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MUNICIPAL FINANCE
4th QUARTER REVIEW
Close-out Report
2017/18

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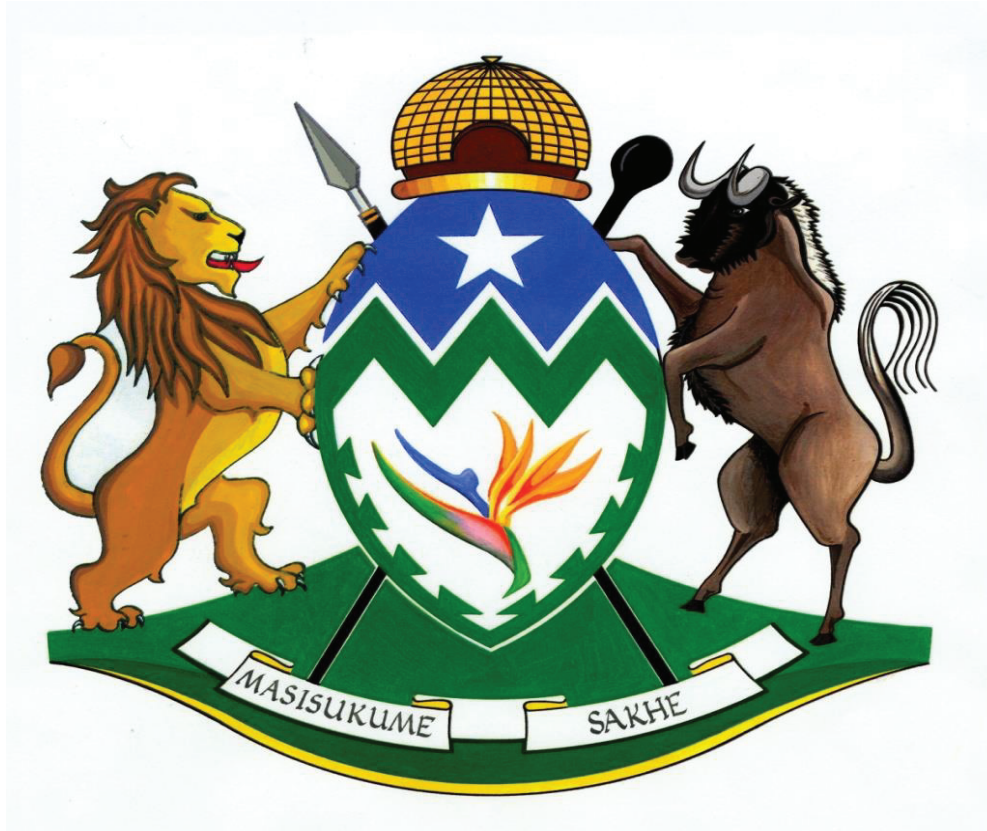
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KwaZulu-Natal Provincial Treasury, Municipal Finance Close-out Report 2017/18

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Data Source and Reliability

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Provincial overview and municipal analysis 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 uMhlatuze 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.

It is probable that there will be material adjustments to the audited 2017/18 Annual Financial Statements in which case, it is recommended that the analysis should be used in conjunction with audited information in order to have a reliable overview of the budget performance of the municipalities for the 2017/18 financial year.

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Chapter 1: Introduction

In terms of Section 71(7) of the Municipal Finance Management Act, Act 56 of 2003 (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.*

As one of my duties as the MEC for Finance, I submit to the Provincial Legislature, a consolidated review of the 4th Quarter Close-out Report for 2017/18.

The purpose of this report is to provide the reader with a holistic overview of the budget and financial performance of our municipalities as at 30 June 2018 across the province. The report also reflects on the support provided by the various business units within Provincial Treasury.

This consolidated 2017/18 Municipal Finance Report has been prepared in compliance with the legislative requirement indicated above. 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 supporting initiatives by the various business units within Provincial Treasury are aimed at ensuring that the municipalities are sufficiently capacitated in order to provide economic, efficient and effective service delivery to the communities that they serve. The report includes all 54 municipalities in the province comprising of 51 delegated and 3 non-delegated municipalities.

The report provides the reader with a balanced overview of the state of the budget performance of municipalities for the 2017/18 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 the 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 in the KwaZulu-Natal Province;
- Chapter 3 provides an overview of the 2017/18 Budget performance of all municipalities, aggregated at a district level to provide a provincial perspective. The chapter also includes the sale of Bulk Services 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 2016/17 audited financial year and the 2017/18 unaudited financial year;
- Chapter 4 provides an overview of each district regarding geographical location, basic services provided by municipalities in a district, employment status of the Accounting Officer (Municipal Manager) and Chief Financial Officer, 2016/17 audit opinions, as well as a budget performance analysis per municipality in each district;
- Chapter 5 highlights the process of the 2017/18 Mid-Year Budget and Performance Assessments Reports, Adjustments Budgets as well as the 2018/19 Budget Evaluations, followed by the status of

Non-compliance with the MFMA and the Division of Revenue Act (DoRA) reporting requirements, Implementation of the Municipal Regulations on Standard Chart of Accounts, Budget Steering Committees and 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), Municipal Accounting and Reporting, Norms and Standards, Infrastructure (“Crack Team”), Public Private Partnerships (PPP) and Intergovernment Relations (IGR); and
- Chapter 7 concludes the report by highlighting some of the critical challenges that the 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 duty as MEC for Finance, I therefore, 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 KwaZulu-Natal (KZN) Province 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 10 districts and the eThekweni Metro over the past 10 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.

This 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 analyses 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

Population dynamics exert a tremendous influence over the aspects of economic development which includes amongst others; standard of living, levels of literacy and education standards as well as the levels of healthcare. Recognising and planning for a demographic transition is an essential prerequisite for the welfare of a society. This will ensure the efficient allocation of available resources for the benefit of both, the current and future generations.

South Africa (SA) is a diverse country comprising of a wide variety of cultures, languages and religious beliefs. The 2018 Mid-year population estimates by Statistics South Africa (Stats SA) reveals that the country's population is currently estimated at 57.7 million, indicating an increase of 11.4 percent from the 51.8 million recorded in 2011. The province of KZN is home to an estimated 11.4 million people which translates to 19.7 percent of the South African population. Consequently, KZN is the second most populous province after Gauteng which has an estimated 14.7 million people, constituting 25.4 percent of the national population (Stats SA, 2018).

Table 2.1 illustrates the population size of the province and its districts, percentage share of the KZN population by district, area in square kilometres (km²) and the population density. The eThekweni Metro was the most populous region (where regions consist of 10 districts and a metro) in the province with approximately 3.9 million people which is 34 percent of the population for KZN. The main contributing factor to this phenomenon is rural-urban migration; where people migrate with the hope of finding jobs in the main economic hub of the province and also to improve education since most of the higher learning institutions are located around the eThekweni Metro. It is therefore not surprising that the

eThekwini Metro had the highest population density of 1512.8 per square kilometre (km²) in 2017, 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 9.7 percent of the population in KZN in 2017. The Harry Gwala District was the least populated region consisting of 493 036 people and consequently, has the least population density at 47.5 per km² in 2017.

Table 2.1 Population size, area in square kilometres and population density in 2017

	Population size	% Share of KZN population	Area in square kms	% Share of KZN area	Population density
eThekwini	3 866 505	34.0	2 556	2.7	1 512.8
Ugu	733 765	6.4	4 791	5.1	153.2
uMgungundlovu	1 107 971	9.7	9 602	10.2	115.4
uThukela	706 913	6.2	11 134	11.8	63.5
uMzinyathi	552 650	4.9	8 652	9.2	63.9
Amajuba	540 700	4.7	7 102	7.5	76.1
Zululand	848 587	7.5	14 799	15.7	57.3
uMkhanyakude	677 982	6.0	13 855	14.7	48.9
King Cetshwayo	960 582	8.4	8 213	8.7	117.0
iLembe	659 456	5.8	3 269	3.5	201.7
Harry Gwala	493 036	4.3	10 386	11.0	47.5
KwaZulu-Natal	11 384 700	100	94 361	100	120.7

Source: Stats SA, 2018

Similar to death and birth rates, migration patterns within the province play a vital role in the variation of the population size in the region. Although there had been an increase in the size of the population in KZN, an analysis of the period from 2006 to 2016, reveals that inter-provincial migration had affected KZN negatively. The out-migration exceeded in-migration by an estimated 69 206 people in the period of 2006 to 2011 and by another 68 382 people between 2011 and 2016 as per Table 2.2.

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) suffered the highest loss with 492 983 people migrating out of the province for the period 2011 to 2016 resulting in negative net-migration of 320 066. The majority of the South African population migrate to the Gauteng and Western Cape (WC) Provinces as per Table 2.2, most probably in search of better job opportunities.

Table 2.2 Estimated provincial migration streams in 2006-2011 and 2011-2016

Provinces	2006-2011			2011-2016		
	Out-migrants	In-migrants	Net-migration	Out-migrants	In-migrants	Net-migration
Eastern Cape	500 377	147 759	-352 618	492 983	172 917	-320 066
Free State	152 418	119 042	-33 377	157 714	132 917	-24 797
Gauteng	416 569	1 330 136	913 568	479 461	1 459 549	980 088
KwaZulu-Natal	323 856	254 650	-69 206	344 302	275 920	-68 382
Limpopo	384 523	214 913	-169 610	389 290	248 413	-140 878
Mpumalanga	176 028	230 424	54 396	193 479	258 374	64 895
Northern Cape	65 956	68 987	3 031	71 678	75 606	3 929
North West	171 274	257 038	85 763	191 729	288 204	96 475
Western Cape	134 482	409 922	275 440	157 210	449 308	292 099

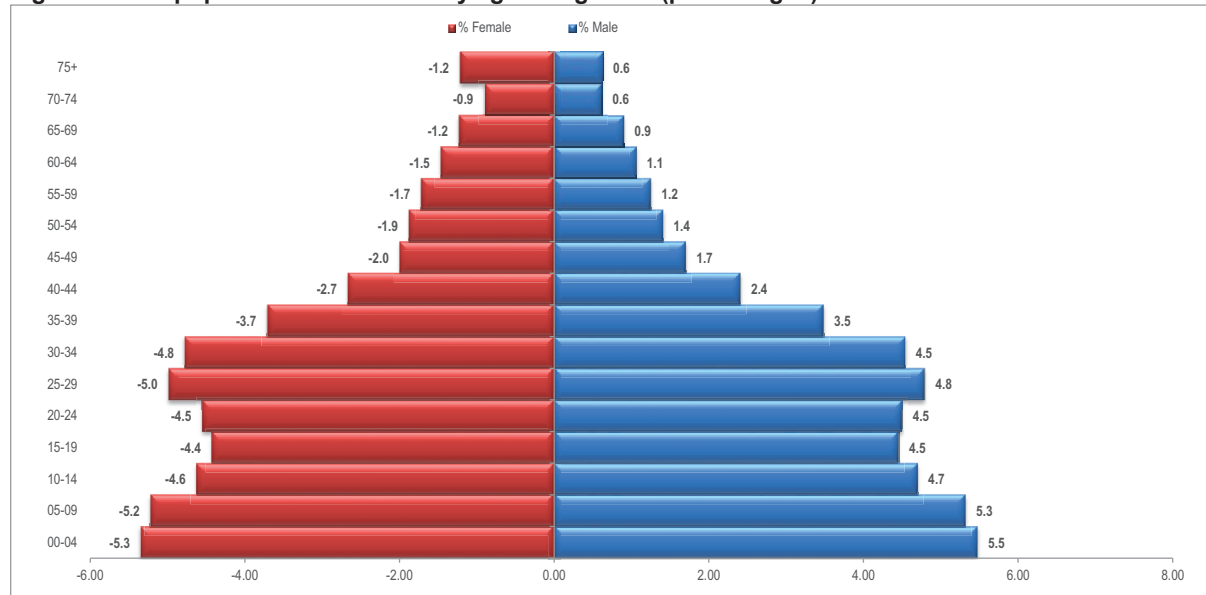
Source: Stats SA, 2018

2.1.2 Population distribution by age and gender

Figure 1 shows the population distribution for KZN by age and gender in 2018. The population pyramid indicates that the largest population in 2018 ranges between the age group of 00-04 to 30-34, which is approximately 67.7 percent of the total population. Approximately 30.7 percent of this cohort are children between 00 and 14 and 37 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 a result of factors such as migration patterns and higher mortality amongst males due to risky social behaviour.

Figure 1: KZN population distribution by age and gender (percentages) in 2018



Source: Stats SA, 2018

The total provincial dependent population is estimated at 4.1 million, while the economically active population is estimated at 7 million. The outcome of these estimates is a high dependency ratio of 58.6 percent¹. The dependency ratio is one of the key factors negatively influencing economic growth. Nations with high dependency ratios spend a large amount of their budget taking care of dependents through transfers, while those with lower ratios are able to devote more resources to investing in physical capital, technological progress and education.

A higher dependency ratio is likely to reduce productivity growth since resources are not spent on capital goods that are able to create employment, instead, they are spent more on consumer goods, which in turn, reduces investment. If the government fails to address the issues emanating from a high dependency ratio, there could be increasing pressures placed on government finance which could lead to higher borrowing or higher taxes thus impacting negatively on the fiscus.

2.2 Economic performance

Taking into account both global and national economic performance, this section provides the *Economic Review and Outlook* of the province of KZN and the districts therein. 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

According to the International Monetary Fund (IMF, 2018), the global output is expected to grow at 3.9 percent in 2018 and 2019, respectively. These projections are slightly higher than the growth rate of 3.7 percent recorded in 2017. Similar to the IMF, the World Bank (2018) also anticipates moderate growth

¹ Dependency Ratio = $\frac{((\text{Number of people under 15 years}) + (\text{Number of people aged 65 and over}))}{(\text{Number of people between 15 and 64})} * 100 = \frac{(4\ 117\ 781 / 7\ 030\ 367)}{1} * 100 = 58.6$ percent. The dependency ratio is an age population ratio of those not in the labour force.

rates of 3.1 percent and 3 percent over the same period. The World Bank has warned, however, that the global growth has eased and will slow down to 2.9 percent by 2020, as the global performance dispels, trade and investment moderate, and financing conditions tighten.

As shown in Table 2.3, an assertion that is confirmed by the IMF (2018), reveals that the rate of expansion has peaked in some major economies and growth has become less synchronised. This sentiment is also shared by the World Bank (2018), thereby maintaining that the economic activity continues to grow above potential in advanced economies, with the additional fiscal stimulus measures expected to provide a further lift to near-term growth in the United States (US). Therefore, similar to the global trajectory, the outlook for 2018 for the advanced economies remains unchanged at 2.4 percent estimated in 2017. This growth rate is however, expected to drop slightly to 2.2 percent in 2019.

Table 2.3: World economic estimates and projections (percentage), 2015 to 2019

	Estimates						Projections			
	IMF			World Bank			IMF		World Bank	
	2015	2016	2017	2015	2016	2017	2018	2019	2018	2019
World	3.2	3.1	3.7	2.7	2.3	3.0	3.9	3.9	3.1	3.0
Advanced Economies	2.1	1.6	2.4	2.1	1.6	2.3	2.4	2.2	2.2	2.0
United States of America	2.6	1.6	2.3	2.6	1.6	2.3	2.9	2.7	2.7	2.7
Euro Area	2.0	1.7	2.4	2.0	1.6	2.4	2.2	1.9	2.1	1.7
Japan	1.2	0.9	1.7	1.2	1.0	1.7	1	0.9	1.0	0.8
Emerging countries	4.1	4.1	4.7	3.5	3.4	4.3	4.9	5.1	4.5	4.7
Russia	-3.7	-0.6	1.5	-3.7	-0.6	1.7	1.7	1.5	1.5	1.8
China	6.9	6.7	6.9	6.9	6.7	6.8	6.6	6.4	6.5	6.3
India	7.6	6.6	6.7	7.6	7.0	6.7	7.3	7.5	7.3	7.5
Brazil	-3.8	-3.5	1	-3.8	-3.4	1.0	1.8	2.5	2.4	2.5
Sub-Saharan Africa	3.4	1.6	2.8	3.1	1.5	2.4	3.4	3.8	3.1	3.5
South Africa	1.3	0.3	1.3	1.3	0.4	0.8	1.5	1.7	1.4	1.8

Source: IMF, 2018

The output growth for the US is predicted at 2.9 percent and 2.7 percent in 2018 and 2019, respectively. The foreseen broad-based economic growth in the US is attributable to the strengthening near-term momentum, substantial fiscal stimulus and private final demand. The IMF (2018) projects that the output growth in the Euro-area will deteriorate steadily to 2.2 percent in 2018 and 1.9 percent in 2019, down from 2.4 percent recorded in 2017. The Japanese economy contracted in the first quarter of 2018 due to weak private consumption and investment. As a result, the economic outlook for Japan has been revised downward to 1 percent in 2018 and 0.9 percent in 2019. This projected output is moderately lower than the 1.7 percent reported in 2017. However, the economy is anticipated to strengthen over the remainder of 2018 and into 2019, supported by stronger private consumption, external demand, and investment (IMF, 2018).

The Emerging Market and Developing Economies (EMDEs) are projected to grow by 4.9 percent in 2018 and 5.1 percent in 2019. The outlook for the EMDEs is influenced greatly by the powerful economic activities that have affected these economies. These include, but are not limited to,

- the rising oil prices;
- higher yields in the US;
- dollar appreciation;
- trade tensions; and
- geopolitical conflict.

Hence, the outlook for regions and individual economies varies depending on how these global developments interact with domestic factors (IMF, 2018).

The IMF further maintains that economic growth in China is projected to moderate from 6.9 percent in 2017 to 6.6 percent in 2018 and 6.4 percent in 2019 as regulatory tightening of the financial sector takes hold and external demand softens. India's growth rate is expected to rise from 6.7 percent in 2017 to 7.3 percent in 2018 and 7.5 percent in 2019 as drags from the currency exchange initiative and the introduction of the goods and services tax fade.

The Gross Domestic Product (GDP) growth in the Sub-Saharan African region is projected to increase moderately from 2.8 percent in 2017 to 3.4 percent and 3.8 percent in 2018 and 2019, respectively. The anticipated economic recovery is attributed largely to the rise in commodity prices. The economic outlook reflects improved prospects for Nigeria's economy which is set to increase to 2.1 percent in 2018 and 2.3 percent in 2019 on the back of an improved outlook for oil prices (IMF, 2018).

2.2.2 South African economic review outlook

The South African economy began with a contraction in the first quarter of 2017. Technically, the national economy experienced its first recession since the global financial crisis of 2009, after it contracted over two consecutive quarters, that is, the fourth quarter of 2016 and quarter one of 2017 (Stats SA, 2017). Encouragingly, the economic performance improved significantly in the subsequent quarters of 2017, thereby recording a broad-based average growth rate of 1.3 percent. Although this growth was unexpected, the outlook for the national economy was already positive, driven largely by the political transition which boosted investor confidence. Business confidence strengthened further in the beginning of 2018, partly due to a disciplined fiscal policy stance reflected by the national budget.

Disturbingly, the domestic economy declined sharply by 2.2 percent in the first quarter of 2018. The recent contraction is attributable to the poor performance of most industries such as the manufacturing, mining and agriculture industries, which registered negative contributions of 0.8 percent and 0.7 percent, respectively to the national GDP. The exception was the tertiary sector where most industries recorded positive contributions towards the GDP growth. Consequently, the South African Reserve Bank (SARB) has since revised its forecast downward for the national economy to 1.2 percent for 2018. The Business Confidence Index (BCI) also declined to 39 points in the second quarter of 2018, down from 45 points in the first quarter².

However, the domestic economic outlook is still positive as the SARB improved its forecast for 2019 to 1.9 percent. This is further supported by Standard Bank's Purchasing Manager's Index (PMI) which increased by 0.9 basis points to 50.9 in June 2018, thereby indicating that the domestic economy is growing³. The IMF (2018) also revised upward its outlook for the domestic economy to 1.5 percent and 1.7 percent in 2018 and 2019, respectively. The positive outlook was driven largely by the improved investor confidence as shown by the strengthening private investment. The World Bank (2018) also cited the improved investor confidence as the main factor influencing its decision to improve the national outlook to 1.4 percent in 2018 and 1.8 percent in 2019.

2.2.3 KwaZulu-Natal economic review and outlook

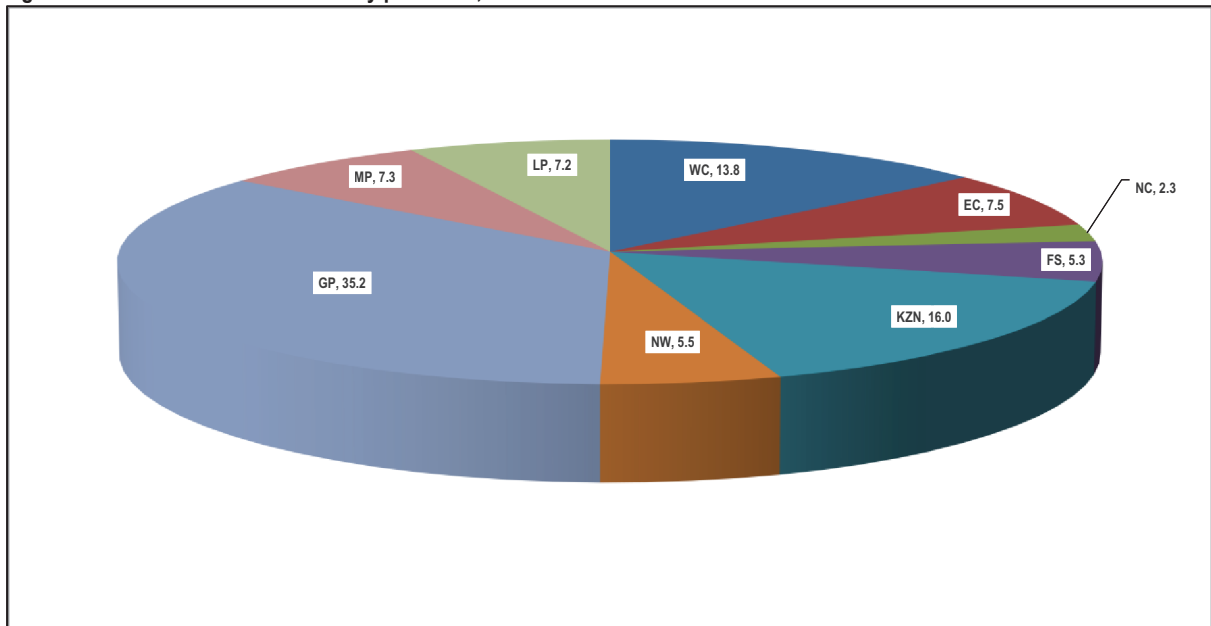
KZN is the second largest contributor to the South African economy in terms of Regional Gross Domestic Product (GDP-R). In 2017, the province reported a real GDP-R of R498.5 billion on average, which translates to a 16 percent proportion of national aggregate output generated over the same period. Thus, the province of KZN sustained its meaningful contribution to the national GDP, however, it is still below that of Gauteng at 35.2 percent but somewhat above the Western Cape (WC) at 13.8 percent

² The RMB/BER Business Confidence Index essentially flattened at 34 in the fourth quarter, an improvement on the seven and a half-year low of 29 in the second quarter (see <https://www.ber.ac.za/Home/>), accessed on 23 July 2018

³ Standard Bank Purchasing Manager's Index. A score above 50 points indicates SA's economy is growing (<https://tradingeconomics.com/south-africa/composite-pmi>), accessed on 23 July 2018

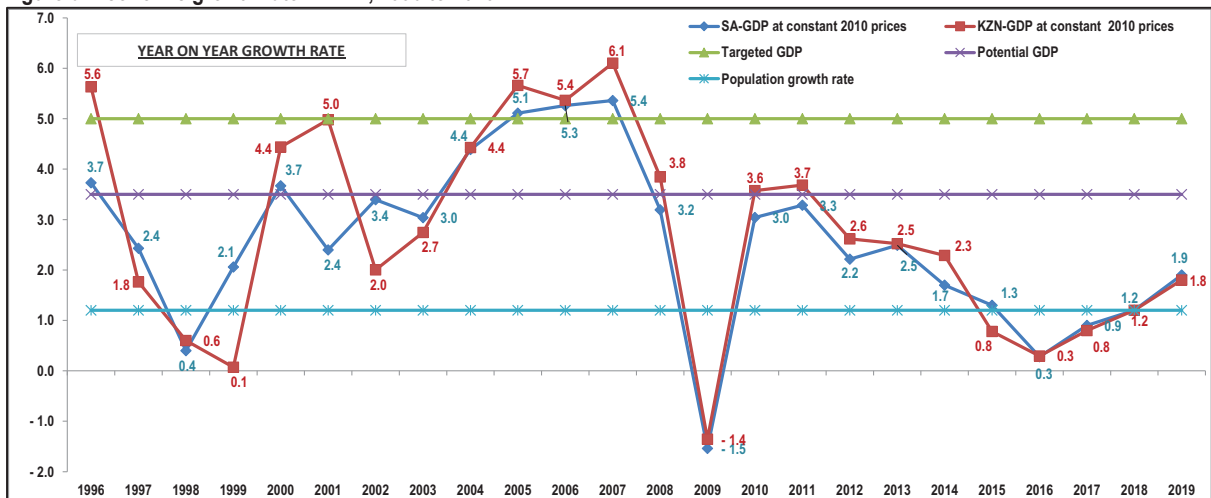
(Figure 2). Moreover, as per Figure 3, KZN’s economy is anticipated to grow by 1.2 percent and 1.8 percent in 2018 and 2019, respectively.

Figure 2: National GDP contributions by provinces, 2017



Source: IHS Markit, 2018

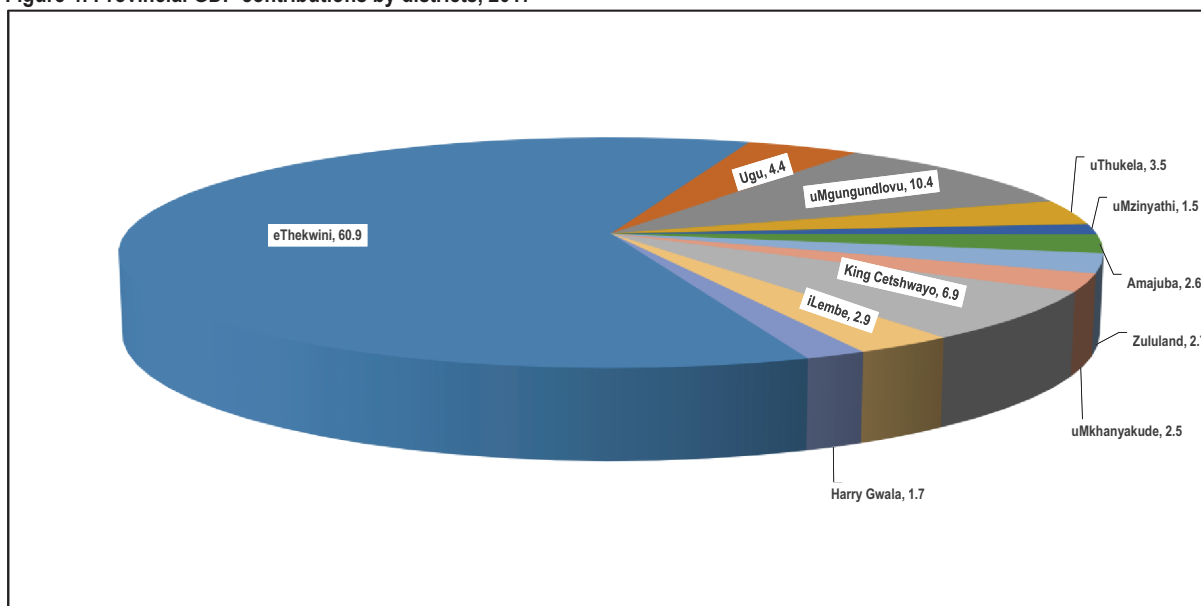
Figure 3: Economic growth rate in KZN, 1996 to 2019



Source: IHS Markit, 2018 and Stats SA, 2018

The provincial output is distributed unevenly across the 10 districts municipalities and the eThekweni Metro. As expected, the eThekweni Metro is the main economic hub of the province with a 60.9 percent contribution to the provincial GDP-R. This is attributable to 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 (10.4 percent) followed by the King Cetshwayo District (6.9 percent). The least contributing districts are the uMzinyathi, Harry Gwala and uMkhanyakude Districts at the estimated rates of 1.5 percent, 1.7 percent and 2.5 percent, respectively (Figure 4).

Figure 4: Provincial GDP contributions by districts, 2017



Source: IHS Markit, 2018

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 2019. The table shows that the national economy is largely driven by the tertiary sector with an estimated contribution of 63.2 percent of the value added in 2017. The contribution by this sector has maintained an increasing trend for the past two decades and is expected to continue to dominate the economy at an average 63.4 percent and 63.5 percent in 2018 and 2019, respectively.

On the contrary, the contributions made by both the primary and secondary sectors have been deteriorating constantly over the same period. The primary sector contributed 9.9 percent to national GDP, while secondary sector contributed 17.9 percent in 2017. This shows a substantial decline when compared to the past two decades where the primary and the secondary sectors contributed 15.6 percent and 19.5 percent, respectively in 1996.

Table 2.4: Gross value added by sector in SA and KZN, 1996 to 2019

	South Africa					KwaZulu-Natal				
	Estimates			Projections		Estimates			Projections	
	1996	2006	2017	2018	2019	1996	2006	2017	2018	2019
Primary sector	15.6	12.0	9.9	9.8	9.7	9.8	5.9	6.0	6.0	6.0
Agriculture	2.8	2.2	2.4	2.4	2.4	4.9	3.8	4.1	4.2	4.2
Mining	12.8	9.8	7.5	7.4	7.3	4.9	2.1	1.8	1.8	1.8
Secondary sector	19.5	19.6	17.9	17.7	17.6	25.2	25.2	22.5	22.2	22.2
Manufacturing	14.0	14.1	12.3	12.2	12.1	18.6	19.0	16.2	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	3.5	3.4	3.4	3.4	3.4	4.3	4.2	4.1
Tertiary sector	55.0	59.0	63.2	63.4	63.5	55.2	59.7	62.8	62.9	63.0
Trade	12.1	13.4	13.7	13.7	13.8	11.8	14.0	14.3	14.3	14.4
Transport	6.1	8.2	8.6	8.7	8.7	8.6	10.9	11.4	11.5	11.6
Finance	14.3	18.1	20.3	20.3	20.5	12.5	15.7	16.8	16.8	16.9
Community services	22.5	19.3	20.7	20.7	20.4	22.4	19.1	20.4	20.4	20.1

Source: IHS Markit, 2018

A similar trend is also pertinent to the provincial economy, in which the tertiary sector continues to dominate at 62.8 percent in 2017, up from 55.2 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 3.8 percentage points, down from 9.8 percent in 1996 to 6 percent in 2017. This contribution is expected to remain the same at 6 percent in 2018 and 2019. Over the same period, contribution by the secondary sector dropped moderately from 25.2 percent to 22.2 percent. The main drivers of this contraction are manufacturing, dropping from 18.6 percent to 16.1 percent and electricity, deteriorating from 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 20.7 percent in 2017. For both 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 constantly 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 has a negative impact on 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 which, apart from being needed to perform menial tasks, is largely unemployable. Accepting that economic growth is a function of investment, labour and capital; it is necessary to create an environment conducive to satisfying each of the three components. High unemployment remains the key challenge facing the country and has been approximately 25 percent over the past two decades without a significant decline. Disturbingly, the youth population constitutes the largest proportion of total unemployment in the country and KZN alike.

2.3.1 Labour dynamics in South Africa

The South African labour market continues to grapple with a high unemployment rate, which has consistently been reported at approximately 25 percent over the past two decades without a significant decline. The Quarterly Labour Force Survey (QLFS) for the second quarter of 2018, shows that the official unemployment rate increased slightly by 0.5 percentage points from 26.7 percent recorded in the first quarter of 2018 to 27.2 percent in the second quarter of the same year (Stats SA, 2018). Nonetheless, the unemployment rate declined by 0.5 percent from 27.7 percent a year ago. The total number of unemployed persons increased by 102 000 from 6 million in the first quarter to 6.1 million in the second quarter of 2018.

