uMkhanyakude Municipalities			25 177	5.5	772	0.2	6 481	1.4	426 006	92.9	458 435	11 393	2.5	-	-
B	KZN281	uMfolozi	1 699	12.1	(19)	-0.1	5 356	38.1	7 026	50.0	14 062	-	-	-	-
B	KZN282	uMhlathuze	296 683	57.6	13 168	2.6	11 813	2.3	193 228	37.5	514 893	-	-	-	-
B	KZN284	uMlalazi	2 431	3.0	3 484	4.3	1 706	2.1	73 477	90.6	81 098	-	-	-	-
B	KZN285	Mthonjaneni	4 138	13.6	20	0.1	860	2.8	25 410	83.5	30 428	-	-	-	-
B	KZN286	Nkandla	1 499	4.6	1	0.0	739	2.3	30 420	93.1	32 659	-	-	-	-
C	DC28	King Cetshwayo DM	9 354	12.3	4 224	5.6	1 740	2.3	60 760	79.9	76 078	3 334	4.4	34 644	45.5
Total: King Cetshwayo Municipalities			315 804	42.2	20 878	2.8	22 214	3.0	390 322	52.1	749 218	3 334	0.4	34 644	4.6
B	KZN291	Mandeni	13 533	6.8	242	0.1	5 379	2.7	179 161	90.3	198 314	-	-	-	-
B	KZN292	KwaDukuza	37 970	16.8	16 277	7.2	18 472	8.2	153 600	67.9	226 319	-	-	-	-
B	KZN293	Ndwedwe	445	2.6	20	0.1	176	1.0	16 628	96.3	17 269	-	-	-	-
B	KZN294	Maphumulo	214	0.7	460	1.5	127	0.4	30 178	97.4	30 979	-	-	-	-
C	DC29	iLembe DM	29 870	8.3	12 840	3.6	7 622	2.1	309 515	86.0	359 846	-	-	-	-
Total: iLembe Municipalities			82 031	9.9	29 838	3.6	31 776	3.8	689 083	82.8	832 728	-	-	-	-
B	KZN433	Greater Kokstad	16 044	23.3	7 802	11.3	3 627	5.3	41 277	60.0	68 750	-	-	-	-
B	KZN434	uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN435	uMzimkhulu	600	6.8	333	3.8	290	3.3	7 531	86.0	8 753	-	-	-	-
B	KZN436	Dr. Nkosazana Dlamini Zuma	2 064	4.0	1 981	3.9	1 741	3.4	45 484	88.7	51 270	(5 897)	-11.5	-	-
C	DC43	Harry Gwala DM	8 308	4.7	6 675	3.8	6 101	3.4	156 559	88.1	177 643	-	-	-	-
Total: Harry Gwala Municipalities			27 015	8.8	16 791	5.5	11 759	3.8	250 851	81.9	306 416	(5 897)	-1.9	-	-
Total			3 080 530	13.0	932 418	3.9	932 201	3.9	18 662 380	79.1	23 607 529	151 704	0.6	6 815 555	28.9

Appendix 6 : Debtors by Customer Group (Total) - 2018/19

R'000	Organs of State							Commercial					Household					Other					Total				
	Age category (Days)				Total	%	Age category (Days)				Total	%	Age category (Days)				Total	%	Age category (Days)					Total	%		
	0 - 30	30 - 60	60 - 90	Over 90			0 - 30	30 - 60	60 - 90	Over 90			0 - 30	30 - 60	60 - 90	Over 90			0 - 30	30 - 60	60 - 90	Over 90				0 - 30	30 - 60
A	KZN2000	eThekweni	156 156	49 530	33 011	513 310	752 007	6.4	680 219	253 282	316 539	1 443 736	2 693 776	23.1	852 680	399 173	275 997	6 665 967	8 193 817	70.3	6 377	1 106	733	13 344	21 559	0.2	11 661 159
B	KZN212	uMdoni	(150)	213	104	33 657	33 824	40.3	478	384	279	6 407	7 547	9.0	344	2 051	1 297	38 089	41 781	49.8	(57)	13	11	755	723	0.9	83 875
B	KZN213	uMzumbane	-	-	-	14 827	14 827	64.1	(2)	-	-	4 135	4 133	17.9	-	-	-	776	776	3.4	-	-	-	3 411	3 411	14.7	23 147
B	KZN214	uMuziwabantu	420	315	174	5 903	6 813	27.3	1 322	707	407	5 053	7 489	30.1	1 653	751	560	7 653	10 616	42.6	-	-	-	-	-	-	24 918
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC21	Ugu DM	1 428	2 089	1 476	23 823	28 816	5.4	9 306	7 001	4 411	67 848	88 566	16.5	18 189	14 749	10 048	370 650	413 636	76.8	1	10	1	7 210	7 221	1.3	538 239
Total: Ugu Municipalities			1 699	2 617	1 754	78 211	84 280	12.6	11 104	8 092	5 097	83 443	107 736	16.1	20 185	17 550	11 906	417 167	466 808	69.7	(56)	23	12	11 376	11 355	1.7	670 179
B	KZN221	uMshwathi	1 647	1 339	773	51 942	55 701	44.6	1 663	769	594	20 562	23 589	18.9	1 533	900	729	42 437	45 599	36.5	-	-	-	-	-	-	124 889
B	KZN222	uMngeni	18	123	120	7 022	7 283	5.5	954	74	66	2 117	3 210	2.4	3 725	3 846	2 825	90 210	100 606	76.6	840	495	424	18 496	20 256	15.4	131 355
B	KZN223	Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1 474)	386	4 462	145 041	148 414	100.0	148 414
B	KZN224	iMpendle	218	124	118	6 422	6 882	83.9	24	23	19	746	812	9.9	32	25	21	435	512	6.2	-	-	-	-	-	-	8 207
B	KZN225	Msunduzi	55 612	1 215	5 946	139 776	202 549	5.7	261 220	(1 203)	14 369	274 844	549 229	15.4	281 243	11 113	57 935	2 218 174	2 568 465	72.1	22 091	1 944	5 247	210 575	239 858	6.7	3 560 100
B	KZN226	Mkhambathini	83	40	39	161	322	1.2	696	521	414	9 738	11 369	41.7	204	127	90	2 754	3 176	11.7	148	147	144	11 929	12 367	45.4	27 234
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	6 527	(46)	845	19 361	26 687	3.9	4 248	(33)	510	10 354	15 079	2.2	32 572	(252)	13 179	525 419	570 918	83.2	3 079	(47)	1 339	69 458	73 829	10.8	686 513
Total: uMgungundlovu Municipalities			64 105	2 795	7 841	224 683	299 424	6.4	268 804	150	15 972	318 361	603 288	12.9	319 308	15 759	74 780	2 879 429	3 289 277	70.2	24 684	2 924	11 616	455 498	494 723	10.6	4 686 712
B	KZN235	Okhahlamba	914	-	428	17 195	18 538	29.3	1 089	(5)	(92)	4 667	5 658	8.9	1 230	(32)	432	10 918	12 549	19.8	1 539	(85)	542	24 609	26 605	42.0	63 350
B	KZN237	iNkosi Langalibalele	4 009	(479)	1 825	74 031	79 386	29.4	473	84	59	695	1 311	0.5	3 638	2 394	1 950	54 630	62 611	23.2	3 079	8 171	7 415	108 288	126 953	47.0	270 262
B	KZN238	Alfred Duma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45 086	9 540	8 999	325 359	388 983	100.0	388 983
C	DC23	uThukela DM	968	1 073	919	20 133	23 093	2.4	2 553	1 516	2 144	49 566	55 779	5.7	18 838	15 863	13 195	846 040	893 937	91.8	21	73	(4)	991	1 081	0.1	973 889
Total: uThukela Municipalities			5 892	594	3 172	111 359	121 017	7.1	4 115	1 595	2 110	54 928	62 748	3.7	23 706	18 225	15 577	911 588	969 097	57.1	49 724	17 699	16 952	459 247	543 622	32.0	1 696 484
B	KZN241	eNdameni	-	841	193	4 018	5 052	4.9	-	5 144	1 150	6 164	12 458	12.1	-	4 526	2 129	75 970	82 625	80.0	-	290	130	2 702	3 121	3.0	103 256
B	KZN242	Nquthu	414	294	1 296	33 900	35 904	71.3	834	336	295	4 652	6 117	12.2	120	81	140	4 594	4 935	9.8	103	114	31	3 127	3 375	6.7	50 330
B	KZN244	uMsinga	531	526	486	14 176	15 719	39.0	476	433	409	10 982	12 300	30.5	309	200	200	11 564	12 273	30.5	-	-	-	-	-	-	40 292
B	KZN245	uMvoti	1 377	1	200	4 388	5 966	8.5	4 686	(396)	513	9 986	14 789	21.1	(815)	104	1 707	39 566	40 562	58.0	531	34	228	7 822	8 615	12.3	69 932
C	DC24	uMzinyathi DM	1 353	1 373	882	20 059	23 667	8.0	1 649	(641)	1 266	17 631	19 904	6.7	4 352	3 238	5 812	239 280	252 682	85.3	-	-	-	-	-	-	296 253
Total: uMzinyathi Municipalities			3 675	3 035	3 057	76 540	86 308	15.4	7 646	4 876	3 632	49 415	65 568	11.7	3 966	8 148	9 988	370 975	393 077	70.2	634	438	388	13 650	15 111	2.7	560 064
B	KZN252	Newcastle	8 181	3 662	740	42 722	55 305	4.1	11 308	13 274	7 740	106 399	138 722	10.3	54 198	29 820	27 276	1 042 438	1 153 732	85.5	(71)	73	40	1 236	1 277	0.1	1 349 036
B	KZN253	eMadlangeni	1 327	-	501	8 049	9 876	25.3	574	(1)	99	2 025	2 698	6.9	648	(14)	171	5 732	6 537	16.8	1 282	(4)	589	18 045	19 911	51.0	39 023
B	KZN254	Dannhauser	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC25	Amajuba DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Amajuba Municipalities			9 508	3 662	1 241	50 771	65 182	4.7	11 882	13 274	7 839	108 424	141 420	10.2	54 846	29 806	27 447	1 048 170	1 160 269	83.6	1 210	69	629	19 281	21 188	1.5	1 388 059
B	KZN261	eDumbe	1 229	-	544	15 208	16 981	12.1	2 516	(21)	832	15 770	19 097	13.7	4 579	(34)	2 147	90 835	97 527	69.7	525	(1)	265	5 483	6 273	4.5	139 878
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN263	AbaQulusi	1 519	306	227	5 127	7 179	3.8	6 918	538	437	11 628	19 520	10.2	8 629	3 996	3 684	115 264	131 574	68.9	2 889	1 681	672	27 394	32 636	17.1	190 909
B	KZN265	Nongoma	580	-	359	29 229	30 168	52.1	1 001	(27)	178	13 796	14 948	25.8	130	(1)	58	4 939	5 127	8.9	145	(0)	81	7 408	7 634	13.2	57 876
B	KZN266	Ulundi	5 878	464	307	29 752	36 401	39.7	1 499	227	112	5 611	7 449	8.1	1 570	547	465	14 363	16 945	18.5	227	(394)	99	30 877	30 809	33.6	91 604
C	DC26	Zululand DM	1 035	820	674	10 304	12 833	10.9	498	323	331	4 815	5 967	5.1	7 063	1 293	1 208	89 443	99 007	84.0	-	-	-	0	0	0.0	117 808
Total: Zululand Municipalities			10 242	1 590	2 111	89 620	103 563	17.3	12 432	1 040	1 890	51 619	66 981	11.2	21 971	5 801	7 564	314 844	350 180	58.6	3 787	1 286	1 116	71 162	77 351	12.9	598 075
B	KZN271	uMhlabyalingana	835	-	401	28 206	29 442	73.6	991	-	351	8 981	10 322	25.8	7	-	4	238	250	0.6	-	-	-	-	-	-	40 014
B	KZN272	Jozini	3 220	-	551	75 051	78 822	48.8	1 947	-	649	30 899	33 495	20.7	1 167	(0)	569	47 215	48 951	30.3	6	-	-	342	348	0.2	161 616
B	KZN275	Mtubatuba	393	(5)																							

