



treasury

Department:

Treasury

PROVINCE OF KWAZULU-NATAL

Municipal Finance

1st Quarter Review

2019/20

MFQR: 30 September 2019

Compiled by: KwaZulu-Natal (KZN) Provincial Treasury

Data Source and Reliability

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All information in this report is based on the MFMA Section 71 reports that each Municipal Manager and Chief Financial Officer were required to verify, sign and submit to National Treasury. Therefore, any queries on the budget, revenue or expenditure figures reflected in the report 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 analysis used in this report was extracted from the 2019/20 Municipal Budget Information: First Quarter Financial Results as at 30 September 2019. The non-delegated municipalities, namely; eThekweni, Msunduzi and uMhlathuze are included in the report. By the time of publishing the first quarter information by National Treasury, some municipalities did not submit all the required monthly MFMA Section 71 performance data strings. This has distorted the review of the budget performance as at the end of the first quarter for the respective municipalities, the district totals and the aggregated provincial total.

The mechanical straight line method of projection was used as the benchmark for expenditure and revenue as at the end of the first quarter. In terms of the straight line method of projection, all municipalities should have generated and spent approximately 25 percent of their Original Budgets as at the end of the first quarter.

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Introduction

This consolidated municipal budget performance review covers the financial performance of municipalities in KwaZulu-Natal as at the end of the first quarter of the 2019/20 financial year ended 30 September 2019.

The consolidated statement provides the in-year financial performance of municipalities against their budgeted revenue and expenditure. It includes the capital and operating budget performances as well as the debtors, creditors, conditional grants and compliance with the DoRA and MFMA reporting requirements. It also provides a status reports on the implementation of the Municipal Regulations on the Standard Chart of Accounts (mSCOA) and other municipal support and oversight.

Assessing the expenditure performance of municipalities assists in serving as a control and management tool and also serves as an early warning signal for the identification of financial problems.

Noteworthy, is that for the first time in South Africa's history, the report is prepared by using the figures from the mSCOA data strings. The Municipal Standard Chart of Account (mSCOA) Regulations were promulgated on 22 April 2014 and prescribes the uniform recording and classification of municipal budget and financial information at a transaction level. The mSCOA Regulations require that municipalities upload their budget and financial information in a data string format to the Local Government portal across the six mSCOA regulated segments. The credibility of the information contained in the mSCOA data strings is a concern. At the core of the problem is:

- The incorrect use of the mSCOA and municipal accounting practices by municipalities;
- A large number of municipalities are not budgeting, transacting and reporting directly in/from their core financial systems. Instead they prepare their budgets and reports on excel spreadsheets and then import the excel spreadsheets into the system; and
- Municipalities are not locking their Adopted Budgets or their financial systems at month-end to ensure prudent financial management.

It should also be noted that the Amajuba District Municipality and the uPhongolo and Nquthu Local Municipalities did not upload all the required data strings for the 2019/20 financial year as at 30 September 2019 which resulted in distorted information for the quarter under review. The uPhongolo Local Municipality did not submit the Adopted Budget mSCOA data string (ORGB) and the monthly data strings for M01 to M03 whilst the Amajuba District Municipality and the Nquthu Local Municipality did not submit the data strings for M02 and M03.

Due to the matters noted above, the information contained in this report is not credible.

Legislative Framework

In terms of Section 71(7) of the MFMA, *the Provincial Treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of municipalities' budgets per municipality and per municipal entity. The MEC for Finance must submit such consolidated statement to the provincial legislature no later than 45 days after the end of each quarter.*

2. Provincial and District Overview

2.1 Operating Revenue and Expenditure – Provincial Total

Table 1: Operating Revenue and Expenditure as at the end of Quarter 1 - 2019/20

	2019/20					2018/19		Q1 of 2018/19 to Q1 of 2019/20
	Budget	First Quarter		Year to Date		First Quarter		
	Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	
R thousands								
Operating Revenue and Expenditure								
Operating Revenue	68 906 131	20 865 199	30.3	20 865 199	30.3	17 506 354	28.4	19.2
Property rates	12 962 057	4 270 016	32.9	4 270 016	32.9	3 286 494	28.2	29.9
Service charges - electricity revenue	22 041 858	5 901 795	26.8	5 901 795	26.8	4 595 042	23.2	28.4
Service charges - water revenue	7 927 119	1 852 582	23.4	1 852 582	23.4	1 601 321	23.6	15.7
Service charges - sanitation revenue	1 931 412	410 804	21.3	410 804	21.3	343 044	20.2	19.8
Service charges - refuse revenue	1 537 958	369 133	24.0	369 133	24.0	338 644	25.5	9.0
Rental of facilities and equipment	1 093 680	216 805	19.8	216 805	19.8	236 689	22.7	-8.4
Interest earned - external investments	896 983	206 461	23.0	206 461	23.0	190 621	21.9	8.3
Interest earned - outstanding debtors	891 948	267 912	30.0	267 912	30.0	778 490	125.1	-65.6
Dividends received	-	532	-	532	-	1 157	46.3	-54.1
Fines, penalties and forfeits	433 300	29 950	6.9	29 950	6.9	8 518	1.6	251.6
Licences and permits	127 267	72 972	57.3	72 972	57.3	62 508	47.7	16.7
Agency services	65 917	12 332	18.7	12 332	18.7	10 054	14.5	22.7
Transfers and subsidies	14 885 114	6 167 508	41.4	6 167 508	41.4	5 029 071	37.8	22.6
Other revenue	4 078 113	1 070 044	26.2	1 070 044	26.2	1 023 586	26.4	4.5
Gains on disposal of PPE	33 405	16 355	49.0	16 355	49.0	1 115	3.5	1 367.3
Operating Expenditure	69 600 281	15 754 656	22.6	15 754 656	22.6	12 321 630	19.6	27.9
Employee related costs	20 982 475	4 656 642	22.2	4 656 642	22.2	4 027 732	21.3	15.6
Remuneration of councillors	818 537	187 373	22.9	187 373	22.9	156 596	20.5	19.7
Debt impairment	2 119 268	334 987	15.8	334 987	15.8	69 246	3.8	383.8
Depreciation and asset impairment	5 840 457	962 824	16.5	962 824	16.5	1 034 414	18.4	-6.9
Finance charges	1 197 521	302 512	25.3	302 512	25.3	32 633	3	827.0
Bulk purchases	19 917 744	5 670 605	28.5	5 670 605	28.5	4 066 876	23.4	39.4
Other Materials	1 837 518	415 923	22.6	415 923	22.6	240 313	12.3	73.1
Contracted services	9 536 706	1 948 166	20.4	1 948 166	20.4	1 604 103	17.4	21.4
Transfers and subsidies	856 950	175 926	20.5	175 926	20.5	123 463	16.5	42.5
Other expenditure	6 492 623	1 099 702	16.9	1 099 702	16.9	966 579	17.9	13.8
Loss on disposal of PPE	483	(3)	-0.7	(3)	-0.7	(325)	-33.2	-98.9
Surplus/(Deficit)	(694 150)	5 110 543		5 110 543		5 184 724		
Transfers and subsidies - capital (monetary allocations) (Nat / Prov and Dist)	8 092 210	444 855	5.5	444 855	5.5	358 084	4.6	24.2
Transfers and subsidies - capital (monetary alloc)(Departm Agencies,HH,PE,PC,...)	14 965	13 505	90.2	13 505	90.2	27	1.1	50 792.3
Transfers and subsidies - capital (in-kind - all)	8 275	1 883	22.8	1 883	22.8	457	1.5	312.1
Surplus/(Deficit) after capital transfers and contributions	7 421 300	5 570 786		5 570 786		5 543 291		

Source NT Igdatabase

- The municipalities in KwaZulu-Natal have generated Operating revenue amounting to R20.9 billion or 30.3 percent of the Approved Budget of R68.9 billion. The revenue generated is slightly above the expected straight line projection of 25 percent as at the end of the first quarter of the 2019/20 financial year.
- Sources of Operating revenue that generated more than 25 percent of their budgeted amounts include *Licences and permits* at R73 million or 57.3 percent, *Gains on disposal of PPE* at R16.4 million or 49 percent, *Transfers recognised – operational* at R6.2 billion or 41.4 percent, *Property rates* at R4.3 billion or 32.9 percent, *Interest earned – outstanding debtors* at R267.9 million or 30 percent, *Service charges – electricity* at R5.9 billion or 26.8 percent and *Other revenue* at R1.1 billion or 26.2 percent.
- Municipalities in the province have generated the least amount of revenue on *Fines, penalties and forfeits* at R30 million or 6.9 percent against budget. It should be noted that the Mpofana and Big Five Hlabisa Local Municipalities incorrectly reported against *Dividends received* which was not budgeted for.
- The municipalities in KwaZulu-Natal have incurred Operating expenditure amounting to R15.8 billion or 22.6 percent of the total budgeted expenditure of R69.6 billion. The overall spending is below the projected baseline of 25 percent.
- The highest expenditure was noted on *Bulk purchases* at 5.7 billion or 28.5 percent followed by *Finance charges* at 302.5 million or 25.3 percent.
- Significantly low expenditure was reported for *Debt impairment* at R335 million or 15.8 percent, *Depreciation and asset impairment* at R962.8 million or 16.5 percent, and *Other expenditure* at R1.1 billion or 16.9 percent as at the end of September 2019 against their respective budgets. It was also noted that the eThekweni Metro incorrectly reported a negative R3 000 against *Loss on disposal of PPE*.
- A number of municipalities did not account for *Debt impairment* and *Depreciation and asset impairment* on a monthly basis. This has contributed to the overall low expenditure against the budget as at the end of September 2019.

2.2 Operating Revenue – District Total

Table 2: Operating Revenue per source and per district as at the end of Quarter 1 - 2019/20

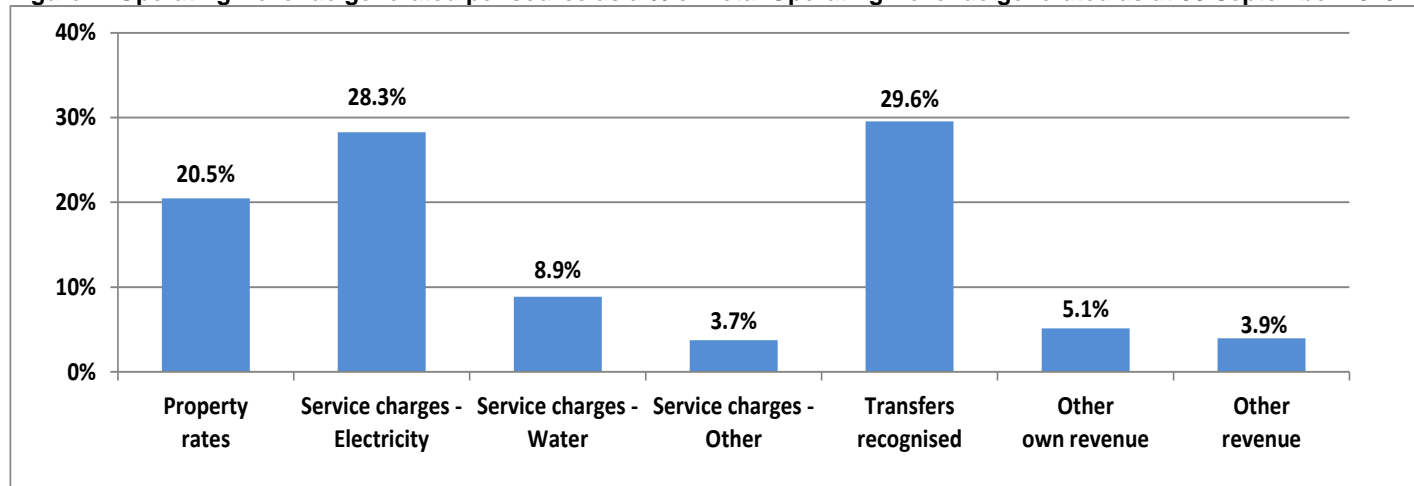
R000	Original Budget	Unaudited Actual	% Generated	Detail						
				Property rates	Service charges			Transfers recognised - operational	Other own revenue	Other revenue ²
					Electricity revenue	Water revenue	Other ¹			
eThekwini	39 277 508	10 917 615	27.8	2 728 474	3 981 293	1 094 553	412 186	1 296 441	988 310	416 357
Ugu	2 952 977	1 231 960	41.7	212 139	42 102	107 060	60 912	766 151	17 093	26 503
uMgungundlovu	7 511 235	2 293 371	30.5	388 381	698 481	290 855	89 489	675 876	14 655	135 634
uThukela	2 488 252	831 042	33.4	127 324	166 365	55 784	17 081	405 343	4 763	54 385
uMzinyathi	1 536 275	310 548	20.2	56 642	51 647	22 756	14 744	152 719	(2 697)	14 735
Amajuba	2 391 391	789 956	33.0	123 459	187 307	47 473	57 987	373 966	6 722	(6 959)
Zululand	1 772 389	706 236	39.8	120 958	69 240	15 840	18 142	461 421	1 000	19 635
uMkhanyakude	1 376 676	590 475	42.9	47 660	1 319	11 394	4 099	513 579	926	11 498
King Cetshwayo	4 821 536	1 648 797	34.2	233 690	504 614	162 545	61 532	592 675	11 887	81 855
iLembe	3 266 222	898 502	27.5	139 532	165 962	31 513	29 464	469 495	23 516	39 020
Harry Gwala	1 511 670	646 697	42.8	91 756	33 467	12 808	14 302	459 841	3 867	30 656
Total	68 906 131	20 865 199	30.3	4 270 016	5 901 795	1 852 582	779 937	6 167 508	1 070 044	823 318

Source NT Igdatabase

1 Include Service charges revenue for Sanitation, Refuse and Other.

2 Include Rental of facilities and equipment, Interest earned on external investments & outstanding debtors, Dividends received, Fines, penalties and forfeits, Licences and permits, Agency services and Gains on disposal of PPE.