The QLFS shows that the number of employed persons declined by 90 000, whereby the largest job losses emanated from the informal and formal sectors with 73 000 and 35 000, respectively. The job shedding in the formal sector was largely driven by substantial declines in the manufacturing (88 000), community services (73 000) and the trade (45 000) industries. Conversely, other industries such as transport, construction and mining recorded the largest employment gains at 70 000, 43 000 and 34 000, respectively over the same period.

Despite that youth unemployment is a global phenomenon⁴, it is disturbing that the youth population in the country constitutes the largest proportion of the total unemployed population. The unemployment rate among young people aged 15 to 34 stood at 38.8 percent in the second quarter of 2018, implying that more than one in every three young people in the labour force did not have a job. In terms of education levels, the QLFS indicates that unemployment is higher among those with less than matric at 44.1 percent, followed by those with matric which only stood at 39.1 percent over the same period.

In contrast, the unemployment rate among graduates was relatively low at 11.9 percent (Stats SA, 2018). This indicates that lower education levels among most young people in the country is among the major contributing factors to the higher youth unemployment. It is therefore, an undeniable fact that without the necessary policy interventions to address the slow economic growth, youth unemployment and education issues, high unemployment is likely to persist into the foreseeable future. Moreover, measures to tackle the higher youth unemployment should focus heavily on education and skills, targeting mostly those who dropped-out from school and those with only matric.

2.3.2 Labour dynamics in KZN

When compared to the national trend, the official unemployment rate in KZN declined slightly by 0.5 percentage points from 22.3 percent in the first quarter of 2018 to 21.8 percent in second quarter of the same year (Stats SA, 2018). It however, declined substantially by 2.2 percentage points when compared to the same period in 2017, where it was estimated at 24 percent. Moreover, the province recorded the third lowest unemployment rate after the WC Province at 20.7 percent and the Limpopo Province (LP) at 19.3 percent. The total number of unemployed persons in the province of KZN declined by 22 000 from 751 000 in the first quarter to 729 000 in the second quarter of 2018.

In comparison with other provinces, KZN with 3 000 employment gains is among the provinces that recorded an employment increase, which include the Mpumalanga (15 000) and EC (5 000). Other provinces recorded substantial employment losses, with the WC and Free State (FS) experiencing the largest job shedding at 50 000 and 26 000, respectively. However, the province of KZN has the second lowest absorption rate (AR) at 37.4 percent after the EC at 33.1 percent. This implies that most people of the working age population are not readily absorbed into the labour market. In terms of the Labour Force Participation Rate (LFPR), KZN has the lowest rate at 47.8 percent, followed by the LP at 47.7 percent. The lower LFPR shows that most people of the workforce within the province are not actively participating in economic activities.

Table 2.5 displays the unemployment rate trend across the districts and the eThekweni Metro in the province, over the period 2007 to 2017. In 2017, the Zululand (34.9 percent) uMkhanyakude (34.7 percent), Amajuba (33.6 percent), and uThukela (32.3 percent) Districts had the highest unemployment rates in the province. Conversely, the eThekweni Metro had the lowest unemployment rate at 16.7 percent, which was far lower than the average provincial rate of 23.4 percent for the period under review.

⁴ According to the International Labour Organization (ILO), there were about 71 million unemployed youth, aged 15–24 years, globally in 2017. Available online: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documentspublication/wcms_598675.pdf, accessed on 24/07/2018

Table 2.5: Unemployment rate trend (percentages), 2007 to 2017

Unemployment rate trends											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
eThekwini	22.2	18.6	16.7	15.9	15.2	15.0	14.5	14.7	15.9	16.4	16.7
Ugu	30.9	26.9	24.8	24.2	24.0	25.1	26.5	26.7	26.0	27.2	27.5
uMgungundlovu	26.2	22.8	21.1	20.8	20.7	21.4	22.5	22.6	22.0	23.0	23.2
uThukela	34.3	30.3	28.4	28.0	27.9	29.2	30.8	31.1	30.3	31.7	32.3
uMzinyathi	36.2	31.2	28.3	26.8	25.8	27.0	28.7	29.2	28.7	30.2	30.5
Amajuba	34.6	30.5	28.4	27.9	27.7	29.2	31.1	31.7	31.8	33.6	33.6
Zululand	37.7	33.2	30.8	30.0	29.5	31.1	33.0	33.5	33.0	34.8	34.9
uMkhanyakude	35.0	31.5	29.9	30.0	30.5	31.8	33.5	33.8	33.2	34.7	34.7
King Cetshwayo	30.0	26.3	24.5	24.0	24.0	25.4	26.8	27.2	26.7	27.9	28.1
iLembe	26.7	23.2	21.4	20.9	20.7	21.9	23.2	23.4	22.7	23.9	24.3
Harry Gwala	32.2	28.2	26.1	25.5	25.2	26.5	28.1	28.4	27.4	28.6	28.9
KwaZulu-Natal	27.1	23.4	21.3	20.6	20.2	20.7	21.4	21.7	22.0	23.1	23.4

Source: IHS Markit, 2018

2.3.3 Job scarcity

Table 2.6 reflects job scarcity⁵ over the period 2007 to 2017. 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 province's job scarcity has shown a decrease from 26.8 percent in 2007 to 23.9 percent in 2017. This indicates a higher job creation capacity.

The uMzinyathi District had the highest job scarcity over the period and recorded 43.5 percent in 2017. This was followed by the Zululand and uMkhanyakude Districts at 40.7 percent and 39.5 percent, respectively. The eThekwini Metro had the lowest job scarcity at 14 percent in 2017. 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.

Table 2.6: Job scarcity, 2007 to 2017

Job Scarcity											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
eThekwini	19.1	15.2	13.2	12.4	11.7	11.7	11.2	11.2	12.1	12.7	14.0
Ugu	30.9	26.9	24.8	24.2	24.1	24.9	26.3	26.8	26.3	27.5	28.7
uMgungundlovu	26.7	23.2	21.5	21.1	21.0	21.8	22.9	23.2	22.8	23.8	24.9
uThukela	32.0	27.6	25.4	24.8	24.7	26.2	27.9	28.3	27.6	29.0	30.3
uMzinyathi	46.6	42.6	40.3	39.2	38.7	39.7	41.2	41.8	41.5	42.7	43.5
Amajuba	35.8	31.6	29.5	28.8	28.5	30.0	31.8	32.5	32.5	34.3	35.1
Zululand	42.5	38.2	36.0	35.2	35.0	36.3	38.1	38.6	38.3	39.9	40.7
uMkhanyakude	38.9	35.5	33.9	33.8	34.5	35.6	37.3	37.8	37.4	38.8	39.5
King Cetshwayo	29.8	25.8	23.8	23.5	23.8	24.5	26.0	26.4	25.9	27.2	28.2
iLembe	33.5	30.5	28.9	28.4	28.2	29.2	30.5	30.9	30.6	31.8	32.9
Harry Gwala	34.0	30.0	27.9	27.1	26.9	28.3	29.9	30.3	29.4	30.5	31.6
KwaZulu-Natal	26.8	22.9	20.8	20.0	19.6	20.2	20.8	21.3	21.6	22.7	23.9

Source: IHS Markit, 2018

⁵The *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)⁶ 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, home makers and others. Table 2.7 shows that the eThekweni Metro had the highest LFPR at 39.5 percent in 2017 followed by the uMgungundlovu and iLembe Districts at 38.2 percent and 30.8 percent, respectively. The districts with the lowest LFPR were the uMzinyathi (17.9 percent) followed by the uMkhanyakude (18.5 percent) and Zululand (19.8 percent) Districts.

Table 2.7: Labour force participation rate, 2007 to 2017

Labour Force Participation Rate											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
eThekweni	44.7	44.3	42.5	40.3	39.7	39.7	40.0	40.0	39.4	39.1	39.5
Ugu	27.5	27.3	26.1	24.7	24.4	24.7	25.6	26.9	27.7	28.0	28.5
uMgungundlovu	38.8	38.5	36.8	34.9	34.1	34.4	35.3	36.7	37.5	37.8	38.2
uThukela	25.9	25.2	23.6	21.8	21.1	21.4	22.3	23.4	24.1	24.4	24.8
uMzinyathi	19.1	18.5	17.2	15.7	15.1	15.3	15.9	16.8	17.3	17.5	17.9
Amajuba	31.4	30.4	28.3	26.1	25.1	25.3	26.1	27.2	27.8	28.1	28.6
Zululand	20.7	20.1	18.7	17.1	16.6	16.8	17.5	18.5	19.1	19.4	19.8
uMkhanyakude	19.1	18.6	17.3	15.9	15.4	15.6	16.3	17.3	17.8	18.0	18.5
King Cetshwayo	28.4	28.0	26.5	24.8	24.4	24.7	25.6	26.8	27.6	27.9	28.5
iLembe	29.8	29.7	28.5	27.1	26.8	27.1	27.9	29.2	30.0	30.3	30.8
Harry Gwala	23.6	23.2	21.8	20.4	20.0	20.3	21.1	22.2	22.9	23.2	23.7
KwaZulu-Natal	33.0	32.6	31.1	29.3	28.8	28.9	29.6	30.4	30.6	30.7	31.2

Source: IHS Markit, 2018

2.3.5 Labour absorption rate

Another key indicator in the labour market analysis is the Labour Absorption Rate (LAR)⁷. The LAR provides an alternative indication to the unemployment rate regarding the lack of job opportunities in the labour market. Overall job creation capacity has shown a marginal fluctuating trend over the period 2007 to 2017. Table 2.8 illustrates that the LAR increased marginally for six districts in KZN from 2016 to 2017. The eThekweni Metro and the uMgungundlovu District experienced slight decreases from 34.1 percent in 2016 to 33.9 percent in 2017 and 28.8 percent in 2016 to 28.7 percent in 2017, respectively.

Table 2.8: Labour absorption rate, 2007 to 2017

Labour absorption rate											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
eThekweni	36.2	37.6	36.9	35.3	35.1	35.1	35.5	35.5	34.6	34.1	33.9
Ugu	19.0	20.0	19.6	18.7	18.5	18.6	18.9	19.7	20.4	20.3	20.3
uMgungundlovu	28.4	29.6	28.9	27.5	27.0	26.9	27.3	28.2	29.0	28.8	28.7
uThukela	17.6	18.3	17.6	16.4	15.9	15.8	16.1	16.8	17.5	17.3	17.3
uMzinyathi	10.2	10.6	10.2	9.6	9.3	9.2	9.4	9.8	10.1	10.0	10.1
Amajuba	20.1	20.8	20.0	18.6	17.9	17.7	17.8	18.4	18.8	18.4	18.5
Zululand	11.9	12.4	11.9	11.1	10.8	10.7	10.9	11.4	11.8	11.7	11.8
uMkhanyakude	11.6	12.0	11.4	10.5	10.1	10.1	10.2	10.7	11.1	11.0	11.2
King Cetshwayo	19.9	20.8	20.2	19.0	18.6	18.6	18.9	19.7	20.4	20.3	20.5
iLembe	19.9	20.7	20.3	19.4	19.2	19.1	19.4	20.2	20.8	20.7	20.7
Harry Gwala	15.6	16.2	15.8	14.9	14.6	14.5	14.8	15.5	16.2	16.1	16.2
KwaZulu-Natal	24.2	25.2	24.6	23.4	23.1	23.1	23.4	23.9	24.0	23.8	23.7

Source: IHS Markit, 2018

⁶The LFPR is the proportion of the working age population which is economically active (Stats SA, 2011).

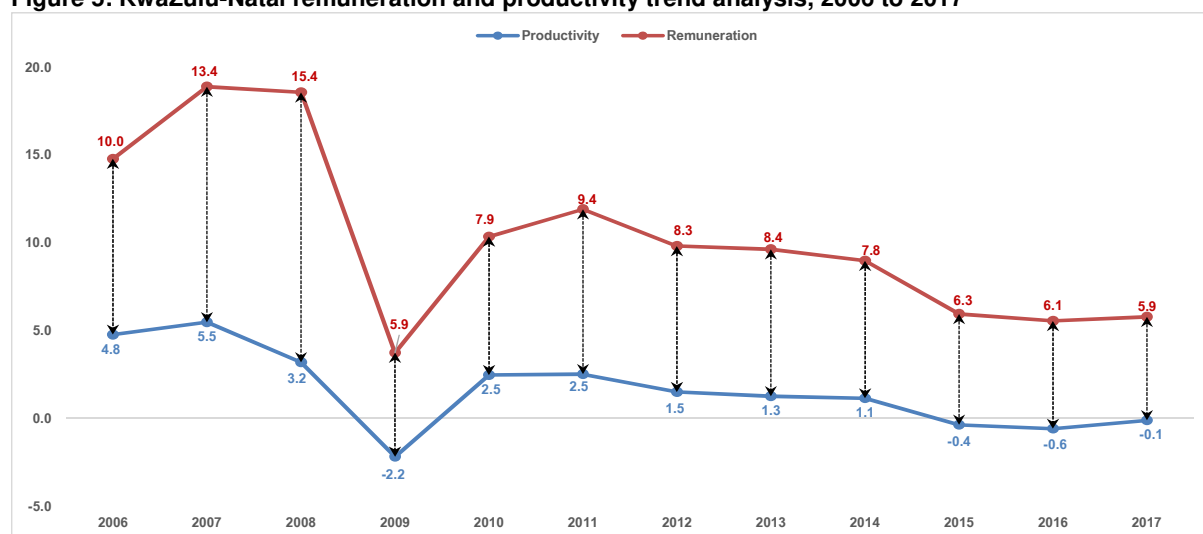
⁷The labour absorption rate is the proportion of working age group 15-64 that are employed (Stats SA, 2014).

Other district municipalities recorded the same percentages as the previous year which includes the Ugu (20.3 percent), uThukela (17.3 percent) and iLembe (20.7 percent) Districts.

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 price of labour. An improvement in this variable can be due to an accumulation of machinery, improvement in technology, investment in infrastructure, skills development and improvement in the health of organisations. Figure 5 shows a comparison of the labour productivity and labour remuneration from 2006 up to 2017 for the KZN Province.

Figure 5: KwaZulu-Natal remuneration and productivity trend analysis, 2006 to 2017



Source: IHS Markit, 2018

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 important 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, but in the long term the deteriorating competitiveness will reduce exports, output and employment (Mohr, 2008).

As is evident in Figure 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 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 2007 to 2017.

2.4 International trade

International trade extends the market of a country's output beyond the national frontiers and ensures better prices through exports. Through imports, international trade makes goods, inputs and technology which are either not available or available at higher prices, thus improving the level of satisfaction for the consumers. These inputs which are offered from international markets at reasonable prices as well as the technological spill-overs are important for developing countries since trade provides them with the opportunity to catch up with developed countries through increased production.

The benefits from trade can be negatively affected by the imposition of trade restrictions such as tariffs on commodities imported from other countries as it has recently been the case with the US and China.

This can cause retaliation, thus resulting in trade wars which can negatively affect other countries more especially, emerging market and developing countries including SA.

SA's trade and industrial policy has evolved over the years. This is due to the country's movement from a highly protected, inward looking, economy towards a more open economy. A key challenge for SA and KZN revolves around reducing the current account deficit by improving the country's production for both domestic and international markets.

Encouragingly, KZN is the second largest contributor to the South African 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 and its districts.

2.4.1 KwaZulu-Natal exports

Table 2.9 shows KZN's value of exports over 2007 to 2017. KZN exported goods valued at 142.9 billion in 2017 which was 19.4 percent of the provincial real GDP-R. This was slightly more than double the value of exports realised in 2007. The eThekweni Metro contributed 50.9 percent to KZN's exports at an estimated value of R72.7 billion in 2017. This contribution constituted 16.2 percent of the total GDP-R from the eThekweni Metro. Resultantly, the eThekweni Metro remained the largest 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 R42.4 billion in 2017, which translates to 29.7 percent of the KZN's exports and 85.9 percent of the district's GDP-R. The iLembe and uMgungundlovu Districts contributed 8.9 percent and 8.8 percent of KZN's exports, respectively. The remaining seven districts had insignificant contributions to KZN's exports at less than 1 percent each.

Table 2.9: KwaZulu-Natal value of exports (R'000) by district municipalities in 2007 and 2017

R'000	2007			2017		
	Exports	% Share of KZN exports	Exports as % of GDP	Exports	% Share of KZN exports	Exports as % of GDP
eThekweni	40 565 611	57.4	19.4	72 724 643	50.9	16.2
Ugu	90 920	0.1	0.6	368 507	0.3	1.1
uMgungundlovu	7 556 071	10.7	22.4	12 596 672	8.8	16.5
uThukela	107 865	0.2	0.8	1 194 333	0.8	4.4
uMzinyathi	178 852	0.3	3.6	318 420	0.2	2.9
Amajuba	513 698	0.7	4.9	220 152	0.2	1.1
Zululand	32 764	0.0	0.3	307 862	0.2	1.5
uMkhanyakude	1 655	0.0	0.0	66 551	0.0	0.4
King Cetshwayo	21 473 648	30.4	89.0	42 373 514	29.7	85.9
iLembe	174 653	0.2	1.8	12 712 910	8.9	58.8
Harry Gwala	10 456	0.0	0.2	17 495	0.0	0.1
KwaZulu-Natal	70 706 194	100	20.5	142 901 059	100	19.4

Source: IHS Markit, 2018

2.4.2 KwaZulu-Natal imports

Table 2.10 shows KZN value of imports over 2007 to 2017. KZN imported goods worth R137.9 billion in 2017 which grew by 89.4 percent from imports realised in 2007 (R72.8 billion). The eThekweni Metro was the largest importer in the province with an estimated value of R105.5 billion in 2017 which was 76.5 percent of KZN imports. This was followed by the King Cetshwayo District with imported goods valued at R12.8 billion in 2017 constituting 9.3 percent of the total value of the provincial imports.

Table 2.10 KwaZulu-Natal value of imports (R'000) in 2007 and 2017

R'000	2007		2017	
	Imports	% Share of KZN Imports	Imports	% Share of KZN imports
eThekwini	59 585 749	81.8	105 480 860	76.5
Ugu	357 154	0.5	957 289	0.7
uMgungundlovu	3 827 231	5.3	11 737 533	8.5
uThukela	287 565	0.4	1 830 308	1.3
uMzinyathi	35 703	0.0	398 414	0.3
Amajuba	217 008	0.3	547 668	0.4
Zululand	17 015	0.0	118 717	0.1
uMkhanyakude	6 252	0.0	181 304	0.1
King Cetshwayo	7 736 663	10.6	12 840 212	9.3
iLembe	746 316	1.0	3 776 329	2.7
Harry Gwala	2 196	0.0	41 146	0.0
KwaZulu-Natal	72 818 853	100	137 909 780	100

Source: IHS Markit, 2018

2.5. Travel and Tourism in KZN

Out of the 185 countries, SA is ranked 34th in terms of its direct contribution to GDP in absolute terms, with travel and tourism contributing a total of R401.5 billion in 2016 rising to R412.5 billion in 2017, and its anticipated to increase to R443.7 billion in 2018. Travel and tourism's total contribution to GDP is expected to show an increase of 2.9 percent from 2017 to 2018. In terms of employment, the country directly supported some 726 500 jobs in 2017. The supported jobs are anticipated to rise by 1 percent in 2018 to 733 765 in 2018. In 2017, tourism in SA created 1.53 million jobs which is anticipated to rise by 3.3 percent in 2018 to 1.58 million in 2018 before reaching a projected 2.1 million in 2028 (WTTC, 2018).

As at the third quarter of 2017, 15.4 percent of international tourists visited more than one province in SA. With respect to international tourism spend over this period, KZN constituted the fourth highest total tourism of the nine provinces, with a total tourism spend of R1.6 billion, after Gauteng at R6.8 billion, WC at R5.3 billion and LP at R3 billion (SAT, 2018). KZN as a province hosts some of the most popular tourists' attractions in SA including the spectacular Drakensberg Mountains, the golden beaches of the Indian Ocean, Ushaka Marine World, game reserves, the world heritage site of iSimangaliso wetlands, the Oribi Gorge and historic battle fields.

Travel and tourism is one of the major contributors to KZN's employment. In 2017, the number of people directly employed in the sector equated to approximately 81 000, whilst the industry's total contribution to employment was estimated at 162 000. In the same year, tourism's direct contribution to GDP in KZN was estimated at R9 billion and the total contribution was approximated at R18 billion (Zulu Kingdom, 2018).

2.6 Development

Poverty, as a public policy concern - whether at the global, national or community level, is now widely considered to be a multidimensional problem. Over the last few decades, new perspectives on defining poverty have challenged the focus on income and consumption. Multidimensional poverty refers to the lack of individuals with regard to factors such as health care, education, standard of living, access to income, empowerment, good job opportunities and the threat of violence.

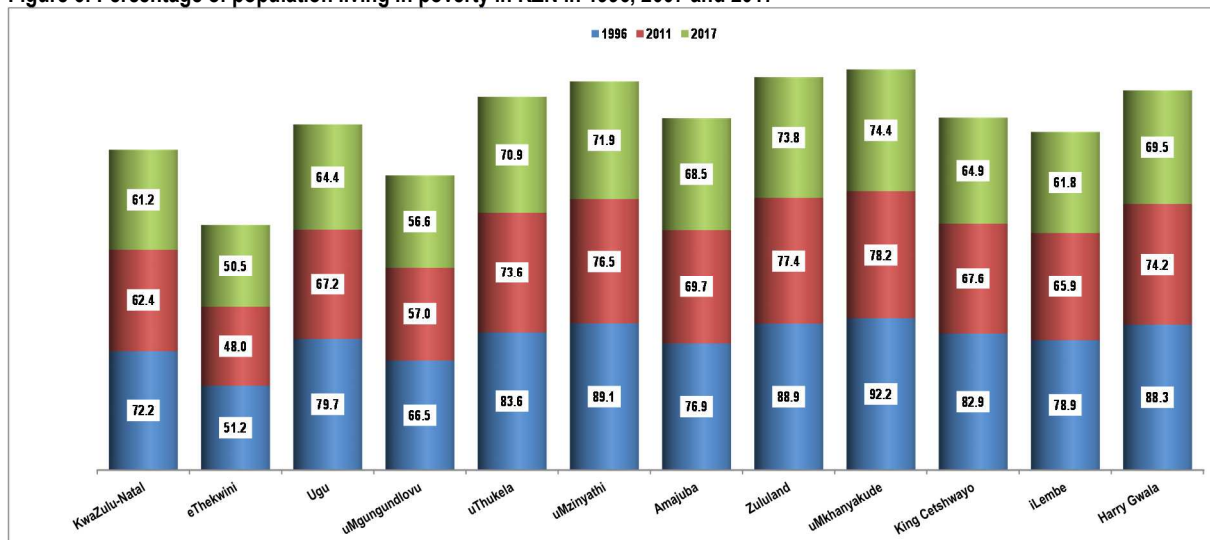
People with little to one of the aforementioned factors are usually found to be living in poverty. South Africa is characterized by high levels of poverty and inequality. Its labour force experiences

malnutrition and starvation which hamper productivity. Low income earning households typically experience high poverty levels since they lack sufficient income to maintain a decent standard of living. It therefore comes as no surprise that many of them rely on child support grants to supply basic living needs such as shelter, clothing and food.

South Africa uses three measures of poverty, that is Food Poverty Line (FPL), the Lower-Bound Poverty Line (LBPL), and the Upper-Bound Poverty Line (UBPL). The food poverty line is defined by Stats SA as the level of consumption below which individuals are unable to purchase sufficient food to provide them with an adequate diet. Those below this line are either consuming insufficient calories for their nourishment or must change their consumption patterns from those preferred by low income households⁸. The LBPL denotes food and non-food items required by households, however, those living below this line must sacrifice some food in order to get these non-food items such as transport and airtime⁹. Finally, individuals living below the UBPL¹⁰ are those who are able to consume both food and non-food items, but are unable to meet other basic necessities such as shelter, education, security and healthcare (Stats SA, 2018).

Figure 6 shows the share of KZN households living below the UBPL by district including the eThekweni Metro in 1996, 2007 and 2017. In 2017, the uMkhanyakude District (74.4 percent) had the highest share of individuals living below the upper poverty line, whilst eThekweni Metro (50.5 percent) had the lowest share of individuals living below this poverty line.

Figure 6: Percentage of population living in poverty in KZN in 1996, 2007 and 2017



Source: IHS Markit, 2018

2.6.1 Income Inequality

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). In 2017, KZN had a Gini coefficient of 0.63. This had increased by 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 the province. The highest increase in inequality occurred in the

⁸ 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 01/08/2018

⁹ 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 01/08/2018

¹⁰ 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 01/08/2018

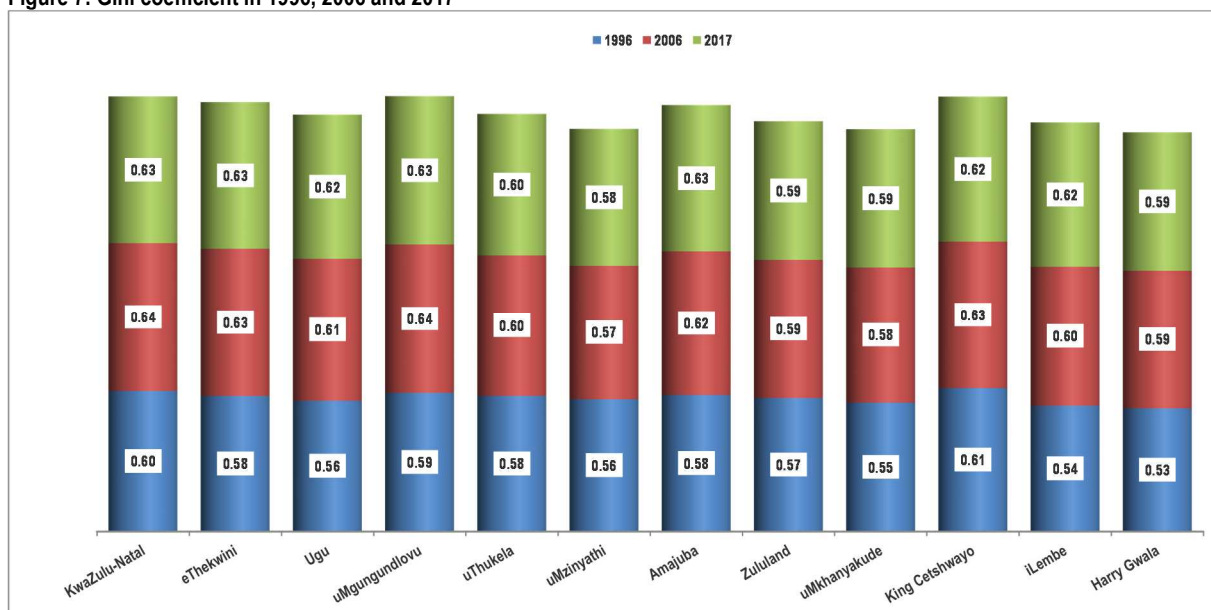
iLembe District where the Gini coefficient increased by 0.08 index points from 0.54 in 1996 to 0.62 in 2017.

This was followed by the Harry Gwala and Ugu Districts whose Gini coefficients increased by 0.06 index points each from 1996 resulting in Gini coefficients of 0.59 and 0.62 respectively in 2017.

The eThekweni Metro, the uMgungundlovu and Amajuba Districts had the highest coefficients of 0.63 index points, with uMzinyathi District having the lowest level of inequality of 0.58 index points. Inequality in KZN is aggravated by high levels of unemployment and the shortage of skilled labour due to low quality of education and inadequate improvements in the average years of schooling (Harmse, 2013).

Figure 7 reflects the Gini coefficient for KZN, the eThekweni Metro and districts within KZN for the 1996, 2006 and 2017 years.

Figure 7: Gini coefficient in 1996, 2006 and 2017



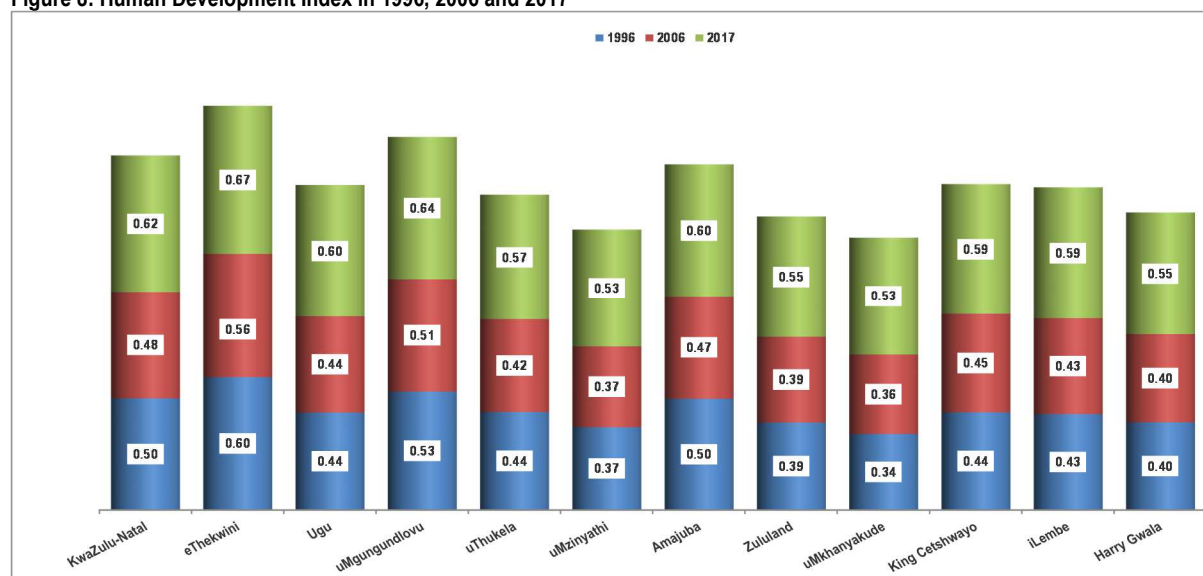
Source: IHS Markit, 2018

2.6.2 Human Development Index

The Human Development Index (HDI) is an index which is calculated based on education, health and real per capita income measures. The education component is measured using the mean of years of schooling together with expected years of schooling. The health dimension is assessed by the life expectancy at birth and the standard of living dimension is measured by the gross national income per capita (Todaro, 2011). The Human Development Report (2016) categorises an HDI of 0.8 and above as a high development status, 0.5 to 0.8 as a medium development and a low human development as anything less than 0.5.

Figure 8 shows the HDI for KZN for 1996, 2006 and 2017. In 2017, the HDI in the province was at a medium human development status as none of the districts or the eThekweni Metro reached an HDI below 0.5 or above 0.8. The eThekweni Metro had the highest HDI (0.67) followed by the uMgungundlovu District (0.64). The uMzinyathi (0.53) and uMkhanyakude (0.53) Districts had the lowest HDI and were marginally outshined by the Harry Gwala District (0.55). The highest increase in the HDI from 2006 to 2017 was in the uMkhanyakude District (0.19) followed by the iLembe, uMzinyathi, Ugu and Zululand Districts with 0.16 index points each.

Figure 8: Human Development Index in 1996, 2006 and 2017



Source: IHS Markit, 2018

A remarkable increase in the human development status of KZN can be noted from 1996. The eThekweni Metro'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 an acceleration in the process of industrialisation (Anisujjaman, 2015).

2.7 Social grants

Table 2.11 shows the number and percentage of grant beneficiaries in South Africa by province as at 28 February 2018. KZN continued to have the highest number of social grant beneficiaries in the country at 3.9 million people, followed by the EC at 2.8 million people and Gauteng at 2.6 million people. KZN had the highest share of beneficiaries of the Old Age Grant (19.9 percent), Disability Grant (21.5 percent), Grant-in-aid (29.3 percent), Care Dependency Grant (26.7 percent) and the Child Support Grant (22.8 percent). Within the province, 72.1 percent of the total grant spend was allocated to the Child Support Grant, whilst 17.5 percent was for the Old Age Grant and 5.9 percent was allocated towards the Disability Grant.