Appendix 7 : Creditors Age Analysis (Total) - 2018/19

R'000	0 - 30 Days		30 - 60 Days		60 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
A KZN2000 eThekwini	2 307 917	66.0	18 743	0.5	106 673	3.1	1 064 062	30.4	3 497 396
B KZN212 uMdoni	16 242	100.0	-	-	-	-	-	-	16 242
B KZN213 uMzumbhe	1 345	101.7	-	-	27	2.1	(49)	-3.7	1 323
B KZN214 uMuziwabantu	37	97.4	1	2.6	0	0.1	-	-	38
B KZN216 Ray Nkonyeni	-	-	-	-	-	-	-	-	-
C DC21 Ugu DM	21 631	22.7	16 222	17.0	40 308	42.2	17 333	18.2	95 494
Total: Ugu Municipalities	39 256	34.7	16 223	14.3	40 336	35.7	17 283	15.3	113 098
B KZN221 uMshwathi	-	-	-	-	-	-	-	-	-
B KZN222 uMngeni	11 178	100.0	-	-	-	-	-	-	11 178
B KZN223 Mpofana	5 118	3.5	5 939	4.0	6 152	4.2	130 835	88.4	148 044
B KZN224 iMpendle	-	-	-	-	-	-	-	-	-
B KZN225 Msunduzi	984 873	99.4	1 806	0.2	1 056	0.1	2 982	0.3	990 717
B KZN226 Mkhambathini	3 131	99.3	16	0.5	1	0.0	5	0.2	3 154
B KZN227 Richmond	-	-	-	-	-	-	-	-	-
C DC22 uMgungundlovu DM	43 685	47.2	39 591	42.8	8 101	8.8	1 158	1.3	92 535
Total: uMgungundlovu Municipalities	1 047 985	84.1	47 353	3.8	15 311	1.2	134 979	10.8	1 245 628
B KZN235 Okhahlamba	8 754	100.0	-	-	-	-	-	-	8 754
B KZN237 iNkosi Langalibalele	29 162	27.4	2 556	2.4	357	0.3	74 196	69.8	106 270
B KZN238 Alfred Duma	37 971	100.0	-	-	-	-	-	-	37 971
C DC23 uThukela DM	-	-	623	2.0	-	-	30 516	98.0	31 139
Total: uThukela Municipalities	75 886	41.2	3 179	1.7	357	0.2	104 711	56.9	184 133
B KZN241 eNdumeni	26 890	100.0	-	-	-	-	-	-	26 890
B KZN242 Nquthu	8 832	86.5	1 093	10.7	14	0.1	271	2.7	10 211
B KZN244 uMsinga	433	73.5	156	26.5	-	-	-	-	589
B KZN245 uMvoti	17 062	99.1	20	0.1	15	0.1	111	0.6	17 209
C DC24 uMzinyathi DM	8 148	11.8	1 592	2.3	2 905	4.2	56 385	81.7	69 030
Total: uMzinyathi Municipalities	61 365	49.5	2 862	2.3	2 934	2.4	56 767	45.8	123 929
B KZN252 Newcastle	139 801	39.4	43 954	12.4	39 770	11.2	131 520	37.0	355 046
B KZN253 eMadlangeni	376	100.0	-	-	-	-	-	-	376
B KZN254 Dannhauser	-	-	-	-	-	-	-	-	-
C DC25 Amajuba DM	-	-	-	-	-	-	-	-	-
Total: Amajuba Municipalities	140 177	39.4	43 954	12.4	39 770	11.2	131 520	37.0	355 422
B KZN261 eDumbe	1 295	16.6	-	-	227	2.9	6 262	80.4	7 784
B KZN262 uPhongolo	-	-	-	-	-	-	-	-	-
B KZN263 AbaQulusi	-	-	-	-	-	-	-	-	-
B KZN265 Nongoma	17 767	100.3	(11)	-0.1	(18)	-0.1	(19)	-0.1	17 718
B KZN266 Ulundi	10 989	12.9	(761)	-0.9	13 672	16.0	61 451	72.0	85 352
C DC26 Zululand DM	6 461	100.0	-	-	-	-	-	-	6 461
Total: Zululand Municipalities	36 513	31.1	(773)	-0.7	13 881	11.8	67 693	57.7	117 315
B KZN271 uMhlabuyalingana	106	0.6	5 653	33.9	(1 392)	-8.3	12 316	73.8	16 683
B KZN272 Jozini	(139)	-100.0	(37)	-26.6	(18)	-12.6	333	239.1	139
B KZN275 Mtubatuba	717	6.1	2 566	22.0	4 732	40.6	3 652	31.3	11 668
B KZN276 Big Five Hlabisa	1 535	26.8	173	3.0	775	13.6	3 235	56.6	5 718
C DC27 uMkhanyakude DM	13 241	11.4	9 099	7.9	(4 625)	-4.0	98 103	84.7	115 818
Total: uMkhanyakude Municipalities	15 460	10.3	17 454	11.6	(526)	-0.4	117 639	78.4	150 027
B KZN281 uMfolozi	6 062	55.1	2 108	19.2	24	0.2	2 800	25.5	10 993
B KZN282 uMhlathuze	161 781	100.0	-	-	-	-	-	-	161 781
B KZN284 uMlalazi	34 160	100.0	-	-	-	-	-	-	34 160
B KZN285 Mthonjaneni	7 621	73.3	1 332	12.8	534	5.1	903	8.7	10 389
B KZN286 Nkandla	(3 144)	78.4	1 083	-27.0	(1 342)	33.5	(607)	15.1	(4 011)
C DC28 King Cetshwayo DM	30 350	25.3	18 614	15.5	3 231	2.7	67 635	56.4	119 830
Total: King Cetshwayo Municipalities	236 829	71.1	23 137	6.9	2 447	0.7	70 731	21.2	333 142
B KZN291 Mandeni	8 853	100.0	-	-	-	-	-	-	8 853
B KZN292 KwaDukuza	133 321	99.1	383	0.3	660	0.5	217	0.2	134 581
B KZN293 Ndwedwe	1 821	157.7	(1 208)	-104.6	(169)	-14.6	711	61.6	1 155
B KZN294 Maphumulo	4 526	100.9	-	-	-	-	(39)	-0.9	4 487
C DC29 iLembe DM	81 058	96.3	2 142	2.5	345	0.4	596	0.7	84 142
Total: iLembe Municipalities	229 579	98.4	1 317	0.6	836	0.4	1 486	0.6	233 217
B KZN433 Greater Kokstad	(113)	99.2	(1)	0.8	-	-	-	-	(114)
B KZN434 uBuhlebezwe	8 002	100.0	-	-	-	-	-	-	8 002
B KZN435 uMzimkhulu	16 138	100.0	-	-	-	-	-	-	16 138
B KZN436 Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-
C DC43 Harry Gwala DM	11 068	77.8	2 839	20.0	-	-	316	2.2	14 223
Total: Harry Gwala Municipalities	35 094	91.8	2 838	7.4	-	-	316	0.8	38 248
Total	4 226 061	66.1	176 286	2.8	222 019	3.5	1 767 189	27.6	6 391 555