Figure 1: Operating Revenue generated per source as a % of Total Operating Revenue generated as at 30 September 2019



- The bulk of the Operating revenue as at the end of the first quarter was generated by the eThekwini Metro at R10.9 billion followed by the uMgungundlovu District at R2.3 billion and the King Cetshwayo District at R1.6 billion.
- With the exception of the uMzinyathi District, all districts exceeded the benchmark of 25 percent against their respective Original Budgets for the first quarter. The uMkhanyakude District recorded the highest percentage at 42.9 percent or R590.5 million revenue generated against the Original Budget of R1.4 billion.
- Transfers recognised - operational* at R6.2 billion or 29.6 percent contributed the most to the total Operating revenue generated followed by *Service charges – electricity revenue* at R5.9 billion or 28.3 percent and *Property rates* at R4.3 billion or 20.5 percent.
- Actual Operating revenue generated as at the end of the first quarter for the uMkhanyakude, Harry Gwala, Zululand and Ugu Districts are largely due to grants at 87 percent, 71.1 percent, 65.3 percent and 62.2 percent respectively. The eThekwini Metro (11.9 percent) and the uMgungundlovu (29.5 percent) and King Cetshwayo (35.9 percent) Districts are the least dependent on grant funding.
- The uMkhanyakude, Zululand, Harry Gwala, Ugu and uMzinyathi Districts generated the highest portion of their own operating revenue from *Property rates*. On the other hand, the King Cetshwayo, Amajuba and uMgungundlovu Districts and the eThekwini Metro generated the highest portion of their own operating revenue on *Service charges – electricity*.
- Excluding eThekwini Metro (R4 billion), the uMgungundlovu (R698.5 million) and King Cetshwayo (R504.6 million) Districts contributed the most towards the *Service charges - electricity* revenue, while, the uMkhanyakude District (R1.3 million) contributed the least towards the revenue for *Service charges - electricity*.
- Similar to *Service charges - electricity*, without considering the eThekwini Metro (R1.1 billion), the uMgungundlovu (R290.9 million) and King Cetshwayo (R162.5 million) Districts contributed the most towards *Services charges - water*, whilst the uMkhanyakude District (R11.4 million) contributed the least to *Services charges - water*.
- It should be noted that of the 54 municipalities within the province, only the uPhongolo Local Municipality did not submit 2019/20 ORGB and the monthly data strings for M01 to M03 for 2019/20 financial year. The municipality indicated that this is due to the fact that the municipality has contractual challenges with their service provider and has embarked on a legal route to resolve the challenges. In addition, the Amajuba District Municipality and the Nquthu Local Municipality did not submit the data strings for M02 and M03.

2.3 Operating Expenditure – District Total

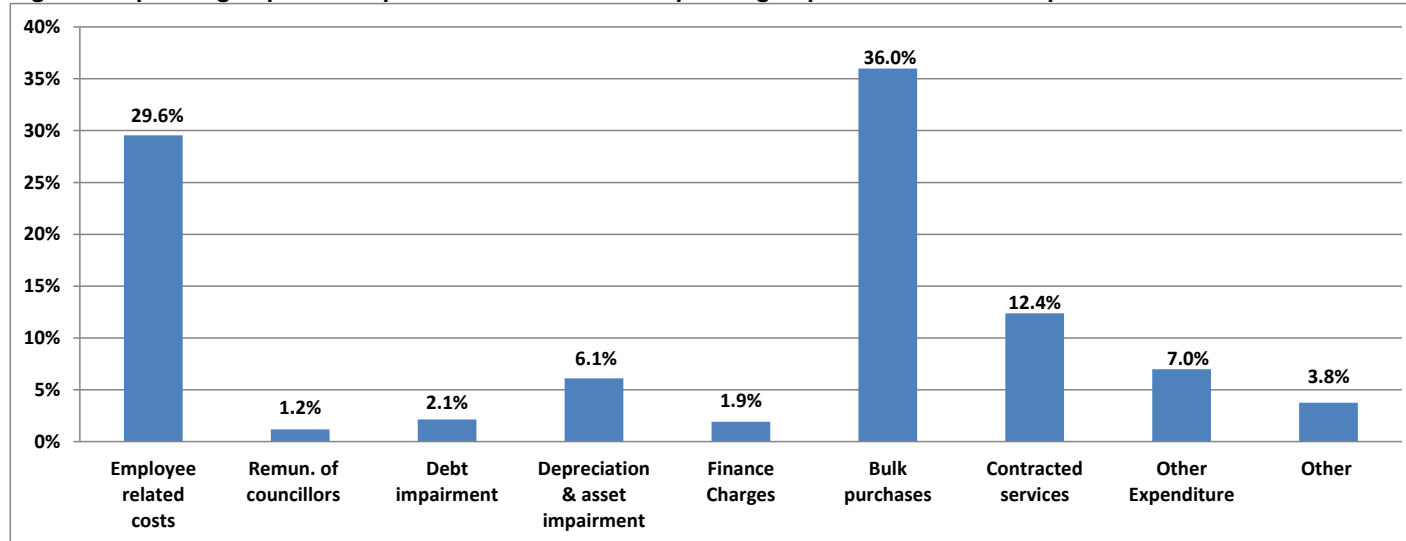
Table 3: Operating Expenditure per item and per district as at the end of Quarter 1 – 2019/20

R'000	Original 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	38 728 894	9 162 574	23.7	2 542 431	31 121	268 077	573 711	253 750	3 705 318	987 756	371 038	429 372
Ugu	2 931 589	631 706	21.5	212 438	16 464	343	9 545	4 980	70 969	156 159	150 451	10 357
uMgungundlovu	7 275 614	1 931 620	26.5	507 227	26 279	13 399	135 307	20 629	937 647	177 302	86 312	27 518
uThukela	2 540 171	396 418	15.6	161 878	12 872	11	15 812	620	110 702	36 088	51 316	7 117
uMzinyathi	2 134 384	265 490	12.4	94 420	7 156	5 715	7 698	5	47 676	53 372	34 025	15 422
Amajuba	2 877 007	428 735	14.9	173 293	7 807	31 578	-	2 559	64 572	55 481	70 683	22 761
Zululand	1 880 839	439 058	23.3	155 161	14 042	246	13 135	10 134	93 994	92 518	51 761	8 067
uMkhanyakude	1 331 626	291 785	21.9	128 580	18 650	(2 759)	21 037	2 249	18 544	45 971	50 620	8 893
King Cetshwayo	5 034 045	1 250 341	24.8	333 711	23 795	15 716	133 067	6 108	374 674	218 699	125 500	19 072
iLembe	3 233 677	654 558	20.2	199 669	15 229	1 484	53 511	1 428	217 157	83 966	59 423	22 692
Harry Gwala	1 632 435	302 372	18.5	147 834	13 957	1 177	-	50	29 352	40 854	48 574	20 574
Total	69 600 281	15 754 656	22.6	4 656 642	187 373	334 987	962 824	302 512	5 670 605	1 948 166	1 099 702	591 846

Source NT Igdatabase

¹ Include Other Materials, Transfers and grants and Loss on disposal of PPE.

Figure 2: Operating Expenditure per item as a % of Total Operating Expenditure as at 30 September 2019



- With the exception of the uMgungundlovu District (26.5 percent), all districts in the province and the eThekweni Metro (23.7 percent) reported Operating expenditure of below 25 percent, as at the end of the first quarter. The districts that reported the lowest expenditure rate as at the end of the first quarter are the uMzinyathi (12.4 percent), Amajuba (14.9 percent), uThukela (15.6 percent) and Harry Gwala (18.5 percent) Districts.

- The majority of the municipalities (36) in the Province have not reported against *Debt impairment*. Additionally, it was noted that 32 municipalities within the province did not reflect expenditure against *Depreciation and asset impairment*. None of the municipalities within the Amajuba and Harry Gwala Districts reported any expenditure against *Depreciation and asset impairment* at the end of the first quarter.

- Apart from the uPhongolo Local Municipality which did not report for M01 to M03 and the Amajuba District Municipality and the Nquthu Local Municipality that did not report for M02 to M03, the uMvoti Local Municipality (9.2 percent) reported the least Operating expenditure.

- The above factors imply that the reported Operating expenditure is possibly understated as at 30 September 2019.

- Bulk purchases* and *Employee related costs* contributed the most towards the total Operating expenditure at R5.7 billion or 36 percent and R4.7 billion or 29.6 percent, respectively. It is expected that *Bulk purchases* will contribute the most considering that revenue from Trading services, namely, *Service charges – electricity* also contributed significantly towards Operating revenue.

2.4 Capital Revenue and Expenditure - Provincial Total

Table 4: Capital Revenue and Expenditure as at the end of Quarter 1 - 2019/20

R thousands	2019/20					2018/19		Q1 of 2018/19 to Q1 of 2019/20
	Budget	First Quarter		Year to Date		First Quarter		
	Main appropriation	Actual Expenditure	1st Q as % of Main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	Actual Expenditure	Total Expenditure as % of main appropriation	
Capital Revenue and Expenditure								
Source of Finance	16 552 295	13 604 283	82.2	13 604 283	82.2	1 519 204	12.6	795.5
National Government	7 068 397	8 779 324	124.2	8 779 324	124.2	1 386 742	15.5	533.1
Provincial Government	717 735	117 584	16.4	117 584	16.4	50 564	7.7	132.5
District Municipality	225	(25)	-10.9	(25)	-10.9	(2)	0.0	967.2
Other transfers and grants	44 145	5 733	13.0	5 733	13.0	991	4.7	478.4
Transfers recognised - capital	7 830 502	8 902 617	113.7	8 902 617	113.7	1 438 295	15.0	519.0
Borrowing	1 788 564	167 904	9.4	167 904	9.4	41 384	2.7	305.7
Internally generated funds	6 933 230	4 533 762	65.4	4 533 762	65.4	39 525	4.1	11 370.6
Capital Expenditure Functional	20 874 011	12 919 992	61.9	12 919 992	61.9	1 988 911	10.5	549.6
Municipal governance and administration	4 188 556	3 988 500	95.2	3 988 500	95.2	(145 961)	-3.7	-2 832.6
Executive and Council	273 451	44 429	16.2	44 429	16.2	25 043	5.7	77.4
Finance and administration	3 914 446	3 943 861	100.8	3 943 861	100.8	(171 229)	-4.9	-2 403.3
Internal audit	658	209	31.8	209	31.8	225	16.9	-7.0
Community and Public Safety	3 214 544	916 213	28.5	916 213	28.5	301 937	7.8	203.4
Community and Social Services	1 101 347	568 511	51.6	568 511	51.6	182 272	11.5	211.9
Sport And Recreation	674 567	172 206	25.5	172 206	25.5	54 390	6.2	216.6
Public Safety	169 213	37 115	21.9	37 115	21.9	(3 762)	-2.6	-1 086.5
Housing	1 237 963	142 007	11.5	142 007	11.5	67 546	5.4	110.2
Health	31 455	(3 627)	-11.5	(3 627)	-11.5	1 492	6.3	-343.2
Economic and Environmental Services	4 775 852	3 443 460	72.1	3 443 460	72.1	996 529	19.3	245.5
Planning and Development	883 133	1 328 245	150.4	1 328 245	150.4	520 286	34.2	155.3
Road Transport	3 877 824	2 113 009	54.5	2 113 009	54.5	475 935	13.1	344.0
Environmental Protection	14 896	2 206	14.8	2 206	14.8	308	2.7	616.5
Trading Services	8 603 561	4 554 752	52.9	4 554 752	52.9	835 475	14.3	445.2
Energy sources	1 463 910	563 007	38.5	563 007	38.5	153 269	10.3	267.3
Water Management	5 425 645	2 342 171	43.2	2 342 171	43.2	441 421	14.3	430.6
Waste Water Management	1 356 143	1 247 150	92.0	1 247 150	92.0	212 229	19.1	487.6
Waste Management	357 863	402 423	112.5	402 423	112.5	28 556	21.4	1 309.2
Other	91 498	17 068	18.7	17 068	18.7	931	0.8	1 733.2

Source NT Igdatabase

- The highest contributor towards total Capital Sources of Finance as at the end of quarter one was *National Government* transfers at R8.8 billion followed by *Internally generated funds* at R4.5 billion and *Borrowing* at R167.9 million. *Provincial Government* transfers, *Other transfers and grants* and *District Municipality* with a total of R123.3 million made up the remaining Capital Sources of Finance.