Table 2.11: Grant beneficiaries by provinces as at 28 February 2018

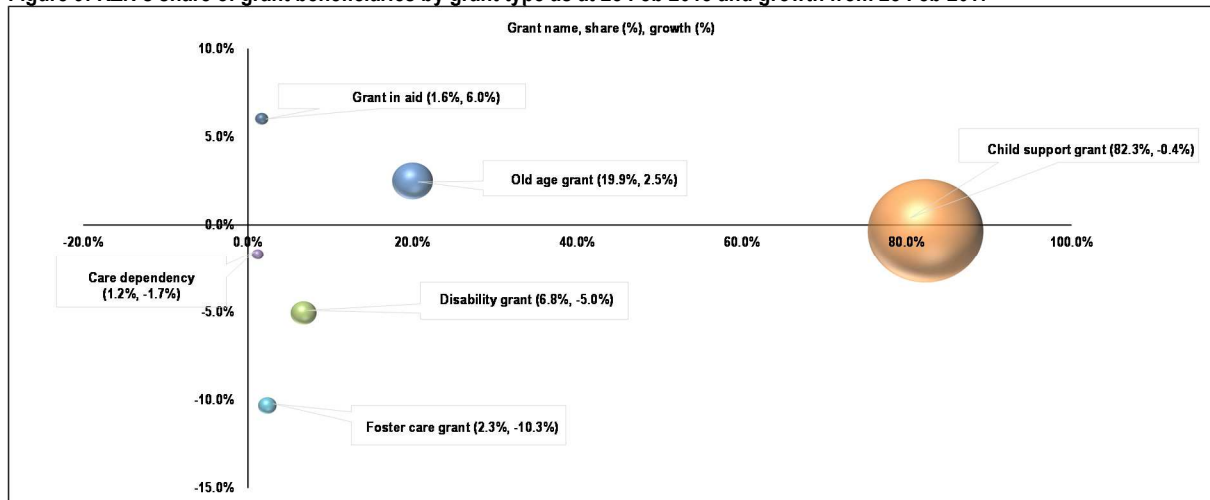
	Old Age Grant		War Veterans' Grant		Disability Grant		Grant-in-aid		Care Dependency Grant		Foster Child Grant		Child Support Grant		Total
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	
Eastern Cape	556 105	16.4	23	15.9	180 412	16.9	21 688	11.7	22 478	15.3	84 500	22.7	1 887 079	15.5	2 752 285
Free State	197 645	5.8	1	0.7	75 711	7.1	5 569	3.0	8 114	5.5	26 669	7.2	682 402	5.6	996 111
Gauteng	574 444	17.0	48	33.1	117 840	11.1	6 303	3.4	19 163	13.1	45 263	12.2	1 818 075	14.9	2 581 136
KwaZulu-Natal	673 793	19.9	18	12.4	229 458	21.5	54 098	29.3	39 123	26.7	79 397	21.4	2 782 071	22.8	3 857 958
Limpopo	457 753	13.5	3	2.1	96 167	9.0	42 622	23.1	15 316	10.4	38 639	10.4	1 801 028	14.8	2 451 528
Mpumalanga	246 755	7.3	4	2.8	78 475	7.4	14 754	8.0	11 310	7.7	26 611	7.2	1 079 685	8.9	1 457 594
Northern Cape	85 677	2.5	3	2.1	52 149	4.9	10 521	5.7	6 015	4.1	11 409	3.1	307 026	2.5	472 800
North- West	253 705	7.5	2	1.4	75 568	7.1	10 801	5.8	10 068	6.9	29 100	7.8	839 462	6.9	1 218 706
Western Cape	335 027	9.9	43	29.7	159 756	15.0	18 340	9.9	15 079	10.3	30 055	8.1	1 000 845	8.2	1 559 145
South Africa	3 380 904	100.0	145	100.0	1 065 536	100.0	184 696	100.0	146 666	100.0	371 643	100.0	12 197 673	100.0	17 347 263

Source: SASSA, 2018

Figure 9 further demonstrates the growth rates of grant beneficiary numbers between 28 February 2017 and 28 February 2018. There was an increase in the percentage of grant beneficiaries in the Grant-in-

aid (6 percent) and Old age grant (2.5 percent). On a positive note, 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, entails that there was an increase in people who were already beneficiaries of either Old Age Grant, Disability Grant or the War Veteran’s Grant who needed full time care from someone else.

Figure 9: KZN’s share of grant beneficiaries by grant type as at 28 Feb 2018 and growth from 28 Feb 2017



Source: SASSA, 2018

2.8 Education

Education is essential for the enhancement of human capital, thus rendering a greater prospect for people to generate income. One of the Department of Education’s (DoE’s) strategic objectives is to extend a better quality of life to children of school-going age. According to Calman and Tarr-Whelan (2005)¹¹, investing in early education generates economic development for communities in the short-term in the form of jobs, the purchase of goods and services and a more efficient workforce. In the long-term, quality early education builds an employable and educated workforce.

Heckman, Pinto and Savelyev (2013)¹² further state that the holistic development of young children (physical, socio-emotional, language and cognitive) plays a critical role in shaping their subsequent school attainment, performance, health and future earnings as well as assists in discouraging antisocial behavior. These studies provide evidence that early childhood development gives a good basic education foundation. It is from this backdrop that quality basic education is one of the 14 national outcomes as indicated in the Medium Term Strategic Framework (MTSF) of SA. It is therefore not surprising that education is receiving the largest allocation in the national budget.

2.8.1 School and educator: Learner ratios in 2010 and 2014

The Learner-to-educator ratio (LER) is the number of students that attend school at either primary or secondary level divided by the number of educators in that school. A LER ratio of 10:1 indicates that there are 10 learners for every one teacher. Classes that are of small sizes are more favourable because the teacher can manage well and interact easily with the whole class without having any hindrances to teach. This can be helpful since learners can fully participate and achieve the desired outcomes through the effective learning process. In that way, it can be rare for such a class to experience the failure rate because the teacher can devote all the necessary time to learners and also advise them on how to

¹¹ Calman L.J. & Tarr-Whelan L. Early childhood education for all. A wise investment. Available online: <http://web.mit.edu/workplacecenter/docs/Full%20Report.pdf>

¹² Heckman J., Rodrigo P. and Peter S. (2013): “Understanding the Mechanisms Through Which an Influential Early Childhood Program Boosted Adult Outcomes.” *American Economic Review* 103 (6): 2052–2086

overcome any difficulties that can arise during the preparations of formal assessments towards the end of their term.

Monyatsi¹³ (2016), found that factors contributing to academic excellence of learners in primary school arise from involving parents, language used, teaching and learning materials, infrastructure, LER, libraries learners etiquette, inspiration and qualifications of educators.

The Learner to school ratio (LSR) and LER as well as the information which support the ratios calculated are shown in Table 2.12 for the 2010 and 2014 years.

Table 2.12 Learners, educators and schools across KZN, 2010 and 2014

	2010					2014				
	No. of learners	No. of educators	No. of schools	LER	LSR	No. of learners	No. of educators	No. of schools	LER	LSR
eThekwini	681 615	23 889	1 057	29	645	714 373	25 066	933	28	766
Ugu	218 242	7 202	507	30	430	217 738	7 206	544	30	400
uMgungundlovu	238 484	8 454	548	28	435	246 644	8 712	517	28	477
uThukela	204 878	6 498	454	32	451	211 772	6 653	669	32	317
uMzinyathi	180 880	5 587	485	32	373	196 423	6 006	455	33	432
Amajuba	134 039	4 243	249	32	538	141 679	4 521	533	31	266
Zululand	288 891	9 008	747	32	387	295 447	9 325	757	32	390
uMkhanyakude	235 270	7 199	544	33	432	241 843	7 397	501	33	483
King Cetshwayo	296 751	9 378	673	32	441	302 104	9 677	452	31	668
iLembe	171 948	5 416	432	32	398	177 315	5 697	248	31	715
Harry Gwala	155 990	5 052	451	31	346	156 359	5 298	544	30	287
KwaZulu-Natal	2 806 988	91 926	6 147	31	457	2 901 697	95 560	6 153	30	472

Source: Department of Education, 2016

The total number of learners in KZN increased slightly from 2.8 million in 2010 to 2.9 million in 2014, showing an increase of 3.4 percent. This was coupled by a rise in the total number of educators from 91 926 in 2010 to 95 560 in 2014, leading to an approximate 4 percent increase. During the same period, the number of schools increased marginally by 0.1 percent from 6 147 to 6 153. Consequently, the LER in the province decreased slightly from an average of 31 in 2010 to 30 in 2014. The LER appears to be above the benchmark of 30 in the province except for the eThekwini Metro (28), the Ugu (30), uMgungundlovu (28) and Harry Gwala (30) Districts.

The LSR in KZN increased marginally from 457 in 2010 to 472 in 2014. It seems as if most of the districts in the province including the eThekwini Metro recorded increasing LSRs except the Ugu, uThukela, Amajuba and Harry Gwala Districts.

2.9 Household Infrastructure

The provincial government is dedicated to service delivery with the key focus areas being on access to water and electricity, the removal of refuse and the convenience of 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 2.13 illustrates that the eThekwini Metro is the leading municipality in the province when it comes to the provision of service delivery to households. Specifically, the metro leads in the areas of formal

¹³ Monyatsi, P. P (2016): Factors That Influence the Performance of Students In Botswana Primary Schools, IOSR Journal Of Humanities And Social Science (IOSR-JHSS) Volume 21, Issue 9, Ver. 5 (Sep.2016) PP 40-53, Accessed 11 August 2017

refuse removal (86.9 percent), electricity (91.6 percent), the share of households with piped water at or above the RDP-level (88.9 percent) and the share of households with hygienic toilets (87.6 percent).

Table 2.13: Access to housing, sanitation, water, electricity and refuse removal, 2017

%	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
eThekwini	81.1	87.6	88.9	91.6	86.9
Ugu	64.0	68.2	67.5	78.1	24.5
uMgungundlovu	76.5	81.4	78.3	87.9	49.8
uThukela	70.1	75.3	56.1	78.6	36.3
uMzinyathi	52.9	74.0	48.8	59.8	23.1
Amajuba	86.9	77.1	83.6	86.1	59.1
Zululand	66.5	70.8	53.7	74.4	26.0
uMkhanyakude	72.5	67.9	43.2	46.7	8.3
King Cetshwayo	71.9	76.5	70.8	83.3	31.2
iLembe	72.4	67.8	67.4	78.6	38.3
Harry Gwala	44.0	67.5	52.5	70.9	23.3
KwaZulu-Natal	73.7	79.0	73.9	82.3	54.4

Source: IHS Markit, 2018

The Amajuba District has the leading share of households occupying formal dwellings at 86.9 percent. With respect to districts which have the lowest share of households with access to sanitation, the Harry Gwala (67.5 percent), iLembe (67.8 percent), uMkhanyakude (67.9 percent) and Ugu (68.2 percent) Districts are in the top four.

With respect to piped water at or above the RDP-level, the eThekwini Metro (88.9 percent) is leading followed by the Amajuba (83.6 percent) and uMgungundlovu Districts (78.3 percent). After the eThekwini Metro (86.9 percent), the Amajuba District has a share of 59.1 percent of households with access to refuse removal services, whilst the uMgungundlovu District has a share of only 49.8 percent.

2.10 Crime

According to the United Nations Office on Drugs and Crime (2017), much work remains to be done in the confrontation of the harms inflicted by drugs to health, development, peace and security in all regions of the world. The devastating impact of drug use on health can be seen in cases of HIV and hepatitis C transmission through the sharing of needles.

Table 2.14 illustrates the crime figures together with the growth rates in each crime category in KZN. The highest occurrence of crime in the period of 2016/17 fell under drug-related crime (50 429), followed by all theft not mentioned elsewhere (42 577) and burglary at residential premises (41 013). KZN experienced a decrease in the prevalence rates of most of its crime categories between 2015/16 and 2016/17. However, murder, aggravated robberies, stock-theft, commercial crime and categories of crime which are detected as a result of police action were on the increase.

A strong relationship exists between levels of violence and potentially variable factors such as economic inequality, access to firearms, use of alcohol and poor monitoring and parental supervision (Open Society Initiative for Southern Africa, 2012). In response to these factors, KZN should try to bridge the inequality gap and implement stronger laws for the access of firearms and implement more police patrols in high crime places.

Table 2.14 Crime per 100 000 people in KwaZulu-Natal, 2014 to 2017

Crime Category	April 2014 to March 2015	April 2015 to March 2016	April 2016 to March 2017	Comparison 2015/16 with 2016/17	
				Case Difference	% change
CONTACT CRIMES (CRIMES AGAINST THE PERSON)					
Murder	3 810	3 929	4 014	85	2.2%
Sexual Offences	9 079	8 947	8 484	-463	-5.2%
Attempted murder	3 918	4 041	3 914	-127	-3.1%
Assault with the intent to inflict grievous bodily harm	29 201	28 665	26 824	-1 841	-6.4%
Common assault	24 011	23 703	22 285	-1 418	-6.0%
Common robbery	7 857	7 524	7 305	-219	-2.9%
Robbery with aggravating circumstances	20 881	21 061	22 327	1 266	6.0%
Total Contact Crimes (Crimes Against the Person)	98 757	97 870	95 153	-2 717	-2.8%
SUBCATEGORIES OF AGGRAVATED ROBBERY					
Carjacking	2 190	2 493	3 029	536	21.5%
Truck hijacking	63	71	81	10	14.1%
Robbery of cash in transit	18	21	25	4	19.0%
Bank robbery	0	0	1	1	1 Case Higher
Robbery at residential premises	3 958	4 082	4 255	173	4.2%
Robbery at non-residential premises	2 750	2 825	2 951	126	4.5%
Trio Crimes	8 898	9 400	10 235	835	8.9%
Subcategories of Aggravated Robbery	8 979	9 492	10 342	850	9.0%
CONTACT-RELATED CRIMES					
Arson	854	825	699	-126	-15.3%
Malicious damage to property	14 605	14 709	14 010	-699	-4.8%
Contact- Related Crimes	15 459	15 534	14 709	-825	-5.3%
PROPERTY-RELATED CRIMES					
Burglary at non-residential premises	11 032	11 656	11 253	-403	-3.5%
Burglary at residential premises	43 274	42 429	41 013	-1 416	-3.3%
Theft of motor vehicle and motorcycle	8 404	8 673	8 413	-260	-3.0%
Theft out of or from motor vehicle	18 148	17 896	16 854	-1 042	-5.8%
Stock- theft	5 956	5 731	5 959	228	4.0%
Property-Related Crimes	86 814	86 385	83 492	-2 893	-3.3%
OTHER SERIOUS CRIMES					
All theft not mentioned elsewhere	47 622	43 573	42 577	-996	-2.3%
Commercial crime	11 227	11 395	12 405	1 010	8.9%
Shoplifting	14 118	13 648	12 302	-1 346	-9.9%
Other Serious Crimes	72 967	68 616	67 284	-1 332	-1.9%
17 Community- Reported Crimes	273 997	268 405	260 638	-7 767	-2.9%
CRIME DETECTED AS A RESULT OF POLICE ACTION					
Illegal possession of firearms and ammunition	4 081	3 908	4 000	92	2.4%
Drug-related crime	47 377	46 354	50 429	4 075	8.8%
Driving under the influence of alcohol or drugs	11 702	12 052	13 403	1 351	11.2%
Sexual offences as result of police action	2 258	2 561	3 558	997	38.9%
Crime Detected As A Result Of Police Action	65 418	64 875	71 390	6 515	10.0%

Source: SAPS, 2018

Chapter 3: Overview of Provincial Budget Performance

The provincial overview in this chapter as well as the analysis per municipality in Chapter 4 are based on the figures submitted by the municipalities in terms of Section 71 of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) to the National Treasury (NT) Local Government Database (lgdatabase) and extracted from the National Treasury Local Government Budget and Expenditure published MFMA Section 71 report.

While it is acknowledged that the budget performance figures published by National Treasury for the 2017/18 financial year are preliminary figures and do not take year-end reconciliations into consideration, three municipalities, namely, the AbaQulusi Local Municipality, the Ndwedwe Local Municipality and the iLembe District Municipality, submitted significantly misstated figures as part of the MFMA Section 71 report to NT, for instance, figures were reported in billions as opposed to millions. Thus the NT publication was significantly distorted.

Concerns with regards to the discrepancies in the MFMA Section 71 reported figures were raised by Provincial Treasury with each of the three municipalities, requesting them to furnish Provincial Treasury with a detailed report explaining the circumstances that led to the submission of incorrect figures as well as remedial or corrective measures that the municipalities intend to implement to avoid a recurrence of the inaccurate reporting. Furthermore, since each Municipal Manager and Chief Financial Officer are requested to sign and submit the MFMA Section 71 reports to National Treasury and the fact that Provincial Treasury views the submission of inaccurate reporting as a material non-compliance with the relevant provision of the MFMA, the three municipalities were reminded of Section 171(1) of the MFMA which states that the following:

The accounting officer of a municipality commits an act of financial misconduct if that accounting officer deliberately or negligently—

- (a) contravenes a provision of this Act;*
- (b) fails to comply with a duty imposed by a provision of this Act on the accounting officer of a municipality;*
- (c) makes or permits, or instructs another official of the municipality to make, an unauthorised, irregular or fruitless and wasteful expenditure; or*
- (d) provides incorrect or misleading information in any document which in terms of a requirement of this Act must be—*
 - (i) submitted to the mayor or the council of the municipality, or to the Auditor-General, the National Treasury or other organ of state; or*
 - (ii) made public.*

As a result of the significantly misstated figures contained in the NT publication, KwaZulu-Natal (KZN) Provincial Treasury requested that the three affected municipalities resubmit the MFMA Section 71 returns for the year ended 30 June 2018. The amended performance figures for these municipalities were then extracted from the live segment of the NT lgdatabase and used in the KZN Provincial Treasury close-out report for the 2017/18 financial year to provide a more accurate status of the financial affairs of the municipalities in KZN for the 2017/18 financial year.

While the main differences between the NT published figures and the resubmitted figures used by the KZN Provincial Treasury are shown in detail in Appendix 1, a summary is provided in Table 3.1 below.

Table 3.1: Impact of the Adjustments to the National Treasury MFMA Section 71 Published Results – 2017/18

R'000	NT published figures with significantly misstated figures for AbaQulusi, Ndwedwe and iLembe municipalities	NT published figures used in KZN PT report with resubmitted figures for AbaQulusi, Ndwedwe and iLembe municipalities	Difference
Operating Revenue	76 176 882	56 686 995	(19 489 886)
Operating Expenditure	68 301 539	53 539 553	(14 761 986)
Capital Revenue	17 173 000	9 811 948	(7 361 052)
Capital Expenditure	17 173 000	9 811 948	(7 361 052)

Source: NT Igdatabase

3.1 Operating revenue

Table 3.2 shows the Original Budget, the Adjusted Budget and the Unaudited Actual Operating revenue per source and per district for the 2017/18 financial year.

Table 3.2: Operating revenue per revenue source and per district - 2017/18

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			
eThekwini	33 384 656	32 767 708	32 405 050	98.9	7 772 140	11 863 906	3 414 476	1 911 760	5 226 524	306 046	1 910 197
Ugu	2 309 736	2 400 426	1 980 080	82.5	420 457	119 879	420 798	163 952	683 465	98 102	73 427
uMgungundlovu	6 591 329	6 354 794	5 972 384	94.0	1 125 530	2 031 944	722 762	273 401	1 322 971	105 263	390 513
uThukela	2 139 812	2 111 674	2 145 932	101.6	309 705	473 921	223 960	123 396	846 365	11 163	157 423
uMzinyathi	1 178 261	1 329 338	1 229 587	92.5	146 578	185 786	41 922	40 348	718 334	11 907	84 712
Amajuba	2 121 733	2 071 011	2 060 515	99.5	286 306	662 407	176 000	162 643	669 920	33 463	69 776
Zululand ³	1 858 816	1 719 278	1 584 554	92.2	190 291	184 514	53 047	116 312	883 170	31 083	126 137
uMkhanyakude	1 106 960	1 080 612	1 030 454	95.4	95 246	6 294	20 592	32 128	824 677	2 893	48 625
King Cetshwayo	4 330 829	4 330 802	4 107 093	94.8	514 757	1 422 376	427 545	242 716	1 215 716	72 771	211 211
iLembe ³	2 576 432	2 564 089	2 969 545	115.8	448 513	686 574	268 700	124 519	856 524	300 512	284 203
Harry Gwala	1 207 263	1 207 950	1 201 802	99.5	158 457	105 349	68 370	62 415	706 647	17 689	82 875
Total	58 805 827	57 937 682	56 686 995	97.8	11 467 980	17 742 951	5 838 172	3 253 590	13 954 314	990 891	3 439 099

Source: NT Igdatabase

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.

3. Figures obtained from the live NT Igdatabase on 15 August 2018.

The original Operating revenue budget amount for the eThekwini Metro and the 10 districts in the province was R58.8 billion for the 2017/18 financial year. The total original Operating revenue budget was adjusted downwards by R868.1 million or 1.5 percent to R57.9 billion in the Adjusted Budget. Table 3.2 shows that total Operating revenue of R56.7 billion or 97.8 percent was generated against the Adjusted Budget of R57.9 billion resulting in a revenue shortfall of R1.3 billion or 2.2 percent for the province. This was due to the under-generation of revenue within the respective districts where eight districts and the eThekwini Metro generated less than 100 percent of their Adjusted Budget for Operating revenue.

The iLembe and uThukela Districts were the only districts that generated more than 100 percent of their Adjusted Budget for Operating revenue with actual amounts of R3 billion (115.8 percent) and R2.1 billion (101.6 percent), respectively. The over-generation in the iLembe District was caused by the iLembe District Municipality. The over-generation in the iLembe District Municipality was mainly due to the growth in the billing of Service charges due to new areas identified during the 2017/18 financial year as well as the impact of the change in the basis of billing for *Service charges – sanitation revenue* which was implemented in the 2017/18 financial year. The over-generation in the uThukela District was mainly due to the Okhahlamba Local Municipality which generated R234.3 million (135.6 percent) against the Adjusted Budget of R172.8 million.

Overall, there were 19 municipalities in the province that managed to generate Operating revenue in excess of their Adjusted Budget as shown in Appendix 2. The highest over-generation was in the iLembe District Municipality (190.2 percent) followed by the iMpendle Local Municipality (161.8 percent), the Amajuba District Municipality (137.6 percent) and the Okhahlamba Local Municipality (135.6 percent).

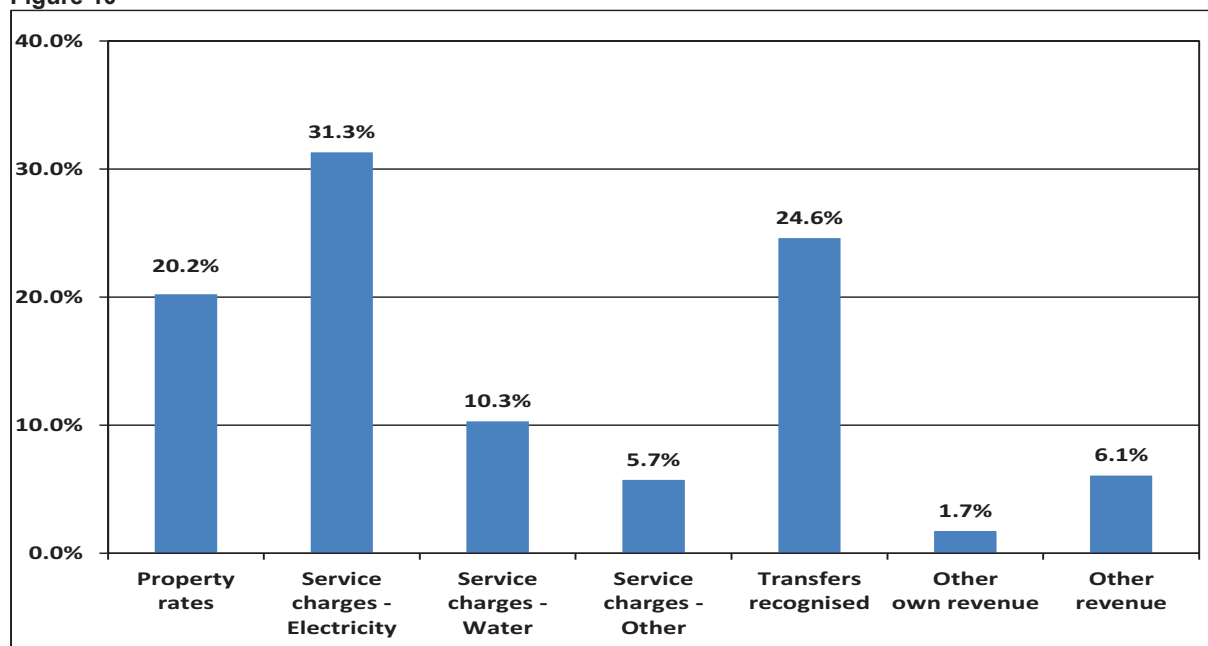
The Ugu, Zululand and uMzinyathi Districts generated the lowest Operating revenue against their Adjusted Budget with R2 billion (82.5 percent), R1.6 billion (92.2 percent) and R1.2 billion (92.5 percent), respectively.

The low Operating revenue generated by the Ugu District was attributed to the Ugu District Municipality which generated R575.6 million or 63.1 percent against the Adjusted Budget of R912.7 million. The low generation in the Ugu District Municipality was due to incorrect reporting by the municipality where R50.3 million for *Transfers recognised-operational* was reported against the Adjusted Budget of R445.8 million. The unaudited actual for *Transfers recognised-operational* is R418.4 million (93.8 percent) as per the grants register submitted by the municipality.

The low generation in the Zululand District was due to the eDumbe, AbaQulusi and Ulundi Local Municipalities which generated R76.9 million (68.3 percent), R369.1 million (76.2 percent) and R279.7 million (86.9 percent), respectively against their Adjusted Budgets. The low generation in the uMzinyathi District was due to the uMsinga and uMvoti Local Municipalities which generated R106 million (58.7 percent) and R269.5 million (86.8 percent) against their respective Adjusted Budgets.

Figure 10 shows the Operating revenue generated per source as a percentage of total Operating revenue generated as at 30 June 2018.

Figure 10



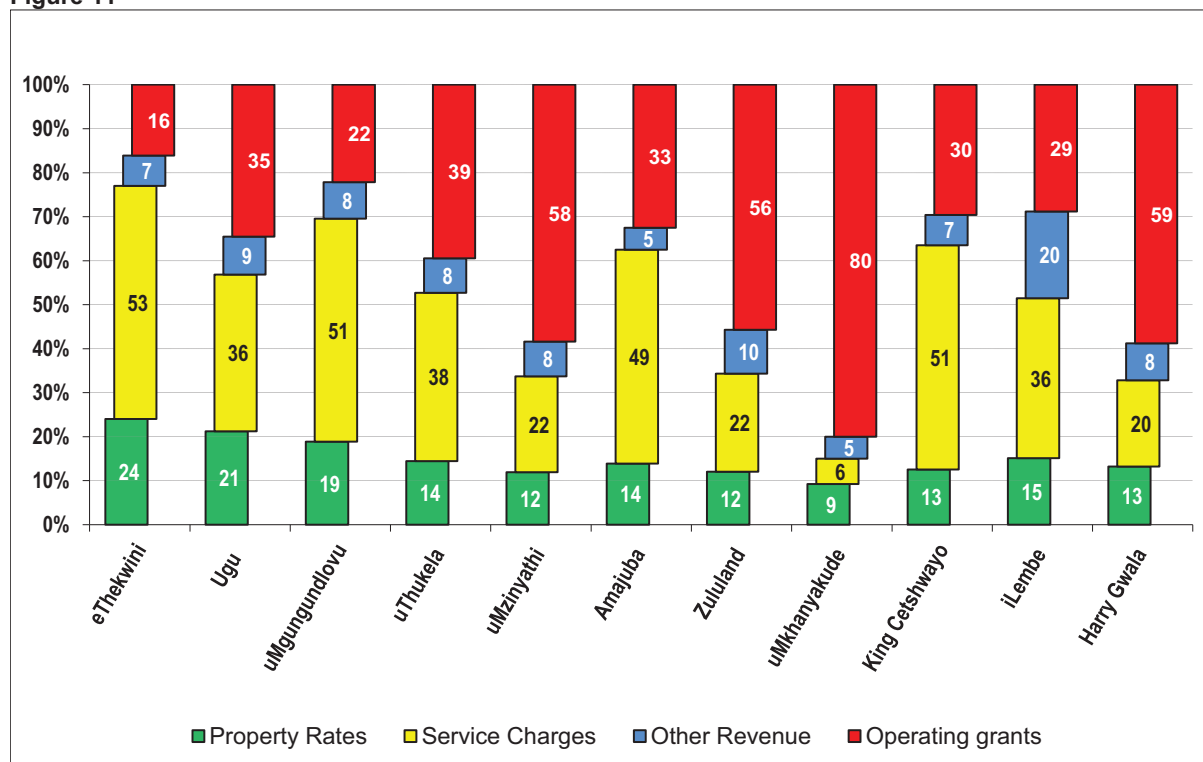
Service charges totaling R26.8 billion or 47.3 percent made up of Electricity of R17.7 billion or 31.3 percent, Water of R5.8 billion or 10.3 percent and Other of R3.3 billion or 5.7 percent contributed the most towards the total Operating revenue for the 2017/18 financial year. This was followed by *Transfers recognised-operational* amounting to R14 billion or 24.6 percent, *Property rates* amounting to R11.5 billion or 20.2 percent and *Other revenue* amounting to R3.4 billion or 6.1 percent. *Other own revenue* of R990.9 million or 1.7 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 R32.4 billion or 57.2 percent of total Operating revenue whilst the Msunduzi and uMhlathuze Local Municipalities contributed R4.4 billion or 7.8 percent and R2.8 billion or 4.9 percent to the total Operating revenue, respectively.

When excluding the non-delegated municipalities from the district totals, the iLembe District (R3 billion or 5.2 percent), the uThukela District (R2.1 billion or 3.8 percent) and the Amajuba District (R2.1 billion or 3.6 percent) contributed the most to the total Operating revenue generated.

Figure 11 shows a breakdown in terms of Operating revenue per district and per source for the 2017/18 financial year.

Figure 11



On comparison of the 10 districts and the eThekweni Metro, only the eThekweni Metro (R7.7 billion or 24 percent) and the Ugu District (R420.5 million or 21.2 percent) generated more than 20 percent of their total Operating revenue from *Property rates* whilst the uMkhanyakude District (R95.2 million or 9.2 percent) generated less than 10 percent of its total Operating revenue from *Property rates*. The *Property rates* generated by the remaining eight districts range between 11 percent and 20 percent of their total Operating revenue.

The revenue generated from *Service charges* for the eThekweni Metro constituted 53 percent of the total Operating revenue for the municipality. The districts that generated most of their revenue from *Service charges* are the King Cetshwayo District with 51 percent, the uMgungundlovu District with 50.7 percent, the Amajuba District with 48.6 percent, the uThukela District with 38.3 percent and the iLembe District with 36.4 percent.

The district that generated the least portion of their revenue from *Service charges* was the uMkhanyakude District at 5.7 percent. This can be attributed to the fact the district consists mainly of rural settlements and infrastructure for the provision of water and electricity is under-developed.

A significant portion of the Operating revenue for the uMkhanyakude District (80 percent), the Harry Gwala District (58.8 percent), the uMzinyathi District (58.4 percent) and the Zululand District (55.7 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 constitutes of only 16.1 percent of *Transfers recognised-operational* as the municipality is able to generate the bulk of their revenue from *Service charges* due to its predominantly urban area.

Other revenue amounting to R4.4 billion or 7.8 percent contributed the least towards the total Operating revenue generated by the municipalities. The iLembe District (19.7 percent), the Zululand District (9.9 percent) and the Ugu District (8.7 percent) contributed the most towards *Other revenue*.

Table 3.3 shows the over and under-generation of Operating revenue against the Adjusted Budgets per district for the 2017/18 financial year.

Table 3.3: Over and Under-Generation of Operating revenue budget per District - 2017/18

	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	eThekwinini Metro	-	-	-	1	-	-	-	-	1
2	Ugu	2	-	-	2	-	-	-	1	5
3	uMgungundlovu	-	-	4	-	1	2	-	1	8
4	uThukela	-	-	1	1	1	-	-	1	4
5	uMzinyathi	1	1	-	1	1	1	-	-	5
6	Amajuba	-	1	-	1	-	-	-	2	4
7	Zululand	2	1	-	-	1	-	1	1	6
8	uMkhanyakude	1	1	-	1	2	-	-	-	5
9	King Cetshwayo	2	-	1	2	1	-	-	-	6
10	iLembe	2	-	-	2	-	-	-	1	5
11	Harry Gwala	-	-	-	4	1	-	-	-	5
	Totals	10	4	6	15	8	3	1	7	54

Source: NT Lgdatabase

Of the 54 reporting municipalities:

- Eleven (11) municipalities or 20.4 percent generated revenue in excess of their Adjusted Budget. Of the 11 municipalities indicated, seven municipalities generated revenue in excess of 15 percent of their Adjusted Budget;
- Twenty three (23) municipalities or 42.6 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 (20) municipalities or 37 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 outcomes noted 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 3.4 shows Original Budget, the Adjusted Budget and the Unaudited Actuals per item of Operating expenditure and per district for the 2017/18 financial year.