Source: NT Igdatabase

Appendix 8 : Creditors per Category - 2018/19

R'000	Bulk Electricity		Bulk Water		PAYE Deductions		VAT (output less input)		Pensions / Retirement		Loan repayments		Trade Creditors		Auditor-General		Other		Total		
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%			
A	KZN2000	eThekwini	963 064	27.5	264 827	7.6	125 897	3.6	877	0.0	129 665	3.7	951 028	27.2	1 026 180	29.3	-	-	35 858	1.0	3 497 396
B	KZN212	uMdoni	-	-	-	-	-	-	-	-	-	-	-	-	16 242	100.0	-	-	-	-	16 242
B	KZN213	uMzombe	-	-	-	-	-	-	-	-	-	-	-	-	583	44.0	-	-	741	56.0	1 324
B	KZN214	uMuziwabantu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38	100.0	38
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC21	Ugu DM	1 345	1.4	38 529	40.3	-	-	-	-	-	-	-	-	55 621	58.2	-	-	-	-	95 494
Total: Ugu Municipalities			1 345	1.2	38 529	34.1	-	-	-	-	-	-	-	-	72 445	64.1	-	-	779	0.7	113 098
B	KZN221	uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN222	uMngeni	11 178	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11 178
B	KZN223	Mpofana	131 878	89.1	-	-	-	-	-	-	-	-	-	-	13 803	9.3	2 364	1.6	-	-	148 044
B	KZN224	iMpendle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN225	Msunduzi	209 471	21.1	77 150	7.8	-	-	145 670	14.7	-	-	-	-	201 489	20.3	-	-	356 936	36.0	990 717
B	KZN226	Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	-	2 527	80.1	-	-	626	19.9	3 154
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	-	-	31 220	33.7	-	-	-	-	-	-	-	-	44 822	48.4	-	-	16 493	17.8	92 535
Total: uMgungundlovu Municipalities			352 527	28.3	108 370	8.7	-	-	145 670	11.7	-	-	-	-	262 642	21.1	2 364	0.2	374 055	30.0	1 245 628
B	KZN235	Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	8 754	100.0	-	-	-	-	8 754
B	KZN237	iNkosi Langaibalele	87 440	82.3	-	-	-	-	-	-	-	-	-	-	17 646	16.6	1 185	1.1	-	-	106 270
B	KZN238	Alfred Duma	18 828	49.6	-	-	2 859	7.5	-	-	3 701	9.7	58	0.2	-	-	-	-	12 526	33.0	37 971
C	DC23	uThukela DM	-	-	-	-	-	-	-	-	-	-	-	-	31 139	100.0	-	-	-	-	31 139
Total: uThukela Municipalities			106 268	57.7	-	-	2 859	1.6	-	-	3 701	2.0	58	0.0	57 538	31.2	1 185	0.6	12 526	6.8	184 133
B	KZN241	eNdameni	7 614	28.3	-	-	1 197	4.5	-	-	1 471	5.5	-	-	3 287	12.2	-	-	13 320	49.5	26 890
B	KZN242	Nquthu	-	-	-	-	-	-	-	-	-	-	-	-	10 211	100.0	-	-	-	-	10 211
B	KZN244	uMsinga	-	-	-	-	-	-	-	-	-	-	-	-	589	100.0	-	-	-	-	589
B	KZN245	uMvoti	-	-	-	-	-	-	-	-	-	-	-	-	17 209	100.0	-	-	-	-	17 209
C	DC24	uMzinyathi DM	-	-	1 494	2.2	-	-	-	-	-	-	-	-	37 584	54.4	25	0.0	29 928	43.4	69 030
Total: uMzinyathi Municipalities			7 614	6.1	1 494	1.2	1 197	1.0	-	-	1 471	1.2	-	-	68 879	55.6	25	0.0	43 248	34.9	123 929
B	KZN252	Newcastle	182 890	51.5	41 851	11.8	8 902	2.5	-	-	15 998	4.5	-	-	104 860	29.5	545	0.2	-	-	355 046
B	KZN253	eMadlangeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	376	100.0	376
B	KZN254	Dannhauser	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC25	Amajuba DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Amajuba Municipalities			182 890	51.5	41 851	11.8	8 902	2.5	-	-	15 998	4.5	-	-	104 860	29.5	545	0.2	376	0.1	355 422
B	KZN261	eDumbe	1 609	20.7	-	-	-	-	-	-	-	-	-	-	5 790	74.4	-	-	384	4.9	7 784
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN263	AbaQulusi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN265	Nongoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17 718	100.0	17 718
B	KZN266	Ulundi	92 713	108.6	-	-	-	-	-	-	-	-	-	-	(7 391)	-8.7	-	-	29	0.0	85 352
C	DC26	Zululand DM	-	-	-	-	-	-	-	-	-	-	-	-	6 461	100.0	-	-	-	-	6 461
Total: Zululand Municipalities			94 323	80.4	-	-	-	-	-	-	-	-	-	-	4 860	4.1	-	-	18 132	15.5	117 315
B	KZN271	uMhlabuyalingana	-	-	-	-	-	-	-	-	-	-	-	-	16 683	100.0	-	-	-	-	16 683
B	KZN272	Jozini	-	-	-	-	-	-	-	-	-	-	-	-	106	75.9	-	-	34	24.1	139
B	KZN275	Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	-	11 668	100.0	-	-	-	-	11 668
B	KZN276	Big Five Hlabisa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	72	1.3	5 646	98.7	5 718
C	DC27	uMkhanyakude DM	-	-	6 895	6.0	-	-	-	-	-	695	0.6	-	102 532	88.5	-	-	5 697	4.9	115 818
Total: uMkhanyakude Municipalities			-	-	6 895	4.6	-	-	-	-	-	695	0.5	-	130 988	87.3	72	0.0	11 377	7.6	150 027
B	KZN281	uMfolozi	-	-	-	-	-	-	-	-	-	-	-	-	7 497	68.2	-	-	3 496	31.8	10 993
B	KZN282	uMhlathuze	66 767	41.3	13 986	8.6	-	-	-	-	-	-	-	-	80 998	50.1	29	0.0	-	-	161 781
B	KZN284	uMlalazi	5 012	14.7	-	-	-	-	-	-	-	-	-	-	29 149	85.3	-	-	-	-	34 160
B	KZN285	Mthonjaneni	5 539	53.3	-	-	-	-	-	-	-	-	-	-	4 612	44.4	239	2.3	-	-	10 389
B	KZN286	Nkandla	-	-	-	-	-	-	-	-	-	-	-	-	(2 051)	51.1	-	-	(1 961)	48.9	(4 011)
C	DC28	King Cetshwayo DM	-	-	51 379	42.9	-	-	-	-	-	-	-	-	62 262	52.0	-	-	6 188	5.2	119 830
Total: King Cetshwayo Municipalities			77 317	23.2	65 366	19.6	-	-	-	-	-	-	-	-	182 467	54.8	268	0.1	7 724	2.3	333 142
B	KZN291	Mandeni	-	-	-	-	-	-	-	-	-	-	-	-	8 818	99.6	-	-	34	0.4	8 853
B	KZN292	KwaDukuza	53 843	40.0	-	-	388	0.3	-	-	3 365	2.5	-	-	10 043	7.5	30	0.0	66 913	49.7	134 581
B	KZN293	Ndwedwe	-	-	-	-	-	-	-	-	-	-	-	-	271	23.5	-	-	884	76.5	1 155
B	KZN294	Maphumulo	-	-	-	-	-	-	-	-	-	-	-	-	4 487	100.0	-	-	-	-	4 487
C	DC29	iLembe DM	-	-	-	-	2 640	3.1	-	-	2 112	2.5	-	-	79 389	94.4	-	-	-	-	84 142
Total: iLembe Municipalities			53 843	23.1	-	-	3 028	1.3	-	-	5 477	2.3	-	-	103 009	44.2	30	0.0	67 831	29.1	233 217
B	KZN433	Greater Kokstad	-	-	-	-	-	-	(114)	100.0	-	-	-	-	-	-	-	-	-	-	(114)
B	KZN434	uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	1 730	21.6	4	0.1	6 268	78.3	8 002
B	KZN435	uMzimkhulu	-	-	-	-	1 559	9.7	-	-	879	5.4	-	-	13 700	84.9	-	-	-	-	16 138
B	KZN436	Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC43	Harry Gwala DM	-	-	4 800	33.7	-	-	-	-	-	-	-	-	9 421	66.2	2	0.0	-	-	14 223
Total: Harry Gwala Municipalities			-	-	4 800	12.6	1 559	4.1	(114)	-0.3	879	2.3	-	-	24 851	65.0	6	0.0	6 268	16.4	38 248
Total			1 839 190	28.8	532 130	8.3	143 441	2.2	146 433	2.3	157 191	2.5	951 780	14.9	2 038 720	31.9	4 494	0.1	578 175 </		