- At the end of the first quarter, the municipalities in the province were expected to have spent a straight line projection of 25 percent of the R20.9 billion budget for Capital expenditure. However, the municipalities attained 61.9 percent which is above the 25 percent benchmark. Furthermore, this constitutes an increase of 549.6 percent in the spending rate as compared to the same period in the previous financial year which amounted to 10.5 percent. The reported figures appear to be incorrect as they include the opening balances for Capital expenditure from the previous financial years due to errors in reporting by municipalities. It also should be noted that the uPhongolo Local Municipality did not report for M01 to M03 and the Amajuba District Municipality and the Nquthu Local Municipality which did not report for M02 and M03.

- The bulk of the Capital expenditure as at the end of the first quarter was on *Trading Services* at R4.6 billion or 35.3 percent of total Capital expenditure of which R2.3 billion was spent on *Water Management* followed by R1.2 billion spent on *Waste Water Management*, R563 million spent on *Energy sources* and R402.4 million spent on *Waste Management*.

- Municipal governance and administration* is the second largest contributor towards the total Capital expenditure amounting to R4 billion or 30.9 percent of the total Capital Expenditure of which R3.9 billion was spent on *Finance and administration*, R44.4 million was spent on *Executive and Council* and R209 000 was spent on *Internal audit*.

- Economic and Environmental Services* is the third largest contributor towards the total Capital expenditure amounting to R3.4 billion or 26.7 percent of the total Capital Expenditure of which R2.1 billion was spent on *Road Transport*, R1.3 billion was spent on *Planning and Development* and R2.2 million was spent on *Environmental Protection*.

- Community and Public Safety* contributed R916.2 million or 7.1 percent towards the total Capital expenditure of which, R568.5 million was spent on *Community & Social Services*, R172.2 million was spent on *Sport and Recreation*, R142 million was spent on *Housing* and R37.1 million was spent on *Public Safety*. It was noted that negative R3.6 million was reported against *Health* which appears to be incorrect.

- Other* contributed the least towards the total Capital expenditure at R17.1 million or 0.1 percent.

2.5 Capital Revenue - District Total

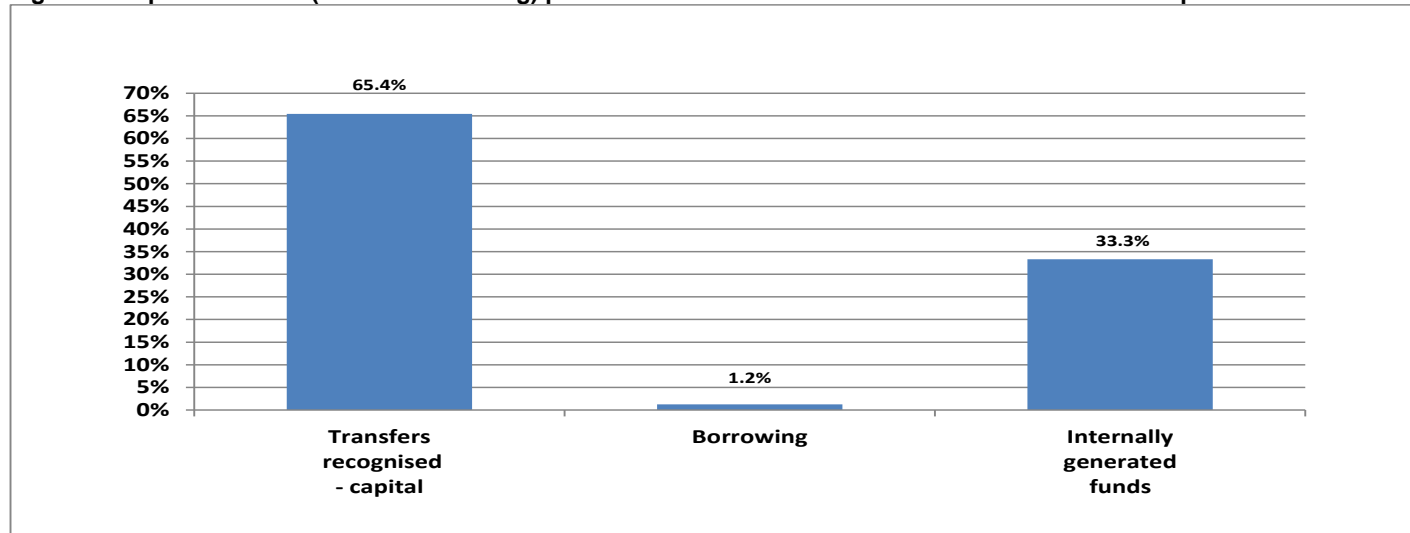
Table 5: Capital Revenue (Source of Finance) per district as at the end of Quarter 1 – 2019/20

R'000	Original Budget	Unaudited Actual	% Generated	Detail		
				Transfers recognised - capital ¹	Borrowing	Internally generated funds
eThekwini	5 149 304	204 768	4.0	193 337	11 432	-
Ugu	4 653 320	4 583 694	98.5	1 007 736	-	3 575 957
uMgungundlovu	852 917	4 160 749	487.8	3 908 575	130 607	121 566
uThukela	668 461	265 042	39.6	238 816	-	26 226
uMzinyathi	518 882	630 748	121.6	614 267	-	16 481
Amajuba	(1 928 752)	1 135 811	-58.9	809 714	15 629	310 468
Zululand	1 386 139	512 024	36.9	414 490	-	97 533
uMkhanyakude	2 638 017	558 257	21.2	377 450	-	180 807
King Cetshwayo	1 092 439	577 362	52.9	471 595	9 307	96 461
iLembe	831 798	579 906	69.7	558 387	930	20 590
Harry Gwala	689 770	395 922	57.4	308 250	-	87 672
Total	16 552 295	13 604 283	82.2	8 902 617	167 904	4 533 762

Source NT Igdatabase

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

Figure 3: Capital Revenue (Source of Funding) per source as % of Total 'Source of Finance' as at 30 September 2019



- An overview of the Capital Source of Funding by district shows that municipalities in the province are dependent on grants to fund their Capital expenditure as *Transfers recognised – capital* contributed 65.4 percent or R8.9 billion of the total Capital source of funding of R13.6 billion as at the end of the first quarter.
- The second largest Source of Funding was *Internally generated funds* at 33.3 percent or R4.5 billion followed by *Borrowing* at 1.2 percent or R167.9 million.
- Excluding the eThekwini Metro (R11.4 million), four districts utilised *Borrowings* amounting to R156.5 million in total as at the end of the first quarter. The uMgungundlovu District utilised the highest *Borrowings* at R130.6 million followed by the Amajuba District at R15.6 million, the King Cetshwayo District at R9.3 million and the iLembe District at R930 000.
- *Internally generated funds* of R4.5 Billion was utilised by 10 districts to fund their Capital expenditure. The Ugu District reported the highest amount of R3.6 billion (78 percent) against *Internally generated funds*.
- The Amajuba District shows an Original Budget of negative R1.9 billion. This is due to the Newcastle Local Municipality within the Amajuba District that reported negative Capital revenue of R2.1 billion which appears to be due to inaccurate reporting.
- The Ugu District with R4.6 billion contributed the most to the total Capital revenue of R13.6 billion. The district financed its Capital Expenditure from *Transfers recognised – capital* of R1 billion and *Internally generated funds* of R3.6 billion.
- The eThekwini Metro contributed the least to total Capital Revenue of R13.6 billion at R204.8 million.
- The uMgungundlovu District generated R4.2 billion or 487.8 percent against the budget of R852.9 million which was mainly due to the uMgungundlovu District Municipality and the uMshwathi Local Municipality which generated R3 billion or 1 753.8 percent against a budget of R171.9 million and R248.1 million or 969.8 percent against a budget R25.6 million, respectively due to incorrect reporting. The uMzinyathi District generated R630.7 million or 121.6 percent against the budget of R518.9 million which was mainly due to the uMsinga Local Municipality which generated R586.6 million or 965.3 percent against a budget of R60.8 million due to incorrect reporting as well.

2.6 Capital Expenditure - District Total

Table 6: Capital Expenditure per item and per district as at the end of Quarter 1 – 2019/20

R000	Original 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	7 854 605	636 037	8.1	28 913	78 906	1 445	47 519	157 975	60 345	100 944	145 477	920	13 593
Ugu	1 506 864	4 985 304	330.8	3 908 170	7 427	-	66 950	114 163	42 973	11 079	859 442	(25 154)	253
uMgungundlovu	1 064 634	3 493 775	328.2	200 931	33 836	-	281 218	436 189	140 793	195 777	2 175 822	25 973	3 235
uThukela	452 578	447 100	98.8	193 791	5 774	-	8 232	81 436	38 070	31 166	87 376	1 224	32
uMzinyathi	527 827	348 323	66.0	(303 423)	-	-	71 365	188 812	1 175	4 971	18 401	366 992	30
Amajuba	551 080	880 536	159.8	394 261	-	-	268	133 192	292 586	45 457	(1 139)	15 817	94
Zululand	1 472 080	417 941	28.4	79 527	(135)	(5 065)	19 155	30 414	187 113	56 328	47 535	3 119	(50)
uMkhanyakude	3 319 957	449 626	13.5	107 364	-	(7)	102 667	103 981	32 574	(8 920)	109 272	2 814	(119)
King Cetshwayo	1 859 346	504 641	27.1	77 503	-	-	88 782	142 756	378	116 015	72 766	6 442	-
iLembe	1 601 818	(171 866)	-10.7	(700 073)	55	-	29 891	(21 952)	508 789	(19 232)	29 501	1 155	-
Harry Gwala	663 222	928 574	140.0	1 535	16 144	-	61 786	746 044	25 654	29 422	44 870	3 119	-
Total	20 874 011	12 919 992	61.9	3 988 500	142 007	(3 627)	777 833	2 113 009	1 330 451	563 007	3 589 322	402 423	17 068

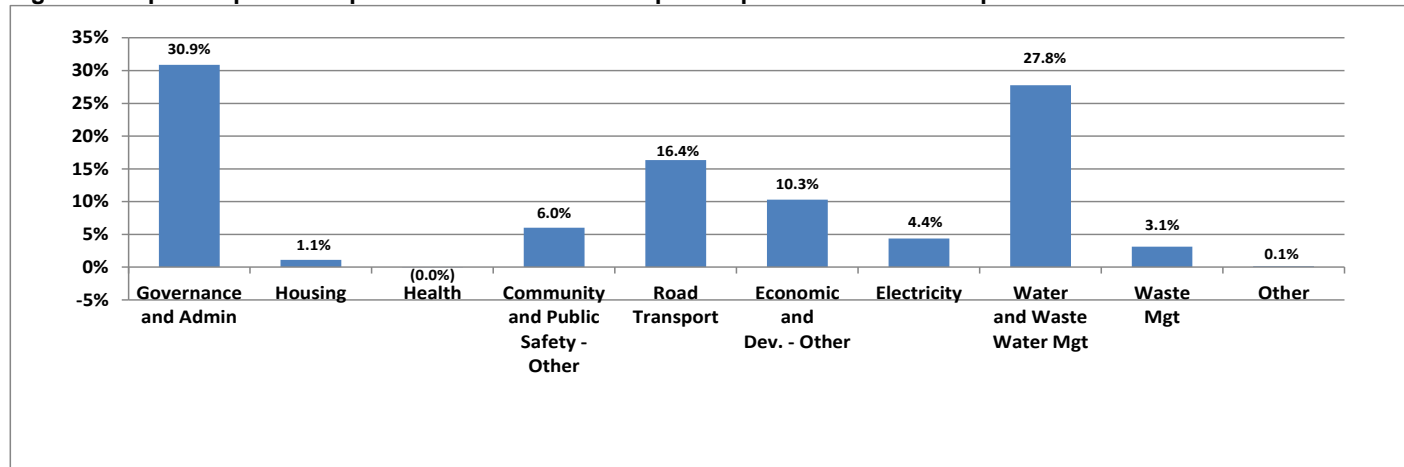
Source NT Igdatabase

1 Include Executive & Council, Finance and administration and Internal audit.

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

3 Include Planning and Development and Environmental Protection.

Figure 4: Capital Expenditure per item as a % of Total Capital Expenditure as at 30 September 2019



- As at the end of the first quarter of the 2019/20 financial year, municipalities in the province spent R12.9 billion or 61.9 percent of their Capital budgets of R20.9 billion which is above the 25 percent straight line projection expected at the end of the first quarter. The figures reported however appear to be incorrect as the data strings extracted incorrect expenditure for the majority of municipalities when uploaded to the National Treasury LG portal.