Table 3.4: Operating expenditure per item and per district - 2017/18

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	32 697 271	32 255 532	30 347 704	94.1	9 285 743	118 564	134 558	2 227 623	696 519	10 202 148	4 461 696	1 739 738	1 481 116
Ugu	2 463 708	2 492 076	1 776 709	71.3	699 733	61 624	2 163	45 634	7 548	117 681	396 676	381 323	64 327
uMgungundlovu	6 610 134	6 447 319	5 705 494	88.5	1 524 002	88 432	79 874	514 165	88 482	2 013 828	852 257	381 347	163 107
uThukela	2 034 666	2 228 264	1 744 506	78.3	752 932	56 290	11 371	99 062	11 276	293 053	201 066	226 377	93 078
uMzinyathi	1 381 753	1 357 098	1 157 120	85.3	391 649	31 349	59 963	161 338	1 054	137 956	164 246	180 622	28 943
Amajuba	2 219 617	2 519 670	2 401 829	95.3	661 838	40 507	141 499	482 605	35 295	557 248	97 425	377 697	7 714
Zululand ²	1 915 994	2 083 552	1 695 135	81.4	550 676	50 772	(110 830)	427 099	7 382	241 845	240 893	193 519	93 779
uMkhanyakude	1 097 342	1 136 796	981 552	86.3	411 450	54 760	3 313	35 688	6 485	75 946	211 289	158 513	24 108
King Cetshwayo	4 408 501	4 575 431	4 237 700	92.6	1 117 623	86 933	74 702	471 606	80 897	1 027 361	761 648	475 367	141 563
iLembe ²	2 573 368	2 562 609	2 362 971	92.2	689 067	67 278	67 561	161 794	31 377	612 088	296 973	291 419	145 413
Harry Gwala	1 286 054	1 316 224	1 128 833	85.8	446 528	50 903	(99)	139 610	1 928	92 625	109 695	266 425	21 219
Total	58 688 407	58 974 570	53 539 553	90.8	16 531 240	707 412	464 074	4 766 224	968 245	15 371 781	7 793 864	4 672 347	2 264 368

Source: NT Lgdatabase

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

2 Figures obtained from the live NT Lgdatabase on 15 August 2018.

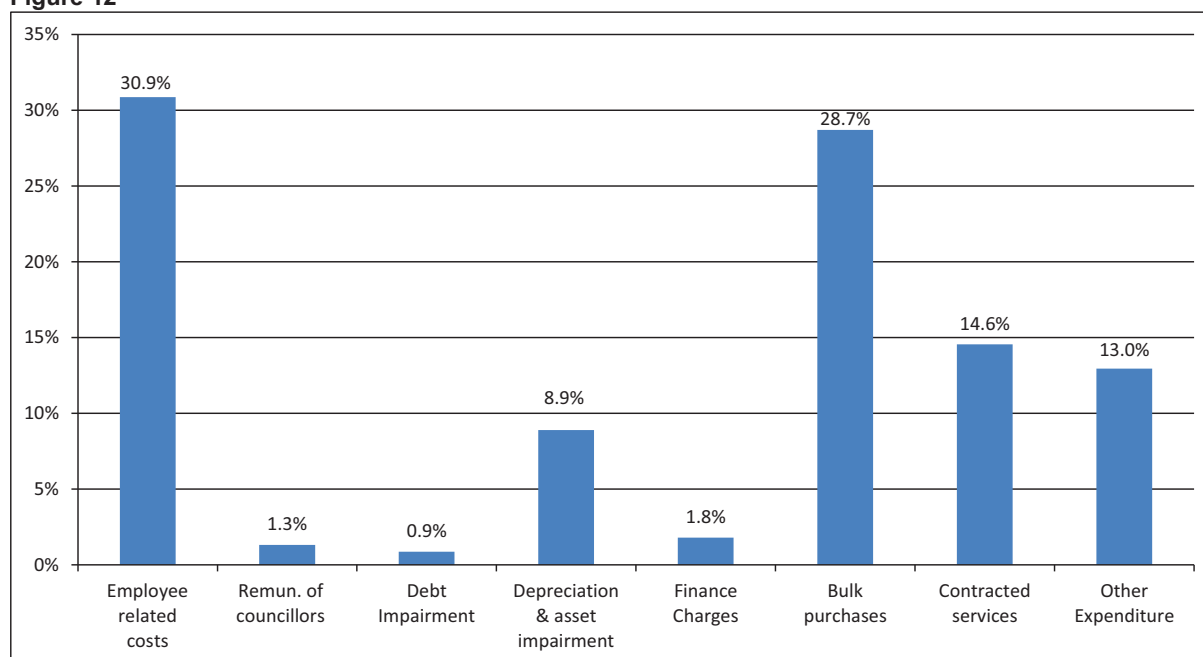
The total original Operating expenditure budget for all the municipalities in the province was R58.7 billion for the 2017/18 financial year which was adjusted upwards during the 2017/18 Adjustments Budget process by R286.2 million to R59 billion. Table 3.4 shows that the consolidated performance for the Operating expenditure of all the municipalities was R53.5 billion or 90.8 percent against the Adjusted Budget of R59 billion. The Operating expenditure Adjusted Budget was under-spent by R5.4 billion or 9.2 percent. The reported under-expenditure increased by R2.3 billion or 73.9 percent as compared to the 2016/17 financial year. The majority of the municipalities (29) in the province did not report against *Debt impairment* and 11 municipalities did not report on *Depreciation and asset impairment* which has contributed to the under-expenditure in the province.

As shown in Table 3.4, all the districts including the eThekweni Metro have recorded expenditure which is below the expected target of 100 percent at the end of the 2017/18 financial year. Four municipalities over-spent against their Adjusted Budget which are as follows: the iLembe District Municipality (R687.9 million or 105.4 percent); the Mtubatuba Local Municipality (R207.5 million or 103.8 percent); the Okhahlamba Local Municipality (R182.6 million or 103.2 percent); and the Nongoma Local Municipality (R159 million or 101.6 percent).

The Ugu and the uThukela Districts spent the least of their Adjusted Budgets with R1.8 billion (71.3 percent) and R1.7 billion (78.3 percent), respectively.

Figure 12 shows the breakdown of Operating expenditure for the 2017/18 financial year.

Figure 12



Employee related costs of R16.5 billion or 30.9 percent contributed the largest portion of Operating expenditure. This was followed by *Bulk purchases* of R15.4 billion or 28.7 percent, *Contracted services* of R7.8 billion or 14.6 percent, *Other expenditure* of R6.9 billion or 13 percent and *Depreciation and asset impairment* of R4.8 billion or 8.9 percent. *Debt impairment* of R464.1 million or 0.9 percent contributed the least to total Operating expenditure as shown in Figure 12.

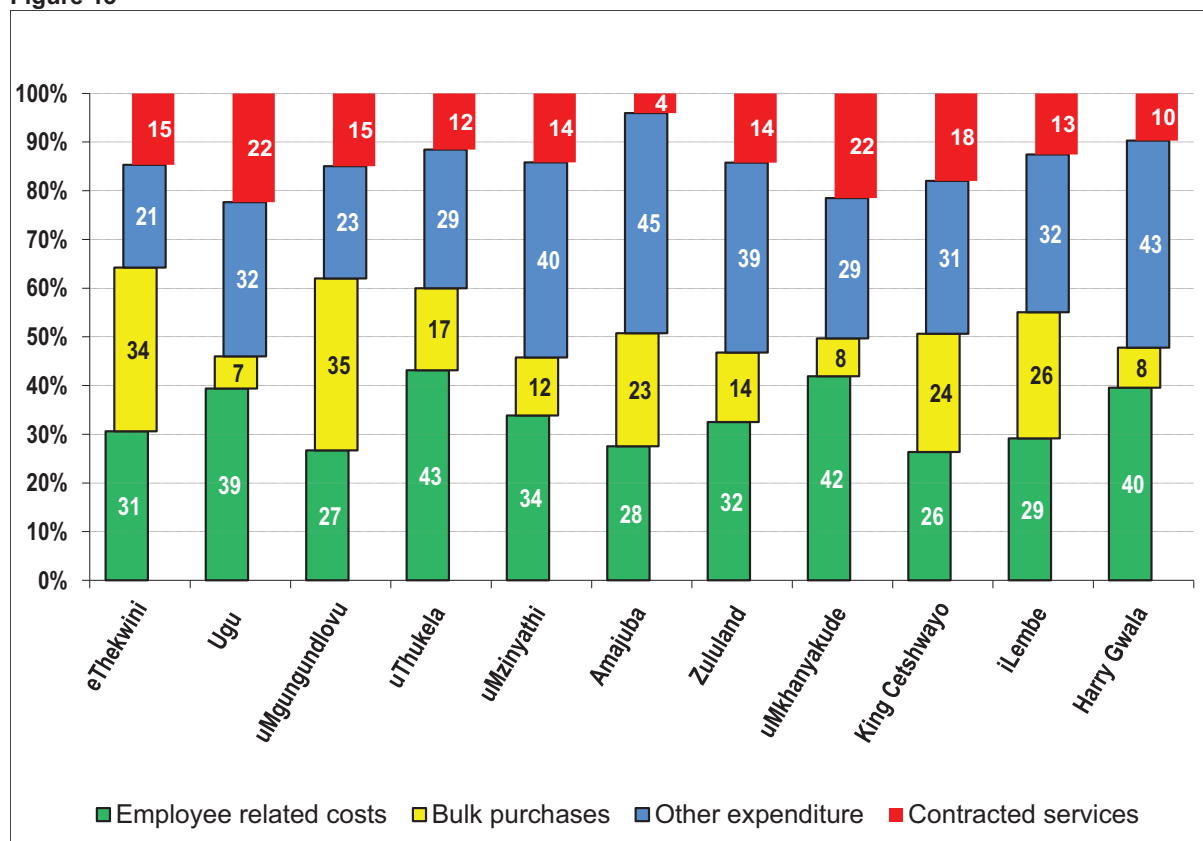
In most districts in the province, *Water* and *Sanitation* services are provided by the district municipalities while the *Electricity* service is provided by Eskom. Hence, it was noted that 18 local municipalities (refer to Appendix 3) did not report on *Bulk purchases* for water and electricity.

Of the 54 municipalities in the province, 29 municipalities or 53.7 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 submission of their 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 11 or 20.4 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 whilst finalising their AFS. This is despite the advice by Provincial Treasury to municipalities that they should account for this expenditure on a monthly basis.

Figure 13 shows a breakdown of Operating expenditure per district and per item of expenditure for the 2017/18 financial year.

Figure 13



At a consolidated district level, municipalities spent between 26 and 44 percent of their Adjusted Budgets on *Employee related costs*. The districts with the largest portions of *Employee related costs* are the uThukela District (43.2 percent) followed by the uMkhanyakude District (41.9 percent), the Harry Gwala District (39.6 percent) and the Ugu District (39.4 percent). The districts which spent the least on *Employee related costs* are the King Cetshwayo District (26.4 percent), the uMgungundlovu District (26.7 percent) and the Amajuba District (27.6 percent).

The uMgungundlovu District (35.3 percent) spent the highest percentage on *Bulk purchases* followed by the eThekweni Metro (33.6 percent) and the iLembe District (25.9 percent). The high spending in the uMgungundlovu District was mainly influenced by the Msunduzi Local Municipality which spent R1.7 billion or 86.5 percent of the district total for *Bulk purchases* while the iLembe District was influenced by the KwaDukuza Local Municipality which spent R505.4 million or 82.6 percent of the district total for *Bulk purchases*.

A significant portion of *Other expenditure* was reported by the Amajuba (45.2 percent), Harry Gwala (42.5 percent), uMzinyathi (40 percent) and Zululand (39 percent) Districts. The eThekweni Metro (21.1 percent) and the uMgungundlovu District (23.1 percent) contributed the least of their total Operating expenditure to *Other expenditure*. The largest portion of their total Operating expenditure is made up of *Bulk purchases* (33.6 percent and 35.3 percent respectively).

Table 3.5 shows a summary of the districts' spending against the Adjusted Budgets for Operating expenditure per district for the 2017/18 financial year.

Table 3.5: Over and Under-Spending of Operating expenditure budget per District - 2017/18

	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	5	-	-	-	-	-	-	-	5
3	uMgungundlovu	4	1	-	3	-	-	-	-	8
4	uThukela	3	-	-	-	1	-	-	-	4
5	uMzinyathi	3	1	-	1	-	-	-	-	5
6	Amajuba	3	-	-	1	-	-	-	-	4
7	Zululand	3	-	2	-	1	-	-	-	6
8	uMkhanyakude	2	2	-	-	1	-	-	-	5
9	King Cetshwayo	2	1	2	1	-	-	-	-	6
10	iLembe	-	1	3	-	-	1	-	-	5
11	Harry Gwala	3	-	1	1	-	-	-	-	5
	Totals	28	6	9	7	3	1	0	0	54

Source: NT Lgdatabase

Of the 54 reporting municipalities:

- Forty three (43) municipalities or 79.6 percent under-spent their Adjusted Budgets for Operating expenditure of which, 28 of the municipalities or 51.9 percent under-spent their budgets by more than 15 percent.
- Ten (10) or 18.5 percent of the municipalities were on target, which is between 95 percent (-5 percent) and 105 percent (+5 percent), against their Adjusted Budgets.
- Only one municipality or 1.9 percent recorded over-expenditure of more than 5 percent against its Adjusted Budget.

3.3 Capital Revenue (Source of Finance) and Expenditure

The aggregated municipal Adjusted Capital Budget for the 54 municipalities in KwaZulu-Natal was R14.7 billion for the 2017/18 financial year. Aggregated Capital expenditure and corresponding revenue recognised against the Adjusted Capital Budget for all municipalities in the province amounted to R9.8 billion or 66.6 percent against the total Adjusted Budget. This equates to an under-spending of R4.9 billion for the 2017/18 financial year which has deteriorated when compared to the under-spending of R2.1 billion in the 2016/17 financial year.

3.3.1 Capital Revenue

Table 3.6 shows the Original Budget, the Adjusted Budget and the Unaudited Actual per source of revenue and per district for the 2017/18 financial year.

Table 3.6: Capital Revenue (Source of Finance) per district - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail			
					Transfers recognised - capital ¹	Borrowing	Internally generated funds	Public contr. and donations
eThekwini	7 340 084	7 335 632	4 362 884	59.5	3 000 207	-	1 362 677	-
Ugu	727 376	721 132	489 957	67.9	460 008	-	28 129	1 821
uMgungundlovu	1 044 909	1 238 167	843 420	68.1	613 574	88 896	140 936	13
uThukela	590 959	615 476	550 330	89.4	505 002	20 000	23 346	1 982
uMzinyathi	750 754	626 667	459 430	73.3	432 331	-	27 099	-
Amajuba	455 837	443 529	308 765	69.6	285 851	-	22 914	(0)
Zululand ²	693 611	730 586	551 080	75.4	542 838	-	8 242	-
uMkhanyakude	460 261	508 188	466 096	91.7	459 738	-	6 358	-
King Cetshwayo	1 032 518	1 032 623	791 976	76.7	431 703	99 321	259 514	1 438
iLembe ²	776 171	744 962	492 629	66.1	347 533	0	143 639	1 458
Harry Gwala	698 519	733 598	495 380	67.5	389 430	-	104 267	1 683
Total	14 570 998	14 730 559	9 811 948	66.6	7 468 215	208 217	2 127 122	8 394

Source: NT Igdatabase

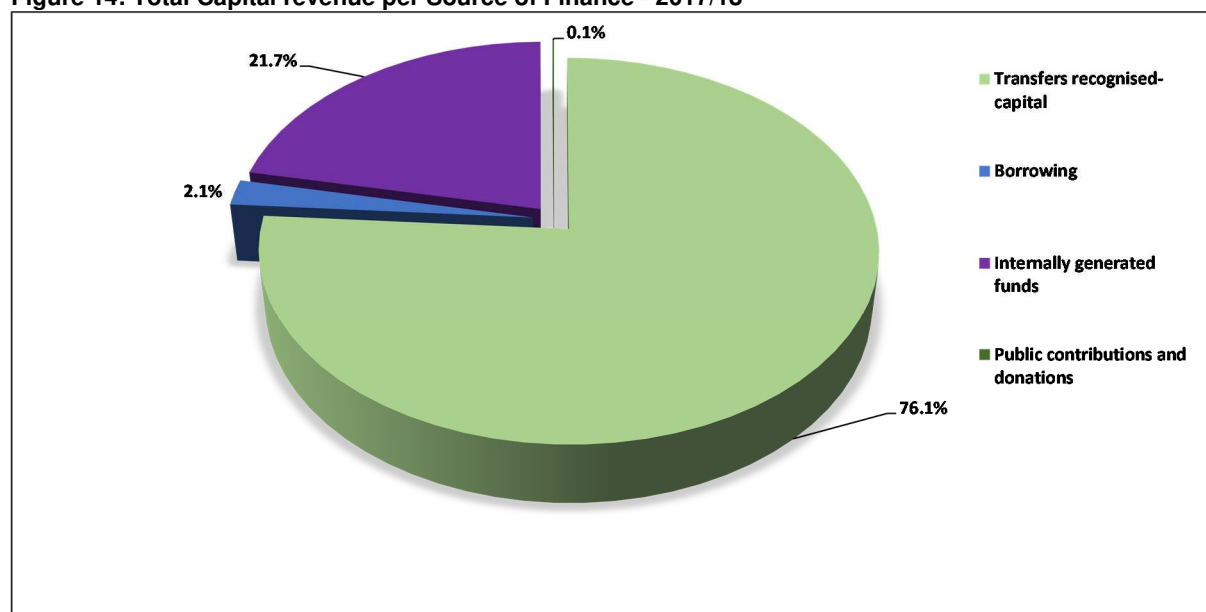
¹ Include National Government, Provincial Government, District Municipality and Other transfers and grants.

² Figures obtained from the live NT Igdatabase on 15 August 2018.

The eThekwini Metro with R4.4 billion contributed the most to the total Capital revenue of R9.8 billion. The metro financed their Capital expenditure with *Transfers recognised – capital* of R3 billion and *Internally generated funds* of R1.4 billion. With the exception of the eThekwini Metro, the uMgungundlovu District contributed the most to total Capital revenue with R843.4 million followed by the King Cetshwayo District with R792 million. The Amajuba District contributed the least to Capital sources of revenue with R308.8 million.

Figure 14 provides an overview of the contributions per funding source to total Capital sources of funding as 30 June 2018.

Figure 14: Total Capital revenue per Source of Finance - 2017/18



An overview of the Capital source of funding by district indicates that municipalities in the province are dependent on grants to fund their Capital expenditure as *Transfers recognised – capital* contributed 76.1 percent or R7.5 billion of the total Capital source of funding of R9.8 billion as at the end of the 2017/18 financial year.

The second largest source of funding was *Internally generated funds* at 21.7 percent or R2.1 billion followed by *Borrowing* at 2.1 percent or R208.2 million and *Public contributions and donations* at 0.1 percent or R8.4 million.

Municipalities within three districts utilised *Borrowings* to fund their Capital expenditure amounting to a total of R208.2 million as at the end of the 2017/18 financial year. The King Cetshwayo District utilised the highest *Borrowings* at R99.3 million followed by the uMgungundlovu District at R88.9 million and the uThukela District at R20 million.

Public contributions and donations of R8.4 million were recognised by six districts to fund their Capital expenditure. The uThukela District and the Ugu District reported the most significant amounts against this revenue source amounting to R2 million and R1.8 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 and Maphumulo Local Municipalities reported amounts utilised of R271 000 and R1.2 million, respectively, from this revenue source. Both municipalities confirmed that the reported amounts were due to inaccurate reporting.

3.3.2 Capital Expenditure

Table 3.7 shows the Original Budget, Adjusted Budget and Unaudited Actual per standard classification and per district for the 2017/18 financial year.

Table 3.7: Capital Expenditure per standard classification and per district - 2017/18

R000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail									Other
					Governance and Admin. ¹	Community and Public Safety			Economic and Environmental Services		Trading Services			
						Housing	Health	Other ²	Road Transport	Other ³	Electricity	Water and Waste Water Mgt.	Waste Mgt	
eThekweni	7 340 084	7 335 632	4 362 884	59.5	257 152	884 050	12 476	188 152	976 591	231 181	782 307	906 160	98 549	26 267
Ugu	727 376	721 132	489 958	67.9	135 439	13	-	9 708	89 311	10 962	1 025	229 679	13 819	-
uMgungundlovu	1 044 909	1 238 167	843 420	68.1	35 838	20 585	-	94 312	286 000	69 312	109 320	207 224	20 517	311
uThukela	590 959	615 476	550 330	89.4	7 884	-	-	3 840	65 014	103 738	28 872	340 951	30	-
uMzinyathi	750 754	626 667	459 430	73.3	11 681	-	-	40 931	78 386	7 204	41 058	280 102	70	-
Amajuba	455 837	443 529	308 765	69.6	2 251	543	-	12 253	32 675	45 500	13 499	185 664	735	15 646
Zululand ⁴	693 611	730 586	551 080	75.4	7 075	-	-	14 242	123 845	5 739	58 572	341 607	-	-
uMkhanyakude	460 261	508 188	466 096	91.7	1 128	-	-	28 077	80 454	31 961	30 613	293 727	137	-
King Cetshwayo	1 032 518	1 032 623	791 976	76.7	156 198	-	-	65 592	116 693	38 569	71 755	335 568	7 599	3
iLembe ³	776 171	744 962	492 629	66.1	32 035	-	-	56 135	140 876	2 328	22 210	238 458	586	-
Harry Gwala	698 519	733 598	495 380	67.5	11 881	(478)	-	19 616	118 559	83 547	39 715	220 131	2 408	-
Total	14 570 998	14 730 559	9 811 948	66.6	658 961	904 713	12 476	532 858	2 108 404	630 041	1 198 946	3 579 270	144 449	42 228

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.

4 Figures obtained from the live NT Igdatabase on 15 August 2018.

All districts within the province as well as the eThekweni Metro recorded Capital expenditure below the 95 percent level against their respective Adjusted Budgets. Only the uMkhanyakude District achieved more than 90 percent of their Adjusted Budget at 91.7 percent followed by the uThukela District at 89.4 percent and the King Cetshwayo District at 76.7 percent. The eThekweni Metro reported the lowest percentage of the Capital budget spent at 59.5 percent followed by the iLembe District at 66.1 percent and the Harry Gwala District at 67.5 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 2017/18 financial year.

On the other hand, a few municipalities reported Capital expenditure which exceeded their respective Capital budgets, namely, the Maphumulo (129 percent), eDumbe (125.2 percent), eNdumeni (109.1 percent), Big Five Hlabisa (102.2 percent) and Dr. Nkosazana Dlamini Zuma (100.8 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 and the inaccurate completion of monthly Capital expenditure returns for the 2017/18 financial year.

It should be noted that due to the fact that most 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.

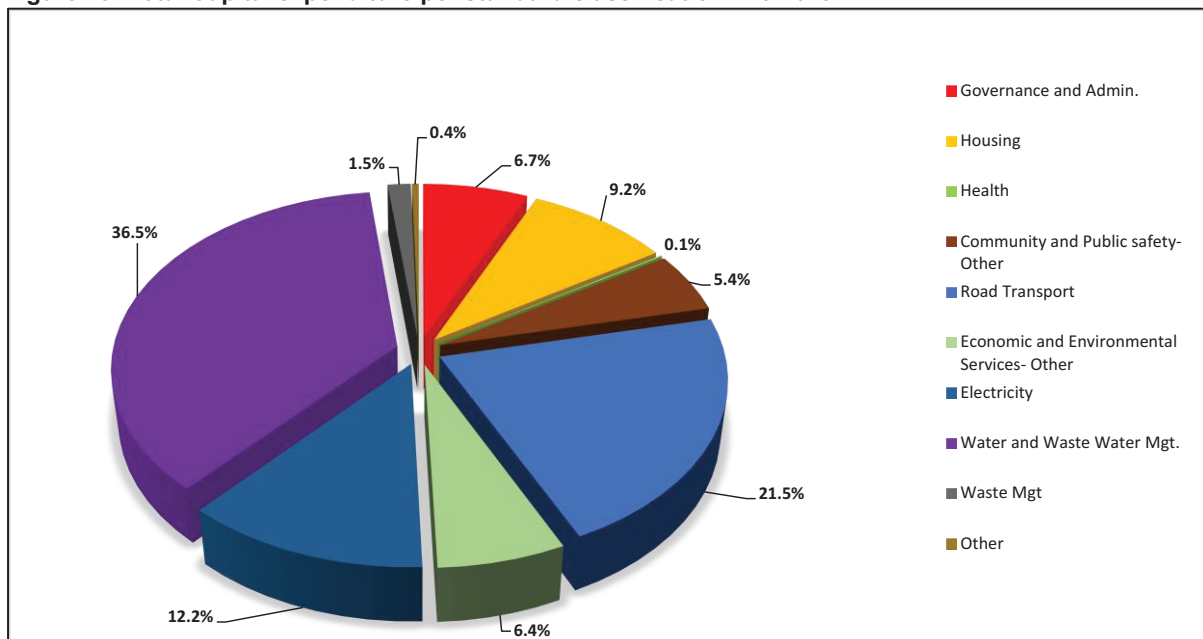
Furthermore, municipalities are in the process of finalising their 2017/18 AFS which includes the updating and balancing of their asset registers with the latest available financial information and factoring in accounting journal entries such as accruals. Thus, the year-end adjustments to the Capital 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 02 of 2018/19, dated 06 August 2018, was issued to remind municipalities of the 31 August 2018 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 2017 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 15 provides an overview Capital expenditure per standard classification line item

Figure 15: Total Capital expenditure per standard classification - 2017/18



The bulk of Capital expenditure amounting to R3.6 billion was spent on *Water and Waste Water Management* capital projects which constitutes 36.5 percent of the total unaudited actual expenditure for the 2017/18 financial year. The second highest category of Capital Expenditure was on *Road Transport* with R2.1 billion (21.5 percent) followed by *Electricity* with R1.2 billion (12.2 percent), *Housing* with R904.7 million (9.2 percent), *Governance and Administration* with R658.6 million (6.7 percent) and *Economic and Environmental Services – Other* with R630 million (6.4 percent).

The lowest contributor to Capital expenditure incurred as compared to the total unaudited actual expenditure was against *Health* with R12.5 million (0.1 percent) and *Other* with R42.2 million (0.4 percent) for the 2017/18 financial year.

None of the municipalities under the uThukela, uMzinyathi, Zululand, uMkhanyakude, King Cetshwayo and iLembe 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 Msunduzi Local Municipality within the uMgungundlovu District reflected expenditure of R884.1 million and R20.6 million against *Housing* as at the end of the 2017/18 financial year, respectively.

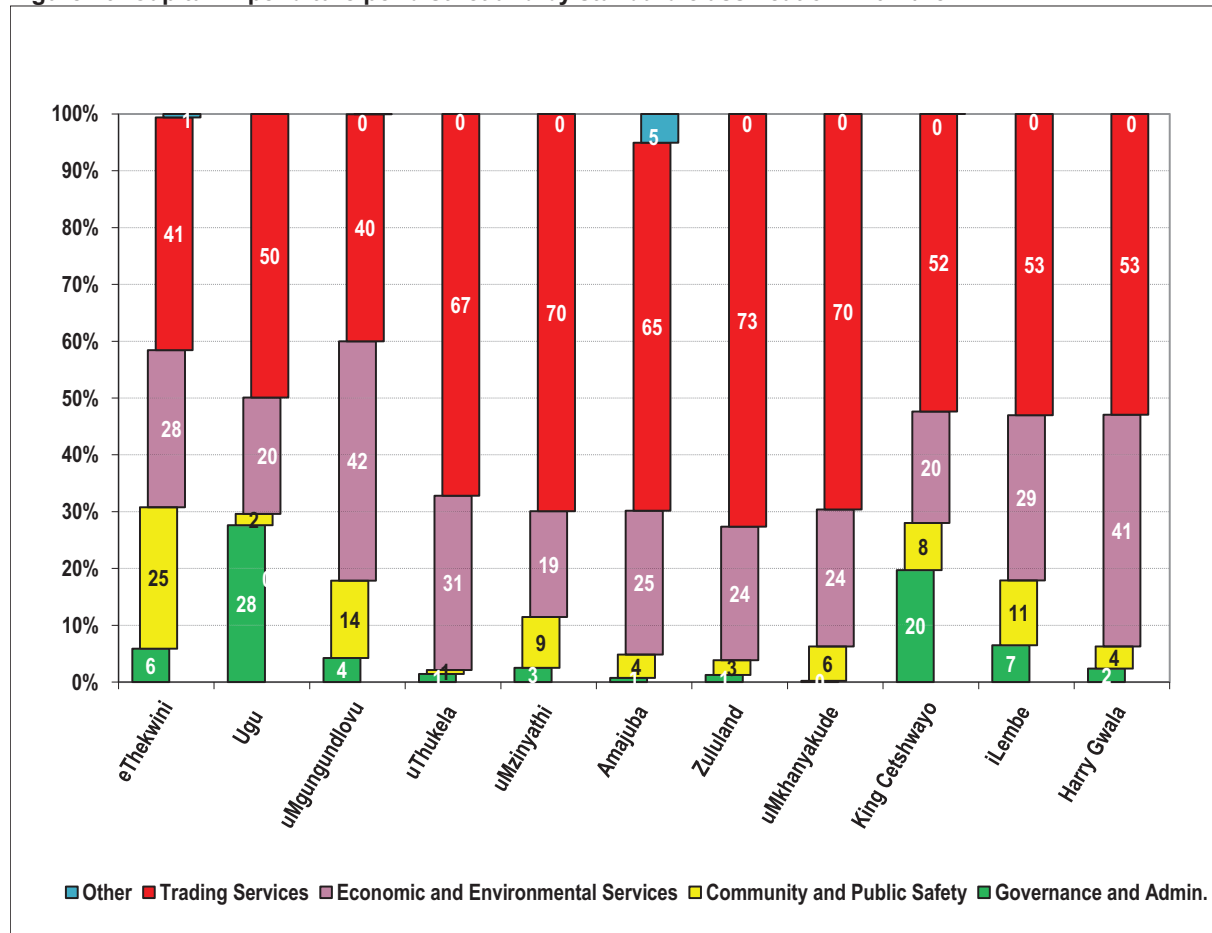
The Ray Nkonyeni Local Municipality within the Ugu District and the Newcastle Local Municipality within the Amajuba District spent only R13 000 and R543 000 against *Housing*, respectively. The uBuhlebezwe Local Municipality within the Harry Gwala District incorrectly reflected negative expenditure of R478 000 for *Housing* whereas the municipality does not perform the *Housing* functions on behalf of the KwaZulu-Natal Department of Human Settlements.

The expenditure on *Housing* was largely related to the 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 the instruction from the KwaZulu-Natal Department of Human Settlements. No expenditure reported by municipalities does not imply that no housing projects were undertaken as the houses are transferred to the occupants upon completion and the municipalities therefore do not reflect any Capital expenditure against the projects.

Roads Transport ranked second in terms of Capital expenditure in the 2017/18 financial year. Various inconsistencies were noted regarding the reporting of the Adjusted Budget and expenditure relating to the Road transport standard classification.

Figure 16 shows a breakdown in terms of Capital expenditure per district and by standard classification for the 2017/18 financial year.

Figure 16: Capital Expenditure per district and by standard classification - 2017/18



The largest portion of capital spending by standard classification was against *Trading services* with R4.9 billion or 50.2 percent of total Capital expenditure. All districts with the exception of the uMgungundlovu District spent the largest portion of their Capital expenditure on *Trading services*. The districts with the highest spending on *Trading services* were the Zululand (72.6 percent), uMzinyathi (69.9 percent) and uMkhanyakude (69.6 percent) Districts.

The second highest expenditure was against *Economic and Environmental Services* with spending of R2.7 billion or 27.9 percent of the total Capital expenditure. The uMgungundlovu District (42.1 percent) spent the bulk of their Capital expenditure on *Economic and Environmental Services*.