Appendix 9 : National Conditional Grants - 2018/19

R'000	Financial Management Grant								Municipal Infrastructure Grant								Intergrated National Electrification Programme (municipal) Grant							
	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual		DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual		DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual				
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent			
A	KZN2000	eThekweni	1 000	1 000	1 000	1 000	100.0	1 000	100.0	-	-	-	-	-	-	-	27 000	27 000	27 000	9 794	36.3	27 000	100.0	
B	KZN212	uMdoni	4 315	4 315	4 315	4 315	100.0	4 315	100.0	30 118	30 118	30 118	27 670	91.9	30 118	100.0	14 000	14 000	14 000	2 000	14.3	6 212	44.4	
B	KZN213	uMzumba	1 900	1 900	1 900	1 720	90.5	1 900	100.0	37 392	37 392	37 392	32 856	87.9	31 292	83.7	14 880	14 880	14 880	9 654	64.9	14 880	100.0	
B	KZN214	uMuziwabantu	1 900	1 900	1 900	1 900	100.0	1 900	100.0	22 940	22 940	22 940	22 940	100.0	25 693	112.0	5 000	5 000	5 000	5 000	100.0	4 999	100.0	
B	KZN216	Ray Nkonyeni	3 600	3 600	3 600	3 600	100.0	3 698	102.7	60 317	60 317	60 317	60 317	100.0	60 317	100.0	14 000	14 000	14 000	9 201	65.7	14 000	100.0	
C	DC21	Ugu DM	1 865	1 865	1 865	1 865	100.0	1 865	100.0	235 888	235 888	235 888	235 888	100.0	211 385	89.6	-	-	-	-	-	-	-	
Total: Ugu Municipalities			13 580	13 580	13 580	13 400	98.7	13 678	100.7	386 655	386 655	386 655	379 671	98.2	358 805	92.8	47 880	47 880	47 880	25 855	54.0	40 091	83.7	
B	KZN221	uMshwathi	1 970	1 970	1 970	1 970	100.0	1 970	100.0	27 098	27 098	27 098	27 098	100.0	31 596	116.6	10 000	10 000	10 000	3 000	30.0	5 681	56.8	
B	KZN222	uMngeni	1 770	1 770	1 770	1 770	100.0	1 770	100.0	22 646	22 646	22 646	20 564	90.8	19 787	87.4	8 000	8 000	8 000	3 612	45.2	8 000	100.0	
B	KZN223	Mpofana	1 970	1 970	1 970	624	31.7	928	47.1	13 878	13 878	13 878	13 878	100.0	11 923	85.9	6 984	6 984	6 984	3 758	53.8	6 984	100.0	
B	KZN224	iMpendle	1 900	1 900	1 900	1 619	85.2	1 500	79.0	11 572	11 572	11 572	11 572	100.0	11 350	98.1	-	-	-	-	-	-	-	
B	KZN225	Msunduzi	1 700	1 700	1 700	1 700	100.0	1 700	100.0	193 316	193 316	193 316	153 374	79.3	177 835	92.0	-	-	-	-	-	-	-	
B	KZN226	Mkhambathini	1 970	1 970	1 970	1 970	100.0	1 970	100.0	19 385	19 385	19 385	19 385	100.0	19 385	100.0	8 000	8 000	8 000	-	-	8 000	100.0	
B	KZN227	Richmond	1 900	1 900	1 900	682	35.9	1 198	63.1	18 149	18 149	18 149	11 350	62.5	21 677	119.4	10 500	10 500	10 500	-	-	-	-	
C	DC22	uMgungundlovu DM	1 000	1 000	1 000	1 000	100.0	1 000	100.0	99 828	99 828	99 828	99 828	100.0	99 828	100.0	-	-	-	-	-	-	-	
Total: uMgungundlovu Municipalities			14 180	14 180	14 180	11 335	79.9	12 036	84.9	405 872	405 872	405 872	357 049	88.0	393 380	96.9	43 484	43 484	43 484	10 370	23.8	28 665	65.9	
B	KZN235	Okhahlamba	1 900	1 900	1 900	1 409	74.2	1 900	100.0	32 295	32 295	32 295	32 295	100.0	32 295	100.0	7 984	7 984	7 984	2 307	28.9	7 984	100.0	
B	KZN237	iNkosi Langalibalele	3 670	3 670	3 670	3 430	93.5	3 413	93.0	36 949	36 949	36 949	36 949	100.0	36 949	100.0	14 000	14 000	14 000	-	-	14 000	100.0	
B	KZN238	Alfred Duma	3 600	3 600	3 600	3 599	100.0	3 600	100.0	69 946	69 946	69 946	67 750	96.9	44 541	63.7	14 598	14 598	14 598	7 598	52.0	7 428	50.9	
C	DC23	uThukela DM	1 545	1 545	1 545	1 545	100.0	1 545	100.0	180 033	180 033	180 033	170 226	94.6	180 033	100.0	-	-	-	-	-	-	-	
Total: uThukela Municipalities			10 715	10 715	10 715	9 983	93.2	10 458	97.6	319 223	319 223	319 223	307 220	96.2	293 818	92.0	36 582	36 582	36 582	9 905	27.1	29 412	80.4	
B	KZN241	eNdumeni	1 770	1 770	1 770	1 602	90.5	1 770	100.0	24 487	24 487	24 487	22 442	91.6	22 933	93.7	6 930	6 930	6 930	-	-	3 592	51.8	
B	KZN242	Nquthu	1 900	1 900	1 900	1 884	99.2	1 913	100.7	30 627	30 627	30 627	30 625	100.0	31 968	104.4	14 035	14 035	14 035	14 035	100.0	17 587	125.3	
B	KZN244	uMsinga	1 900	1 900	1 900	1 900	100.0	2 021	106.4	36 715	36 715	36 715	36 715	100.0	36 715	100.0	20 700	20 700	20 700	8 215	39.7	20 700	100.0	
B	KZN245	uMvoti	1 870	1 870	1 870	1 776	95.0	1 870	100.0	33 261	33 261	33 261	33 261	100.0	32 868	98.8	11 329	11 329	11 329	48	0.4	11 231	99.1	
C	DC24	uMzinyathi DM	1 320	1 320	1 320	1 320	100.0	1 320	100.0	184 485	184 485	184 485	184 483	100.0	184 485	100.0	-	-	-	-	-	-	-	
Total: uMzinyathi Municipalities			8 760	8 760	8 760	8 482	96.8	8 893	101.5	309 575	309 575	309 575	307 526	99.3	308 969	99.8	52 994	52 994	52 994	22 298	42.1	53 110	100.2	
B	KZN252	Newcastle	1 700	1 700	1 700	1 088	64.0	1 700	100.0	56 232	56 232	56 232	56 232	100.0	56 232	100.0	15 000	15 000	15 000	3 816	25.4	9 983	66.6	
B	KZN253	eMadlangeni	1 970	1 970	1 970	1 970	100.0	1 970	100.0	9 247	9 247	9 247	8 153	88.2	9 247	100.0	6 000	6 000	6 000	-	-	6 000	100.0	
B	KZN254	Dannhauser	1 900	1 900	1 900	1 837	96.7	1 789	94.2	21 400	21 400	21 400	21 400	100.0	21 867	102.2	-	-	-	-	-	-	-	
C	DC25	Amajuba DM	1 570	1 570	1 570	1 570	100.0	1 570	100.0	40 253	40 253	40 253	40 253	100.0	33 426	83.0	-	-	-	-	-	-	-	
Total: Amajuba Municipalities			7 140	7 140	7 140	6 465	90.5	7 029	98.4	127 132	127 132	127 132	126 038	99.1	120 772	95.0	21 000	21 000	21 000	3 816	18.2	15 983	76.1	
B	KZN261	eDumbe	1 970	1 970	1 970	1 969	99.9	1 941	98.5	26 762	26 762	26 762	26 761	100.0	26 762	100.0	13 300	13 300	13 300	5 411	40.7	13 300	100.0	
B	KZN262	uPhongolo	1 970	1 970	1 970	762	38.7	761	38.6	27 794	27 794	27 794	19 793	71.2	15 236	54.8	8 500	8 500	8 500	-	-	6 659	78.3	
B	KZN263	AbaQulusi	1 770	1 770	1 770	725	41.0	716	40.4	36 434	36 434	36 434	24 855	68.2	45 794	125.7	15 000	15 000	15 000	4 750	31.7	-	-	
B	KZN265	Nongoma	1 970	1 970	1 970	1 970	100.0	1 970	100.0	31 286	31 286	31 286	31 286	100.0	31 286	100.0	15 000	15 000	15 000	4 201	28.0	15 791	105.3	
B	KZN266	Ulundi	1 870	1 870	1 870	668	35.7	1 971	105.4	36 335	36 335	36 335	36 334	100.0	40 146	110.5	18 000	18 000	18 000	7 898	43.9	13 001	72.2	
C	DC26	Zululand DM	1 000	1 000	1 000	1 000	100.0	1 000	100.0	220 762	220 762	220 762	220 762	100.0	220 762	100.0	-	-	-	-	-	-	-	
Total: Zululand Municipalities			10 550	10 550	10 550	7 094	67.2	8 359	79.2	379 373	379 373	379 373	359 791	94.8	379 986	100.2	69 800	69 800	69 800	22 260	31.9	48 751	69.8	
B	KZN271	uMhlabyalingana	1 900	1 900	1 900	1 590	83.7	1 900	100.0	34 265	34 265	34 265	34 265	100.0	34 236	99.9	22 000	22 000	22 000	9 900	45.0	22 000	100.0	
B	KZN272	Jozini	1 970	1 970	1 970	1 134	57.6	2 100	106.6	36 687	36 687	36 687	36 687	100.0	36 687	100.0	-	-	-	-	-	3 559	-	
B	KZN275	Mtubatuba	1 970	1 970	1 970	1 968	99.9	1 970	100.0	31 166	31 166	31 166	31 166	100.0	31 166	100.0	12 600	12 600	12 600	9 380	74.4	20 380	161.7	
B	KZN276	Big Five Hlabisa	3 870	3 870	3 870	3 870	100.0	3 870	100.0	21 000	21 000	21 000	20 999	100.0	20 765	98.9	-	-	-	-	-	-	-	
C	DC27	uMkhanyakude DM	1 000	1 000	1 000	957	95.7	1 000	100.0	210 378	210 378	210 378	210 378	100.0	210 378	100.0	-	-						

Appendix 9 : National Conditional Grants - 2018/19 cont...