- The districts with the largest percentage of Capital expenditure against their budgets was the Ugu District with R5 billion (330.8 percent), the uMgungundlovu District with R3.5 billion (328.2 percent), the Amajuba District with R880.5 million (159.8 percent), the Harry Gwala District with R928.6 (140 percent), the uThukela District with R447.1 million (98.8 percent) and the uMzinyathi District with R348.3 million (66 percent).

- The bulk of the Capital expenditure was reported on *Governance and Admin* of R4 billion or 30.9 percent with the Ugu District recording the highest expenditure of R3.9 billion against the category while the iLembe District recorded the least expenditure of negative R700.1 million due to the iLembe District Municipality reporting negative Capital expenditure of R277.6 million (79.8 percent).

- The second largest Capital expenditure was reported against *Water and Water Mgt.* at R3.6 billion or 27.8 percent. The uMgungundlovu District recorded the largest spending against the category with R2.2 billion followed by the Ugu District with an amount of R859.4 million, the eThekweni Metro with R145.5 million and the uMkhanyakude District with R109.3 million. The Amajuba District reported negative Capital expenditure of R1.1 million as a result of incorrect reporting by the eMadlangeni Local Municipality.

- The least Capital expenditure of negative R3.6 million of total Capital expenditure was reported on the *Health* vote. The eThekweni Metro spent R1.4 million whilst the Zululand and the uMkhanyakude districts reported negative R5.1 million and R7 000 respectively.

- The bulk of the *Electricity* Capital expenditure is from the uMgungundlovu District, King Cetshwayo District and eThekweni Metro with amounts of R195.8 million, R116 million and R100.9 million respectively. The iLembe District reported negative R19.2 million and the uMkhanyakude District reported negative R8.9 million.

- The main contributors to the high Capital expenditure is incorrect reporting by the majority of municipalities due to the data strings extracting incorrect expenditure when uploaded to the National Treasury LG portal. The municipalities stated that they are engaging with their service providers in order to correct their data strings.

2.7 Comparatives: Capital vs Operating Expenditure

Figure 5: Comparatives: Capital vs Operating – as at the end of 30 September 2019

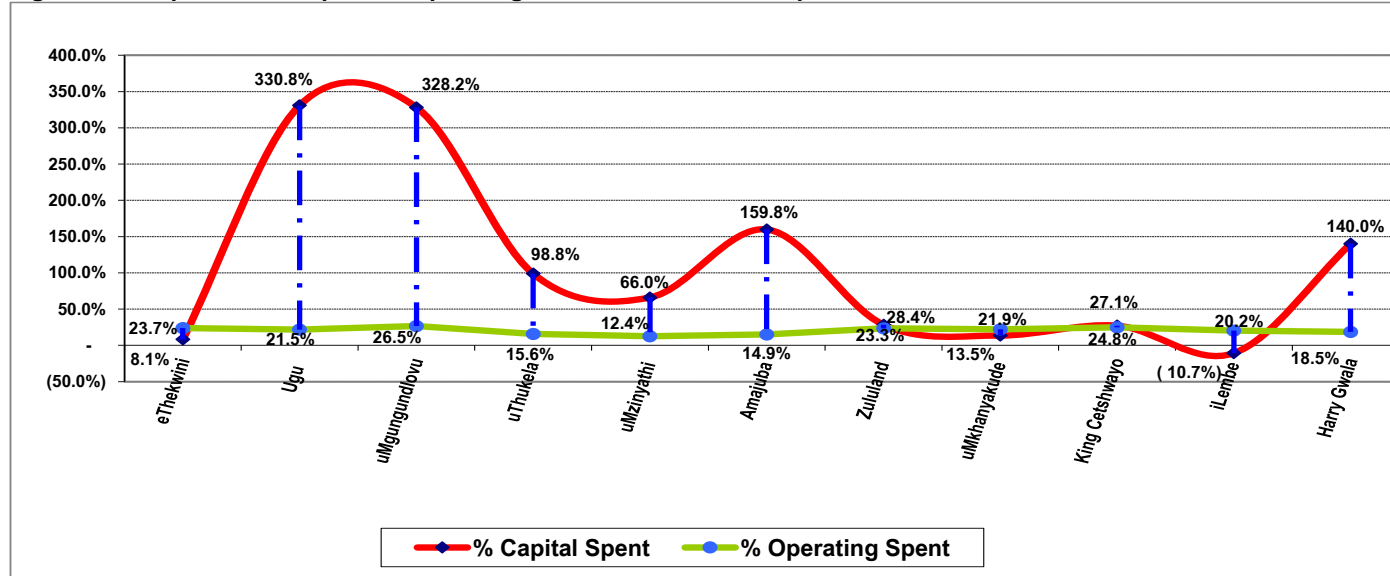
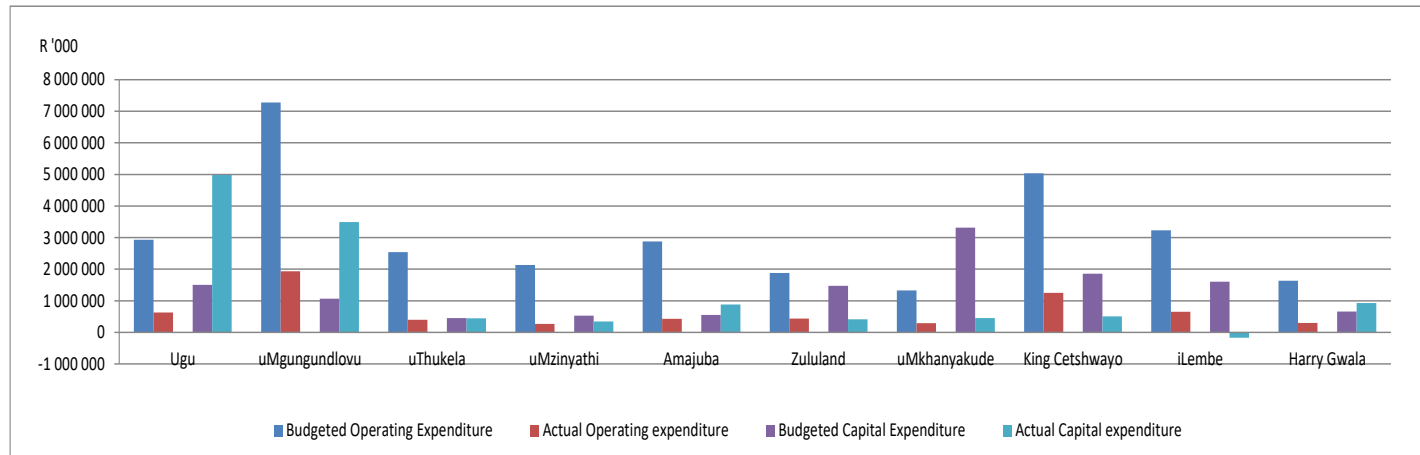


Figure 6: Budgeted/Actual Operating expenditure vs Budgeted/Actual Capital expenditure as at the end of 30 September 2019



- Figure 5 (including the three non-delegated municipalities) shows the comparatives of the Capital expenditure as a percentage of the Capital expenditure budget together with Operating expenditure as a percentage of the Operating expenditure budget as at the end of the first quarter of the 2019/20 financial year.
- With the exception of the eThekweni Metro as well as the uMkhanyakude and iLembe Districts, the comparatives between the average Capital expenditure and average Operating expenditure indicate that all other districts have spent more of their Capital expenditure budgets as compared to their Operating expenditure budgets. A significant gap of 309.3 percent between these categories of expenditure was noted for the Ugu District and 301.7 percent for the uMgungundlovu District. However, the percentages reported are distorted as the main contributors to the high Capital expenditure is incorrect reporting by the majority of municipalities.
- With the exception of the uMgungundlovu District, no other district spent 25 percent or more of their Operating expenditure budget for the period under review. The uMzinyathi and Amajuba Districts reported the lowest Operating expenditure of 12.4 percent and 14.9 percent respectively against their budgets.
- The iLembe District reported negative 10.7 percent Capital expenditure against their budget as at 30 September 2019.
- Figure 6 shows an overview of actual Operating expenditure against the Operating budget and the actual Capital expenditure against the Capital budget.
- The Zululand (with 23.3 percent and 28.4 percent expenditure against their Operating and Capital budgets) and King Cetshwayo Districts (with 24.8 percent and 27.1 percent expenditure against their Operating and Capital budgets) are the only districts that are close to the benchmark of 25 percent in both these categories of spending. However, it should be noted that due to incorrect reporting for the municipalities within these districts, the reported performance is distorted.

2.7 Cash Flow – District Total

Table 7: Cash flow per district and per category as at the end of 30 September 2019

R'000	Cash/cash equivalent at the year begin	Cash Flow from Operating Activities			Cash Flow from Investing Activities			Cash Flow from Financing Activities			Cash/cash equivalent at the year end
		Receipts ¹	Payments ²	Net Cash from (used) Operating Activities	Receipts ³	Payments ⁴	Net Cash from (used) Investing Activities	Receipts ⁵	Payments ⁶	Net Cash from (used) Financing Activities	
eThekwini	-	-	(8 311 518)	(8 311 518)	(15 607)	-	(15 607)	5 517	366 230	371 746	(7 955 379)
Ugu	239 926	862 257	(617 808)	244 449	92	(16 361)	(16 268)	219	(28 859)	(28 640)	439 466
uMgungundlovu	400 693	8 671 189	(1 782 928)	6 888 262	3 977	(7 643)	(3 666)	8 403	(62 319)	(53 916)	7 231 373
uThukela	379 901	986 575	(380 595)	605 980	58	901	959	73	(556)	(483)	986 357
uMzinyathi	34 555	461 997	(251 874)	210 122	(149)	(35 079)	(35 228)	(34)	-	(34)	209 416
Amajuba	51 971	117 787	(397 013)	(279 226)	-	(23 930)	(23 930)	15 806	(31 035)	(15 228)	(266 413)
Zululand	32 605	182 171	(423 904)	(241 732)	-	(8 058)	(8 058)	(404)	-	(404)	(217 589)
uMkhanyakude	244	(15 431)	(270 279)	(285 710)	-	-	-	843	8 625	9 468	(275 998)
King Cetshwayo	494 391	(113)	(1 101 006)	(1 101 119)	626	-	626	(10 840)	(9 105)	(19 945)	(626 047)
iLembe	890 313	774 424	(594 576)	179 848	(2 262)	(63 338)	(65 600)	(334)	(76 445)	(76 779)	927 782
Harry Gwala	340 153	153 426	(300 953)	(147 528)	-	(32 838)	(32 838)	(362)	467	105	159 893
Total	2 864 751	12 194 282	(14 432 455)	(2 238 172)	(13 265)	(186 345)	(199 610)	18 887	167 004	185 891	612 859