The third largest portion of spending per standard classification of R1.5 billion or 14.8 percent of total Capital expenditure was against *Community and Public Safety* with the eThekweni Metro and the uMgungundlovu District spending 24.9 percent and 13.6 percent of their Capital expenditure against this standard classification, respectively.

Lastly, the lowest portion of spending per standard classification of R42.2 million or 0.4 percent of total Capital expenditure was against *Other* and R658.6 million or 6.7 percent against *Governance and*

Administration. The Amajuba District spent 5.1 percent of their total Capital expenditure against the *Other* category whilst the Ugu District spent 27.6 percent of their total Capital expenditure against *Governance and Administration* followed by the King Cetshwayo District at 19.7 percent.

Table 3.8 shows the range of over and under-spending against the Adjusted Capital Budgets by districts for the 2017/18 financial year.

Table 3.8: Over and Under-spending against the Adjusted Capital Budgets per district - 2017/18

	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	6	1	1	-	-	-	-	-	8
4	uThukela	2	-	1	1	-	-	-	-	4
5	uMzinyathi	4	-	-	-	-	1	-	-	5
6	Amajuba	4	-	-	-	-	-	-	-	4
7	Zululand	4	1	-	-	-	-	-	1	6
8	uMkhanyakude	2	-	-	2	1	-	-	-	5
9	King Cetshwayo	5	-	1	-	-	-	-	-	6
10	iLembe	4	-	-	-	-	-	-	1	5
11	Harry Gwala	4	-	-	-	1	-	-	-	5
	Totals	40	2	4	3	2	1	0	2	54

Source: NT Lgdatabase

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

- Forty-six (46) of the 54 municipalities or 85.2 percent under-spent their Adjusted Budgets by at least five percent and more and is the same number of municipalities which reported significant under-expenditure in the 2016/17 financial year;
- Five 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 2017/18 financial year which is an improvement from the three municipalities in the 2016/17 financial year; and
- The remaining three of the 54 municipalities or 5.6 percent over-spent their Adjusted Capital Budgets by five percent and more in the 2017/18 financial year as compared to five in the previous financial year.

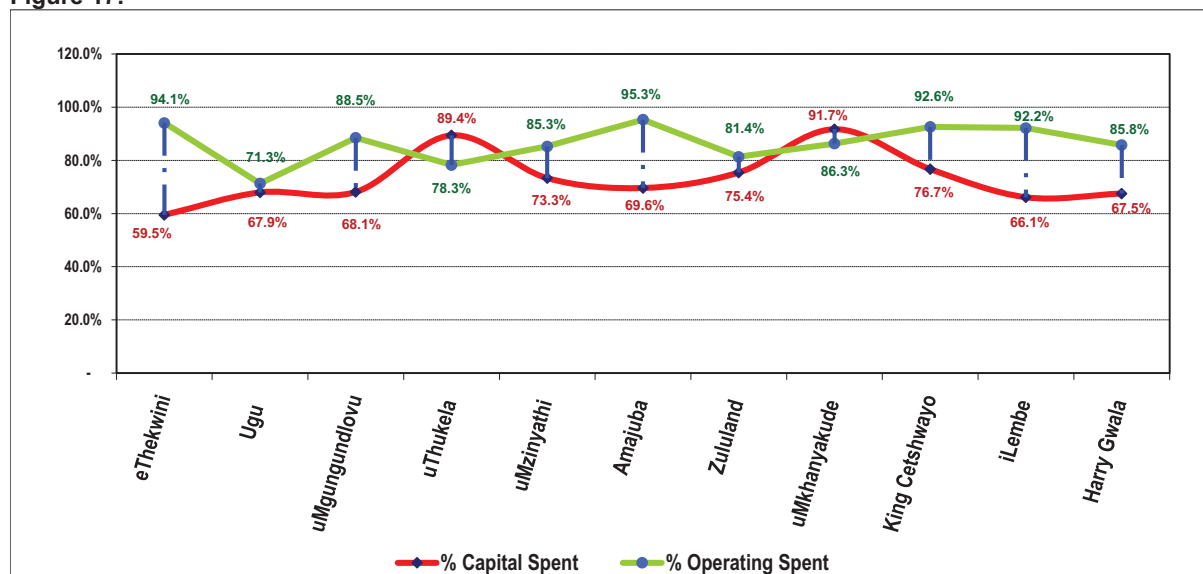
The low spending on capital projects impacts negatively on service delivery by the municipalities. Moreover, renewal of municipal infrastructure to ensure reliability and quality of municipal services to support economic growth within their jurisdictions will be affected.

3.4 Capital and Operating Expenditure Comparatives

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

Figure 17 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 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 2017/18 financial year.

Figure 17:



The variance between the average Capital expenditure against the Adjusted Capital Budget and the average Operating expenditure against the Adjusted Operating Budget is 13.2 percent for the 2017/18 financial year and is consistent with the average of 13 percent reported in the 2016/17 financial year. The uThukela and uMkhanyakude Districts 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 2017/18 with the largest differences noted in the eThekweni Metro (34.6 percent), the iLembe District (26.1 percent) and the Amajuba District (25.7 percent). The least difference was noted in the Ugu District with 3.4 percent.

The average Capital expenditure across districts against their respective Adjusted Capital expenditure Budgets was 73.2 percent for the 2017/18 financial year which is a regression when compared to the district average of 80 percent in the 2016/17 financial year. The uMkhanyakude (91.7 percent), uThukela (89.4 percent), King Cetshwayo (76.7 percent), Zululand (75.4 percent), uMzinyathi (73.3 percent) Districts reported to have spent more than the average Capital expenditure at a district level at the end of the financial year, while the remainder reported to have spent less than the average of 73.2 percent.

The average Operating expenditure against the respective Adjusted Operating expenditure Budgets across all districts was 86.5 percent for the 2017/18 financial year and represents a decrease of 6.5 percent from the average of 93 percent for the 2016/17 financial year. The Amajuba District (95.3 percent), the eThekweni Metro (94.1 percent), the King Cetshwayo District (92.6 percent), the iLembe (92.2 percent) and the uMgungundlovu District (88.5 percent) spent more than the district average, whilst the remainder spent less than the district average at the end of the 2017/18 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 Debt Management

Debtors by age analysis

Table 3.9 shows Debtors age analysis per district as at 30 June 2018.

Table 3.9: Debtor Age Analysis per district (Total)

R'000	0 - 30 Days		31 - 60 Days		61- 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	1 666 676	16.1	812 639	7.9	418 902	4.0	7 453 166	72.0	10 351 383
Ugu	54 583	14.8	26 204	7.1	37 107	10.1	250 481	68.0	368 375
uMgungundlovu	536 673	15.7	101 600	3.0	39 987	1.2	2 745 608	80.2	3 423 868
uThukela	78 662	5.4	73 823	5.1	41 740	2.9	1 254 747	86.6	1 448 973
uMzinyathi	40 767	9.4	10 290	2.4	12 198	2.8	372 071	85.5	435 326
Amajuba	136 713	10.2	34 312	2.6	31 223	2.3	1 133 103	84.9	1 335 352
Zululand	30 908	6.7	12 518	2.7	10 198	2.2	404 932	88.3	458 556
uMkhanyakude	12 933	2.4	6 439	1.2	8 610	1.6	515 153	94.8	543 135
King Cetshwayo	287 310	45.3	27 139	4.3	28 990	4.6	290 554	45.8	633 993
iLembe	60 561	10.1	45 880	7.6	21 788	3.6	473 692	78.7	601 920
Harry Gwala	7 994	3.6	6 955	3.1	7 932	3.6	200 251	89.7	223 133
Total	2 913 782	14.7	1 157 798	5.8	658 675	3.3	15 093 760	76.1	19 824 015

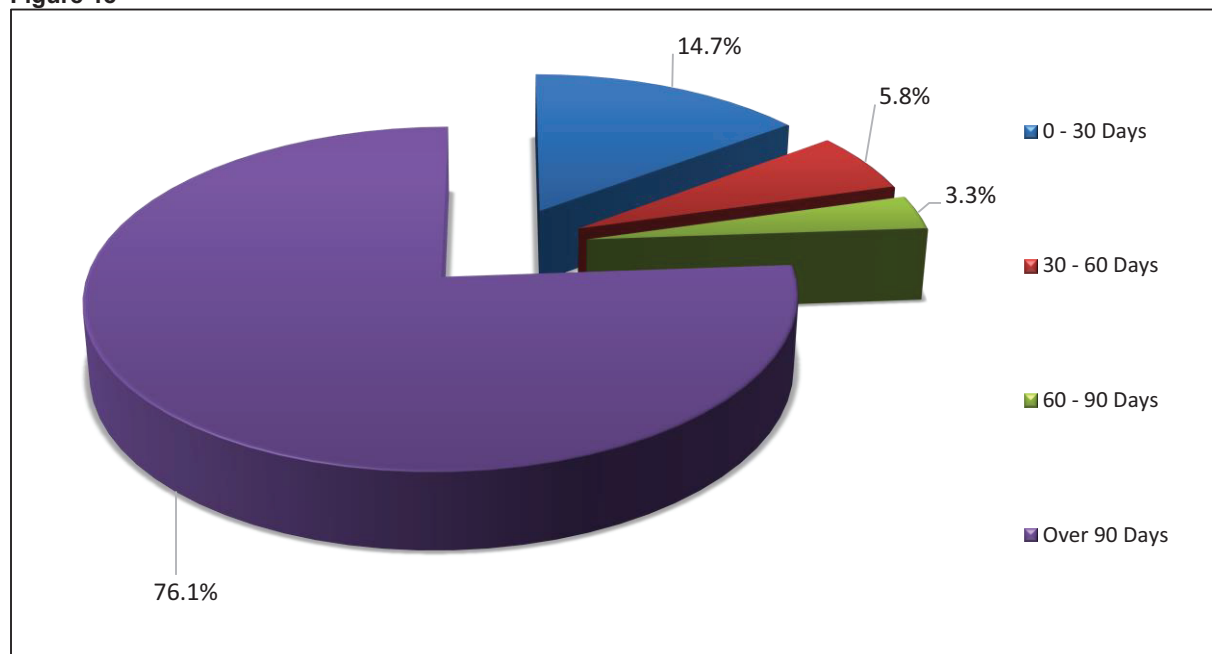
Source: NT Lgdatabase

The total debt owed to municipalities at the end of the fourth quarter of the 2017/18 financial year was R19.8 billion and represents an increase of 22.7 percent from the R16.2 billion owed to municipalities in the 2016/17 financial year.

The eThekwini Metro had the largest amount of outstanding debt (R10.4 billion) followed by the uMgungundlovu District (R3.4 billion), the uThukela District (R1.4 billion) and the Amajuba District (R1.3 billion). The Harry Gwala District recorded the lowest amount of outstanding debt (R223.1 million).

Figure 18 further illustrates the Debtors age analysis as at 30 June 2018.

Figure 18



At the end of the 2017/18 financial year, a substantial amount of debt of R15.1 billion (76.1 percent) was outstanding in the *Over 90 Days* category, representing an increase of R2.8 billion debt outstanding in the same category in the 2016/17 financial year (R12.3 billion). In the 2017/18 financial year, the debtors per age category were as follows: *0-30 Days*: R2.9 billion (14.7 percent), *31-60 Days*: R1.2 billion (5.8 percent), and *61-90 Days*: R658.7 million (3.3 percent).

All of the districts had more than 70 percent of their debt outstanding in the *Over 90 Days* category with the exception of the King Cetshwayo and Ugu Districts which had 45.8 percent and 68 percent of total debt outstanding in this category, respectively. It should however be noted that the Ugu District Municipality did not report on their *Debtors* as at 30 June 2018 therefore the 68 percent of total debt outstanding in the *Over 90 Days* category is understated. It should further 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 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 Ugu District Municipality, the eDumbe, Ulundi and uMlalazi Local Municipalities which represents a regression from the 2016/17 financial year where only two municipalities did not report on their outstanding debtors.

Debtors by Customer Group

Table 3.10 shows Debtors by customer group per district as at 30 June 2018.

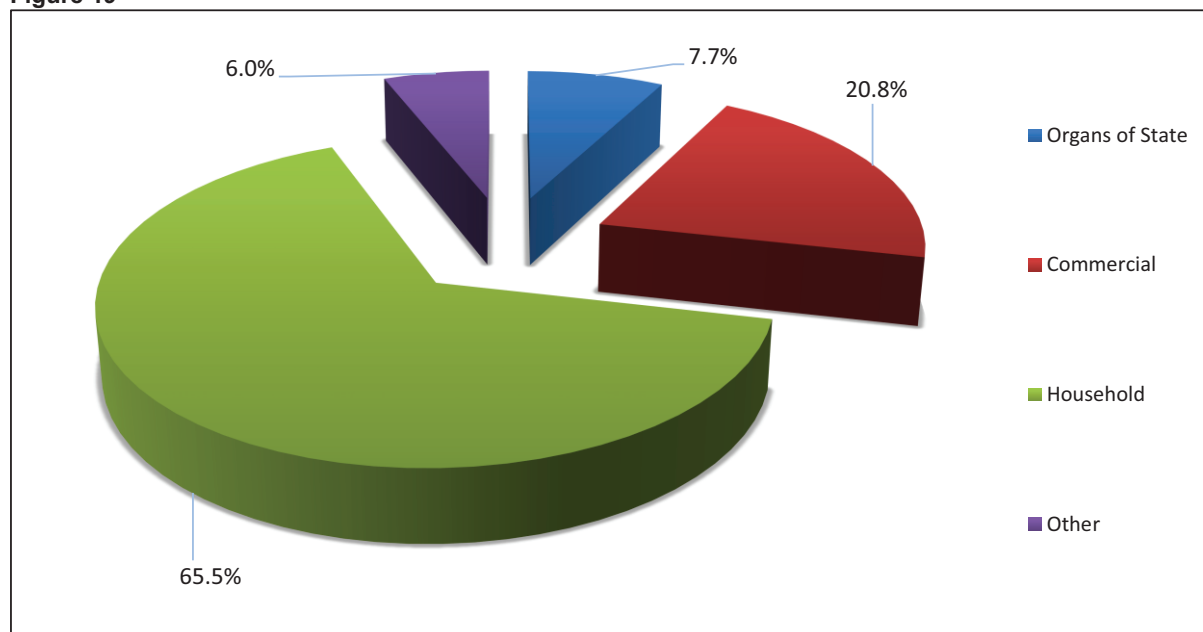
Table 3.10: Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	601 953	5.8	2 665 208	25.7	6 941 403	67.1	142 819	1.4	10 351 383
Ugu	57 920	15.7	58 778	16.0	231 122	62.7	20 556	5.6	368 375
uMgungundlovu	261 394	7.6	498 361	14.6	2 217 256	64.8	446 857	13.1	3 423 868
uThukela	176 904	12.2	52 375	3.6	799 731	55.2	419 962	29.0	1 448 973
uMzinyathi	58 494	13.4	42 573	9.8	321 886	73.9	12 373	2.8	435 326
Amajuba	62 705	4.7	136 593	10.2	1 097 005	82.2	39 049	2.9	1 335 352
Zululand	60 963	13.3	72 758	15.9	310 922	67.8	13 912	3.0	458 556
uMkhanyakude	144 743	26.6	112 329	20.7	283 936	52.3	2 127	0.4	543 135
King Cetshwayo	35 340	5.6	313 035	49.4	253 899	40.0	31 720	5.0	633 993
iLembe	45 600	7.6	113 656	18.9	391 949	65.1	50 714	8.4	601 920
Harry Gwala	29 423	13.2	48 247	21.6	135 669	60.8	9 794	4.4	223 133
Total	1 535 440	7.7	4 113 915	20.8	12 984 777	65.5	1 189 883	6.0	19 824 015

Source: NT Lgdatabase

Figure 19 shows municipal debt owed by Customer Group as at 30 June 2018.

Figure 19



The largest portion of outstanding debtors in the province, as at 30 June 2018, was owed by the *Household* customer group amounting to R13 billion (65.5 percent). This customer group is followed by debtors classified as *Commercial*: R4.1 billion (20.8 percent), *Organs of State*: R1.5 billion (7.7 percent) and *Other*: R1.2 billion (6 percent).

The *Household* debt increased by 27.4 percent from R10.2 billion (63.1 percent) in the 2016/17 financial year to R13 billion (65.5 percent) in the 2017/18 financial year. The only category of debt that decreased was *Organs of State* debt which decreased from R1.7 billion (10.4 percent) in the 2016/17 financial year to R1.5 billion (7.7 percent) in the 2017/18 financial year. However, these amounts may not be a true reflection due to some municipalities not reporting on debtors for Month 12 in the 2017/18 financial year.

The eThekweni Metro contributed the largest amount to debtors in the *Commercial* category with R2.7 billion or 64.8 percent of the total *Commercial* debtors of R4.1 billion. Other significant contributors to this category were the uMgungundlovu and King Cetshwayo Districts amounting to R498.4 million and R313 million, respectively.

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 and uMzinyathi Districts recorded more than 70 percent of their debtors outstanding in the *Household* customer group. Three districts reflected decreases in the *Household* customer group from the 2016/17 financial year to the 2017/18 financial year. The Ugu District reflected a decrease of R200.2 million from R431.3 million in the 2016/17 financial year to R231.1 million in the 2017/18 financial year. The decrease is largely attributable to the uMzumbe Local Municipality and the Ugu District Municipality within the Ugu District which did not report any *Household* debt in Month 12 for the 2017/18 financial year. The Zululand District reflected a decrease of R64.7 million from R375.6 million in the 2016/17 financial year to R310.9 million in the 2017/18 financial year. The decrease is largely attributable the eDumbe and Ulundi Local Municipalities within the Zululand District which did not report any debt for Month 12 for the 2017/18 financial year. The iLembe District reflected a decrease of R17.2 million from R409.2 million in the 2016/17 financial year to R391.9 million in the 2017/18 financial year. The decrease is largely attributable to a decrease in *Household* debt of R55.9 million from R105.2 million in the 2016/17

financial year to R49.3 million in the 2017/18 financial year for the KwaDukuza Local Municipality within the iLembe District which, in combination with increases for other municipalities within the district, led to the overall decrease of R17.2 million in the 2017/18 financial year.

It was noted that the *Other* customer group increased from the 2016/17 financial year of R919.8 million to R1.2 billion in the 2017/18 financial year, contributing to 6 percent of the total debt outstanding. Municipalities are encouraged to ensure that they classify debt correctly under the relevant customer group. The uMgungundlovu District classified R446.9 million as *Other* and contributed the largest amount to total debt classified as *Other*. The uThukela District (R420 million) and the eThekweni Metro (R142.8 million) were other significant contributors to total debt in the *Other* category.

3.6 Creditors Management

Table 3.11 shows Creditors age analysis per district as at 30 June 2018.

Table 3.11 Creditors age analysis per district (Total)

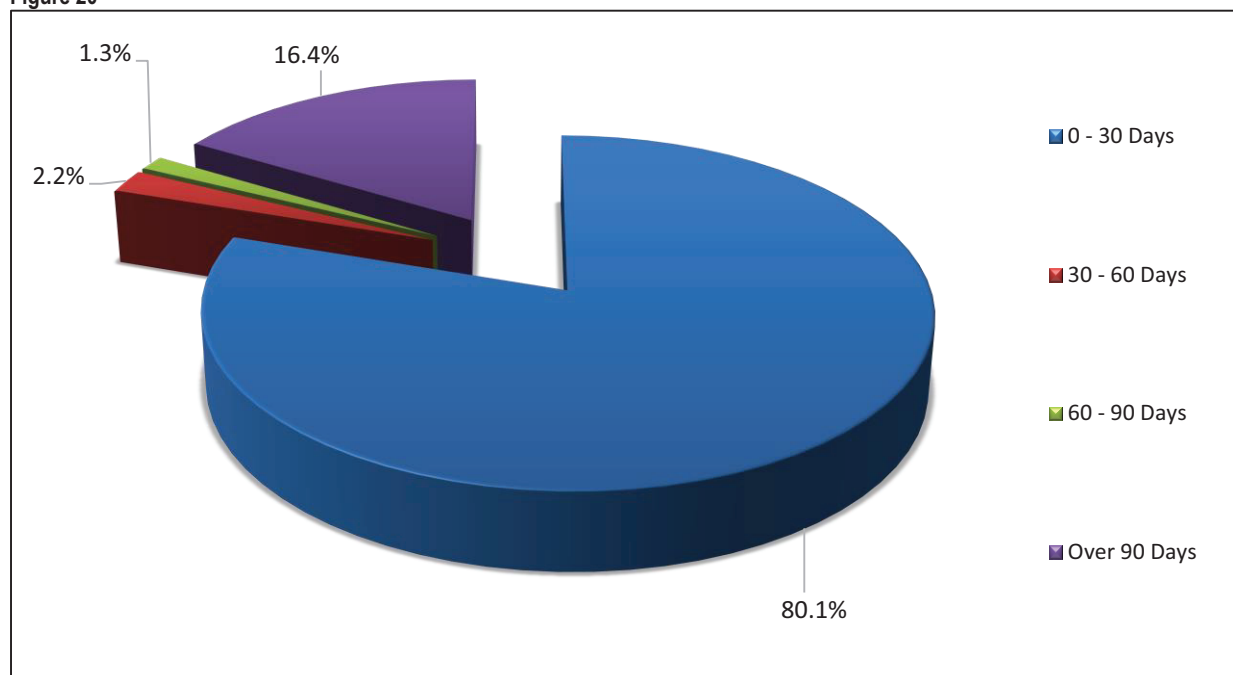
R'000	0 - 30 Days		31 - 60 Days		61- 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	2 610 451	77.9	29 024	0.9	51 183	1.5	662 041	19.7	3 352 698
Ugu	44 446	91.9	907	1.9	1 141	2.4	1 868	3.9	48 363
uMgungundlovu	886 289	92.3	22 178	2.3	8 645	0.9	42 963	4.5	960 075
uThukela	231 780	84.6	6 039	2.2	6 421	2.3	29 633	10.8	273 872
uMzinyathi	92 876	70.9	841	0.6	50	0.0	37 316	28.5	131 083
Amajuba	212 984	71.9	18 103	6.1	7 185	2.4	58 020	19.6	296 293
Zululand	50 839	31.3	162	0.1	909	0.6	110 449	68.0	162 358
uMkhanyakude	6 115	7.6	4 426	5.5	1 103	1.4	69 091	85.6	80 735
King Cetshwayo	715 146	94.4	13 419	1.8	5 030	0.7	24 041	3.2	757 635
iLembe	264 655	91.5	17 904	6.2	1 727	0.6	4 990	1.7	289 276
Harry Gwala	27 220	41.3	25 886	39.3	2 719	4.1	10 006	15.2	65 831
Total	5 142 801	80.1	138 889	2.2	86 113	1.3	1 050 417	16.4	6 418 220

Source: NT Igdatabase

The total debt owed by municipalities at the end of the 2017/18 financial year was R6.4 billion and represents an increase of 28.9 percent from an amount of R5 billion owed by municipalities as at 30 June 2017. Despite the increase of R1.4 billion, the total reported appears to be understated as six municipalities reported Rnil *Creditors* at 30 June 2018. These municipalities are as follows: the uMuziwabantu, uMgeni, iMpendle, Richmond, uBuhlebezwe and Dr. Nkosazana Dlamini Zuma Local Municipalities. Furthermore, four municipalities inaccurately reported *Creditors* which were less than Rnil thereby further understating the total for the province. These municipalities are as follows: uMzumbe, uMhlabuyalingana, Nkandla and Ndwedwe Local Municipalities.

The eThekweni Metro had the largest amount of debt owed to *Creditors* at R3.4 billion which was followed by the uMgungundlovu, King Cetshwayo and Amajuba Districts at R960.1 million, R757.6 million and R296.3 million respectively. Figure 20 further illustrates the *Creditors* age analysis as at 30 June 2018.

Figure 20



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 were in the *0-30 Days* category, it is however concerning that 19.9 percent of the debt owed by municipalities, which amounts to R1.3 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, however, 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 KZN 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 3.12 shows the categorisation of the R6.4 billion owed by KZN municipalities as at 30 June 2018.

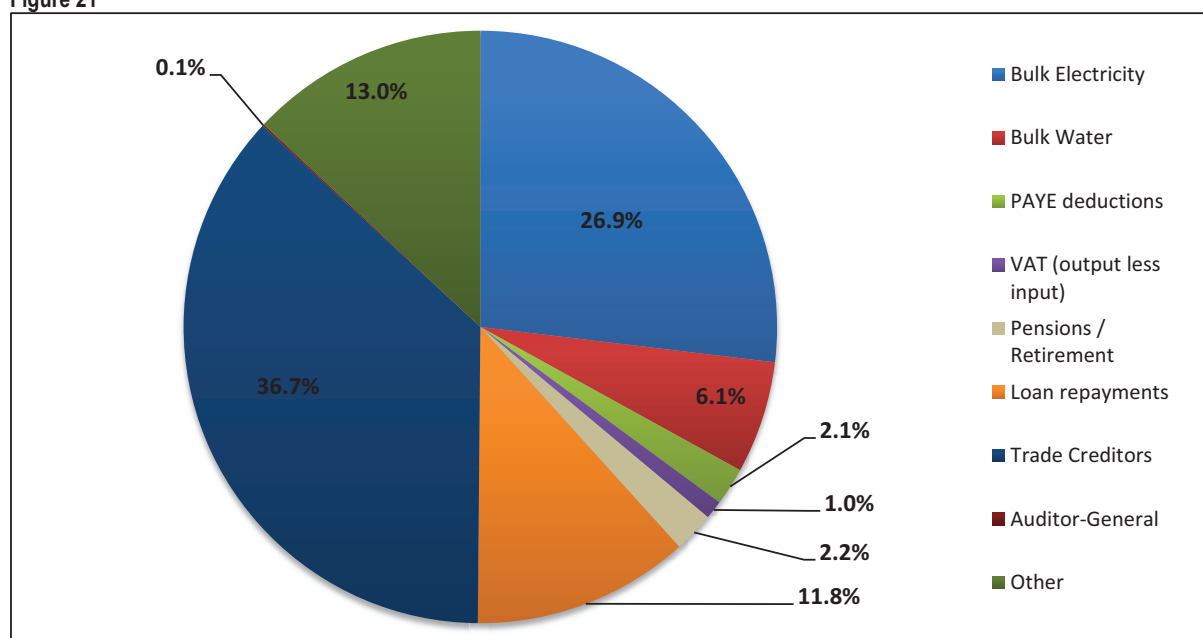
Table 3.12 Creditors age analysis per district (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Creditor Age Analysis										
Bulk Electricity	1 612 585	93.4	4 757	0.3	4 697	0.3	104 792	6.1	1 726 830	26.9
Bulk Water	327 319	83.2	4 272	1.1	5 539	1.4	56 104	14.3	393 233	6.1
PAYE deductions	131 780	100.0	-	-	-	-	-	-	131 780	2.1
VAT (output less input)	64 850	100.0	(0)	-	(19)	-	(1)	-	64 829	1.0
Pensions / Retirement	141 996	100.0	-	-	-	-	-	-	141 996	2.2
Loan repayments	133 374	17.6	-	-	41 302	5.4	584 447	77.0	759 122	11.8
Trade Creditors	1 932 189	81.9	126 053	5.3	33 091	1.4	266 954	11.3	2 358 288	36.7
Auditor-General	3 624	56.9	615	9.7	54	0.9	2 072	32.6	6 365	0.1
Other	795 086	95.1	3 193	0.4	1 450	0.2	36 049	4.3	835 777	13.0
Total	5 142 801	80.1	138 889	2.2	86 113	1.3	1 050 417	16.4	6 418 220	100.0

Source:NT Igdatabase

Figure 21 further illustrates the categorisation of debt owed by KZN municipalities.

Figure 21



The majority of the outstanding *Creditors* relates mainly to *Trade Creditors* of R2.4 billion or 36.7 percent followed by *Bulk electricity* of R1.7 billion or 26.9 percent and *Other* which contributes R835.8 million or 13 percent to total *Creditors*.

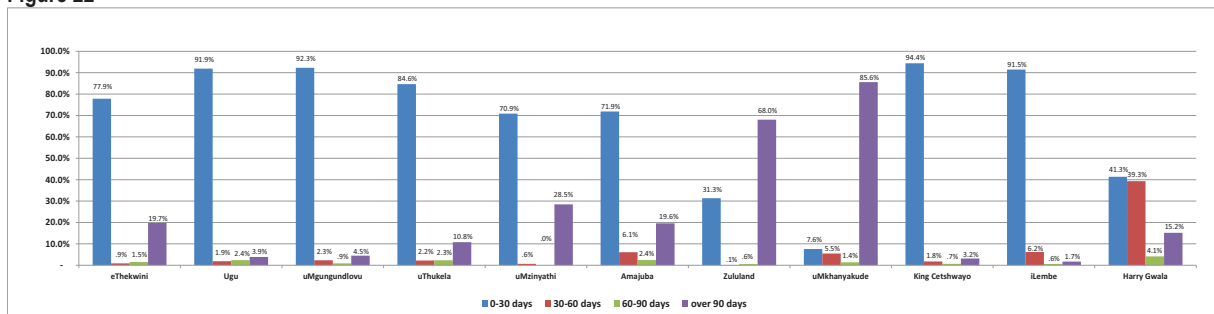
The top five municipalities who contributed to the *Trade creditors* total of R2.4 billion are the eThekweni Metro (R980.4 million), the uMhlathuze Local Municipality (R527.6 million), the Newcastle Local Municipality (R172.1 million), the Msunduzi Local Municipality (R107.8 million) and the uThukela District Municipality (R107.1 million).

The top five municipalities who contributed to the *Bulk electricity* total of R1.7 billion are the eThekweni Metro (R1.1 billion), the Msunduzi Local Municipality (R206.1 million), the Ulundi Local Municipality (R89.5 million), the uMhlathuze Local Municipality (R57.2 million) and the Newcastle Municipality (R52.3 million). The Ulundi Local Municipality is the only municipality amongst the top contributors to *Bulk Electricity* which has any *Bulk electricity* owed for more than 30 days as R88.4 million of the R89.5 million total *Creditors* has been outstanding for longer than 30 days. The Ulundi Local Municipality experienced cash flow challenges due to the poor collection of outstanding debtors and

was therefore unable to make full payments on invoices owed to Eskom. It should however be noted that the total *Bulk electricity* of R1.7 billion is understated as compared to the Eskom MFMA Section 41 report which reflects R2.1 billion (refer to Table 3.20).

The Ulundi Local Municipality contributed significantly towards the second highest district total for *Creditors* which have been outstanding for over 90 days as Zululand District’s total of R110.4 million was second only to the eThekweni Metro’s R662 million for *Creditors* which have been outstanding for longer than 90 days. Figure 22 illustrates that Zululand District had the greatest proportion of creditors outstanding in the *Over 90 Days* categorisation at 68 percent (R110.4 million) which was only exceeded by the uMkhanyakude District which had 85.6 percent (R69.1 million) of their *Creditors* outstanding for over 90 days.

Figure 22



The uMkhanyakude District reflected the least proportion of its *Creditors* outstanding for *0-30 Days* at 7.6 percent (R6.1 million). This is mainly attributable to the uMkhanyakude District Municipality experiencing cash flow challenges.

Excluding the uMkhanyakude District (7.6 percent), the Zululand District (31.3 percent) and the Harry Gwala District (41.3 percent), the remainder of the districts in KZN reported more than 70 percent of their *Creditors* in the *0-30 Days* category. The iLembe (1.7 percent), King Cetshwayo (3.2 percent) and the Ugu (3.9 percent) Districts reported the lowest levels of their total outstanding *Creditors* in the *Over 90 Days* category. However, this is attributable to the Ndwedwe Local Municipality reporting negative *Creditors* of R3.8 million in the iLembe District, the Nkandla Local Municipality reporting negative *Creditors* of R9.6 million in the King Cetshwayo District and the uMzumbe Local Municipality reporting negative *Creditors* of R16.2 million in the Ugu District.

It is recommended that municipalities pay all their *Creditors* within 0-30 days of receipt of invoices and/or statements as required by Section 65(2)(e) of the MFMA in order to avoid possible interest and penalties.

3.7 Bulk Services

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:*

- 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;*
- the arrears owing and the aged profile of such arrears; and*
- 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 3.13 to Table 3.20 are based on the Umgeni Water Board, the Mhlathuze Water Board and Eskom's MFMA Section 41 reports as at 30 June 2018 which were submitted to National Treasury. The municipalities are required to pay for their *Bulk purchases* from the Water Boards and Eskom within 30 days of receiving the invoice as per Section 65(2)(e) of the MFMA.