R'000	Expanded Public Works Programme Intergrated Grant (municipality)								Water Services Infrastructure Grant (Schedule 5B)							
	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual		DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual			
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent		
A	KZN2000	eThekwini	75 333	75 333	75 333	100.0	75 333	100.0	-	-	-	-	-	-		
B	KZN212	uMdoni	1 219	1 219	1 219	94.3	1 219	100.0	-	-	-	-	-	-		
B	KZN213	uMzumbane	1 526	1 526	1 526	100.0	1 526	100.0	-	-	-	-	-	-		
B	KZN214	uMuziwabantu	1 213	1 213	1 213	100.0	1 462	120.6	-	-	-	-	-	-		
B	KZN216	Ray Nkonyeni	4 061	4 061	4 061	100.0	4 061	100.0	-	-	-	-	-	-		
C	DC21	Ugu DM	3 250	3 250	3 249	100.0	3 454	106.3	55 000	55 000	55 000	41 607	75.6	61 481	111.8	
Total: Ugu Municipalities			11 269	11 269	11 269	99.4	11 722	104.0	55 000	55 000	55 000	41 607	75.6	61 481	111.8	
B	KZN221	uMshwathi	1 471	1 471	1 471	100.0	1 574	107.0	-	-	-	-	-	-		
B	KZN222	uMngeni	1 000	1 000	1 000	86.2	1 000	100.0	-	-	-	-	-	-		
B	KZN223	Mpofana	1 000	1 000	1 000	100.0	941	94.1	-	-	-	-	-	-		
B	KZN224	iMpendle	1 160	1 160	1 160	100.0	1 021	88.0	-	-	-	-	-	-		
B	KZN225	Msunduzi	2 890	2 890	2 890	100.0	2 890	100.0	42 760	42 760	42 760	27 597	64.5	42 760	100.0	
B	KZN226	Mkhambathini	1 034	1 034	1 034	100.0	1 034	100.0	-	-	-	-	-	-		
B	KZN227	Richmond	1 515	1 515	1 515	100.0	2 464	162.6	-	-	-	-	-	-		
C	DC22	uMgungundlovu DM	4 265	4 265	4 265	2 078	48.7	2 706	63.4	115 187	115 187	115 187	15 808	13.7	115 187	100.0
Total: uMgungundlovu Municipalities			14 335	14 335	14 335	100.0	13 629	95.1	157 947	157 947	157 947	43 405	27.5	157 947	100.0	
B	KZN235	Okhahlamba	2 432	2 432	2 432	100.0	2 432	100.0	-	-	-	-	-	-		
B	KZN237	iNkosi Langalibalele	1 387	1 387	1 387	100.0	1 387	100.0	-	-	-	-	-	-		
B	KZN238	Alfred Duma	4 319	4 319	4 319	100.0	4 319	100.0	-	-	-	-	-	-		
C	DC23	uThukela DM	6 206	6 206	6 206	100.0	6 190	99.8	108 493	108 493	108 493	56 809	52.4	91 420	84.3	
Total: uThukela Municipalities			14 344	14 344	14 344	100.0	14 328	99.9	108 493	108 493	108 493	56 809	52.4	91 420	84.3	
B	KZN241	eNdumeni	1 000	1 000	1 000	100.0	1 000	100.0	-	-	-	-	-	-		
B	KZN242	Nquthu	1 014	1 014	1 014	97.7	1 165	114.9	-	-	-	-	-	-		
B	KZN244	uMsinga	4 394	4 394	4 394	100.0	4 394	100.0	-	-	-	-	-	-		
B	KZN245	uMvoti	1 849	1 849	1 849	99.8	1 809	97.8	-	-	-	-	-	-		
C	DC24	uMzinyathi DM	5 109	5 109	5 109	100.0	5 110	100.0	70 800	70 800	70 800	55 000	77.7	70 800	100.0	
Total: uMzinyathi Municipalities			13 366	13 366	13 366	99.7	13 478	100.8	70 800	70 800	70 800	55 000	77.7	70 800	100.0	
B	KZN252	Newcastle	3 199	3 199	3 199	100.0	2 920	91.3	40 000	40 000	40 000	14 000	35.0	35 588	89.0	
B	KZN253	eMadlangeni	1 000	1 000	1 000	100.0	994	99.4	-	-	-	-	-	-		
B	KZN254	Dannhauser	1 000	1 000	1 000	82.5	983	98.3	-	-	-	-	-	-		
C	DC25	Amajuba DM	1 620	1 620	1 620	1 505	92.9	1 582	97.6	84 400	84 400	84 400	39 192	46.4	61 445	72.8
Total: Amajuba Municipalities			6 819	6 819	6 819	95.7	6 479	95.0	124 400	124 400	124 400	53 192	42.8	97 033	78.0	
B	KZN261	eDumbe	1 103	1 103	1 103	100.0	1 103	100.0	-	-	-	-	-	-		
B	KZN262	uPhongolo	2 534	2 534	2 534	100.0	2 064	81.4	-	-	-	-	-	-		
B	KZN263	AbaQulusi	1 295	1 295	1 295	88.0	714	55.1	-	-	-	-	-	-		
B	KZN265	Nongoma	1 615	1 615	1 615	100.0	1 784	110.5	-	-	-	-	-	-		
B	KZN266	Ulundi	3 854	3 854	3 854	100.0	3 854	100.0	-	-	-	-	-	-		
C	DC26	Zululand DM	5 908	5 908	5 908	100.0	5 908	100.0	87 828	87 828	87 828	27 152	30.9	87 828	100.0	
Total: Zululand Municipalities			16 309	16 309	16 309	97.4	15 427	94.6	87 828	87 828	87 828	27 152	30.9	87 828	100.0	
B	KZN271	uMhlabyalingana	3 047	3 047	3 047	100.0	3 047	100.0	-	-	-	-	-	-		
B	KZN272	Jozini	2 751	2 751	2 751	100.0	2 751	100.0	-	-	-	-	-	-		
B	KZN275	Mtubatuba	2 070	2 070	2 070	100.0	2 069	99.9	-	-	-	-	-	-		
B	KZN276	Big Five Hlabisa	1 826	1 826	1 826	100.0	1 826	100.0	-	-	-	-	-	-		
C	DC27	uMkhanyakude DM	3 022	3 022	3 022	100.0	3 383	111.9	73 000	73 000	73 000	46 191	63.3	58 917	80.7	
Total: uMkhanyakude Municipalities			12 716	12 716	12 716	100.0	13 075	102.8	73 000	73 000	73 000	46 191	63.3	58 917	80.7	
B	KZN281	uMfolozi	1 620	1 620	1 620	100.0	1 620	100.0	-	-	-	-	-	-		
B	KZN282	uMhlathuze	5 189	5 189	5 107	98.4	5 189	100.0	-	-	-	-	-	5 779		
B	KZN284	uMlalazi	3 212	3 212	3 212	100.0	3 212	100.0	-	-	-	-	-	-		
B	KZN285	Mthonjaneni	1 808	1 808	1 808	100.0	1 819	100.6	-	-	-	-	-	-		
B	KZN286	Nkandla	2 712	2 712	2 712	100.0	2 712	100.0	-	-	-	-	-	-		
C	DC28	King Cetshwayo DM	7 762	7 762	7 762	7 088	91.3	7 762	100.0	88 300	88 300	88 300	45 260	51.3	64 887	73.5
Total: King Cetshwayo Municipalities			22 303	22 303	22 303	96.6	22 314	100.0	88 300	88 300	88 300	45 260	51.3	70 667	80.0	
B	KZN291	Mandeni	2 255	2 255	2 255	100.0	2 255	100.0	-	-	-	-	-	-		
B	KZN292	KwaDukuza	1 540	1 540	1 540	100.0	1 540	100.0	-	-	-	-	-	-		
B	KZN293	Ndwedwe	1 195	1 195	1 195	100.0	1 215	101.7	-	-	-	-	-	-		
B	KZN294	Maphumulo	1 157	1 157	1 157	99.9	1 157	100.0	-	-	-	-	-	-		
C	DC29	iLembe DM	1 731	1 731	1 731	100.0	1 731	100.0	100 500	100 500	100 500	39 141	38.9	49 175	48.9	
Total: iLembe Municipalities			7 878	7 878	7 878	100.0	7 898	100.3	100 500	100 500	100 500	39 141	38.9	49 175	48.9	
B	KZN433	Greater Kokstad	1 311	1 311	1 311	100.0	1 954	149.0	-	-	-	-	-	-		
B	KZN434	uBuhlebezwe	1 590	1 590	1 590	99.9	1 590	100.0	-	-	-	-	-	-		
B	KZN435	uMzimkhulu	2 324	2 324	2 324	100.0	2 324	100.0	-	-	-	-	-	-		
B	KZN436	Dr. Nkosazana Dlamini Zuma	1 596	1 596	1 596	100.0	1 596	100.0	-	-	-	-	-	-		
C	DC43	Harry Gwala DM	2 518	2 518	2 518	100.0	2 306	91.6	100 400	100 400	100 400	59 991	59.8	73 416	73.1	
Total: Harry Gwala Municipalities			9 339	9 339	9 339	100.0	9 770	104.6	100 400	100 400	100 400	59 991	59.8	73 416	73.1	
Total			204 011	204 011	204 011	98.1	203 454	99.7	966 668	966 668	966 668	467 748	48.4	818 685	84.7	