Source NT Igdatabase

- The municipalities in KwaZulu-Natal have reported *Cash and cash equivalents* as at 30 September 2019 of R612.9 million.
- The 2019/20 opening *Cash and cash equivalents* of R2.9 billion reported by KZN municipalities appears to have been significantly misstated.
- Twenty-five (25) municipalities (46 percent of 54 municipalities) reported nil opening balances for the 2019/20 financial year.
- Furthermore, 19 municipalities reflected nil *Receipts from operating activities* which appears to be incorrect.
- The municipalities are reminded of Section 171(1)(d)(i) of the MFMA which states that *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 a requirement of this Act must be submitted to the mayor or the council of the municipality, or to the Auditor-General, the National Treasury or other organ of state.*

2.8 Debtors Age Analysis – Provincial Total

Table 8: Debtors Age Analysis as at the end of Quarter 1 - 2019/20

R thousands	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total		Actual Bad Debts Written Off to Debtors		Impairment -Bad Debts to Council Policy	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Debtors Age Analysis By Income Source														
Trade and Other Receivables from Exchange Transactions - Water	881 426	12.4	235 343	3.3	157 178	2.2	5 839 897	82.1	7 113 844	32.4	4 368	0.1	2 593 870	36.5
Trade and Other Receivables from Exchange Transactions - Electricity	1 340 150	47.7	301 933	10.8	88 535	3.2	1 076 489	38.3	2 807 107	12.8	260	-	1 223 637	43.6
Receivables from Non-exchange Transactions - Property Rates	708 759	11.4	840 742	13.6	290 054	4.7	4 357 249	70.3	6 196 803	28.3	1 730	-	2 567 892	41.4
Receivables from Exchange Transactions - Waste Water Management	168 995	12.0	50 900	3.6	32 632	2.3	1 151 608	82.0	1 404 134	6.4	2 310	0.2	425 865	30.3
Receivables from Exchange Transactions - Waste Management	89 074	10.2	38 056	4.3	20 913	2.4	729 074	83.1	877 117	4.0	1 359	0.2	187 748	21.4
Receivables from Exchange Transactions - Property Rental Debtors	14 595	6.5	7 960	3.6	9 215	4.1	191 780	85.8	223 550	1.0	62	-	122 947	55.0
Interest on Arrear Debtor Accounts	80 922	4.2	25 367	1.3	31 003	1.6	1 782 975	92.9	1 920 267	8.8	125	-	537 632	28.0
Recoverable unauthorised, irregular or fruitless and wasteful Expenditure	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	(27 553)	-2.0	39 215	2.8	63 690	4.6	1 317 087	94.6	1 392 440	6.3	1 339	0.1	595 063	42.7
Total By Income Source	3 256 369	14.8	1 539 515	7.0	693 220	3.2	16 446 158	75.0	21 935 263	100.0	11 553	0.1	8 254 654	37.6

Source NT Igdatabase

Table 9: Debtors Age analysis by Customer Group as at the end of Quarter 1 - 2019/20

R thousands	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total		Actual Bad Debts Written Off to Debtors		Impairment -Bad Debts to Council Policy	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Debtors Age Analysis By Customer Group														
Organs of State	314 938	13.0	539 614	22.3	145 213	6.0	1 419 192	58.7	2 418 957	11.0	(28)	-	777 071	32.1
Commercial	1 510 435	32.3	416 408	8.9	190 552	4.1	2 561 978	54.8	4 679 374	21.3	(508)	-	1 940 846	41.5
Households	1 376 837	9.5	576 775	4.0	331 251	2.3	12 149 963	84.2	14 434 826	65.8	11 889	0.1	5 521 952	38.3
Other	62 976	11.3	(3 880)	-0.7	29 987	5.4	466 076	84.0	555 159	2.5	199	-	14 786	2.7
Total By Customer Group	3 256 369	14.8	1 539 515	7.0	693 220	3.2	16 446 158	75.0	21 935 263	100.0	11 553	0.1	8 254 654	37.6

Source NT Igdatabase

- The Debtors Age Analysis in Table 8 reflects that the total amount of debt owed to all municipalities in the KwaZulu-Natal Province was R21.9 billion as at 30 September 2019.
- The Debtors Age Analysis by Income Source reflects that a significant amount of R7.1 billion or 32.4 percent of the debt owed relates to *Water* followed by *Property rates* at R6.2 billion or 28.3 percent. *Electricity* at R2.8 billion or 12.8 percent and *Interest on arrear debtor* at R1.9 billion or 8.8 percent.
- A negative amount of R27.6 million was reflected under the *0-30 Days* category against *Other* which could be an indication that municipalities are not allocating the receipts from Debtors accurately or it could relate to challenges in the municipalities' financial systems.
- The Debtors Age Analysis by Customer Group in Table 9 reflects an amount of R14.4 billion or 65.8 percent of the total debt as owed by *Households*, followed by *Commercial* with an amount of R4.7 billion or 21.3 percent, *Organs of State* at R2.4 billion or 11 percent and *Other* at R555.2 million or 2.5 percent.
- The high level of debt owed to municipalities, which is continually increasing, is noted with concern as the municipalities should be implementing effective debt management and credit control measures in order to improve their debtors' collection rates, which in turn will have a positive impact on their cash flows.
- Municipalities are urged to ensure that they submit all their data strings for the monthly MFMA Section 71 reports. Information presented therein should also be credible to prevent distorted reporting at provincial and national levels. The monthly MFMA Section 71 reporting is critical in presenting the monthly performance against the budget therefore all municipalities should strive to also ensure timely reporting.

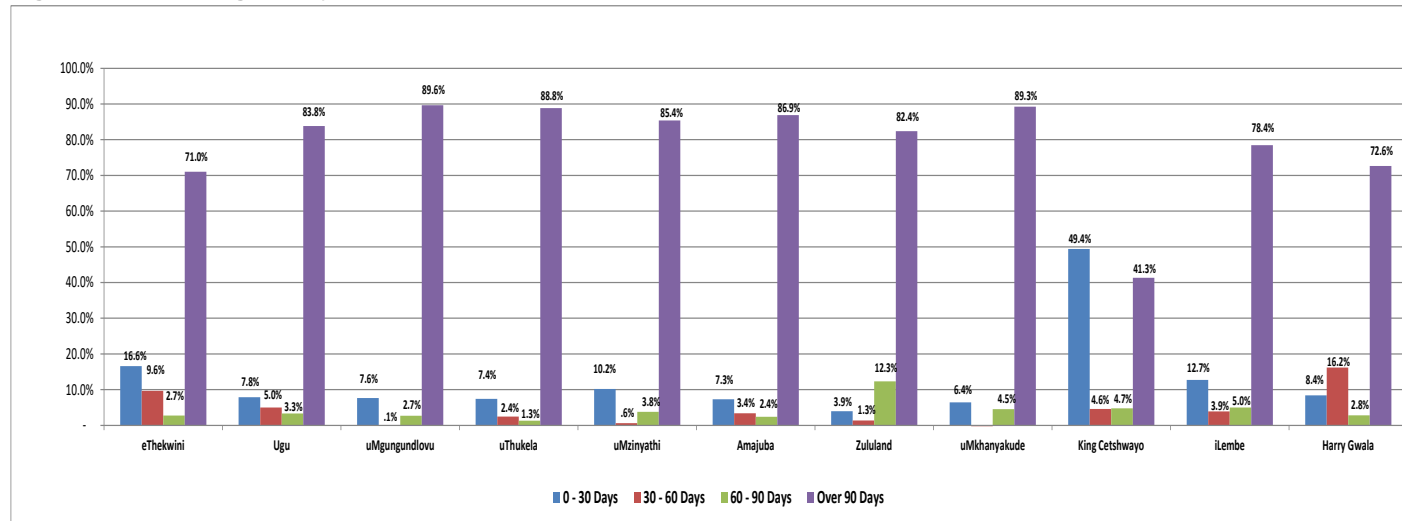
2.9 Debtors Age Analysis – District Total

Table 10: Debtors Age Analysis per district (Total) as at the end of Quarter 1 - 2019/20

R'000	0 - 30 Days		30 - 60 Days		60 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	2 171 951	16.6	1 261 875	9.6	359 317	2.7	9 290 724	71.0	13 083 868
Ugu	58 463	7.8	37 400	5.0	24 692	3.3	624 528	83.8	745 083
uMgungundlovu	94 790	7.6	767	0.1	33 234	2.7	1 114 271	89.6	1 243 062
uThukela	113 487	7.4	37 269	2.4	20 214	1.3	1 360 102	88.8	1 531 073
uMzinyathi	43 649	10.2	2 638	0.6	16 295	3.8	365 926	85.4	428 508
Amajuba	110 411	7.3	51 119	3.4	36 238	2.4	1 310 187	86.9	1 507 955
Zululand	25 509	3.9	8 614	1.3	79 593	12.3	532 738	82.4	646 454
uMkhanyakude	33 460	6.4	(1 219)	(0.2)	23 461	4.5	463 260	89.3	518 963
King Cetshwayo	455 102	49.4	42 191	4.6	43 632	4.7	380 620	41.3	921 545
iLembe	116 620	12.7	35 477	3.9	45 558	5.0	719 206	78.4	916 861
Harry Gwala	32 927	8.4	63 384	16.2	10 986	2.8	284 595	72.6	391 892
Total	3 256 369	14.8	1 539 515	7.0	693 220	3.2	16 446 158	75.0	21 935 263

Source NT Igdatabase

Figure 7: Debtors Age Analysis per district as at the end of 30 September 2019



- Of the total amount of R21.9 billion owed among all the Districts and the eThekwini Metro in the province, the eThekwini Metro reported the highest outstanding debtors amount of R13.1 billion or 59.6 percent which is followed by the uThukela District at R1.53 billion or 7 percent, the Amajuba District at R1.5 billion or 6.9 percent and the uMgungundlovu District at R1.2 billion or 5.7 percent.
- The Harry Gwala District recorded the least Debtors of R391.9 million or 1.8 percent of total Debtors.
- It should however be noted that the Ray Nkonyeni Local Municipality, the Msunduzi Local Municipality, the iNkosi Langalibalele Local Municipality, the Nquthu Local Municipality, the Amajuba District Municipality and the uPhongolo Local Municipality did not report Debtors for the period under review. As a result the Debtors as at 30 September 2019 are understated.
- The King Cetshwayo District was the only district that has recorded the highest outstanding Debtors of R455.1 million or 49.4 percent) in the *0-30 Days* category.
- All the other districts, including the eThekwini Metro, recorded their highest outstanding debtors in the *Over 90 Days* category. The uMgungundlovu, uMkhanyakude, uThukela, Amajuba, uMzinyathi, Ugu and Zululand Districts reflected over 80 percent of their outstanding debtors in the *Over 90 Days* category while King Cetshwayo reflected the least debtors of 41.3 percent in this category.
- A substantial amount of the total Debtors of R16.4 billion or 75 percent has been outstanding for *Over 90 Days*. Debt collection efforts must focus on these long outstanding debts however, some of these debtors may still need to be written off as they may have arisen as a result of incorrect billing of indigent customers.
- Municipalities are encouraged to update their Indigent Registers to determine households who qualify for rebates and discounts with the aim of ensuring that debtors are accurately billed and reported on.