3.7.1 Sale of Bulk Water

Table 3.13 shows the sale of *Bulk water* to municipalities by the Umgeni Water Board for the month of June 2018 and the actual year to date sales amount.

Table 3.13: Sale of bulk water to municipalities

Name of municipality	Sale of Bulk Water (R'000)	
	June 2018	YTD
eThekweni	241 806	2 209 023
Msunduzi	48 883	592 449
uMgungundlovu DM	12 835	135 059
Ugu DM	10 517	100 691
iLembe DM	12 064	101 352
Harry Gwala DM	786	12 874
Total	326 891	3 151 450

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 R3.2 billion which is an increase of R508.5 million or 19.2 percent when compared to R2.6 billion for the 2016/17 financial year. The increase was attributed to increases in both the volume and price of water sold. The eThekweni Metro (R2.2 billion) and the Msunduzi Local Municipality (R592.4 million) were the largest purchasers of *Bulk water* at the end of the 2017/18 financial year, contributing 70.1 percent and 18.8 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 (R12.9 million or 0.4 percent) for the 2017/18 financial year.

The uMhlathuze Local Municipality purchases *Bulk water* from the Mhlathuze Water Board. The uMhlathuze Local Municipality purchased R23 million of *Bulk water* for the month of June 2018 and a total of R238.1 million for the 2017/18 financial year. The King Cetshwayo District Municipality incurred costs of R46 148 from the Mhlathuze Water Board for water testing done during the 2017/18 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 3.14 shows the *Capital unit charge* incurred by municipalities for the month of June 2018 and the actual year to date amount.

Table 3.14: Capital Unit Charge

Name of municipality	Capital Unit Charge (R'000)	
	June 2018	YTD
eThekwini	20 428	186 354
Msunduzi	4 045	41 138
uMgungundlovu DM	1 062	11 166
Ugu DM	864	8 288
iLembe DM	998	8 398
Harry Gwala DM	62	694
Total	27 460	256 039

Source: Umgeni Water Board MFMA Section 41 Report

The *Capital unit charge* to the municipalities for the year under review amounted to R256 million. The eThekwini Metro (R186.4 million) and the Msunduzi Local Municipality (R41.1 million) incurred the highest *Capital unit charge* at the end of the 2017/18 financial year, contributing 72.8 percent and 16.1 percent of the total charges, respectively. The Harry Gwala District Municipality incurred the least amount of the total *Capital unit charge* (R694 000 or 0.3 percent) for the 2017/18 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 3.15 shows the charges incurred by municipalities in relation to the MBWS for the month of June 2018 and the actual year to date amount.

Table 3.15: Mkomazi Bulk Water Scheme

Name of municipality	Mkomazi Bulk Water Scheme (R'000)	
	June 2018	YTD
eThekwini	4 807	43 852
Msunduzi	968	9 787
uMgungundlovu DM	254	2 655
Ugu DM	207	1 982
iLembe DM	239	2 010
Harry Gwala DM	15	165
Total	6 490	60 451

Source: Umgeni Water Board MFMA Section 41 Report

The MBWS charges incurred by municipalities for the 2017/18 financial year amounted to R60.5 million. The eThekwini Metro (R43.9 million) and the Msunduzi Local Municipality (R9.8 million) incurred the highest charges, contributing 72.5 percent and 16.2 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 (R165 000 or 0.3 percent) for the 2017/18 financial year.

Age Profile of Umgeni Water Board Municipal Debtors

Table 3.16 shows the age analysis of the Umgeni Water Board (*Bulk water*) MFMA Section 41 report as at 30 June 2018 that was submitted to the National Treasury.

Table 3.16: Age analysis of municipal Umgeni Water Board debtors (Bulk water)

Name of municipality	Current	30 Days	60 Days	90 Days	120 Days +	Total
R'000						
eThekwini	241 806	–	–	–	–	241 806
Msunduzi	48 883	–	–	–	–	48 883
uMgungundlovu DM	12 835	11 061	–	–	–	23 896
Ugu DM	10 517	1 092	–	9 721	64	21 394
iLembe DM	12 064	9 972	8 076	–	–	30 112
Harry Gwala DM	786	636	547	30	3 574	5 573
Total	326 891	22 761	8 623	9 750	3 639	371 665

Source: Umgeni Water Board MFMA Section 41 Report

As per the MFMA Section 41 report submitted to National Treasury by the Umgeni Water Board, R371.7 million was owed to the Umgeni Water Board as at 30 June 2018. With the exception of the eThekwini Metro and the Msunduzi Local Municipality, all municipalities as shown in Table 3.16 had amounts owing for longer than 30 days.

Table 3.17 shows the age analysis of the Umgeni Water Board (*Capital unit charge*) MFMA Section 41 report as at 30 June 2018 that was submitted to the National Treasury.

Table 3.17: Age analysis of Umgeni Water Board municipal debtors (Capital Unit Charge)

Name of municipality	Current	30 Days	60 Days	90 Days	120 Days +	Total
R'000						
eThekwini	20 428	–	–	–	–	20 428
Msunduzi	4 045	–	–	–	–	4 045
uMgungundlovu DM	1 062	915	–	–	–	1 977
Ugu DM	864	85	–	804	–	1 753
iLembe DM	998	825	681	726	27 562	30 792
Harry Gwala DM	62	50	43	–	270	426
Total	27 460	1 876	723	1 530	27 832	59 421

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, R59.4 million was owed to the Umgeni Water Board as at 30 June 2018 for the *Capital unit charge*. With the exception of the eThekwini Metro and the Msunduzi Local Municipality, all municipalities as shown in Table 3.17 had their *Capital unit charge* in arrears for more than 30 days.

The uMgungundlovu District Municipality has requested for a six months payment arrangement for their May and June 2018 outstanding amounts whilst the iLembe District Municipality requested that they start making payments in July 2018 for the *Capital unit charge* debtors.

Table 3.18 shows the age analysis of the Umgeni Water Board (MBWS) MFMA Section 41 report as at 30 June 2018 that was submitted to National Treasury.

Table 3.18: Age analysis of Umgeni Water Board municipal debtors (Mkomazi Bulk Water Scheme)

Name of municipality	Current	30 Days	60 Days	90 Days	120 Days +	Total
R'000						
eThekwini	4 807	–	–	–	–	4 807
Msunduzi	968	–	–	–	–	968
uMgungundlovu DM	254	219	–	–	–	473
Ugu DM	207	20	–	192	–	420
iLembe DM	239	198	163	–	–	599
Harry Gwala DM	15	12	10	–	64	101
Total	6 490	449	173	192	64	7 368

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, R7.4 million was owed to the Umgeni Water Board as at 30 June 2018 for the MBWS. With the exception of the eThekwini Metro and the Msunduzi Local Municipality, all municipalities as shown in Table 3.18 were in arrears for more than 30 days for their MBWS debts.

Age Profile of Mhlathuze Water Board Municipal Debtors

As per the MFMA Section 41 report submitted to the National Treasury by the Mhlathuze Water Board, R25.5 million was owed to the Mhlathuze Water Board as at 30 June 2018, entirely relating to the uMhlathuze Local Municipality. The municipality had an amount of R2.4 million outstanding for over 30 days.

3.7.2 Sale of bulk electricity

Table 3.19 shows the sale of *Bulk electricity* to municipalities by Eskom for the month of June 2018 and the actual year to date sales amount.

Table 3.19: Sale of bulk electricity to municipalities

Name of municipality	June 2018	YTD
R'000		
eThekweni	713 486	9 466 411
uMdoni	245	2 973
uMzombe	191	2 430
uMuziwabantu	2 219	31 353
Ray Nkonyeni	7 898	102 275
Ugu DM	4 126	60 938
uMshwathi	147	1 525
uMngeni	7 449	124 711
Mpofana	5 019	65 873
iMpendle	422	3 910
Msunduzi	129 648	1 682 218
Mkhambathini	30	437
Richmond	60	825
uMgungundlovu DM	6	79
Okhahlamba	108	1 330
Alfred Duma	19 167	247 061
iNkosi Langalibalele	14 095	188 668
uThukela DM	2 605	35 303
eNdumeni	6 680	93 162
Nquthu	1 635	22 728
uMsinga	24	303
uMvoti	3 849	52 087
uMzinyathi DM	841	13 826
Newcastle	37 183	519 893
eMadlangeni	880	13 061
Dannhauser	115	736
Amajuba DM	191	2 735
eDumbe	1 789	23 097
uPhongolo	2 357	28 986
AbaQulusi	11 189	173 156
Nongoma	205	2 341
Ulundi	6 988	81 019
Zululand DM	2 203	25 980
uMhlabuyalingana	28	354
Jozini	79	937
Big Five Hlabisa	40	354
Mtubatuba	34	407
uMkhanyakude DM	3 247	40 524
uMfolozi	117	1 459
uMhlatuze	40 312	898 606
uMlalazi	4 583	56 447
Mthonjaneni	1 788	24 574
Nkandla	914	11 898
King Cetshwayo	1 549	20 183
Mandeni	2 398	21 398
KwaDukuza	48 247	649 238
Ndwedwe	54	702
Maphumulo	86	1 009
iLembe DM	811	10 632
Dr. Nkosazana Dlamini Zuma	178	2 488
Greater Kokstad	11 706	100 561
uBuhlebezwe	97	1 289
uMzimkhulu	398	2 949
Harry Gwala DM	300	3 272
Total	1 100 015	14 920 712

Source: Eskom MFMA Section 41 Report

As per the MFMA Section 41 report submitted to National Treasury by Eskom, R14.9 billion in sales were made to the KZN municipalities during the 2017/18 financial year which is a decrease of R284.8 million or 1.9 percent as compared to the 2016/17 financial year of R15.2 billion.

The eThekweni Metro (R9.5 billion), the Msunduzi Local Municipality (R1.7 billion) and the uMhlathuze Local Municipality (R898.6 million) were the highest purchasers of *Bulk electricity* at the end of the 2017/18 financial year, contributing 63.4 percent, 11.3 percent and 6 percent of total sales, respectively.

Age Profile of Municipal Eskom Debtors

Table 3.20 shows the age analysis of Eskom's MFMA Section 41 report as at 30 June 2018 that was submitted to National Treasury.

Table 3.20: Age analysis of municipal Eskom debtors

Name of municipality	Current	30 Days	60 Days	90 Days	120 Days +	Total
R'000						
eThekweni	1 112 971	399	1	-	-	1 113 371
uMzombe	(136)	-	-	-	-	(136)
uMuziwabantu	4	-	-	-	-	4
Ray Nkonyeni	10 941	-	-	-	-	10 941
Ugu DM	(211)	77	-	-	-	(133)
uMngeni	12 903	-	-	-	-	12 903
Mpofana	7 082	-	4 730	3 651	62 780	78 243
iMpendle	8	-	-	-	-	8
Msunduzi	206 074	-	22	14	1 605	207 716
uMgungundlovu DM	5	-	-	-	-	5
Alfred Duma	48 637	-	51	-	-	48 689
iNkosi Langalibalele	37 175	-	12 102	12 814	18 011	80 101
uThukela DM	3 034	29	-	-	-	3 063
eNdumeni	19 697	-	-	-	-	19 697
uMsinga	5	22	1	-	-	27
uMvoti	6 641	-	-	-	-	6 641
uMzinyathi DM	222	219	24	-	-	465
New castle	95 429	-	24 402	108	76 000	195 939
eMadlangeni	1 406	-	-	-	-	1 406
Amajuba DM	280	-	134	-	-	414
eDumbe	4 901	-	5	5	7 020	11 931
uPhongolo	2 325	-	-	-	-	2 325
AbaQulusi	31 740	-	-	-	24 095	55 835
Nongoma	201	-	-	-	-	201
Ulundi	8 532	-	4 352	5	78 248	91 137
Zululand DM	626	-	14	-	-	640
uMhlabyalingana	29	-	-	-	-	29
Jozini	15	-	-	-	-	15
Big Five Hlabisa	44	-	-	-	-	44
Mtubatuba	31	-	-	-	-	31
uMkhanyakude DM	2 330	62	-	-	-	2 392
uMfolozi	89	30	90	89	-	298
uMhlathuze	102 656	6	8	-	-	102 670
uMlalazi	6 398	-	-	-	-	6 398
Mthonjaneni	2 010	-	-	-	-	2 010
Nkandla	2 328	-	-	-	-	2 328
King Cetshwayo DM	931	-	-	-	-	931
Mandeni	1 692	-	997	-	-	2 689
KwaDukuza	72 276	-	-	-	-	72 276
Maphumulo	58	-	58	-	-	116
iLembe DM	848	124	-	-	-	972
Dr. Nkosazana Dlamini Zuma	25	-	-	-	-	25
Greater Kokstad	(2)	-	-	-	-	(2)
uBuhlebezwe	36	-	-	-	-	36
Harry Gwala DM	(214)	2	-	-	-	(213)
Total	1 802 071	971	46 988	16 686	267 759	2 134 476

Source: Eskom MFMA Section 41 Report

As per the MFMA Section 41 report submitted to National Treasury by Eskom, R2.1 billion was owed to Eskom as at 30 of June 2018 by KZN municipalities of which, R332.4 million has been outstanding for more than 30 days in contravention of Section 65(2)(e) of the MFMA.

The uThukela, Amajuba, uMkhanyakude, Ugu, iLembe and Harry Gwala District Municipalities as well as the uMhlathuze, Mandeni, Maphumulo, Alfred Duma and AbaQulusi Local Municipalities settled their total outstanding debt owed to Eskom in July 2018 as per the MFMA Section 41 report.

The Mpofana, Newcastle, eDumbe and Ulundi and iNkosi Langalibalele Local Municipalities have payment arrangements in place with Eskom for their arrear debts. It was however noted that the Ulundi, Mpofana and iNkosi Langalibalele Local Municipalities are not honouring their payment arrangements with Eskom. The Ulundi Local Municipality has requested a new payment arrangement which has not yet been finalised by the respective parties. Eskom has sent the Mpofana and iNkosi Langalibalele Local Municipalities letters indicating its intention to start the Promotion of Administrative Justice Act No.3 of 2000 proceedings against the 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. 3 of 2017 (DoRA), direct allocations to all 54 KwaZulu-Natal municipalities amounted to R7.23 billion, while allocations in-kind amounted to R1.42 billion, totaling R8.65 billion.

R7.2 billion or 99 percent of the direct allocations was transferred to municipalities as at the end of the 2017/18 financial year.

Municipalities reported spending of R6.6 billion or 91.8 percent against the total amount transferred of R7.2 billion. However, when compared to the total DoRA allocation of R7.23 billion, 90.9 percent has been spent.

Table 3.21 shows the total national conditional grants transferred to all 54 municipalities in KwaZulu-Natal for the 2017/18 financial year, the related expenditure against the DoRA allocation and the transfer to the municipalities.

Table 3.21: National Conditional Grants - Summary

R'000	DoRA 2017 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	107 935	107 935	107 935	100 226	92.9	108 022	100.1
Infrastructure Skills Development Grant	36 793	36 793	36 793	22 839	62.1	30 191	82.1
Integrated City Development Grant	39 111	-	-	-	-	39 111	100.0
Neighbourhood Development Partnership (Schedule 5B)	134 715	134 715	134 715	82 450	61.2	80 723	59.9
Municipal Systems Improvement Grant (Schedule 5B)	16 039	16 039	-	-	-	-	-
Municipal Demarcation Transition Grant (Schedule 5B)	62 102	34 244	62 102	9 356	15.1	50 684	81.6
Public Transport Network Grant	1 074 662	1 074 662	1 074 662	722 810	67.3	741 934	69.0
Rural Road Assets Management Systems Grant	24 130	24 130	24 130	21 463	88.9	23 991	99.4
Expanded Public Works Programme Integrated Grant (Municipality)	191 354	191 354	191 354	145 459	76.0	194 705	101.8
Integrated National Electrification Programme (Municipal) Grant	549 600	549 600	549 600	356 747	64.9	509 967	92.8
Energy Efficiency and Demand Side Management (Municipal) Grant	38 000	38 000	38 000	24 228	63.8	32 127	84.5
Regional Bulk Infrastructure Grant (Schedule 5B)	605 395	605 395	587 382	451 931	74.7	533 949	88.2
Water Services Infrastructure Grant (Schedule 5B)	890 000	890 000	890 000	691 311	77.7	859 826	96.6
Municipal Infrastructure Grant	3 463 910	3 465 410	3 463 910	3 394 960	98.0	3 368 165	97.2
Sub-Total Direct Grants	7 233 746	7 168 277	7 160 583	6 023 780	83.3	6 573 396	90.9
Neighbourhood Development Partnership (Schedule 6B)	3 958	3 958	3 958	-	-	-	-
Municipal Systems Improvement Grant (Schedule 6B)	16 039	16 039	-	-	-	-	-
Integrated National Electrification Programme (Allocation in-kind) Grant	1 095 904	1 095 904	-	-	-	-	-
Regional Bulk Infrastructure Grant (Schedule 6B)	120 000	120 000	-	-	-	-	-
Water Services Infrastructure Grant (Schedule 6B)	185 000	185 000	-	-	-	-	-
Sub-Total Indirect Grants	1 420 901	1 420 901	3 958	-	-	-	-
Total Grants	8 654 647	8 589 178	7 164 541	6 023 780	83.3	6 573 396	90.9

Source: NT Lgdatabase

Note: The Urban Settlements Development Grant allocated to the eThekweni Metro is not included in the above figures. In terms of the DoRA, the allocation for this grant amounted to R2 billion.

3.8.2 Local Government Financial Management Grant

The DoRA states that 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 interns.

Table 3.22 shows the total FMG transferred to KwaZulu-Natal, by district, for the 2017/18 financial year and the related expenditure against the transfer.

Table 3.22: Expenditure on Local Government Financial Management Grant

R'000	Financial Management Grant						
	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	1 050	1 050	1 050	1 050	100.0	1 050	100.0
Ugu	13 440	13 440	13 440	11 367	84.6	13 263	98.7
uMgungundlovu	14 150	14 150	14 150	14 099	99.6	14 315	101.2
uThukela	10 895	10 895	10 895	8 088	74.2	10 894	100.0
uMzinyathi	8 550	8 550	8 550	8 120	95.0	7 902	92.4
Amajuba	7 000	7 000	7 000	6 989	99.8	7 010	100.1
Zululand	10 450	10 450	10 450	10 330	98.9	10 901	104.3
uMkhanyakude	10 750	10 750	10 750	10 428	97.0	10 773	100.2
King Cetshwayo	12 250	12 250	12 250	12 249	100.0	12 550	102.4
iLembe	8 750	8 750	8 750	7 411	84.7	8 716	99.6
Harry Gwala	10 650	10 650	10 650	10 095	94.8	10 650	100.0
Total	107 935	107 935	107 935	100 226	92.9	108 022	100.1

Source: NT Lgdatabase

Municipalities have reported spending R108 million or 100.1 percent against a transfer of R107.9 million for the 2017/18 financial year. The Zululand District recorded the highest percentage spent against the amount transferred of 104.3 percent or R10.9 million whilst the uMzinyathi District recorded the lowest percentage spent against the amount transferred of 92.4 percent or R7.9 million.

The Ulundi Local Municipality was the largest contributor towards over-spending in the Zululand District with reported spending of R2.7 million (147.4 percent). The uMzinyathi District Municipality was the largest contributor towards the under-spending in the uMzinyathi District with reported spending of R767 000 (61.3 percent).

As per Appendix 10, a total of eight municipalities reported over-expenditure on their FMG for the 2017/18 financial year, with 37 municipalities having spent exactly the amount that was allocated and transferred to them. The remaining nine municipalities reported under-expenditure on their FMG for the 2017/18 financial year.

3.8.3 Expanded Public Works Programme Integrated Grant for Municipalities

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 R194.7 million or 101.8 percent against a transfer of R191.4 million for the 2017/18 financial year.

Table 3.23 shows the total EPWP allocation transferred to KwaZulu-Natal, by district, for the 2017/18 financial year and the related expenditure against the transfer.

Table 3.23: Expenditure on Expanded Public Works Programme Integrated Grant

R'000	Expanded Public Works Programme Intergrated Grant						
	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	66 792	66 792	66 792	46 307	69.3	66 792	100.0
Ugu	8 559	8 559	8 559	7 417	86.7	8 559	100.0
uMgungundlovu	17 507	17 507	17 507	7 930	45.3	17 623	100.7
uThukela	16 115	16 115	16 115	14 620	90.7	16 377	101.6
uMzinyathi	10 447	10 447	10 447	8 752	83.8	11 788	112.8
Amajuba	7 955	7 955	7 955	6 950	87.4	7 955	100.0
Zululand	17 366	17 366	17 366	14 670	84.5	18 338	105.6
uMkhanyakude	11 938	11 938	11 938	9 318	78.1	12 929	108.3
King Cetshwayo	19 010	19 010	19 010	15 968	84.0	18 751	98.6
iLembe	8 147	8 147	8 147	6 751	82.9	8 075	99.1
Harry Gwala	7 518	7 518	7 518	6 776	90.1	7 518	100.0
Total	191 354	191 354	191 354	145 459	76.0	194 705	101.8

Source: NT Lgdatabase

As per Appendix 10, a total of nine municipalities reported over-expenditure on their EPWP grant for the 2017/18 financial year, with 40 municipalities having spent exactly the amount that was allocated and transferred to them. The remaining five municipalities reported under-expenditure on their EPWP grant for the 2017/18 financial year.

The uMvoti and Big Five Hlabisa Local Municipalities were the largest contributors towards over spending in the uMzinyathi and uMkhanyakude Districts with reported spending of R2.3 million (231 percent) and R3.3 million (158.8 percent), respectively. Whilst the uMkhanyakude District over-spent as a whole, the uMkhanyakude District Municipality under-spent by R216 000 (21.4 percent).

3.8.4 Integrated National Electrification Programme (Municipal) Grant

The DoRA states that 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 40 municipalities in the province received the INEP grant for the 2017/18 financial year. Municipalities have reported spending R510 million or 92.8 percent against a transfer of R549.6 million.

Table 3.24 shows the total INEP allocation transferred to KwaZulu-Natal, by district, for the 2017/18 financial year and the related expenditure against the transfer.

Table 3.24: Expenditure on Integrated National Electrification Programme (Municipal) Grant

R'000	Integrated National Electrification Programme (municipal) Grant						
	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	35 000	35 000	35 000	29 753	85.0	35 000	100.0
Ugu	36 000	36 000	36 000	26 517	73.7	29 523	82.0
uMgungundlovu	29 000	29 000	29 000	15 478	53.4	31 072	107.1
uThukela	43 000	43 000	43 000	29 089	67.6	29 130	67.7
uMzinyathi	77 000	77 000	77 000	71 224	92.5	97 282	126.3
Amajuba	21 000	21 000	21 000	8 508	40.5	20 619	98.2
Zululand	89 000	89 000	89 000	56 409	63.4	66 109	74.3
uMkhanyakude	68 600	68 600	68 600	40 561	59.1	65 755	95.9
King Cetshwayo	39 000	39 000	39 000	13 317	34.1	36 350	93.2
iLembe	49 000	49 000	49 000	16 585	33.8	41 255	84.2
Harry Gwala	63 000	63 000	63 000	49 306	78.3	57 871	91.9
Total	549 600	549 600	549 600	356 747	64.9	509 967	92.8

Source: NT Lgdatabase

As per Appendix 10, a total of six municipalities reported over-expenditure on their INEP grant for the 2017/18 financial year, with 20 municipalities having spent exactly the amount that was allocated and transferred to them. A total of 14 municipalities reported under-expenditure on their INEP grant for the 2017/18 financial year.

The uMsinga and uMshwathi Local Municipalities were the largest contributors towards over spending in the uMzinyathi and uMgungundlovu Districts with reported spending of R48.2 million (166.2 percent) and R4 million (134.8 percent), respectively.

The iNkosi Langalibalele, AbaQulusi and KwaDukuza Local Municipalities were the largest contributors towards the under-spending in the uThukela, Zululand and iLembe Districts, with reported spending of R1.1 million (7.5 percent), nil (0 percent) and R2.2 million (21.7 percent), respectively against their INEP allocations.

3.8.5 Municipal Infrastructure Grant

The DoRA states that 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 R3.5 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 3.25 shows the total MIG transferred to KwaZulu-Natal, by district, for the 2017/18 financial year and the related expenditure against the transfer.

Table 3.25: Expenditure on Municipal Infrastructure Grant

R'000	Municipal Infrastructure Grant						
	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
eThekweni	–	–	–	–	–	–	–
Ugu	402 564	402 564	402 564	395 652	98.3	375 907	93.4
uMgungundlovu	425 203	426 703	425 203	387 633	91.2	415 889	97.8
uThukela	322 071	322 071	322 071	319 991	99.4	334 462	103.8
uMzinyathi	309 000	309 000	309 000	305 208	98.8	298 029	96.4
Amajuba	184 825	184 825	184 825	184 512	99.8	164 053	88.8
Zululand	391 964	391 964	391 964	391 871	100.0	387 377	98.8
uMkhanyakude	346 311	346 311	346 311	346 294	100.0	341 351	98.6
King Cetshwayo	397 796	397 796	397 796	397 795	100.0	393 877	99.0
iLembe	345 549	345 549	345 549	345 549	100.0	359 106	103.9
Harry Gwala	338 627	338 627	338 627	320 455	94.6	298 114	88.0
Total	3 463 910	3 465 410	3 463 910	3 394 960	98.0	3 368 165	97.2

Source: NT Lgdatabase

During the 2017/18 financial year, R3.5 billion was transferred to municipalities according to the data supplied by National Treasury. A total of R3.4 billion or 97.2 percent was expended against the allocation for the 2017/18 financial year.

The uMgungundlovu, Ugu, King Cetshwayo and Zululand Districts received the largest MIG transfers of more than R390 million per district.

As per Appendix 10, a total of 12 municipalities have spent more than the amount transferred to them. The highest over-spending was in the iLembe and uThukela Districts with spending rates of 103.9 percent and 103.8 percent respectively.

The Ndwedwe Local Municipality within the iLembe District, reported spending of R41.8 million (147.9 percent) against a transfer of R28.3 million, resulting in over-spending of R13.5 million. It should however be noted that the over-spending is as a result of incorrect reporting by the municipality.

The iNkosi Langalibalele and Alfred Duma Local Municipalities were the largest contributors towards the over-spending in the uThukela District. The iNkosi Langalibalele Local Municipality reported spending of R43.1 million (112.6 percent) against a transfer of R38.3 million, resulting in over-spending of R4.8 million. The Alfred Duma Local Municipality reported spending of R70.3 million (112 percent) against a transfer of R62.7 million, resulting in over-spending of R7.6 million.

A total of 26 municipalities spent 100 percent of their grant allocation.

The remaining 15 municipalities reported under-expenditure on their MIG for the 2017/18 financial year. The Ray Nkonyeni and Nquthu Local Municipalities spent less than 70 percent of their MIG allocations as at the end of the 2017/18 financial year. The Ray Nkonyeni Local Municipality's expenditure was by far the lowest at 51.1 percent while the expenditure rate was 66.6 percent for the Nquthu Local Municipality.

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 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 identified that municipalities do not fully utilise the conditional grants received by the end of the financial year. In the course of preparing their 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 the 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 methods or schedules. 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 and the Unspent conditional grants are not refunded to the NRF, National Treasury will offset such amounts against the municipality's equitable share allocation and recover the funds accordingly. The inability of municipalities to refund these amounts is a consequence of using those monies for purposes other than in accordance with the conditions of the grant.

3.9.1 Unspent Conditional Grants – 2015/16

During 2016, Unspent conditional grants of R322.6 million were offset against the equitable share payments of municipalities.

On the 01 December 2017, National Treasury released the second tranche of the 2017/18 financial year equitable share payment to KZN municipalities after offsetting Unspent conditional grants of R1.3 million relating to the 2015/16 financial year. The amount related to the 2015/16 financial year unspent rollovers for the eThekweni Metro (R960 000) and the eDumbe Local Municipality (R300 000).

Furthermore, the Mkhambathini Local Municipality repaid R1.4 million to the NRF relating to the 2015/16 financial year grant rollovers that remained unspent.

Consequently, total Unspent conditional grants of R325.3 million was returned to the NRF by KZN municipalities for the 2015/16 financial year.

3.9.2 Unspent Conditional Grants – 2016/17

During 2017, 27 municipalities submitted rollover motivations to National Treasury in respect of Unspent conditional grants for the 2016/17 financial year. On 18 and 19 September 2017, 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 2017.

On 17 October 2017, National Treasury sent letters to the Accounting Officers of 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 the annexure to National Treasury MFMA Circular No. 86.

National Treasury approved rollovers for 17 municipalities in KZN amounting to a total of R95.4 million for the 2016/17 financial year. Appendix 12 shows the respective municipalities and the detailed outcomes of the rollover applications per specific grant for the 2016/17 financial year.

National Treasury subsequently sent letters to the affected Accounting Officers on 01 November 2017 advising them of the following:

“National Treasury has finalised the unspent conditional grant process for the 2016/17 financial year and has determined the unspent amount to be repaid to the National Revenue Fund.

National Treasury has used the 2017 pre-audited Annual Financial Statements to update the unspent conditional grant dataset for the 2016/17 financial year. In the absence of the AFS, National Treasury used the Section 71 report for the fourth quarter of 2016/17 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. Municipalities were provided with the bank account details and were requested to return the unspent grants by 14 November 2017.

Municipalities were warned that failing to return the unspent grants or comply with Section 22(1) of the 2016 DoRA by 14 November 2017 would result in National Treasury deducting the entire unspent amount from the respective municipality’s equitable share instalment to be received on 01 December 2017 in terms of Section 22(4) of the 2016 DoRA.

In terms of Section 22(5) of the 2016 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 2017, National Treasury offset Unspent conditional grants of R268.8 million against the second installment of equitable share of the affected municipalities. This amount was in respect of unspent grants of:

- R2.7 million for the 2015/16 financial year;
- R262.7 million for the 2016/17 financial year; and
- An amount of R3.4 million relating to the 2015/16 financial year unspent grants that were duplicated in error due to incorrect reporting.

Subsequent engagements with the municipalities resulted in National Treasury reimbursing R11.7 million in relation to the 2015/16 financial year error of R3.4 million (Amajuba District Municipality) and the 2016/17 financial year unspent grants of R8.3 million (Harry Gwala District Municipality: R3.9 million and Amajuba District Municipality: R4.4 million) offset in December 2017.

The uThukela District Municipality and the Mandeni Local Municipality entered into payment arrangements with National Treasury whereby unspent funds would be offset against future equitable share payments. This resulted in R32 million being offset against the March 2018 equitable share (uThukela District Municipality: R27.2 million and Mandeni Local Municipality: R4.8 million) and R14.8 million being further offset against the July 2018 equitable share of the uThukela District Municipality.

This consequently resulted in total unspent grants for the 2016/17 financial year increasing to R301 million.

Appendix 14 shows the total amount offset and/or returned of R301 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 Regional Bulk Infrastructure Grant (RBIG) of R123.5 million, the Municipal Infrastructure Grant (MIG) of R63.2 million and the Neighborhood Development Partnership Grant (NDPG) of R53.9 million, the result of which will negatively impact infrastructure development and consequently, impeding crucial service delivery while also contracting economic growth in the province.

Appendix 15 shows that the total Unspent conditional grants of R2 billion was returned to the NRF for the period 2012/13 to 2016/17. These are funds that could have been used by municipalities to develop infrastructure and provide essential services but has now left the province due to poor grant management by municipalities. The eThekweni Metro, the Msunduzi Local Municipality and the uThukela District Municipality have surrendered the highest amount 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 2016/17 financial year. This was evidenced by the issue of the Provincial Treasury Circular PT/MF 2 of 2017/18 on 01 August 2017 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 rollover motivations to municipalities.

Provincial Treasury was one of the key stakeholders together with National Treasury involved in comprehensively evaluating municipalities' 2016/17 financial year grant rollover motivations. In addition, Provincial Treasury assisted numerous municipalities that raised queries or required clarity regarding the rejection of their rollover motivations.

3.9.3 Unspent Conditional Grants – 2017/18

Municipalities were required to submit their 2017/18 AFS to the Auditor-General by 31 August 2018. During this process, they were required to determine the unspent portion of the National Conditional grants for the 2017/18 financial year which will be subject to the scrutiny of the Auditor- General when they perform the audit.