Source: NT Igdatabase

Appendix 10 : Approved Rollovers - 2017/18

R'000	Municipal Improvement Grant (MIG)		Public Transport Network Grant (PTNG)		Water Services Infrastructure Grant (WSIG)		Financial Management Grant (FMG)		Neighbourhood Development Partnership Grant (NDPG)		Municipal Demarcation Transition Grant (MDTG)		Intergrated National Electrification Programme (INEP)		Rural Roads Asset Management Grant (RRAMS)		Energy Efficiency Demand Side Management Grant (EEDSM)		Regional Bulk Infrastructure Grant (RBIG)		Municipal Disaster Grant (MDG)		Expanded Public Works Programme (EPWP)		Total Amount		
	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	
	A	KZN2000	eThekweni	-	-	306 583	-	-	-	-	28 850	-	-	-	-	-	-	-	554	554	-	-	-	-	-	-	335 987
B	KZN212	uMdoni	4 738	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4 738	-
B	KZN213	uMzombe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 950	-
B	KZN214	uMuziwabantu	-	-	-	-	-	-	-	-	-	-	1 781	-	-	-	-	-	-	-	-	-	-	-	-	1 781	-
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC21	Ugu DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Ugu Municipalities			4 738	-	-	-	-	-	-	-	-	-	1 781	-	-	-	-	-	-	-	-	-	-	-	-	10 469	-
B	KZN221	uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN222	uMngeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN223	Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN224	iMpendle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN225	Msunduzi	6 866	-	26 145	-	-	-	-	604	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33 615	-
B	KZN226	Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	-	-	-	-	11 243	-	-	-	-	-	-	-	309	-	-	-	-	-	-	-	-	-	-	11 552	-
Total: uMgungundlovu Municipalities			6 866	-	26 145	-	11 243	-	-	604	-	-	-	-	309	-	-	-	-	-	-	-	-	-	-	45 167	-
B	KZN235	Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN237	iNkosi Langalibalele	-	-	-	-	-	823	-	-	-	-	2 248	-	-	-	-	-	-	-	-	-	-	-	-	3 071	-
B	KZN238	Alfred Duma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC23	uThukela DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46 380	-	-	-	-	-	-	46 380	-
Total: uThukela Municipalities			-	-	-	-	-	823	-	-	-	-	2 248	-	-	-	-	-	46 380	-	-	-	-	-	-	49 451	-
B	KZN241	eNdumeni	-	-	-	-	-	-	-	-	-	-	98	-	-	-	-	-	-	-	-	-	-	-	-	98	-
B	KZN242	Nquthu	2 869	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 869	-
B	KZN244	uMsinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN245	uMvoti	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC24	uMzinyathi DM	-	-	-	-	36 549	-	-	-	-	-	-	-	750	-	-	-	-	-	-	-	-	-	-	37 299	-
Total: uMzinyathi Municipalities			2 869	-	-	36 549	-	-	-	-	-	-	98	-	750	-	-	-	-	-	-	-	-	-	-	40 266	-
B	KZN252	Newcastle	-	-	-	-	-	-	-	12 119	12 119	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12 119	12 119
B	KZN253	eMadlangeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN254	Dannhauser	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC25	Amajuba DM	-	-	-	-	32 594	32 594	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32 594	32 594
Total: Amajuba Municipalities			-	-	-	32 594	32 594	-	-	12 119	12 119	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44 713	44 713
B	KZN261	eDumbe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN262	uPhongolo	492	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	492	-
B	KZN263	AbaQulusi	-	-	-	-	-	-	-	-	-	-	25 715	7 500	-	-	-	-	-	-	-	-	-	-	-	25 715	7 500
B	KZN265	Nongoma	670	-	-	-	-	-	-	-	-	-	838	838	-	-	-	-	-	-	-	-	-	-	-	1 508	838
B	KZN266	Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC26	Zululand DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Zululand Municipalities			1 162	-	-	-	-	-	-	-	-	-	26 553	8 338	-	-	-	-	-	-	-	-	-	-	-	27 715	8 338
B	KZN271	uMhlabyalingana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN272	Jozini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN275	Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN276	Big Five Hlabisa	-	-	-	-	-	-	-	-	-	-	396	396	-	-	-	-	-	-	-	-	-	-	-	396	396
C	DC27	uMkhanyakude DM	143	-	-	-	-	-	-	-	-	-	-	-	88	-	-	-	-	-	-	-	-	-	-	231	-
Total: uMkhanyakude Municipalities			143	-	-	-	-	-	-	-	-	-	396	396	88	-	-	-	-	-	-	-	-	-	-	627	396
B	KZN281	uMfolozi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN282	uMhlatuze	-	-	-	-	-	-	-	-	-	-	2 650	2 650	-	-	-	4 920	-	-	-	-	-	-	-	7 570	2 650
B	KZN284	uMlalazi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN285	Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN286	Nkandla	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC28	King Cetshwayo DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: King Cetshwayo Municipalities			-	-	-	-	-	-	-	-	-	-	2 650	2 650	-	-	-	4 920	-	-	-	-	-	-	-	7 570	2 650
B	KZN291	Mandeni	-	-	-	-	-	-	-	6 280	-	-	2 564	-	-	-	-	-	-	-	-	-	-	-	-	8 844	-
B	KZN292	KwaDukuza	-	-	-	-	-	-	-	-	-	-	18 091	-	-	-	-	-	-	-	-	-	-	-	-	18 091	-
B	KZN293	Ndwedwe	-	-	-	-	-	-	-	-	-	-	4 386	-	-	-	-	-	-	-	-	-	-	-	-	4 386	-
B	KZN294	Maphumulo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC29	iLembe DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14 580	14 580	-	-	-	-	-	-	14 580	14 580
Total: iLembe Municipalities			-	-	-	-	-	-	-	6 280	-	-	25 041	-</													

Appendix 11 : Unspent National Conditional Grants - 2016/17

R'000	Municipal Infrastructure Grant (MIG)	Infrastructure Skills Development Grant (ISDG)	Financial Management Grant (FMG)	Neighbourhood Development Partnership Grant (NDPG)	Intergrated National Electrification Programme (INEP)	Regional Bulk Infrastructure Grant (RHIG)	Rural Roads Asset Management Grant (RRAMS)	Water Services Infrastructure Grant (WSIG)	Municipal Disaster Recovery Grant (MDRG)	Expanded Public Works Programme (EPWP)	Total Amount Unspent 2016-17
A	KZN2000	eThekwini	-	5 300	-	28 200	-	-	-	-	33 500
B	KZN212	uMdoni	-	-	-	-	-	-	475	-	475
B	KZN213	uMzumba	-	-	-	-	-	-	3 900	-	3 900
B	KZN214	uMuziwabantu	-	-	-	-	-	-	-	-	-
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-	-	-	-
C	DC21	Ugu DM	-	-	-	-	-	-	-	-	-
Total: Ugu Municipalities											
B	KZN221	uMshwathi	-	-	-	-	-	-	-	-	-
B	KZN222	uMngeni	-	-	-	-	-	-	-	-	-
B	KZN223	Mpofana	-	-	-	-	-	-	-	-	-
B	KZN224	iMpendle	-	-	-	-	-	-	-	-	-
B	KZN225	Msunduzi	-	-	20 200	3 900	-	-	-	2 900	27 000
B	KZN226	Mkhambathini	-	-	-	33	-	-	-	13	46
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	36 900	-	-	-	-	-	-	-	36 900
Total: uMgungundlovu Municipalities											
B	KZN235	Okhahlamba	-	-	-	-	-	-	-	-	-
B	KZN237	iNkosi Langalibalele	3 300	-	-	2 500	-	-	-	1 100	6 900
B	KZN238	Alfred Duma	-	-	42	-	-	-	-	196	238
C	DC23	uThukela DM	-	-	-	-	67 100	-	-	-	67 100
Total: uThukela Municipalities											
B	KZN241	eNdumeni	-	-	-	-	-	-	-	-	-
B	KZN242	Nquthu	-	-	54	-	-	-	-	39	132
B	KZN244	uMsinga	3 500	-	-	39	-	-	-	-	3 500
B	KZN245	uMvoti	-	-	-	-	-	-	-	-	-
C	DC24	uMzinyathi DM	-	-	-	-	29 500	547	6 600	-	36 647
Total: uMzinyathi Municipalities											
B	KZN252	Newcastle	-	-	-	709	-	-	-	-	709
B	KZN253	eMadlangeni	-	-	-	-	5 300	-	-	-	5 300
B	KZN254	Dannhauser	-	-	-	-	-	-	-	-	-
C	DC25	Amajuba DM	-	-	-	-	-	-	-	-	-
Total: Amajuba Municipalities											
B	KZN261	eDumbe	977	-	325	-	54	-	-	-	1 356
B	KZN262	uPhongolo	493	-	-	-	-	-	-	-	493
B	KZN263	AbaQulusi	-	-	-	-	-	-	-	-	-
B	KZN265	Nongoma	-	-	-	-	-	-	-	-	-
B	KZN266	Ulundi	-	-	-	-	-	-	-	-	-
C	DC26	Zululand DM	-	-	-	-	-	-	-	-	-
Total: Zululand Municipalities											
B	KZN271	uMhlabyalingana	-	-	-	-	-	-	-	-	-
B	KZN272	Jozini	2 600	-	-	-	6 800	-	-	-	9 400
B	KZN275	Mtubatuba	-	-	-	-	-	-	-	-	-
B	KZN276	Big Five Hlabisa	-	-	-	-	19	-	-	159	178
C	DC27	uMkhanyakude DM	15 400	-	-	-	-	-	-	-	15 400
Total: uMkhanyakude Municipalities											
B	KZN281	uMfolozi	-	-	-	-	-	-	-	-	-
B	KZN282	uMhlathuze	-	2 600	-	-	-	-	-	-	2 600
B	KZN284	uMlalazi	-	-	-	-	-	-	-	-	-
B	KZN285	Mthonjaneni	-	-	-	-	-	-	-	-	-
B	KZN286	Nkandla	-	-	-	-	-	-	-	-	-
C	DC28	King Cetshwayo DM	-	-	-	-	-	-	-	-	-
Total: King Cetshwayo Municipalities											
B	KZN291	Mandeni	-	-	-	4 800	-	-	-	-	4 800
B	KZN292	KwaDukuza	-	-	-	-	5 900	-	-	-	5 900
B	KZN293	Ndwedwe	-	-	-	-	-	-	-	-	-
B	KZN294	Maphumulo	-	-	-	-	-	-	-	25	25
C	DC29	iLembe DM	-	-	-	-	-	-	-	-	-
Total: iLembe Municipalities											
B	KZN433	Greater Kokstad	-	-	-	-	-	-	-	-	-
B	KZN434	uBuhlebezwe	-	-	-	-	-	-	-	-	-
B	KZN435	uMzimkhulu	-	-	-	-	-	-	-	-	-
B	KZN436	Dr. Nkosazana Dlamini Zuma	-	-	-	-	2 200	-	-	-	2 200
C	DC43	Harry Gwala DM	-	-	-	-	-	26 900	15 300	-	42 200
Total: Harry Gwala Municipalities											
Total	63 170	7 900	421	53 909	26 745	123 500	547	21 900	4 375	4 432	306 899