2.10 Debtors by Customer Group – District Total

Table 11: Debtors by Customer Group (Total) as at the end of Quarter 1- 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eThekweni	1 202 866	9.2	3 144 268	24.0	8 712 644	66.6	24 090	0.2	13 083 868
Ugu	109 586	14.7	121 999	16.4	493 215	66.2	20 283	2.7	745 083
uMgungundlovu	278 586	20.0	69 257	5.0	779 718	55.8	268 554	19.2	1 396 115
uThukela	155 722	10.2	171 637	11.2	1 188 784	77.6	14 929	1.0	1 531 073
uMzinyathi	69 467	16.2	66 644	15.6	283 686	66.2	8 711	2.0	428 508
Amajuba	73 248	4.9	187 006	12.4	1 223 212	81.1	24 489	1.6	1 507 955
Zululand	143 329	22.2	84 996	13.1	360 903	55.8	57 225	8.9	646 454
uMkhanyakude	155 460	30.0	121 812	23.5	221 599	42.7	20 092	3.9	518 963
King Cetshwayo	84 288	9.1	445 651	48.4	341 075	37.0	50 531	5.5	921 545
iLembe	66 340	7.2	218 603	23.8	614 114	67.0	17 805	1.9	916 861
Harry Gwala	80 067	20.4	47 501	12.1	215 874	55.1	48 450	12.4	391 892
Total	2 418 957	11.0	4 679 374	21.2	14 434 826	65.4	555 159	2.5	22 088 316

Source NT Igdatabase

Figure 8: Debtors Age Analysis as at 30 September 2019

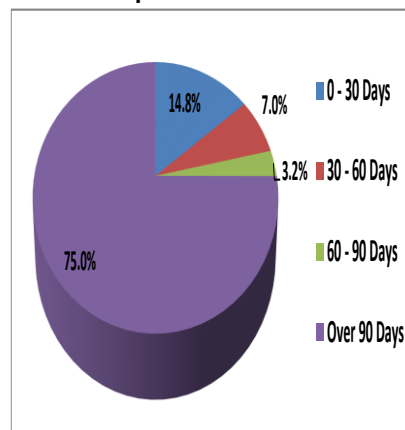


Figure 9: Debtors by Customer Group as at 30 September 2019

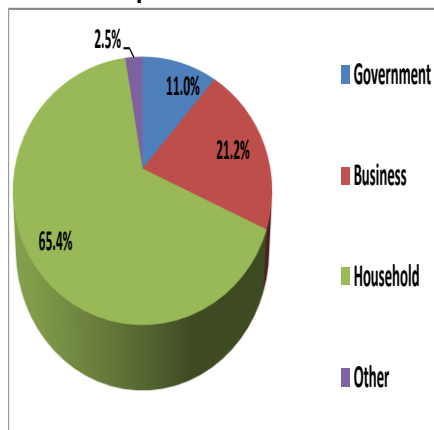
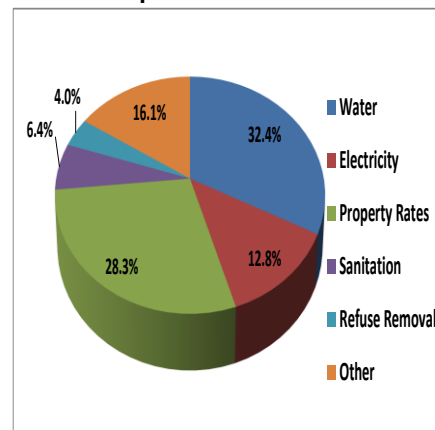


Figure 10: Debtors by Income Source as at 30 September 2019



- Table 11 reflects R22.1 billion that is owed to municipalities in the KZN Province while Tables 8, 9 and 10 reflects R21.9 billion of debtors resulting in an overstatement of R153.1 million. The overstatement was due to the Mpofana Local Municipality reporting R153.1 million in both the *Organs of State* and *Other* categories by *Customer group*.
- The *Household* debtors owed R14.4 billion or 62.6 percent of the total as per Table 11.
- The eThekweni Metro, the Amajuba and the uThukela districts contributed the most towards *Household* debtors with amounts of R8.7 billion, R1.22 billion and R1.2 billion, respectively.
- As at the end of the first quarter of 2019/20, municipalities were owed a total of R4.7 billion by *Commercial* debtors. The eThekweni Metro, King Cetshwayo and iLembe Districts contributed the most towards total debt owed by *Commercial* debtors with R3.1 billion, R445.7 million and R218.6 million respectively.
- Municipalities were owed a combined total of R2.4 billion or 11 percent by *Organs of State*. The eThekweni Metro, uMgungundlovu, uThukela and uMkhanyakude Districts had significant debt owed by *Organs of State* which amounted to R1.2 billion, R278.6 million and R155.7 million and R155.5 million respectively.
- *Other* debtors amounted to R555.2 million or 2.5 percent, constituting the lowest customer category with outstanding debt.
- The total Debtors outstanding of R21.9 billion may be understated as Ray Nkonyeni, Msunduzi, iNkosi Langalibalele, Nquthu and uPhongolo Local Municipalities as well as the Amajuba District Municipality have not reported on their outstanding Debtors as at the end of September 2019. Debt owed by *Organs of State*, *Commercial* and *Household* may be understated as uBuhlebezwe Local Municipality has not categorised its Debtors by Customer group, instead they have reported all their Debtors under the *Other* category.
- Municipalities are urged to ensure that their Debtors records are correctly reflected according to Customer Group in order to implement proper strategies for collecting the debts from targeted groups.

2.11 Creditors Age Analysis – Provincial Total

Table 12: Creditors Age Analysis by Expenditure type as at the end of Quarter 1 - 2019/20

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	957 796	79.8	(363)	0.0	(1 506)	-0.1	244 733	20.4	1 200 659	28.5
Bulk Water	342 205	73.7	42 641	9.2	8 789	1.9	70 409	15.2	464 044	11.0
PAYE deductions	182 634	98.8	2 184	1.2	-	0.0	-	0.0	184 819	4.4
VAT (output less input)	6 427	-109.6	(2 184)	37.3	(1 368)	23.3	(8 738)	149.0	(5 863)	-0.1
Pensions / Retirement	151 965	100.0	-	0.0	-	0.0	-	0.0	151 965	3.6
Loan repayments	-	0.0	11 667	1.4	305 210	37.2	502 671	61.3	819 548	19.4
Trade Creditors	273 697	21.8	117 193	9.4	74 520	5.9	787 731	62.9	1 253 141	29.7
Auditor-General	833	20.1	1 053	25.4	(449)	-10.8	2 715	65.4	4 153	0.1
Other	78 085	53.1	19 263	13.1	5 487	3.7	44 288	30.1	147 124	3.5
Total	1 993 642	47.2	191 454	4.5	390 684	9.3	1 643 808	39.0	4 219 588	100.0

Source NT Igdatabase

Figure 11: Creditors Age Analysis as at 30 September 2019

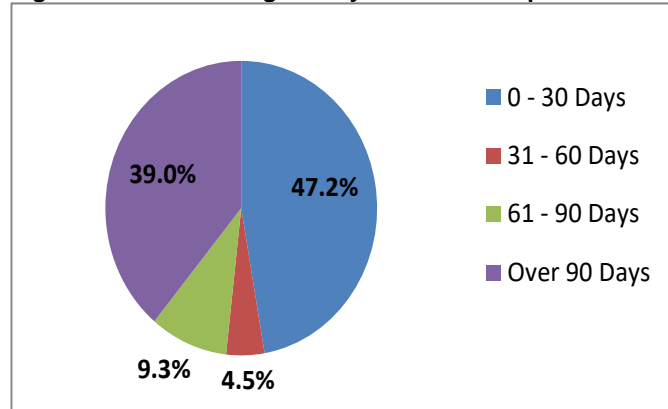
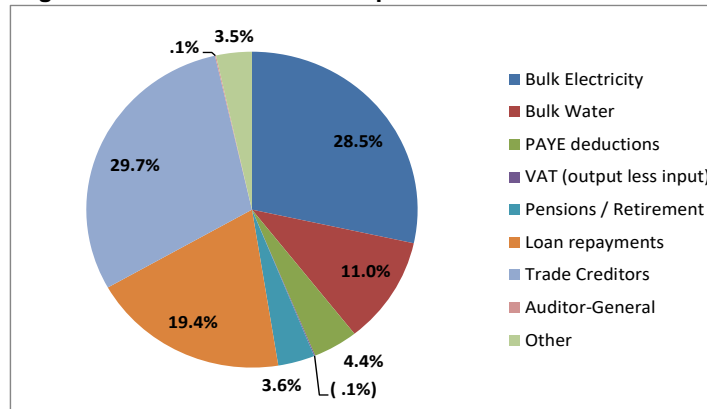


Figure 12: Creditors as at 30 September 2019



- As at the end of the first quarter performance review for the 2019/20 financial year, the outstanding Creditors balance for the KwaZulu-Natal municipalities amounted to R4.2 billion, with an outstanding balance of R2 billion or 47.2 percent due within the 0-30 Days period.
- Creditors amounting to R2.2 billion or 52.8 percent were in arrears for more than 30 Days which is in contravention of Section 65(2)(e) of the MFMA which requires that the outstanding debt amount be paid within 30 days of the receipt of the invoice. The Accounting Officers of municipalities must take all reasonable steps to ensure that all creditors due are paid within 30 days.
- In some cases unpaid invoices and Creditors in the over 30 Days period are due to disputes with suppliers. However, in other cases it could be an indication of cash flow challenges being experienced by municipalities. Failure to pay creditors within 30 Days raises a serious concern to KZN Provincial Treasury, as municipalities may be liable for penalties and interest charges as a result thereof, which is tantamount to fruitless and wasteful expenditure.
- The majority of the outstanding Creditors is within the *Trade Creditors*, *Bulk Electricity* and *Loan repayments* categories with amounts of R1.3 billion, R1.2 billion and R819.5 million respectively.
- The Mpofana Local Municipality reported owing Eskom R142.5 million for *Bulk Electricity* as at 30 September 2019. The municipality submitted a five year repayment plan to Eskom which is still under negotiation. The matter went to court again on 08 November 2019 however, judgement thereon is still outstanding. The Ulundi Local Municipality reported owing Eskom R106.4 million for unpaid *Bulk Electricity* which is attributable to challenges with ageing infrastructure, inaccurate billing, high seasonal tariffs charged by Eskom and poor collection of outstanding debt by the municipality. The Ulundi Local Municipality defaulted on their payment arrangement with Eskom and is currently negotiating the terms of a new five year repayment arrangement.

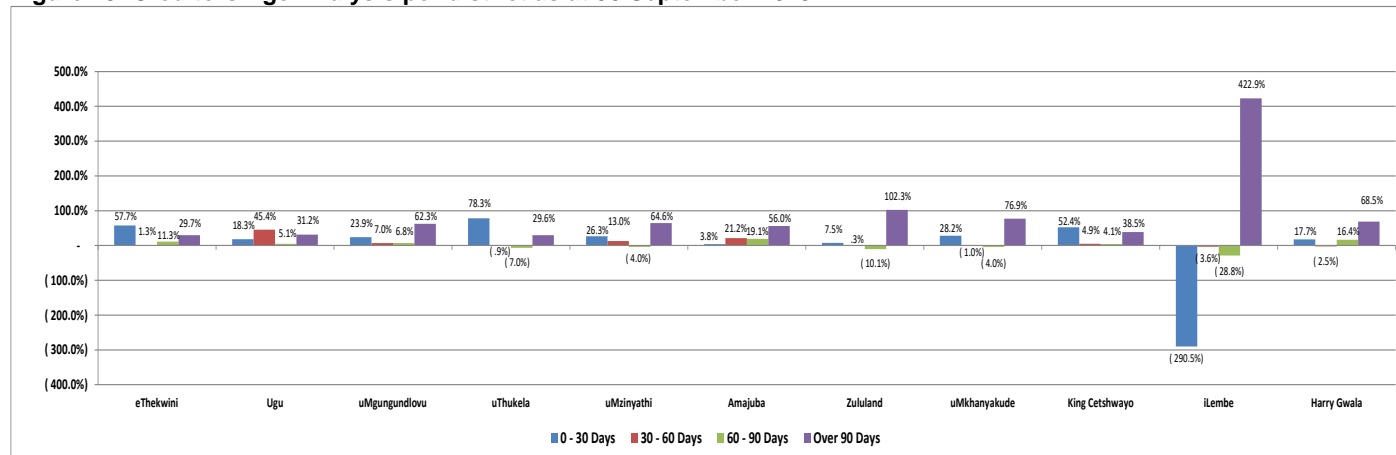
2.12 Creditors Age Analysis – District Total

Table 13: Creditors Age Analysis per district (Total) as at the end of Quarter 1 - 2019/20

R'000	0 - 30 Days		30 - 60 Days		60 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	1 605 104	57.7	35 433	1.3	314 814	11.3	825 546	29.7	2 780 897
Ugu	22 604	18.3	56 027	45.4	6 271	5.1	38 503	31.2	123 406
uMgungundlovu	61 939	23.9	18 129	7.0	17 573	6.8	161 316	62.3	258 958
uThukela	4 132	78.3	(48)	-0.9	(368)	-7.0	1 560	29.6	5 276
uMzinyathi	16 803	26.3	8 287	13.0	(2 538)	-4.0	41 218	64.6	63 769
Amajuba	9 823	3.8	55 352	21.2	49 908	19.1	146 585	56.0	261 669
Zululand	9 091	7.5	372	0.3	(12 258)	-10.1	123 594	102.3	120 799
uMkhanyakude	42 585	28.2	(1 533)	-1.0	(6 046)	-4.0	116 215	76.9	151 221
King Cetshwayo	216 659	52.4	20 458	4.9	17 078	4.1	159 355	38.5	413 549
iLembe	(2 044)	-290.5	(25)	-3.6	(203)	-28.8	2 976	422.9	704
Harry Gwala	6 946	17.7	(998)	-2.5	6 453	16.4	26 940	68.5	39 341
Total	1 993 642	47.2	191 454	4.5	390 684	9.3	1 643 808	39.0	4 219 588