Municipalities were also requested to submit their rollover applications and supporting documentation to National Treasury by 31 August 2018 in accordance with the 2017 DoRA and National Treasury MFMA Circulars 86 and 91.

Provincial Treasury also issued Circular PT/MF 02 of 2018/19 on 06 August 2018 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 providing structured support, initiated by the rollout of the guide in conjunction with an intensive training programme at pilot 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 2017 DoRA, National Treasury may, in 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 three municipalities on 07 December 2017 of its intention to stop a portion of the following 2017/18 grant allocations:

- Regional Bulk Infrastructure Grant; and
- Neighbourhood Development Partnership Grant.

The affected municipalities were given seven days to make representation regarding the stopping of these grants.

Government Gazette number 41394 issued on 23 January 2018 provided confirmation to the three municipalities that the abovementioned grants would be officially stopped.

Further to this, National Treasury notified 19 municipalities on 12 February 2018 of its intention to stop a portion of their 2017/18 Municipal Infrastructure Grant and Energy Efficiency Demand Side Management allocations due to the under-performance against the respective grants. National Treasury issued a notification letter to CoGTA and Provincial Treasury on 16 March 2018 identifying the municipalities for which the grants would be officially stopped. Government Gazette number 41519 issued on 23 March 2018 further confirmed the stopping of allocations of eight affected municipalities. Appendix 16 lists the municipalities and respective amount stopped. In summary, grants to the total value of R101.4 million was stopped in the 2017/18 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 the applications for rollover.

3.10 Cash Flow Position - 2016/17

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 at a municipality.

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 2016/17 AFS. It was concluded that there is a deterioration in the cash position of a significant number of municipalities due to increasing challenges experienced regarding the management of cash. 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 and long term investments.

If the 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 3.26 shows 11 municipalities with a negative Net available cash (red) position in the 2016/17 financial year and consequently, a negative Cash coverage ratio.

Table 3.26 Unspent Conditional Grants Not Cash Backed

R'000	2015/16				2016/17			
	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
Mpofana	4 944	18 992	(14 048)	(1.4)	497	17 429	(16 932)	(1.6)
Umshezi *	11 886	15 684	(3 799)	(0.1)	-	-	-	-
Inkosi Langalibalele **	-	-	-	-	(21 289)	17 746	(39 034)	(1.0)
uThukela DM	36 715	16 156	20 560	0.5	5 998	69 711	(63 713)	(1.4)
eDumbe	719	1 046	(327)	(0.0)	565	1 458	(893)	(0.1)
uPhongolo	9 774	7 690	2 084	0.2	1 604	2 211	(607)	(0.0)
AbaQulusi	13 622	8 036	5 586	0.2	11 709	14 245	(2 536)	(0.1)
Zululand DM	(33 432)	13 362	(46 794)	(1.2)	7 436	1 500	5 936	0.2
The Big Five False Bay *	2 734	5 401	(2 667)	(0.6)	-	-	-	-
Hlabisa *	1 985	7 762	(5 776)	(1.0)	-	-	-	-
Big Five Hlabisa **	-	-	-	-	1 927	4 806	(2 879)	(0.3)
uMkhanyakude DM	27 315	24 102	3 213	0.1	34 626	64 576	(29 950)	(1.0)
uMfolozi	211	5 564	(5 354)	(0.6)	1 614	6 044	(4 431)	(0.4)
Nkandla	4 482	2 914	1 567	0.2	807	1 991	(1 184)	(0.1)
Harry Gwala DM	5 819	6 677	(858)	(0.0)	24 273	53 522	(29 249)	(1.0)

Source: Auditor-General: Audited 2016/17 Annual Financial Statements

* Municipality Prior to Merge

** New Demarcated Municipality

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 3.26 also shows that the financial position of four of the municipalities listed above reflect continuing negative cash balances over the 2015/16 and 2016/17 financial years.

3.10.2 Unspent Conditional Grants - Not Cash-backed

Table 3.27 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 2015/16 and 2016/17 financial years.

Based on the analysis of the 2016/17 audited AFS in Table 3.27, the following were noted:

- Eleven (11) of the 54 municipalities' *Unspent conditional grants* are not cash backed.

- Six of the 11 municipalities' *Unspent conditional grants* are not cash backed by less than R5 million.
- Five of the 11 municipalities' *Unspent conditional grants* are not cash backed by more than R10 million.

The following is a detailed breakdown per district for the 2016/17 financial year, with the relevant amounts by which the municipalities unspent grants are not cash backed.

- The uMgungundlovu District: Mpofana Local Municipality (R16.9 million);
- The uThukela District: iNkosi Langalibalele Local Municipality (R39 million) and uThukela District Municipality (R63.7 million);
- The Zululand District: eDumbe Local Municipality (R893 221), uPhongolo Local Municipality (R607 492) and AbaQulusi Local Municipality (R2.5 million);
- The uMkhanyakude District: The Big Five Hlabisa Local Municipality (R2.9 million) and uMkhanyakude District Municipality (R29.9 million);
- The King Cetshwayo District: uMfolozi Local Municipality (R4.4 million) and Nkandla Local Municipality (R1.2 million); and
- The Harry Gwala District: Harry Gwala District Municipality (R29.2 million).

Based on the figures in the audited AFS, the *Unspent conditional grants* for all the municipalities in the Ugu, uMzinyathi, Amajuba and iLembe Districts and the eThekweni Metro appear to be cash backed.

Table 3.27 Unspent Conditional Grants Not Cash Backed

R'000	2015/16				2016/17			
	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
eThekwini	6 915 704	723 277	6 192 427	3.1	6 315 458	867 988	5 447 470	2.5
Vulamehlo*	27 032	5 445	21 588	3.2	–	–	–	0.0
uMdoni	123 676	511	123 165	10.7	205 733	21 210	184 523	11.0
uMzombe	122 840	5 412	117 428	12.0	169 217	511	168 706	17.8
uMuziwabantu	110 840	3 757	107 083	12.4	129 931	3 510	126 421	12.6
Ezinqolweni*	33 101	770	32 331	8.9	–	–	–	0.0
Hibiscus Coast*	82 346	31 681	50 666	0.9	–	–	–	0.0
Ray Nkonyeni**	–	–	–	0.0	93 557	26 475	67 082	1.2
Ugu DM	256 457	8 730	247 727	4.7	180 353	400	179 953	3.0
uMshwathi	7 835	–	7 835	0.8	6 437	1 400	5 037	0.5
uMngeni	38 399	11 078	27 321	1.3	13 298	1 169	12 129	0.5
Mpofana	4 944	18 992	(14 048)	(1.4)	497	17 429	(16 932)	(1.6)
iMpendle	4 099	381	3 718	0.9	3 273	814	2 459	0.6
Msunduzi	977 942	253 356	724 586	2.5	686 747	81 694	605 053	1.9
Mkhambathini	37 260	3 171	34 090	8.3	52 816	5 435	47 380	11.0
Richmond	47 736	7 803	39 933	6.7	32 099	5 377	26 722	4.0
uMgungundlovu DM	178 511	17 028	161 483	3.4	94 043	16 771	77 273	1.5
Emnambithi/Lady smith*	139 284	18 202	121 081	2.8	–	–	–	0.0
Indaka*	137 023	3 987	133 037	37.8	–	–	–	0.0
Umtshezi*	11 886	15 684	(3 799)	(0.1)	–	–	–	0.0
Okhahlamba	41 431	20 333	21 098	1.9	31 376	19 725	11 651	1.0
Imbabazane*	9 330	6	9 324	1.1	–	–	–	0.0
Inkosi Langalibalele**	–	–	–	0.0	(21 289)	17 746	(39 034)	(1.0)
Alfred Duma**	–	–	–	0.0	262 208	25 110	237 098	5.1
uThukela DM	36 715	16 156	20 560	0.5	5 998	69 711	(63 713)	(1.4)
eNdameni	68 345	17 655	50 690	2.7	53 374	5 820	47 553	2.3
Nquthu	118 751	1 503	117 248	12.8	168 059	1 216	166 844	20.3
uMsinga	40 989	4 135	36 854	3.2	36 761	1 606	35 155	2.5
uMvoti	42 672	5 943	36 729	1.8	11 976	3 160	8 816	0.5
uMzinyathi DM	60 935	17 362	43 573	1.2	68 851	36 749	32 101	1.1
New castle	44 573	32 409	12 164	0.1	50 508	41 556	8 952	0.1
eMadlangeni	21 028	2 707	18 321	3.7	14 828	6 218	8 610	1.6
Dannhauser	36 742	6 507	30 236	4.7	47 891	198	47 693	6.3
Amajuba DM	17 990	13 459	4 531	0.3	21 009	7 426	13 583	0.9
eDumbe	719	1 046	(327)	-0.04	565	1 458	(893)	(0.1)
uPhongolo	9 774	7 690	2 084	0.2	1 604	2 211	(607)	-0.04
AbaQulusi	13 622	8 036	5 586	0.2	11 709	14 245	(2 536)	(0.1)
Nongoma	6 546	221	6 325	0.6	3 678	175	3 504	0.3
Ulundi	2 378	1 121	1 256	0.1	1 947	1 141	806	0.0
Zululand DM	(33 432)	13 362	(46 794)	(1.2)	7 436	1 500	5 936	0.2
uMhlabyalingana	62 188	9 126	53 063	4.3	18 261	6 080	12 181	0.8
Jozini	74 627	9 228	65 399	5.9	56 964	6 179	50 785	3.8
The Big Five False Bay*	2 734	5 401	(2 667)	(0.6)	–	–	–	0.0
Hlabisa*	1 985	7 762	(5 776)	(1.0)	–	–	–	0.0
Mtubatuba	16 161	2 512	13 649	1.5	7 575	2 448	5 127	0.4
Big Five Hlabisa**	–	–	–	0.0	1 927	4 806	(2 879)	(0.3)
uMkhanyakude DM	27 315	24 102	3 213	0.1	34 626	64 576	(29 950)	(1.0)
uMfolozi	211	5 564	(5 354)	(0.6)	1 614	6 044	(4 431)	(0.4)
uMhlathuze	462 406	28 878	433 528	2.4	715 116	10 596	704 520	3.4
Ntambanana*	15 634	1 703	13 931	2.4	–	–	–	0.0
uMlalazi	112 439	20 099	92 340	4.3	86 123	6 611	79 511	3.5
Mthonjaneni	40 930	177	40 754	6.5	24 457	17	24 440	2.6
Nkandla	4 482	2 914	1 567	0.2	807	1 991	(1 184)	(0.1)
King Cetshwayo DM	422 557	15 939	406 618	7.5	503 357	16 960	486 397	9.7
Mandeni	27 749	11 271	16 478	1.1	15 157	8 463	6 694	0.4
KwaDukuza	456 317	24 300	432 017	4.8	391 670	46 657	345 013	3.5
Ndwedwe	109 380	6 071	103 308	14.6	111 731	6 148	105 583	11.7
Maphumulo	22 797	16 546	6 250	1.0	32 588	16 705	15 883	2.8
iLembe DM	35 916	4 487	31 429	0.8	5 767	963	4 804	0.1
Ingwe*	69 130	16 006	53 124	9.1	–	–	–	0.0
Kwa Sani*	15 056	823	14 233	4.5	–	–	–	0.0
Greater Kokstad	88 367	5 492	82 875	4.3	125 285	13 998	111 287	5.4
uBuhlebezwe	103 230	9 765	93 465	12.7	118 301	4 103	114 197	14.4
uMzimkhulu	111 745	19 430	92 315	8.6	175 498	40 919	134 579	11.4
Dr. Nkosazana Dlamini Zuma**	–	–	–	0.0	91 923	25 088	66 835	7.5
Harry Gwala DM	5 819	6 677	(858)	-0.03	24 273	53 522	(29 249)	(1.0)
Total	12 085 203	1 553 192	10 532 011		11 304 966	1 650 030	9 654 936	

Source: Auditor-General: Audited 2016/17 Annual Financial Statements

* Municipality Prior to Merge

** New Demarcated Municipality

Table 3.27 shows that R1.7 billion for National, Provincial and other conditional grants were unspent as per the 2016/17 audited AFS as compared to R1.6 billion in 2015/16.

It must also be noted that the iNkosi Langalibalele Local Municipality was in a negative cash position before even considering the cash backing of Unspent conditional grants. In terms of Section 45(4) of the MFMA, municipalities are not allowed to close the financial year with any short term borrowing or overdraft. The fact that the municipality was not able to close the financial year with a positive cash position is a strong indicator that the municipality is in severe financial distress.

Table 3.28 shows the Regression of Net available cash from the 2015/16 financial year to the 2016/17 financial year.

Table 3.28: Regression of Net Available Cash

R'000	2015/16				2016/17				Regression in Net Cash - 2015/16 to 2016/17
	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	6 915 704	723 277	6 192 427	3.1	6 315 458	867 988	5 447 470	2.5	(744 957)
Ugu DM	256 457	8 730	247 727	4.7	180 353	400	179 953	3.0	(67 774)
uMshwathi	7 835	-	7 835	0.8	6 437	1 400	5 037	0.5	(2 798)
uMngeni	38 399	11 078	27 321	1.3	13 298	1 169	12 129	0.5	(15 191)
Mpofana	4 944	18 992	(14 048)	(1.4)	497	17 429	(16 932)	(1.6)	(2 884)
iMpendle	4 099	381	3 718	0.9	3 273	814	2 459	0.6	(1 259)
Msunduzi	977 942	253 356	724 586	2.5	686 747	81 694	605 053	1.9	(119 534)
Richmond	47 736	7 803	39 933	6.7	32 099	5 377	26 722	4.0	(13 210)
uMgungundlovu DM	178 511	17 028	161 483	3.4	94 043	16 771	77 273	1.5	(84 210)
Okhahlamba	41 431	20 333	21 098	1.9	31 376	19 725	11 651	1.0	(9 447)
uThukela DM	36 715	16 156	20 560	0.5	5 998	69 711	(63 713)	(1.4)	(84 273)
eNdumeni	68 345	17 655	50 690	2.7	53 374	5 820	47 553	2.3	(3 137)
uMsinga	40 989	4 135	36 854	3.2	36 761	1 606	35 155	2.5	(1 699)
uMvoti	42 672	5 943	36 729	1.8	11 976	3 160	8 816	0.5	(27 913)
uMzinyathi DM	60 935	17 362	43 573	1.2	68 851	36 749	32 101	1.1	(11 472)
New castle	44 573	32 409	12 164	0.1	50 508	41 556	8 952	0.1	(3 212)
eMadlangeni	21 028	2 707	18 321	3.7	14 828	6 218	8 610	1.6	(9 712)
eDumbe	719	1 046	(327)	-0.04	565	1 458	(893)	(0.1)	(566)
uPhongolo	9 774	7 690	2 084	0.2	1 604	2 211	(607)	-0.04	(2 691)
AbaQulusi	13 622	8 036	5 586	0.2	11 709	14 245	(2 536)	(0.1)	(8 122)
Nongoma	6 546	221	6 325	0.6	3 678	175	3 504	0.3	(2 821)
Ulundi	2 378	1 121	1 256	0.1	1 947	1 141	806	0.0	(450)
uMhlabyalingana	62 188	9 126	53 063	4.3	18 261	6 080	12 181	0.8	(40 882)
Jozini	74 627	9 228	65 399	5.9	56 964	6 179	50 785	3.8	(14 614)
Mtubatuba	16 161	2 512	13 649	1.5	7 575	2 448	5 127	0.4	(8 521)
uMkhanyakude DM	27 315	24 102	3 213	0.1	34 626	64 576	(29 950)	(1.0)	(33 163)
uMlalazi	112 439	20 099	92 340	4.3	86 123	6 611	79 511	3.5	(12 828)
Mthonjaneni	40 930	177	40 754	6.5	24 457	17	24 440	2.6	(16 313)
Nkandla	4 482	2 914	1 567	0.2	807	1 991	(1 184)	(0.1)	(2 751)
Mandeni	27 749	11 271	16 478	1.1	15 157	8 463	6 694	0.4	(9 784)
KwaDukuza	456 317	24 300	432 017	4.8	391 670	46 657	345 013	3.5	(87 004)
iLembe DM	35 916	4 487	31 429	0.8	5 767	963	4 804	0.1	(26 625)
Harry Gwala DM	5 819	6 677	(858)	-0.03	24 273	53 522	(29 249)	(1.0)	(28 391)

Source: Auditor-General: Audited 2016/17 Annual Financial Statements

It was noted that the eThekweni Metro, the Msunduzi and KwaDukuza Local Municipalities had regressed the most in the 2016/17 financial year.

Table 3.29 shows that the Net available cash of majority of the merged municipalities regressed in the 2016/17 financial year.

Table 3.29: Net Available Cash – Merged Municipalities

R'000	2015/16				2016/17				Regression in Net Cash - 2015/16 to 2016/17
	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	
Ezinqolweni	33 101	770	32 331	8.9	-	-	-	-	-
Hibiscus Coast	82 346	31 681	50 666	0.9	-	-	-	-	-
Ray Nkonyeni	-	-	-	-	93 557	26 475	67 082	1.2	(15 915)
Emnambithi/Ladysmith	139 284	18 202	121 081	2.8	-	-	-	-	-
Indaka	137 023	3 987	133 037	37.8	-	-	-	-	-
Alfred Duma	-	-	-	-	262 208	25 110	237 098	5.1	(17 020)
Umtshezi	11 886	15 684	(3 799)	(0.1)	-	-	-	-	-
Imbabazane	9 330	6	9 324	1.1	-	-	-	-	-
iNkosi Langalibalele	-	-	-	0.0	(21 289)	17 746	(39 034)	(1.0)	(44 560)
The Big Five False Bay	2 734	5 401	(2 667)	(0.6)	-	-	-	-	-
Hlabisa	1 985	7 762	(5 776)	(1.0)	-	-	-	-	-
Big Five Hlabisa	-	-	-	-	1 927	4 806	(2 879)	(0.3)	5 564
Ingwe	69 130	16 006	53 124	9.1	-	-	-	-	-
Kwa Sani	15 056	823	14 233	4.5	-	-	-	-	-
Dr. Nkosazana Dlamini Zuma	-	-	-	-	91 923	25 088	66 835	7.5	(522)

Source: Auditor-General: Audited 2016/17 Annual Financial Statements

It should be noted that although the Big Five Hlabisa Local Municipality was in a negative net available cash position, the merged municipality's performance improved when compared to the cash position of The Big Five False Bay and Hlabisa Local Municipalities, respectively, prior to the merge.

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 coverage of three months.

Using the 2016/17 Audited AFS, Table 3.30 shows the period that each municipality can meet its monthly fixed operating commitments without collecting any additional revenue during that month. The results of this analysis are as follows:

- Nineteen (19) of the 54 municipalities have a cash coverage ratio of three months or greater;
- Twenty-four (24) of the 54 municipalities have a cash coverage ratio of between zero and less than three months; and
- Eleven (11) 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 (11 Municipalities - 20.4%)	Municipalities with a cash coverage ratio between 0 and <3 months (24 Municipalities - 44.4%)	Municipalities with a cash coverage ratio of greater than =3 months (19 Municipalities - 35.2%)
Mpofana	eThekweni Metro	Zululand DM
iNkosi Langalibalele	Ray Nkonyeni	uMhlabuyalingana
uThukela DM	uMshwathi	Mtubatuba
eDumbe	uMngeni	Mandeni
uPhongolo	iMpendle	Mthonjaneni
AbaQulusi	Msunduzi	Maphumulo
Big Five Hlabisa	uMgungundlovu DM	iLembe DM
uMkhanyakude DM	Okhahlamba	
uMfolozi	eNdumeni	
Nkandla	uMsinga	
Harry Gwala DM	uMvoti	
	uMzinyathi DM	
	Newcastle	
	eMadlangeni	
	Amajuba DM	
	Nongoma	
	Ulundi	
		uMdoni
		uMzimkhulu
		Dr. Nkosazana Dlamini Zuma
		uMzumbe
		uMuziwabantu
		Ugu DM
		Mkhambathini
		Richmond
		Alfred Duma
		Nquthu
		Dannhauser
		Jozini
		uMhlathuze
		uMlalazi
		King Cetshwayo DM
		KwaDukuza
		Ndwedwe
		Greater Kokstad
		uBuhlebezwe

Source: Auditor-General: Audited 2016/17 Annual Financial Statements

As shown in Table 3.30, 64.8 percent of the municipalities in the province do not have a healthy Cash coverage ratio. Furthermore, Table 3.27 shows the 24 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 two 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 ratio. This results in municipalities depending on conditional grants to fund their Operating expenditure.

The Auditor-General had identified matters relating to the going concern of nine municipalities namely; the Mpofana, iNkosi Langalibalele, eDumbe, uPhongolo, AbaQulusi, Ulundi and Big Five Hlabisa Local Municipalities and the uThukela and Amajuba 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.

MFMA 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 MFMA 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 MFMA Section 71 reporting of the cash position is flawed; 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 the consumers' ability to pay their debts. This has resulted in a significant deterioration in revenue collections. Many of the municipalities affected by cash flow challenges 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;

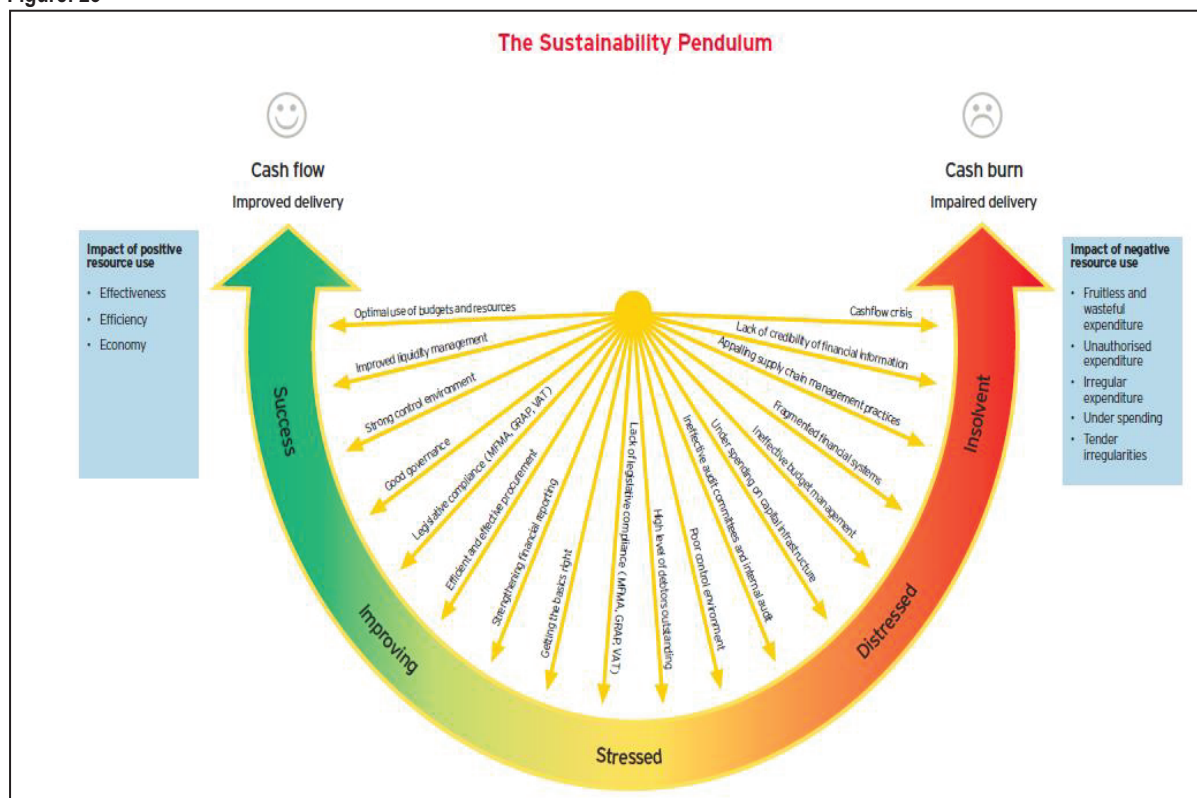
- Municipalities experience poor management, monitoring and reporting of conditional grant funding. Municipalities regularly utilise conditional grant funds to supplement Operating expenditure requirements instead of using the funds in accordance with the applicable grant conditions;
- The deteriorating 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 has compromised the implementation of proper cash flow management;
- Major unresolved disputes by consumers coupled with poor service delivery has resulted in increasing ratepayer/ consumer boycotts and have led to resistance from communities to pay their accounts owing to municipalities;
- The failure to optimise tariffs to ensure that they are cost reflective together with the cash flow difference between increasing cost of bulk electricity/water and poor revenue collection further impacts negatively on the cash position of municipalities;
- Weak billing systems 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 the 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 challenges in 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 as depicted in Figure 23.

Figure: 23



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 summarized 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 and Cash equivalents - 2017/18

Cash is a vital component in the successful operations and continuity of a municipality and is therefore one of the most important indicators of the municipality's continuing ability to deliver services and provide infrastructural support to the institutions and residents within its jurisdiction.

The management of cash is subject to certain guidelines to assist in ensuring that each municipality maintains a healthy level of cash to support its operations. One of these guidelines is mentioned in Section 45(4) of the MFMA which states:

A municipality—

(a) must pay off short-term debt within the financial year; and

(b) may not renew or refinance short-term debt, whether its own debt or that of any other entity, where such renewal or refinancing will have the effect of extending the short-term debt into a new financial year.

Municipalities are thus required, at a minimum, to maintain a positive *Cash and cash equivalents* position. The figures reported by municipalities in line with the requirements of Section 71(1) of the MFMA indicate that many municipalities are struggling to manage their cash flows effectively and have, according to figures reported, actually failed to comply with the MFMA in certain instances by reflecting a *Cash and cash equivalents* balance of less than Rnil. Table 3.31 shown below reflects cash flow per activity and per district.

Table 3.31 Cash flow per activity and per district – 2017/18

R'000	Cash and cash equivalents at the beginning of the year	Receipts - Operating activities ¹	Payments - Operating activities ²	Receipts - Investing activities ³	Payments - Investing activities	Receipts - Financing activities ⁴	Payments - Financing activities	Net increase/(decrease) in cash held	Cash and cash equivalents at the end of the year
eThekwini	6 296 972	34 859 787	(28 562 978)	(975 203)	(4 362 883)	(125 636)	(774 928)	58 159	6 355 131
Ugu	437 264	2 278 831	(2 110 453)	274 752	(477 260)	18 993	(3 972)	(19 110)	418 154
uMgungundlovu	283 042	1 902 653	(1 930 050)	113 400	(320 944)	–	(5 766)	(240 707)	42 335
uThukela	40 729	2 252 107	(1 755 287)	–	(460 661)	(12 602)	(510)	23 047	63 776
uMzinyathi	405 544	1 478 171	(942 797)	(20 876)	(463 344)	36	(669)	50 521	456 065
Amajuba	75 821	2 138 909	(1 836 426)	(4 535)	(308 625)	5 846	(48 689)	(53 520)	22 301
Zululand	18 883	2 236 435	(1 757 488)	104 358	(551 012)	–	(2 301)	29 992	48 875
uMkhanyakude	116 740	1 610 102	(1 170 541)	2 002	(420 162)	29	(743)	20 686	137 427
King Cetshwayo	983 039	6 109 479	(5 323 347)	27 958	(1 018 513)	10 075	(139 456)	(333 804)	649 235
iLembe	435 387	3 046 074	(2 174 258)	40 310	(599 904)	(270)	(39 005)	272 946	708 333
Harry Gwala	536 272	1 692 143	(1 101 877)	–	(491 264)	3 833	(2 681)	100 154	636 426
Total	9 629 694	59 604 689	(48 665 501)	(437 836)	(9 474 573)	(99 695)	(1 018 721)	(91 636)	9 538 058

Source: NT Igdatabase

1 Include Property rates, penalties and collection charges, Service charges, Other revenue, Government-operating, Government-capital, Interest and Dividends.

2 Include Suppliers and employees, Finance charges and Transfers and grants.

3 Include Proceeds on disposal of PPE, Decrease in non-current debtors, Decrease in other non-current receivables and Decrease/(increase) in consumer deposits.

4 Include Short term loans, Borrowing long term/refinancing and Increase/(decrease) in consumer deposits

3.11.1 Incorrect Cash and cash equivalents at the beginning of the 2017/18 financial year

The figures reflected in Table 3.31 are partly influenced by inaccurate reporting of both opening balances as well as transactions which occurred during the year. For example, the *Cash and cash equivalents* reflected for the end of the 2016/17 financial year should be the same as the *Cash and cash equivalents* for the beginning of the 2017/18 financial year. Table 3.32 below shows the difference between the closing balance for *Cash and cash equivalents* as per the 2016/17 audited AFS and the opening balance as submitted in the 2017/18 MFMA Section 71 returns which reflects a difference of R1.6 billion. This is mainly due to six municipalities not reporting on opening *Cash and cash equivalents* in their MFMA Section 71 returns.

Table 3.32 shows that only 20 municipalities reported an opening balance for Cash and cash equivalents in the MFMA Section 71 reporting for the 2017/18 financial year which was consistent with the closing *Cash and cash equivalents* as per the 2016/17 financial year audited AFS. This implies that there is a high probability that the closing *Cash and cash equivalents balance* for 34 municipalities for the 2017/18 financial year is incorrect as cash flow movements in the 2017/18 financial year were added to incorrect opening balances for 2017/18 for these municipalities.

Table 3.32 Difference between 2016/17 audited Cash and cash equivalents and MFMA Section 71 2017/18 opening Cash and Cash equivalents

	Cash and cash equivalents - closing balance as per 2016/17 AFS	Cash and cash equivalents - opening balance Section 71 2017/18 submissions	Difference
iini	6 315 458	6 296 972	(18 486)
uMdoni	205 733	11 748	(193 985)
uMzombe	169 217	158 888	(10 330)
uMuziw abantu	129 931	–	(129 931)
Ray Nkonyeni	93 557	87 142	(6 415)
Ugu DM	180 353	179 487	(866)
Ugu Municipalities	778 791	437 264	(341 527)
uMshwathi	6 437	879	(5 558)
uMngeni	10 679	15 353	4 674
Mpofana	497	497	0
iMpendle	3 273	2 886	(387)
Msunduzi	677 947	–	(677 947)
Mkhambathini	52 816	52 816	–
Richmond	32 099	32 099	–
uMgungundlovu DM	94 043	178 511	84 468
uMgungundlovu Municipalities	877 792	283 042	(594 750)
Okhahlamba	31 376	31 377	1
iNkosi Langalibalele	(21 289)	(20 469)	820
Alfred Duma	262 208	23 823	(238 385)
uThukela DM	5 998	5 998	–
uThukela Municipalities	278 293	40 729	(237 564)
eNdumeni	53 374	53 374	–
Nquthu	168 059	246 559	78 500
uMsinga	36 761	36 761	–
uMvoti	11 976	–	(11 976)
uMzinyathi DM	68 851	68 851	–
uMzinyathi Municipalities	339 020	405 544	66 524
New castle	50 508	40 012	(10 496)
eMadlangeni	14 828	14 828	–
Dannhauser	47 891	–	(47 891)
Amajuba DM	21 009	20 981	(27)
Amajuba Municipalities	134 235	75 821	(58 414)
eDumbe	565	14	(551)
uPhongolo	1 604	1 604	–
AbaQulusi	11 709	13 622	1 913
Nongoma	3 678	3 643	(35)
Ulundi	1 947	–	(1 947)
Zululand DM	7 436	–	(7 436)
Zululand Municipalities	26 940	18 883	(8 057)
uMhlabuyalingana	18 261	18 261	–
Jozini	56 964	54 357	(2 608)
Mtubatuba	7 575	7 575	–
Big Five Hlabisa	1 927	1 922	(5)
uMkhanyakude DM	34 626	34 626	–
uMkhanyakude Municipalities	119 353	116 740	(2 613)
uMfolozi	1 614	1 614	(0)
uMhlathuze	715 116	701 690	(13 426)
uMlalazi	86 123	86 123	–
Mthonjaneni	25 997	20 282	(5 715)
Nkandla	807	807	–
King Cetshwayo DM	503 357	172 524	(330 833)
King Cetshwayo Municipalities	1 333 014	983 039	(349 975)
Mandeni	15 157	15 204	48
KwaDukuza	270 209	270 209	–
Ndwedwe	111 731	111 731	–
Maphumulo	32 588	31 947	(641)
iLembe DM	5 767	6 296	529
iLembe Municipalities	435 452	435 387	(64)
Greater Kokstad	125 285	125 285	(0)
uBuhlebezwe	118 301	119 294	994
uMzimkhulu	175 498	175 498	–
Dr. Nkosazana Dlamini Zuma	91 923	91 923	–
Harry Gwala DM	43 023	24 273	(18 750)
Harry Gwala Municipalities	554 029	536 272	(17 757)
	11 192 377	9 629 694	(1 562 683)

Source: Auditor General: Audited 2016/17 Annual Financial Statements and NT Igdatabase

3.11.2 Cash and cash equivalents at the end of the 2017/18 financial year

The figures reflected in Table 3.33 below show that the discrepancy between MFMA Section 71 reporting and Cash and cash equivalents as per pre-audit 2017/18 AFS improved slightly from a total of R1.6 billion as per Table 3.32 to R1.5 billion as per Table 3.33. Of the 54 municipalities in the province, only 3 municipalities reported figures in their MFMA Section 71 reports and the unaudited 2017/18 AFS with variances of less than R10 000. These municipalities are as follows; the Greater Kokstad Local Municipality with a variance of only R794, the Okhahlamba Local Municipality with a variance of R7 266 and the eMadlangeni Local Municipality with a variance of R8 452.