Source: National Treasury

Appendix 12 : Unspent National Conditional Grants - 2017/18

R'000	Municipal Infrastructure Grant (MIG)	Infrastructure Skills Development Grant (ISDG)	Financial Management Grant (FMG)	Neighbourhood Development Partnership Grant (NDPG)	Intergrated National Electrification Programme (INEP)	Public Transport Network Grant (PTNG)	Municipal Demarcation Transition Grant (MDTG)	Regional Bulk Infrastructure Grant (RBIG)	Rural Roads Asset Management Grant (RRAMS)	Energy Efficiency Demand Side Management (EEDSM)	Water Services Infrastructure Grant (WSIG)	Expanded Public Works Programme (EPWP)	Total Unspent 2017-18	
A	KZN2000 eThekweni	5 635	-	28 850	-	306 583	-	-	-	293	-	-	341 361	
B	KZN212 uMdoni	1 292	-	-	-	-	-	-	-	-	-	-	1 292	
B	KZN213 uMzumbi	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN214 uMuziwabantu	-	-	-	1 781	-	-	-	-	-	-	-	1 781	
B	KZN216 Ray Nkonyeni	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC21 Ugu DM	-	-	-	-	-	-	-	-	-	-	-	-	
Total: Ugu Municipalities														
		1 292	-	-	1 781	-	-	-	-	-	-	-	3 073	
B	KZN221 uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN222 uMngeni	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN223 Mpofana	-	-	-	475	-	-	-	-	-	-	-	475	
B	KZN224 iMpindle	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN225 Msunduzi	6 866	-	604	-	26 145	-	-	-	-	-	-	33 615	
B	KZN226 Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN227 Richmond	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC22 uMgungundlovu DM	-	-	-	-	-	-	-	-	-	11 243	-	11 243	
Total: uMgungundlovu Municipalities														
		6 866	-	604	475	26 145	-	-	-	-	11 243	-	45 333	
B	KZN235 Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN237 iNkosi Langalibalele	-	823	-	6 983	-	5 426	-	-	-	-	-	13 232	
B	KZN238 Alfred Duma	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC23 uThukela DM	-	-	-	-	-	-	46 380	-	-	-	-	46 380	
Total: uThukela Municipalities														
		-	823	-	6 983	-	5 426	46 380	-	-	-	-	59 612	
B	KZN241 eNdameni	-	-	-	98	-	-	-	-	-	-	-	98	
B	KZN242 Nquthu	2 869	-	-	-	-	-	-	-	-	-	-	2 869	
B	KZN244 uMsinga	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN245 uMvoti	14	-	-	-	-	-	-	-	-	-	-	14	
C	DC24 uMzinyathi DM	-	-	-	-	-	-	750	-	36 548	-	-	37 298	
Total: uMzinyathi Municipalities														
		2 883	-	-	98	-	-	750	-	36 548	-	-	40 279	
B	KZN252 Newcastle	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN253 eMadiangeni	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN254 Dannhauser	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC25 Amajuba DM	-	-	-	-	-	-	-	-	-	-	-	-	
Total: Amajuba Municipalities														
		-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN261 eDumbe	465	-	-	-	-	-	-	-	-	-	63	527	
B	KZN262 uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN263 AbaQulusi	-	-	-	18 200	-	-	-	-	-	-	-	18 200	
B	KZN265 Nongoma	-	173	-	-	-	-	-	-	-	-	169	342	
B	KZN266 Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC26 Zululand DM	-	-	-	-	-	-	-	-	-	-	-	-	
Total: Zululand Municipalities														
		465	173	-	18 200	-	-	-	-	-	-	232	19 069	
B	KZN271 uMhlabyalingana	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN272 Jozini	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN275 Mtubatuba	-	-	-	-	-	-	-	-	-	-	294	294	
B	KZN276 Big Five Hlabisa	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC27 uMkhanyakude DM	1 100	-	-	-	-	-	89	-	-	-	-	1 189	
Total: uMkhanyakude Municipalities														
		1 100	-	-	-	-	-	89	-	-	-	294	1 483	
B	KZN281 uMfolozi	59	-	-	-	-	-	-	-	-	-	-	59	
B	KZN282 uMhlathuze	-	-	-	-	-	-	-	4 920	-	-	-	4 920	
B	KZN284 uMlalazi	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN285 Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN286 Nkandla	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC28 King Cetshwayo DM	-	-	-	-	-	-	-	-	-	-	-	-	
Total: King Cetshwayo Municipalities														
		59	-	-	-	-	-	-	4 920	-	-	-	4 979	
B	KZN291 Mandeni	4	-	6 280	2 564	-	-	-	-	-	-	-	8 848	
B	KZN292 KwaDukuza	-	-	-	10 000	-	-	-	-	-	-	-	10 000	
B	KZN293 Ndwedwe	-	-	-	4 386	-	-	-	-	-	-	-	4 386	
B	KZN294 Maphumulo	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC29 iLembe DM	-	-	-	-	-	-	-	-	-	-	-	-	
Total: iLembe Municipalities														
		4	-	6 280	16 951	-	-	-	-	-	-	-	23 234	
B	KZN433 Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN434 uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN435 uMzimkhulu	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN436 Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	1 140	-	-	-	-	-	1 140	
C	DC43 Harry Gwala DM	239	-	-	-	-	-	10	4	49 012	-	-	49 266	
Total: Harry Gwala Municipalities														
		239	-	-	-	-	1 140	10	4	49 012	-	-	50 406	
Total														
		12 907	5 635	996	35 734	44 487	332 728	6 567	46 390	844	5 213	96 804	526	588 830