Source NT Igdatabase

Figure 13: Creditors Age Analysis per district as at 30 September 2019



- As at the end of the first quarter, the eThekwini Metro accounted for the majority portion of the total outstanding Creditors balance of R2.8 billion or 65.9 percent of R4.2 billion.
- Amongst the districts, the King Cetshwayo District had the largest portion of the total outstanding Creditors of R413.5 million or 9.8 percent which was mainly due to the uMhlathuze Local Municipality contributing R222.8 million to the total outstanding debt of the district total. The iLembe District reported the least Creditors amount of R704 000. However, this is mainly due to a negative amount of R2.8 million reported by the iLembe District Municipality in the 0 - 30 Days category.
- With the exception of eThekwini Metro with 57.7 percent uThukela with 78.3 percent and King Cetshwayo with 52.4 percent, all other districts reported less than 50 per cent of their outstanding Creditors' payment due within the 0-30 Days category.
- The high outstanding debt in the over 90 Days period was largely due to the eThekwini Metro with an amount of R825.5 million or 50.2 percent.
- Seven districts reported the majority of their total Creditors under the 90 Days period namely; the iLembe District with 422.9 percent, the Zululand District with 102.3 percent, the uMkhanyakude District with 76.9 percent, the Harry Gwala District with 68.5 percent, the uMzinyathi District with 64.6 percent, the uMgungundlovu District with 62.3 percent and the Amajuba District with 56 percent.
- Creditors were not reported by the Msunduzi Local Municipality, the eNdumeni Local Municipality, the Nquthu Local Municipality, the Amajuba District Municipality and the uPhongolo Local Municipality for the first quarter.
- The uMdoni Local Municipality, the uThukela District Municipality, the AbaQulusi Local Municipality, the Nkandla Local Municipality, the KwaDukuza Local Municipality and the Greater Kokstad Local Municipality reported negative Creditors balances at the end of the first quarter.
- It is recommended that municipalities pay all their outstanding debts within 0-30 Days of receipt of invoices or statements as required by Section 65(2)(e) of the MFMA in order to avoid possible interest and penalties charges.

2.13 National Conditional Grants – Provincial Total (Summary)

Table 14: National Conditional Grants –Summary as at the end of Quarter 1 - 2019/20

R'000	DoRA 2019 Total Avail.	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual	
				Expenditure Nat. Dept.	% Spent of Allocation	Expenditure Munis.	% Spent of Allocation
Local Government Financial Management Grant	109 830	109 830	109 830	20 101	18.3	20 122	18.3
Infrastructure Skills Development Grant	39 800	39 800	20 400	5 944	14.9	1 229	3.1
Integrated City Development Grant	51 486	-	-	-	-	9	0.0
Neighbourhood Development Partnership (Schedule 5B)	138 059	138 059	20 000	2 680	1.9	7 755	5.6
Integrated Urban Development Grant	210 783	-	-	-	-	-	0.0
Municipal Systems Improvement Grant (Schedule 5B)	-	-	-	-	-	129	-
Municipal Demarcation Transition Grant (Schedule 5B)	-	-	-	-	-	18	-
Public Transport Network Grant	1 035 214	-	-	-	-	51 922	5.0
Rural Road Assets Management Systems Grant	25 616	25 616	17 933	2 670	10.4	2 127	8.3
Expanded Public Works Programme Integrated Grant (Municipality)	223 591	223 591	55 917	93 428	41.8	89 418	40.0
Integrated National Electrification Programme (Municipal) Grant	410 867	410 867	161 380	28 677	7.0	187 861	45.7
Energy Efficiency and Demand Side Management (Municipal) Grant	43 000	43 000	8 000	61	0.1	37 571	87.4
Regional Bulk Infrastructure Grant (Schedule 5B)	340 293	340 293	93 774	47 051	13.8	184 549	54.2
Water Services Infrastructure Grant (Schedule 5B)	903 374	903 374	247 000	56 634	6.3	576 455	63.8
Municipal Emergency Housing Grant	137 852	137 852	137 852	30 341	22.0	-	0.0
Metro Informal Settlements Partnership Grant	-	-	-	-	-	20	-
Municipal Infrastructure Grant	3 208 816	3 208 816	1 043 846	529 648	16.5	6 226 693	194.0
Subtotal	6 878 581	5 581 098	1 915 932	817 235	11.9	7 385 876	107.4
Allocation In Kind							
Neighbourhood Development Partnership (Schedule 6B)	6 600	6 600	-	-	-	-	-
Municipal Systems Improvement Grant (Schedule 6B)	13 150	13 150	-	-	-	-	-
Integrated National Electrification Programme (Allocation in-kind) Grant	871 192	871 192	-	-	-	-	-
Regional Bulk Infrastructure Grant (Schedule 6B)	3 600	3 600	-	-	-	-	-
Subtotal	894 542	894 542	-	-	-	-	-
TOTAL	7 773 123	6 475 640	1 915 932	817 235	10.5	7 385 876	95.0

Source NT Igdatabase

- In terms of the Division of Revenue Act (DoRA) of 2019, direct allocations to all 54 KwaZulu-Natal municipalities amounted to R6.9 billion, while allocations in-kind amounted to R894.5 million, totaling R7.8 billion.
- The grant expenditure figures reported in Table 14 are based on submissions by the municipalities. Despite this, there are differences in the figures reflected as *Expenditure National Departments* and *Expenditure Municipalities*. The analysis below looks at the expenditure by municipality column.
- Of the direct allocations of R6.9 billion, R1.9 billion or 27.9 percent had been transferred to municipalities as at the end of quarter 1.
- Municipalities have reflected spending of R7.4 billion or 385.5 percent against the total amount transferred to date of R1.9 billion. The main contributor to the high expenditure was the expenditure reported against the Municipality Infrastructure Grant (MIG) of R6.2 billion. Municipalities attributed the over expenditure in the main to the data string figures being incorrect and further stated that they are in the process of correcting the data strings with their service providers.
- The MIG DoRA allocation of R3.2 billion is the largest grant allocation followed by the Public Transport Network Grant (PTNG) of R1 billion and the Water Services Infrastructure Grant of R903.4 million.
- There has been no transfer of funds for the Municipal Systems Improvement Grant, the Municipal Demarcation Transition Grant, Metro Informal Settlements Partnership Grant and the Integrated City Development Grant, however, there was an expenditure of R129 000, R18 000, R20 000 and R9 000 respectively reported.
- Of the 14 direct allocations to municipalities, only six conditional grants reflected expenditure of 25 percent or more against the total available DoRA allocations for the 2019/20 financial year. The MIG reflected expenditure of 194 percent of the R3.2 billion DoRA allocation to municipalities followed by the Energy Efficiency and Demand Side Management Grant at 87.4 percent of the R43 million DoRA allocation, Water Services Infrastructure Grant at 63.8 percent of the R903.4 million DoRA allocation, Regional Bulk Infrastructure Grant at 54.2 percent of the R340.3 million DoRA allocation, Integrated National Electrification Programme Grant at 45.7 percent of the R410.9 million DoRA allocation and the Expanded Public Works Programme Grant at 40 percent of the R223.6 million DoRA allocation. The remainder of the conditional grants reported expenditure of less than the expected benchmark of 25 percent as at the end of the first quarter.

2.14 National Conditional Grants – District Total

Table 15(a): National Conditional Grants as at the end of Quarter 1 - 2019/20

R'000	Financial Management Grant			Municipal Infrastructure Grant			Integrated National Electrification Prog. (municipal) Grant		
	DoRA 2019 Total Avail.	Unaudited Actual		DoRA 2019 Total Avail.	Unaudited Actual		DoRA 2019 Total Avail.	Unaudited Actual	
		Expenditure Munis.	% Spent		Expenditure Munis.	% Spent		Expenditure Munis.	% Spent
eThekweni	1 000	1 000	100.0	-	-	-	-	639	-
Ugu	11 165	676	6.1	329 133	832 832	253.0	39 000	774	2.0
uMgungundlovu	15 575	2 494	16.0	419 358	3 506 619	836.2	21 467	15 865	73.9
uThukela	8 910	2 665	29.9	311 585	57 499	18.5	28 000	2 077	7.4
uMzinyathi	10 155	1 918	18.9	314 120	(91 301)	(29.1)	65 000	4 875	7.5
Amajuba	8 070	998	12.4	184 727	506 656	274.3	14 000	45 676	326.3
Zululand	12 410	3 058	24.6	371 831	178 416	48.0	68 500	73 272	107.0
uMkhanyakude	10 770	747	6.9	340 378	372 887	109.6	52 000	(7 616)	(14.6)
King Cetshwayo	13 070	1 918	14.7	278 289	428 687	154.0	51 000	38 875	76.2
iLembe	9 035	2 109	23.3	331 778	327 310	98.7	24 900	813	3.3
Harry Gwala	9 670	2 538	26.3	327 617	107 087	32.7	47 000	12 611	26.8
Total	109 830	20 122	18.3	3 208 816	6 226 693	194.0	410 867	187 861	45.7

Source: NT Igdatabase

Figure 14: FMG Expenditure vs. Allocation as at 30 September 2019

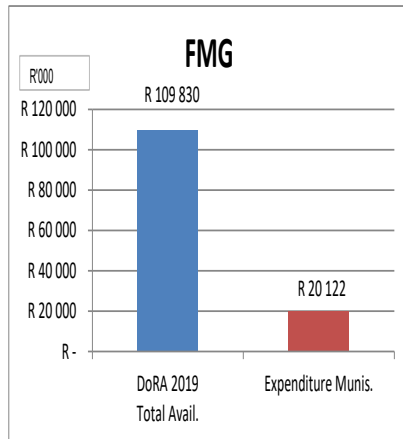


Figure 15: MIG Expenditure vs. allocation as at 30 September 2019

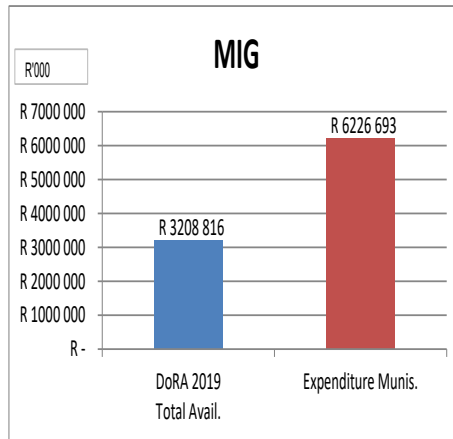
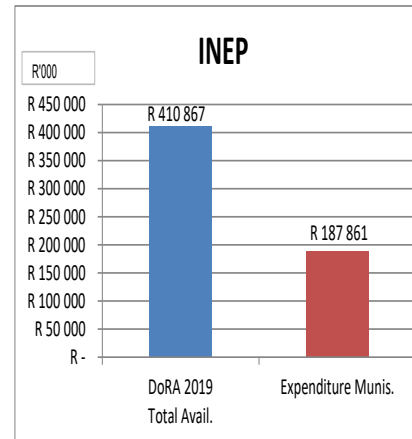


Figure 16: INEP Expenditure vs. allocation as at 30 September 2019



Financial Management Grant

- The collective Conditional grant expenditure for all districts and the eThekweni Metro for the Financial Management Grant (FMG) was R20.1 million (18.3 percent) against the total available DoRA allocation of R109.8 million which is below the straight line projection of 25 percent at the end of the first quarter.
- The eThekweni Metro reported the highest spending of 100 percent. The uThukela District reported the second highest spending of 29.9 percent followed by the Harry Gwala District with 26.3 percent.
- Most districts reported expenditure which is less than the benchmark of 25 percent. The Ugu District reported least spending of 6.1 percent.

Municipal Infrastructure Grant

- The total Conditional grant expenditure by all the districts for the Municipal Infrastructure Grant (MIG) is 194 percent or R6.2 billion against the total DoRA allocation of R3.2 billion which is above the straight line projection of 25 percent as at the end of the first quarter.
- The highest spending on MIG was reported by the uMgungundlovu District with R3.5 billion (836.2 percent) followed by the Amajuba District with R506.7 million (274.3 percent), the Ugu District with R832.8 million (253 percent), the King Cetshwayo District with R428.7 million (154 percent) and the uMkhanyakude District with R372.9 million (109.6 percent). Municipalities attributed the over expenditure in the main to the data strings being incorrect and further stated that they are in the process of correcting their data strings with their service providers.
- The lowest spending was reported by the uThukela District with R57.5 million (18.5 percent) which is below the straight line projection of 25 percent for Quarter 1 while the uMzinyathi District reported negative R91.3 million which was due to the uMsinga Local Municipality reporting negative figures for quarter 1.

Integrated National Electrification Programme Grant

- The total Conditional grant expenditure by all the districts for the Integrated National Electrification Programme Grant (INEP) is 45.7 percent or R187.9 million against the total DoRA allocation of R410.9 million which is above the straight line projection of 25 percent as at the end of the first quarter.
- The highest spending on INEP was reported by the Amajuba District with R45.7 million (326.3 percent) followed by the Zululand District with R73.3 million (107 percent). Municipalities attributed the over expenditure in the main to the data strings being incorrect and further stated that they are in the process of correcting their data strings with their service providers.
- The lowest spending was reported by the Ugu District with 2 percent which was below the straight line projection of 25 percent for Quarter 1 while the uMkhanyakude District reported negative R7.6 million which was due to the Big Five Hlabisa Local Municipality reporting negative figures for quarter 1.

2.14 National Conditional Grants – District Total / continued...

Table 15(b): National Conditional Grants as at the end of Quarter 1 - 2019/20

R'000	Expanded Public Works Prog. (municipal) Grant			Regional Bulk Infrastructure Grant			Water Services Infrastructure Grant		
	DoRA 2019 Total Avail.	Unaudited Actual		DoRA 2019 Total Avail.	Unaudited Actual		DoRA 2019 Total Avail.	Unaudited Actual	
		Expenditure Munis.	% Spent		Expenditure Munis.	% Spent		Expenditure Munis.	% Spent
eThekweni	78 757	57 011	72.4	-	-	-	-	-	-
Ugu	12 939	3 133	24.2	-	-	-	50 000	76 410	152.8
uMgungundlovu	15 451	4 918	31.8	-	-	-	121 000	318 786	263.5
uThukela	15 672	6 161	39.3	10 000	-	-	108 000	15 242	14.1
uMzinyathi	12 725	2 408	18.9	20 000	1 672	8.4	68 374	4 046	5.9
Amajuba	6 543	198	3.0	-	-	-	86 000	2 197	2.6
Zululand	20 308	2 833	14.0	163 774	36 151	22.1	100 000	25 522	25.5
uMkhanyakude	16 070	5 532	34.4	-	-	-	80 000	13 391	16.7
King Cetshwayo	20 929	3 583	17.1	91 519	5 031	5.5	140 000	-	-
iLembe	8 655	2 565	29.6	35 000	140 703	402.0	90 000	99 170	110.2
Harry Gwala	15 542	1 075	6.9	20 000	993	5.0	60 000	21 691	36.2
Total	223 591	89 418	40.0	340 293	184 549	54.2	903 374	576 455	63.8

Source: NT Igdatabase

Figure 17: EPWP Expenditure vs. allocation as at 30 September 2019

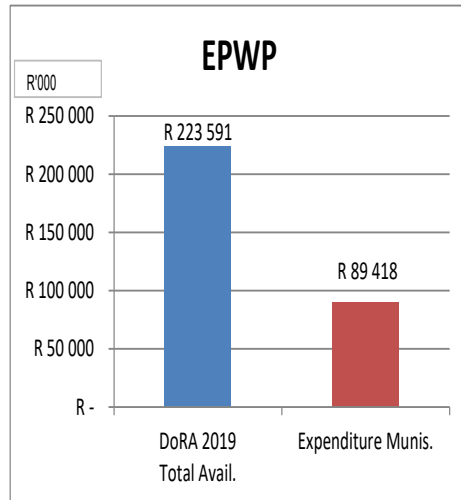


Figure 18: RBIG Expenditure vs. allocation as at 30 September 2019

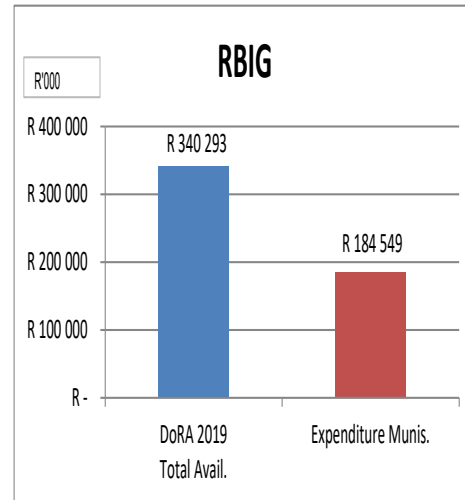
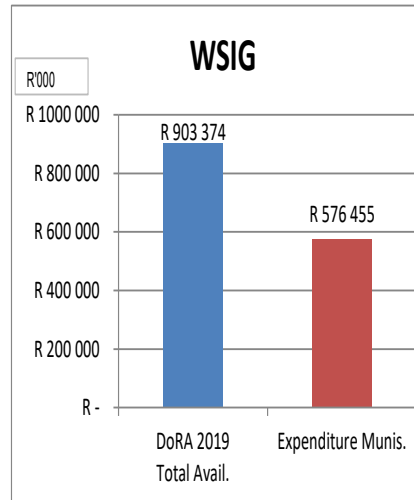


Figure 19: WSIG Expenditure vs. allocation as 30 September 2019



Expanded Public Works Programme

- The expenditure reported on the Expanded Public Works Programme Grant (EPWP) for the province is R89.4 million (40 percent) against the total DoRA allocation of R223.6 million which is above the 25 percent straight line projection.
- The eThekweni Metro reported the highest percentage spent of R57 million (72.4 percent).
- The lowest spending was reported by the Amajuba District at R198 000 (3 percent) which is below the straight line projection of 25 percent for quarter 1.

Regional Bulk Infrastructure Grant

- The expenditure reported on the Regional Bulk Infrastructure Grant (RBIG) for the province is R184.5 million (54.2 percent) against the total DoRA allocation of R340.3 million which is above the 25 percent straight line projection for quarter 1.
- The iLembe District reported the highest percentage spent of R140.7 million (402 percent).
- The lowest spending was reported by the Harry Gwala District at R993 000 (5 percent) which is below the straight line projection of 25 percent for quarter 1.

Water Services Infrastructure Grant

- The expenditure reported on the Water Services Infrastructure Grant (WSIG) for the province is R576.5 million (63.8 percent) against the total DoRA allocation of R903.4 million which is above the 25 percent straight line projection for quarter 1.
- The highest spending on WSIG was reported by the uMgungundlovu District at R318.8 million (263.5 percent) followed by the Ugu District at R76.4 million (152.8 percent) and the iLembe District at R99.2 million (110.2 percent).
- The lowest spending was reported by the Amajuba District at R2.2 million (2.6 percent) which is below the straight line projection of 25 percent for quarter 1.

2.15 Non-Compliance with the DoRA and MFMA Reporting Requirements

Table 16(a): List of municipalities that did not comply with ALL MFMA and DoRA Reporting Requirements for the period July to September. (As at 26 November 2019)

Monthly submission of MFMA Section 71 Data strings			Budget and IDP Timetables for 2020/21 Budget process	Municipalities that did not publish the majority of documents on their website as required by MFMA Section 75	Local Municipalities with less than 5 Interns
Month 1	Month 2	Month 3			
uPhongolo	uPhongolo Amajuba DM Nquthu	uPhongolo Amajuba DM Nquthu	Richmond uMgungundlovu DM Dannhauser uPhongolo Mpofana Newcastle	uMdoni uMzumbe uMuziwabantu Mpofana Nquthu Dannhauser eDumbe uMfolozi Nkandla	Richmond

List of municipalities exclude the non-delegated municipalities.

Source: NT Igdatabase

- Non-compliance with the DoRA and MFMA reporting requirements is issued bi-annually, through the Provincial Treasury Circular by the office of the MEC for Finance to Mayors of all delegated KwaZulu-Natal municipalities. The issue of the non-compliance circular is over and above the weekly schedules sent by Provincial Treasury to the municipalities regarding their outstanding MFMA reports and returns.
- Despite these efforts, Tables 16(a) and 16(b) show the municipalities that did not fully comply with all reporting requirements according to the National Treasury report reflecting the outstanding MFMA returns and reports as at 26 November 2019.
- With effect from the current financial year of 2019/20, municipalities are expected to upload to the National Treasury LG portal, the mSCOA Data strings which include In-year monthly, Creditors and Debtors. At the end of quarter 1 only three municipalities namely; uPhongolo and Nquthu Local Municipalities as well as Amajuba District Municipality had not uploaded their monthly Data strings to the National Treasury LG portal.
- Section 21(1)(b) of the MFMA requires the Mayor of a municipality to table in council a Time schedule outlining key deadlines by 31 August of each financial year. Table 16(a) shows that six municipalities did not table their Budget and IDP Timetables in their Council by 31 August 2019.
- Section 75 of the MFMA requires the municipalities to place certain documents on their municipal websites. It was noted as at 26 November 2019, nine municipalities had still not placed the majority of the required documents on their municipal websites.
- One of the conditions of the Financial Management Grant (FMG) requires that each municipality must appoint the minimum of five interns for a local municipality and three interns for a district municipality over a multi – year period. It was noted that as at 26 November 2019, the Richmond Local Municipality had still not appointed the required minimum number of five interns.

2.15 Non-Compliance with the DoRA and MFMA Reporting Requirements / continued...

Table 16(b): List of municipalities that did not comply with ALL MFMA and DoRA Reporting Requirements for the period July to September. (As at 26 November 2019)

Verification of MFMA Section 71 figures	Signed Off Q1 Conditional Grants	Signed Off Q1 Borrowing Monitoring	Signed Off Q1 Investments Monitoring
Amajuba DM	Amajuba DM	Amajuba DM	Amajuba DM
uBuhlebezwe	uBuhlebezwe	Dannhauser	Dannhauser
Mthonjaneni	Mthonjaneni	Newcastle	Newcastle
uMshwathi	uMlalazi	Dr. Nkosazana Dlamini Zuma	Harry Gwala DM
Mtubatuba	Ray Nkonyeni	Mthonjaneni	Mthonjaneni
Nquthu	uMgungundlovu DM	Nkandla	uMlalazi
uThukela DM	uMshwathi	Ugu DM	Ugu DM
AbaQulusi	Nquthu	uMuziwabantu	iMpendle
eDumbe	uMzinyathi DM	uMzumbe	Mkhambathini
uMzinyathi DM	uThukela DM	uMshwathi	Mpofana
uPhongolo	AbaQulusi	Mkhambathini	uMgungundlovu DM
	eDumbe	Mpofana	uMshwathi
	uPhongolo	Richmond	eNdumeni
		uMgungundlovu DM	uMsinga
		Big Five Hlabisa	Nquthu
		Jozini	uMvoti
		Mtubatuba	iNkosi Langalibalele
		uMhlabuyalingana	uThukela DM
		uMsinga	AbaQulusi
		Nquthu	eDumbe
		uMvoti	uPhongolo
		uMzinyathi DM	
		iNkosi Langalibalele	
		uThukela DM	
		AbaQulusi	
		eDumbe	
		Nongoma	
		Ulundi	
		uPhongolo	
		Zululand DM	

List of municipalities exclude the non-delegated municipalities.

Source: NT Igdatabase

- At the end of every quarter, municipalities are required by National Treasury to scrutinise, verify and sign off the verification schedules relating to information on their MFMA Section 71 Reports to ensure that the figures to be published by National Treasury are reliable.
- At the end of the first quarter, the municipalities listed in Table 16(b) reflect the non-submission of the quarterly reports which were expected to be verified and signed by the municipalities. At the end of the first quarter, eleven (11) municipalities had not submitted their signed information on the Statement of Operating and Capital expenditure, thirteen (13) municipalities did not submit the signed information on Conditional grants, thirty (30) municipalities did not submit their Borrowing Monitoring signed verifications and twenty one (21) municipalities did not submit their Investment monitoring signed verifications.