Source: National Treasury

Appendix 13 : Unspent National Conditional Grants - 2013/14 to 2017/18

R'000		Unspent Conditional Grants for 2013/14	Unspent Conditional Grants for 2014/15	Unspent Conditional Grants for 2015/16	Unspent Conditional Grants for 2016/17	Unspent Conditional Grants for 2017/18	Total
A	KZN2000 eThekweni	7 351	537 406	5 547	33 500	341 361	925 165
B	KZN211 Vulamehlo	648	4 764	3 645	-	-	9 057
B	KZN212 uMdoni	-	-	-	475	1 292	1 767
B	KZN213 uMzambe	-	-	-	3 900	-	3 900
B	KZN214 uMuziwabantu	-	6 490	-	-	1 781	8 271
B	KZN215 Eziqoleni	830	-	-	-	-	830
B	KZN216 Hibiscus Coast	3 871	8 350	-	-	-	12 221
B	KZN216 Ray Nkonyeni	-	-	-	-	-	-
C	DC21 Ugu DM	2 940	8 931	8 398	-	-	20 269
	Total: Ugu Municipalities	8 289	28 535	12 043	4 375	3 073	56 315
B	KZN221 uMshwathi	-	-	-	-	-	-
B	KZN222 uMngeni	996	-	9 682	-	-	10 678
B	KZN223 Mpofana	1 700	-	-	-	475	2 175
B	KZN224 iMpindle	-	-	-	-	-	-
B	KZN225 Msunduzi	77 545	39 904	196 603	27 000	33 615	374 667
B	KZN226 Mkhambathini	-	1 758	1 433	46	-	3 237
B	KZN227 Richmond	-	-	-	-	-	-
C	DC22 uMgungundlovu DM	-	5 894	-	36 900	11 243	54 037
	Total: uMgungundlovu Municipalities	80 241	47 556	207 718	63 946	45 333	444 794
B	KZN232 Emnambithi/Ladysmith	-	122	-	-	-	122
B	KZN233 Indaka	10 789	2 665	-	-	-	13 454
B	KZN234 Umtshezi	4 600	-	1 743	-	-	6 343
B	KZN235 Okhahlamba	-	-	-	-	-	-
B	KZN236 Imbabazane	3 189	-	6 636	-	-	9 825
B	KZN237 iNkosi Langalibalele	-	-	-	6 900	13 232	20 132
B	KZN238 Alfred Duma	-	-	-	238	-	238
C	DC23 uThukela DM	-	742	-	67 100	46 380	114 222
	Total: uThukela Municipalities	18 578	3 529	8 379	74 238	59 612	164 336
B	KZN241 eNdumeni	-	-	7 497	-	98	7 595
B	KZN242 Nquthu	-	1 361	-	132	2 869	4 362
B	KZN244 uMsinga	2 200	3 876	19 396	3 500	-	28 972
B	KZN245 uMvoti	646	4 941	120	-	14	5 721
C	DC24 uMzinyathi DM	6 370	-	3 672	36 647	37 298	83 987
	Total: uMzinyathi Municipalities	9 216	10 178	30 685	40 279	40 279	130 637
B	KZN252 Newcastle	-	21 066	678	709	-	22 453
B	KZN253 eMadlangeni	696	-	-	5 300	-	5 996
B	KZN254 Dannhauser	146	-	469	-	-	615
C	DC25 Amajuba DM	7 231	401	8 650	-	-	16 282
	Total: Amajuba Municipalities	8 073	21 467	9 797	6 009	-	45 346
B	KZN261 eDumbe	4 600	506	692	1 356	527	7 681
B	KZN262 uPhongolo	-	-	2 471	493	-	2 964
B	KZN263 AbaQulusi	-	447	994	-	18 200	19 641
B	KZN265 Nongoma	7 973	4 341	-	-	342	12 656
B	KZN266 Ulundi	1 267	-	-	-	-	1 267
C	DC26 Zululand DM	-	-	-	-	-	-
	Total: Zululand Municipalities	13 840	5 294	4 157	1 849	19 069	44 209
B	KZN271 uMhlabayalingana	-	-	1 337	-	-	1 337
B	KZN272 Jozini	559	559	-	9 400	-	10 518
B	KZN273 The Big Five False Bay	1 400	145	5 435	-	-	6 980
B	KZN274 Hlabisa	239	137	3 974	-	-	4 350
B	KZN275 Mtubatuba	-	914	-	-	294	1 208
B	KZN276 Big Five Hlabisa	-	-	-	178	-	178
C	DC27 uMkhanyakude DM	1 600	2 115	5 732	15 400	1 189	26 036
	Total: uMkhanyakude Municipalities	3 798	2 956	17 392	24 978	1 483	50 607
B	KZN281 uMfolozi	113	-	-	-	59	172
B	KZN282 uMhlathuze	-	7 731	18 610	2 600	4 920	33 861
B	KZN283 Ntambanana	-	-	1 121	-	-	1 121
B	KZN284 uMlalazi	-	3 625	6 004	-	-	9 629
B	KZN285 Mthonjaneni	-	-	-	-	-	-
B	KZN286 Nkandla	98	204	-	-	-	302
C	DC28 King Cetshwayo DM	127	32 433	-	-	-	32 560
	Total: King Cetshwayo Municipalities	338	43 993	25 735	2 600	4 979	77 645
B	KZN291 Mandeni	-	6 546	-	4 800	8 848	20 194
B	KZN292 KwaDukuza	7 126	3 585	-	5 900	10 000	26 611
B	KZN293 Ndwedwe	51	30 980	886	-	4 386	36 303
B	KZN294 Maphumulo	-	4 270	-	25	-	4 295
C	DC29 iLembe DM	-	3 266	105	-	-	3 371
	Total: iLembe Municipalities	7 177	48 647	991	10 725	23 234	90 774
B	KZN431 Ingwe	-	12 531	-	-	-	12 531
B	KZN432 Kwa Sani	-	-	-	-	-	-
B	KZN433 Greater Kokstad	-	1 324	2 831	-	-	4 155
B	KZN434 uBuhlebezwe	-	-	-	-	-	-
B	KZN435 uMzimkhulu	-	612	-	-	-	612
B	KZN436 Dr. Nkosazana Dlamini Zuma	-	-	-	2 200	1 140	3 340
C	DC43 Harry Gwala DM	-	2 634	-	42 200	49 266	94 100
	Total: Harry Gwala Municipalities	-	17 101	2 831	44 400	50 406	114 738
	Total	156 901	766 662	325 275	306 899	588 830	2 144 567

Source: National Treasury

Appendix 14 : Stopping of funds in terms of Section 19 of the 2018 Division of Revenue Act (DoRA)

R'000	Municipal Infrastructure Grant (MIG)	Water Services Infrastructure Grant (WSIG)	Rural Bulk Infrastructure Grant (RBIG)	Public Transport Network Grant (PTNG)	Integrated National Electrification Programme (INEP)	Urban Settlements Development Grant (USDG)	Infrastructure Skills Development Grant (ISDG)	Total	
A	KZN2000	eThekweni	-	58 010	-	107 869	-	165 879	
B	KZN212	uMdoni	-	-	-	-	-	-	
B	KZN213	uMzumbane	-	-	-	-	-	-	
B	KZN214	uMuziwabantu	-	-	5 000	-	-	5 000	
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-	
C	DC21	Ugu DM	-	-	-	-	-	-	
Total: Ugu Municipalities			-	-	5 000	-	-	5 000	
B	KZN221	uMshwathi	-	-	-	-	-	-	
B	KZN222	uMngeni	-	-	-	-	-	-	
B	KZN223	Mpofana	-	-	-	-	-	-	
B	KZN224	iMpindle	-	-	-	-	-	-	
B	KZN225	Msunduzi	-	-	-	-	-	-	
B	KZN226	Mkhambathini	-	-	-	-	-	-	
B	KZN227	Richmond	-	-	-	-	-	-	
C	DC22	uMgungundlovu DM	-	-	-	-	-	-	
Total: uMgungundlovu Municipalities			-	-	-	-	-	-	
B	KZN235	Okhahlamba	-	-	-	-	-	-	
B	KZN237	iNkosi Langalibalele	-	-	-	-	-	-	
B	KZN238	Alfred Duma	-	-	-	-	-	-	
C	DC23	uThukela DM	-	12 526	97 283	-	-	109 809	
Total: uThukela Municipalities			-	12 526	97 283	-	-	109 809	
B	KZN241	eNdumeni	-	-	-	-	-	-	
B	KZN242	Nquthu	-	-	-	-	-	-	
B	KZN244	uMsinga	-	-	-	-	-	-	
B	KZN245	uMvoti	-	-	-	-	-	-	
C	DC24	uMzinyathi DM	-	-	-	-	-	-	
Total: uMzinyathi Municipalities			-	-	-	-	-	-	
B	KZN252	Newcastle	54 000	-	-	-	-	54 000	
B	KZN253	eMadlangeni	-	-	-	-	-	-	
B	KZN254	Dannhauser	-	-	-	-	-	-	
C	DC25	Amajuba DM	-	-	-	-	-	-	
Total: Amajuba Municipalities			54 000	-	-	-	-	54 000	
B	KZN261	eDumbe	-	-	-	-	-	-	
B	KZN262	uPhongolo	-	-	-	-	-	-	
B	KZN263	AbaQulusi	-	-	-	-	-	-	
B	KZN265	Nongoma	-	-	-	-	-	-	
B	KZN266	Ulundi	-	-	-	-	-	-	
C	DC26	Zululand DM	-	27 172	-	-	-	27 172	
Total: Zululand Municipalities			-	27 172	-	-	-	27 172	
B	KZN271	uMhlabuyalingana	-	-	-	-	-	-	
B	KZN272	Jozini	-	-	15 000	-	-	15 000	
B	KZN275	Mtubatuba	-	-	-	-	-	-	
B	KZN276	Big Five Hlabisa	-	-	-	-	-	-	
C	DC27	uMkhanyakude DM	-	-	-	-	-	-	
Total: uMkhanyakude Municipalities			-	-	15 000	-	-	15 000	
B	KZN281	uMfolozi	-	-	-	-	-	-	
B	KZN282	uMhlathuze	-	16 000	-	-	2 700	18 700	
B	KZN284	uMlalazi	-	-	-	-	-	-	
B	KZN285	Mthonjaneni	-	-	-	-	-	-	
B	KZN286	Nkandla	-	-	-	-	-	-	
C	DC28	King Cetshwayo DM	-	-	-	-	-	-	
Total: King Cetshwayo Municipalities			-	16 000	-	-	2 700	18 700	
B	KZN291	Mandeni	-	-	-	-	-	-	
B	KZN292	KwaDukuza	-	-	-	-	-	-	
B	KZN293	Ndwedwe	-	-	-	-	-	-	
B	KZN294	Maphumulo	-	-	2 000	-	-	2 000	
C	DC29	iLembe DM	-	-	-	-	-	-	
Total: iLembe Municipalities			-	-	2 000	-	-	2 000	
B	KZN433	Greater Kokstad	-	-	-	-	-	-	
B	KZN434	uBuhlebezwe	-	-	-	-	-	-	
B	KZN435	uMzimkhulu	-	-	-	-	-	-	
B	KZN436	Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	-	
C	DC43	Harry Gwala DM	-	-	-	-	-	-	
Total: Harry Gwala Municipalities			-	-	-	-	-	-	
Total		54 000	55 698	97 283	58 010	22 000	107 869	2 700	397 560

Source: National Treasury. Government Gazette No. 42243 & 42318

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