The difference of R1.5 billion for *Cash and cash equivalents* places doubts on the credibility of the MFMA Section 71 reporting submitted during the 2017/18 financial year and highlights how inaccurate reporting can have a major impact on decision making. For example, a municipality could decide on suspending all requisitions and payments based on the negative *Cash and cash equivalents* based on the negative cash position reflected in the MFMA Section 71 report whilst the actual *Cash and cash equivalents* is positive based on the AFS. The decision taken based on the MFMA Section 71 report would have negatively impacted on service delivery. Furthermore, due to an inability to process transactions timeously, the municipality could expose themselves to fruitless and wasteful expenditure related to paying penalties for late payment.

Timeous processing of transactions will greatly assist municipalities to reflect accurate reporting which can be used as a basis for making accurate decisions. Furthermore, when information is obtained from a source which is timeously updated, it becomes less difficult to report consistently across multiple reporting formats. Municipalities are therefore urged to reconcile their bank accounts and general ledgers on a monthly basis to ensure accurate reporting to all stakeholders.

Provincial Treasury will continue guiding municipalities in implementing effective cash management techniques to influence the improvement of municipality's *Cash and cash equivalents* position going forward.

Table 3.33 Difference between 2017/18 pre-audit Cash and cash equivalents and MFMA Section 71 2017/18 closing Cash and Cash equivalents

R'000	Cash and cash equivalents - closing balance as per 2017/18 pre-audit AFS	Cash and cash equivalents - closing balance Section 71 2017/18 submissions	Difference
eThekweni	6 098 226	6 355 131	256 905
uMdoni	200 097	(71 781)	(271 878)
uMzambe	181 381	199 243	17 862
uMuziwabantu	164 834	9 146	(155 688)
Ray Nkonyeni	95 257	151 711	56 454
Ugu DM	41 801	129 835	88 034
Total: Ugu Municipalities	683 371	418 154	(265 216)
uMshwathi	11 191	1 200	(9 991)
uMngeni	11 985	11 766	(219)
Mpofana	2 398	(27 354)	(29 752)
iMpendle	5 901	4 854	(1 047)
Msunduzi	473 068	-	(473 068)
Mkhambathini	58 973	59 975	1 002
Richmond	34 342	(17 662)	(52 004)
uMgungundlovu DM	45 616	9 556	(36 060)
Total: uMgungundlovu Municipalities	643 474	42 335	(601 140)
Okhahlamba	29 592	29 584	(7)
iNkosi Langalibalele	2 429	1 095	(1 335)
Alfred Duma	274 266	95 544	(178 722)
uThukela DM	6 011	(62 447)	(68 458)
Total: uThukela Municipalities	312 298	63 776	(248 522)
eNdumeni	39 811	45 462	5 651
Nquthu	231 170	279 544	48 374
uMsinga	55 278	492	(54 786)
uMvoti	13 748	(20 036)	(33 784)
uMzinyathi DM	150 841	150 602	(240)
Total: uMzinyathi Municipalities	490 849	456 065	(34 784)
New castle	57 465	(49 550)	(107 015)
eMadlangeni	7 538	7 530	(8)
Dannhauser	53 086	14 066	(39 021)
Amajuba DM	54 079	50 255	(3 824)
Total: Amajuba Municipalities	172 168	22 301	(149 867)
eDumbe	10 038	(2 853)	(12 892)
uPhongolo	450	17 156	16 706
AbaQulusi	7 664	4 446	(3 218)
Nongoma	2 142	2 002	(140)
Ulundi	865	154 428	153 563
Zululand DM	13 201	(126 303)	(139 505)
Total: Zululand Municipalities	34 361	48 875	14 514
uMhlabuyalingana	34 628	34 266	(363)
Jozini	14 228	14 307	79
Mtubatuba	12 297	12 224	(73)
Big Five Hlabisa	3 048	(1 743)	(4 791)
uMkhanyakude DM	62 296	78 373	16 078
Total: uMkhanyakude Municipalities	126 497	137 427	10 930
uMfolozi	429	233	(196)
uMhlathuze	460 422	458 929	(1 493)
uMlalazi	99 771	135 055	35 284
Mthonjaneni	3 680	(4 614)	(8 294)
Nkandla	1 513	20 581	19 068
King Cetshwayo DM	498 283	39 052	(459 231)
Total: King Cetshwayo Municipalities	1 064 097	649 235	(414 862)
Mandeni	35 811	41 898	6 087
KwaDukuza	512 318	391 383	(120 935)
Ndwedwe	122 283	178 132	55 849
Maphumulo	22 057	20 637	(1 420)
iLembe DM	70 703	76 282	5 579
Total: iLembe Municipalities	763 172	708 333	(54 839)
Greater Kokstad	114 262	114 263	1
uBuhlebezwe	134 944	141 889	6 945
uMzimkhulu	206 384	195 557	(10 827)
Dr. Nkosazana Dlamini Zuma	88 957	87 791	(1 166)
Harry Gwala DM	96 962	96 926	(36)
Total: Harry Gwala Municipalities	641 509	636 426	(5 083)
Total	11 030 024	9 538 058	(1 491 966)

Source: Auditor General: Audited 2016/17 Annual Financial Statements and NT Igdatabase

3.11.3 Net available cash position for the 2017/18 financial year

The *Cash and cash equivalents* of R11 billion as per the unaudited 2017/18 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 3.34 shows that the municipalities in the province have *Unspent conditional transfers* of R2.1 billion as per the unaudited 2017/18 AFS. Thus, the Net available cash position is R9 billion which is a decrease of R693.8 million as compared to the Net cash position of R9.7 billion as per the 2016/17 audited AFS in Table 3.27.

It is concerning to note that six municipalities reflected negative cash positions which implies that those municipalities only reflected positive *Cash and cash equivalent* balances as at the end of the 2017/18 financial year due to unspent grant funding and in actual fact, the municipalities appear to be in overdraft positions as they do not have any cash of their own. The highest negative Net available cash position was reflected by the uThukela District Municipality with negative R41.2 million followed by the iNkosi Langalibalele (negative R14.3 million), Mpofana (negative R14.2 million), AbaQulusi (negative 10.7 million), uMfolozi (negative R6.3 million) and Nkandla (negative R229 000) Local Municipalities.

Table 3.34 Net available cash based on 2017/18 Pre-audit AFS

R'000	Cash and cash equivalents - closing balance as per 2017/18 pre-audit AFS	Unspent Conditional Grants - as per 2017/18 pre-audit AFS	Net available cash
eThekweni	6 098 226	1 269 669	4 828 557
uMdoni	200 097	2 167	197 930
uMzombe	181 381	1 138	180 243
uMuziwabantu	164 834	1 953	162 881
Ray Nkonyeni	95 257	24 615	70 642
Ugu DM	41 801	117	41 685
Total: Ugu Municipalities	683 371	29 990	653 381
uMshwathi	11 191	–	11 191
uMngeni	11 985	4 266	7 719
Mpofana	2 398	16 624	(14 226)
iMpendle	5 901	2 673	3 228
Msunduzi	473 068	122 350	350 718
Mkhambathini	58 973	966	58 008
Richmond	34 342	4 289	30 053
uMgungundlovu DM	45 616	30 403	15 213
Total: uMgungundlovu Municipalities	643 474	181 570	461 904
Okhahlamba	29 592	10 491	19 101
iNkosi Langalibalele	2 429	16 757	(14 328)
Alfred Duma	274 266	53 391	220 875
uThukela DM	6 011	47 227	(41 217)
Total: uThukela Municipalities	312 298	127 867	184 431
eNdumeni	39 811	4 105	35 706
Nquthu	231 170	4 916	226 254
uMsinga	55 278	1 617	53 661
uMvoti	13 748	5 744	8 004
uMzinyathi DM	150 841	37 725	113 116
Total: uMzinyathi Municipalities	490 849	54 108	436 741
New castle	57 465	56 317	1 148
eMadlangeni	7 538	669	6 869
Dannhauser	53 086	197	52 889
Amajuba DM	54 079	34 744	19 335
Total: Amajuba Municipalities	172 168	91 927	80 241
eDumbe	10 038	7 665	2 374
uPhongolo	450	11	440
AbaQulusi	7 664	18 379	(10 715)
Nongoma	2 142	1 007	1 135
Ulundi	865	–	865
Zululand DM	13 201	553	12 648
Total: Zululand Municipalities	34 361	27 614	6 748
uMhlabuyalingana	34 628	3 326	31 303
Jozini	14 228	412	13 816
Mtubatuba	12 297	4 534	7 763
Big Five Hlabisa	3 048	1 695	1 353
uMkhanyakude DM	62 296	18 050	44 246
Total: uMkhanyakude Municipalities	126 497	28 016	98 481
uMfolozi	429	6 774	(6 345)
uMhlathuze	460 422	15 676	444 746
uMlalazi	99 771	932	98 839
Mthonjaneni	3 680	17	3 663
Nkandla	1 513	1 742	(229)
King Cetshwayo DM	498 283	2 941	495 342
Total: King Cetshwayo Municipalities	1 064 097	28 082	1 036 015
Mandeni	35 811	10 394	25 417
KwaDukuza	512 318	52 234	460 084
Ndwedwe	122 283	5 392	116 891
Maphumulo	22 057	12 591	9 466
iLembe DM	70 703	15 780	54 923
Total: iLembe Municipalities	763 172	96 391	666 781
Greater Kokstad	114 262	12 035	102 227
uBuhlebezwe	134 944	1 164	133 780
uMzimkhulu	206 384	41 927	164 457
Dr. Nkosazana Dlamini Zuma	88 957	12 954	76 003
Harry Gwala DM	96 962	65 546	31 416
Total: Harry Gwala Municipalities	641 509	133 625	507 884
Total	11 030 024	2 068 860	8 961 164

Source: NT Igdatabase

Chapter 4: District Performance Analysis

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 2018. 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 2017/18. The following were the main non-complying municipalities: the Richmond, Nquthu and Newcastle Local Municipalities. This implies that these municipalities did not scrutinise and verify their information for accuracy prior to National Treasury publishing the MFMA Section 71 figures;
- The reported budget performance results by some of the municipalities showed either a material under expenditure or over-expenditure;
- 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 Lgdatabase).

The above indicates that, it is probable that there will be material differences between the NT Lgdatabase published MFMA Section 71 report figures and the 2017/18 pre-audited Annual Financial Statements (AFS) figures to be submitted to the Auditor-General by the end of August 2018.

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 (KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs (KZNCOGTA), 2017) with a coastline of 112 kilometres (Municipalities of South Africa, 2018). 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 have had CFOs during the 2017/18 financial year. The uMdoni Local Municipality has a vacancy in its Municipal Manager (MM) position since 30 August 2017, while the uMuziwabantu Local Municipality's MM position became vacant from 28 February 2018. The Ray Nkonyeni and uMzumbe Local Municipalities as well as the Ugu District Municipality currently do not have vacancies in the MM and CFO positions.

The uMuziwabantu and uMzumbe Local Municipalities maintained clean audit reports from the 2015/16 financial year to the 2016/17 financial year. The Ray Nkonyeni Local Municipality which was a new municipality (after the amalgamation of the Eziqoleni and Hibiscus Coast Local Municipalities) also obtained a clean audit report for the 2016/17 financial year. The uMdoni Local Municipality maintained an unqualified audit opinion with other matters from the 2015/16 financial year to the 2016/17 financial year. The Ugu District Municipality regressed from an unqualified audit opinion with other matters in the 2015/16 financial year to a qualified audit opinion with findings in the 2016/17 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 2017/18 Annual Financial Statements.

4.1.1 Overview of Ugu District Performance

Table 4.1(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMdoni	267 549	347 238	260 695	75.1
uMzumbe	148 387	148 387	143 080	96.4
uMuziwabantu	151 105	162 106	187 696	115.8
Ray Nkonyeni	830 018	830 018	813 030	98.0
Ugu DM	912 678	912 678	575 579	63.1
Total	2 309 736	2 400 426	1 980 080	82.5

Source: NT Igdatabase

Table 4.1(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMdoni	266 829	287 812	229 121	79.6
uMzumbe	193 456	193 456	141 862	73.3
uMuziwabantu	161 345	168 730	140 795	83.4
Ray Nkonyeni	928 646	928 646	524 376	56.5
Ugu DM	913 431	913 431	740 555	81.1
Total	2 463 708	2 492 076	1 776 709	71.3

Source: NT Igdatabase

Table 4.1(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMdoni	74 070	75 446	59 849	79.3
uMzumbe	79 081	79 081	42 332	53.5
uMuziwabantu	79 112	71 492	42 649	59.7
Ray Nkonyeni	132 788	132 788	125 385	94.4
Ugu DM	362 325	362 325	219 742	60.6
Total	727 376	721 132	489 958	67.9

Source: NT Igdatabase

Table 4.1(d) Debtors Age Analysis (Total) - 2017/18

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	2 867	4.2	2 302	3.4	1 538	2.2	61 660	90.2	68 367
uMzumbe	(2)	-	-	-	-	-	15 718	100.0	15 716
uMuziwabantu	3 323	16.2	1 917	9.3	1 102	5.4	14 178	69.1	20 521
Ray Nkonyeni	48 396	18.3	21 985	8.3	34 467	13.1	158 924	60.3	263 772
Ugu DM	-	-	-	-	-	-	-	-	-
Total	54 583	14.8	26 204	7.1	37 107	10.1	250 481	68.0	368 375

Source: NT Igdatabase

Table 4.1(e) Debtors by Customer Group (Total) - 2017/18

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	23 279	34.1	5 793	8.5	32 033	46.9	7 262	10.6	68 367
uMzumbe	9 750	62.0	3 254	20.7	-	-	2 712	17.3	15 716
uMuziwabantu	5 211	25.4	4 856	23.7	8 940	43.6	1 514	7.4	20 521
Ray Nkonyeni	19 680	7.5	44 875	17.0	190 148	72.1	9 068	3.4	263 772
Ugu DM	-	-	-	-	-	-	-	-	-
Total	57 920	15.7	58 778	16.0	231 122	62.7	20 556	5.6	368 375

Source: NT Igdatabase

Table 4.1(f) Creditors Age Analysis (Total) - 2017/18

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	410	11.2	716	19.5	1 096	29.9	1 445	39.4	3 668
uMzumbe	(16 008)	98.8	51	(0.3)	45	(0.3)	(287)	1.8	(16 199)
uMuziwabantu	-	-	-	-	-	-	-	-	-
Ray Nkonyeni	48 508	100.0	-	-	-	-	-	-	48 508
Ugu DM	11 535	93.1	140	1.1	-	-	710	5.7	12 385
Total	44 446	91.9	907	1.9	1 141	2.4	1 868	3.9	48 363

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	80 304	78 204	89 865	114.9	The municipality has attributed the over-generation of revenue to the under-estimation of the budget during the Adjustments Budget process.
Service Charges ¹	9 096	9 670	6 133	63.4	The municipality has attributed the under-generation of this line item to the errors in the MFMA Section 71 reports.
Transfers recognised - operational	115 500	180 907	132 592	73.3	The Adjusted Budget of R180.9 million reported by the municipality in the Adjustments budget returns does not agree to the Adjusted Budget of R143.2 million reflected in the 2017/18 Approved Adjustments budget. Therefore, the performance for this line item is 92.6 percent which the municipality attributed to the year-end accruals that were not processed at the time of the MFMA Section 71 reporting.
Other sources of Revenue ²	62 649	78 456	32 105	40.9	The reported under-performance in this line item is mainly due to the inclusion of the Reserves in the Other revenue budget during the 2017/18 Adjustments budget process. The municipality was advised by Provincial Treasury not to include the Accumulated surplus under Other revenue as this income has already been accounted for in the previous years. Therefore, this error has distorted the budgeted income to be generated for the period. Furthermore, the municipality has also attributed the under-generation of revenue in this line item to the Interest earned - external investments which generated R1.4 million or 11.2 percent against the Adjusted Budget of R12.2 million. The municipality indicated that the poor performance of Interest earned - external investments was due to the fact that all the grants were fully spent resulting in less funds available for Investments.
Total Operating Revenue	267 549	347 238	260 695	75.1	
Operating Expenditure					
Employee related costs	97 603	107 733	83 153	77.2	The municipality attributed this under-spending to the funded vacant posts not filled during the year due to slow recruitment process.
Remuneration of councillors	12 611	-	13 946	-	The municipality incorrectly reported the Adjusted Budget for this line item as Nil instead of R14.4 million as reflected in the 2017/18 Approved Adjustments budget. This was due to an error in the completion of the 2017/18 Adjusted Budget returns that were submitted to the Local government database which were not corrected despite the municipality being advised to make the corrections during the 2018/19 verification process. Therefore, the performance in this line item is 96.7 percent.
Debt impairment	1 575	-	-	-	The municipality incorrectly reported the Adjusted Budget for this line item as Nil instead of R1.6 million as reflected in the 2017/18 Approved Adjustments budget. This was due to an error in the completion of the 2017/18 Adjusted Budget returns that were submitted to the Local government database which was not corrected despite the municipality being advised to correct it during the 2018/19 verification process. Furthermore, the municipality indicated that the lack of spending under this line item was due to Debt impairment being processed at year end during the 2017/18 AFS preparation process. This was despite the municipality being advised by Provincial Treasury to report the Debt impairment expenditure on a monthly basis.
Depreciation and asset impairment	36 000	36 000	26 545	73.7	The municipality attributed the low expenditure to the fact that the comprehensive calculations are only performed at the end of the financial year and therefore a higher amount will be reflected in the 2017/18 AFS.
Bulk purchases	-	-	-	-	
Contracted services	23 996	69 826	33 996	48.7	The municipality attributed the low expenditure to the savings generated from the implementation of Cost containment measures.
Other expenditure items ³	95 044	74 252	71 481	96.3	
Total Operating Expenditure	266 829	287 812	229 121	79.6	
Operating surplus/(deficit)	720	59 426	31 574		The municipality has reported an Operating surplus of R31.6 million. However, the inclusion of the expenditure on Debt impairment and Depreciation and asset impairment could result in an Operating deficit.

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 material, 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	53 599	75 446	58 683	77.8	The Adjusted Budget of R75.4 million reported by the municipality in the Adjustments budget returns does not agree to the Adjusted Budget of R53.6 million reflected in the 2017/18 Approved Adjustments budget resulting in the incorrect performance being reported. Therefore, the performance on this line item is 109.5 percent which the municipality attributed to the errors in the MFMA Section 71 reports.
Public contributions and donations	–	–	1 022	–	The municipality reported R1 million for Public contributions and donations which was not budgeted for during the Adjustments budget process. The municipality indicated that this was as a result of an error in the MFMA Section 71 reports.
Borrowing	–	–	–	–	
Internally generated funds	20 471	–	145	–	The municipality incorrectly reported the Adjusted Budget for this line item as Nil instead of R20.7 million as reflected in the 2017/18 Approved Adjustments budget which resulted in the incorrect performance being reported. Therefore, the performance on this line item is 0.7 percent. The municipality indicated that this was as a result of an error in the MFMA Section 71 reports and this error will be rectified during the preparation of the 2017/18 AFS. Furthermore, the municipality indicated that it has postponed some of the Capital projects which were funded by Internally generated funds due to the lower collection of billed revenue than originally anticipated.
Total Capital Revenue	74 070	75 446	59 849	79.3	
Capital Expenditure					
Governance and Administration	1 000	7 193	2 598	36.1	The municipality has attributed the under-spending on this line item to the fact that the municipality postponed some of the Capital projects which were funded by Internally generated funds due to the lower collection of billed revenue than originally anticipated.
Community and Public Safety	3 675	3 647	1 656	45.4	The municipality has attributed the under-spending on this line item to the fact that the municipality postponed some of the Capital projects which were funded by Internally generated funds due to the lower collection of billed revenue than originally anticipated.
Eco. & Environmental Services	1 422	3 122	36 594	1 172.1	The municipality has attributed the over-spending on this line item to incorrect budgeting during the Adjustments budget process. This is despite the municipality being advised by Provincial Treasury to budget for Roads under Eco. & Environmental Services during the Mid Year Budget and Performance Assessment process.
Trading Services	–	61 485	19 001	30.9	The municipality did not budget for Trading services in the 2017/18 Approved Adjustments budget and the Adjusted Budget amount of R61.5 million reflected under this line item was as a result of the error in the Adjustments budget returns that were submitted to the Local government database. Furthermore, the municipality indicated that the unaudited actual amount of R19 million was as a result of an error in the MFMA Section 71 reports.
Other	67 973	–	–	–	
Total Capital Expenditure	74 070	75 446	59 849	79.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	199 386	199 386	11 748		The cash flow opening balance of R11.7 million does not agree to the Cash and cash equivalents closing balance of R205.7 million as per the 2016/17 audited AFS. The municipality has indicated that it will rectify this error during the preparation of the 2017/18 AFS.
Cash/cash equiv. at the year end:	176 263	176 263	(71 781)		Based on the error noted above, the Cash and cash equivalents at the year end amount of negative R71.8 million is not correct and may vary significantly after correction.
Net Increase/(Decrease) in cash held	(23 123)	(23 123)	(83 529)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	4 245	4 245	100.0%	–	
Expanded Public Works Programme Integrated Grant	1 000	1 000	100.0%	–	
Municipal Infrastructure Grant	31 161	35 124	112.7%	(3 963)	The municipality reported R35.1 million or 112.7 percent for Municipal Infrastructure Grant (MIG) against the original allocation of R31.2 million. The municipality attributed this variance to the fact that the rollover expenditure for MIG was incorrectly reported under this line item. The municipality has however indicated that it will rectify this error during the preparation of the 2017/18 AFS.

Table 4.1 (i) Trade and other receivables, Trade and other payables and Key ratios - uMdoni Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	53 679		
Debtors as at 30 June 2018	68 367		The Debtors balance has increased by R14.7 million or 27.4 percent from R53.7 million as at 30 June 2017 to R68.4 million as at 30 June 2018. This is an indication that the municipality is not collecting debtors which will have an adverse effect on the cash flow.
<u>By age analysis</u>			
0-30 days	2 867	4.2%	
31-60 days	2 302	3.4%	
61-90 days	1 538	2.2%	
>90 days	61 660	90.2%	The municipality has R61.7 million or 90.2 percent of Debtors that are in the "Over 90 days" category as at 30 June 2018. This raises concerns regarding the municipality's ability to collect its billed revenue. The municipality runs a risk of not being able to meet its obligations as they fall due. The municipality needs to develop an action plan to improve revenue and debtors collection. The plan should be regularly monitored to ensure the objectives thereof are met.
Total by age analysis	68 367	100.0%	
<u>By customer group</u>			
Organs of state	23 279	34.1%	
Commercial	5 793	8.5%	
Households	32 033	46.9%	The Households category owed R32 million or 46.9 percent of total Debtors which is attributed to the culture of non payment within the municipal area.
Other	7 262	10.6%	
Total by customer group	68 367	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	410	11.2%	
31-60 days	716	19.5%	
61-90 days	1 096	29.9%	
>90 days	1 445	39.4%	
Total by age analysis	3 668	100.0%	A total amount of R3.3 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2018. This constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality indicated that the Creditors in the "over 30 days" categories were as a result of disputes and late submission of invoices.
Key Ratios			
	Norm/Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	42.4%	The municipality attributed the high ratio to the fact that the Council decided to absorb the employees who were previously contracted through the service provider into the Parks section. However, this ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(g).
Contracted services as a % of Total operating expenditure	2% - 5%	14.8%	The municipality attributed the high ratio to the new mSCOA classification as some of the expenditure that was previously classified under Other expenditure is now classified as Contracted services in the MFMA Section 71 reporting. However, this ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(g).
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	49.1%	This ratio suggest that the municipality is dependent on grants to fund some of the Operating expenditure.
Own funded capital expenditure	-	0.2%	The municipality indicated that the low ratio was due to the fact that it postponed some of the Capital projects which were funded by Internally generated funds due to the lower collection of billed revenue than originally anticipated.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	20.7%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(g).
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	12.1%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(g).

4.1.3 Analysis per municipality: uMzombe Local Municipality

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

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	4 158	4 158	5 550	133.5	The municipality generated R5.6 million or 133.5 percent of revenue against the Adjusted Budget of R4.2 million for Property rates. The municipality has attributed this over-generation of revenue to the budget which was understated, thus resulting in the Property Rates revenue being higher than the Adjustments Budget.
Service Charges ¹	20	20	35	175.8	The municipality generated R35 000 or 175.8 percent of revenue against the Adjusted Budget of R20 000 for Service charges - refuse revenue. The municipality indicated that the over-generation of Service charges - refuse revenue was as a result of the under-estimation of the Adjusted Budget amount of R20 000 during the Adjustments Budget process.
Transfers recognised - operational	132 449	132 449	127 665	96.4	The municipality generated R127.7 million or 96.4 percent of revenue against the Adjusted Budget of R132.4 million for Transfers recognised - operational. The municipality has attributed the under-generation of this line item to the year-end accruals not being processed at the time of the MFMA Section 71 reporting.
Other sources of Revenue ²	11 760	11 760	9 830	83.6	The municipality has attributed the under-generation of this line item to the Interest earned - external investments which generated R6.4 million or 55.1 percent against the Adjusted Budget of R11.6 million. The municipality indicated that the poor performance of Interest earned - external investments was due to the fact that all the grants were fully spent resulting in less funds being available for Investments.
Total Operating Revenue	148 387	148 387	143 080	96.4	
Operating Expenditure					
Employee related costs	52 674	52 674	46 614	88.5	The municipality reported expenditure of R46.6 million or 88.5 percent against the Adjusted Budget of R52.7 million for Employee related costs. The municipality attributed this under-expenditure to the implementation of cost cutting measures which included a decision to only fill critical vacant posts.
Remuneration of councillors	14 773	14 773	15 352	103.9	The municipality reported expenditure of R15.4 million or 103.9 percent against the Adjusted Budget of R14.8 million for Remuneration of councillors. The municipality indicated that the over-expenditure was due to incorrect budgeting for this line item during the Adjustments Budget process.
Debt impairment	435	435	-	-	The municipality has not reported on Debt impairment against an Adjusted Budget amount of R435 000, thus understating the Operating expenditure for 2017/18. The municipality indicated that the Debt impairment for the year is being processed as part of the year-end journal entries during the preparation of the Annual Financial Statements (AFS). This is despite the municipality being advised by Provincial Treasury to report the expenditure on a monthly basis.
Depreciation and asset impairment	35 000	35 000	14 118	40.3	The municipality reported expenditure of R14.1 million or 40.3 percent against the Adjusted Budget of R35 million for Depreciation and asset impairment. The municipality attributed the low expenditure to the fact that the comprehensive calculations are only performed at the end of the financial year and therefore a higher amount will be reflected in the 2017/18 AFS. This is despite the municipality being urged throughout the financial year in the IYM assessments, Mid-Year Budget and Performance Assessments as well as the Adjustments Budget process, to report the Depreciation and asset impairment on a monthly basis.
Bulk purchases	-	-	-	-	
Contracted services	2 600	2 600	13 967	537.2	The municipality reported expenditure of R14 million or 537.2 percent against the Adjusted Budget of R2.6 million for Contracted services. The municipality attributed the over-expenditure to the new mSCOA classification as some of the expenditure that was budgeted under Other expenditure is actually classified as Contracted services in the MFMA section 71 reporting.
Other expenditure items ³	87 973	87 973	51 810	58.9	Refer to the comment above.
Total Operating Expenditure	193 456	193 456	141 862	73.3	
Operating surplus/(deficit)	(45 069)	(45 069)	1 218		The municipality has reported an Operating surplus of R1.2 million. However, the inclusion of the expenditure on Debt impairment and Depreciation and asset impairment would most likely result in an Operating deficit.

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 material, 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	41 012	41 012	42 332	103.2	The municipality indicated that an amount of R10.5 million has been incorrectly included under this line item instead of Internally generated funds. Therefore, the unaudited actual for Transfers recognised - capital is R31.8 million or 77.6 percent. The municipality attributed the low Capital revenue performance to the fact that the budget for this line item was overstated during the Adjustments budget process as it was not in line with the 2017 adjusted DoRA and the adjusted Provincial allocations.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	38 068	38 068	–	–	The municipality indicated that the correct unaudited actual for Internally generated funds is R10.5 million, indicating a performance of 27.6 percent. The poor performance of this line item was attributed to the delays in the implementation of the capital projects.
Total Capital Revenue	79 081	79 081	42 332	53.5	
Capital Expenditure					
Governance and Administration	4 765	4 765	2 768	58.1	The municipality reported Capital expenditure of R2.8 million or 58.1 percent against the Adjusted Budget of R4.8 million for Governance and Administration. The municipality has attributed the under-spending on this line item to the year-end accruals not being processed at the time of the MFMA Section 71 reporting.
Community and Public Safety	350	350	6 818	1 948.1	The municipality indicated that the over-expenditure under this vote was due to the misallocation of Road transport expenditure to Community and Public Safety instead of Eco. & Environmental Services. The municipality has however indicated that it will rectify this error during the preparation of the 2017/18 AFS.
Eco. & Environmental Services	73 966	73 966	32 746	44.3	The municipality attributed the under-spending to the misallocation of Capital expenditure as indicated above and to the delays in the implementation of the capital projects.
Trading Services	–	–	–	–	
Other	–	–	–	–	
Total Capital Expenditure	79 081	79 081	42 332	53.5	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	190 000	190 000	158 888		The cash flow opening balance of R158.9 million does not agree to the Cash and cash equivalents closing balance of R169.2 million as per the 2016/17 audited AFS.
Cash/cash equiv. at the year end:	135 910	135 910	199 243		Based on the error noted above, the Cash and cash equivalents at the year end amount of R199.2 million is not correct and may vary after the correction of the error.
Net Increase/(Decrease) in cash held	(54 090)	(54 090)	40 355		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	–	
Expanded Public Works Programme	1 291	1 291	100.0%	–	
Integrated Grant					
Municipal Infrastructure Grant	34 624	34 624	100.0%	–	

Table 4.1 (I) Trade and other receivables, Trade and other payables and Key ratios - uMzombe Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	12 004		
Debtors as at 30 June 2018	15 716		The Debtors balance has increased by R3.7 million or 30.9 percent from R12 million as at 30 June 2017 to R15.7 million as at 30 June 2018. This is an indication that the municipality is not collecting debtors which will have an adverse effect on the Cash Flow.
<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	15 718	100.0%	The municipality has R15.7 million or 100 percent of Debtors that are in the Over 90 days category as at 30 June 2018. This raises concerns regarding the municipality's ability to collect its billed revenue. The municipality runs a risk of not being able to meet their obligations as they fall due. The municipality needs to develop an action plan to improve revenue and debtors collection. The plan should be regularly monitored to ensure the objectives thereof are met.
Total by age analysis	15 716	100.0%	
<u>By customer group</u>			
Organs of state	9 750	62.0%	The municipality reported R9.8 million or 62 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	3 254	20.7%	
Households	-	-	
Other	2 712	17.3%	The municipality indicated that this category mainly relates to agriculture, public benefit organisations and vacant land.
Total by customer group	15 716	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	(16 008)	-	
31-60 days	51	-	
61-90 days	45	-	
>90 days	(287)	-	
Total by age analysis	(16 199)	-	The municipality attributed the negative amounts to the errors encountered during the upgrading of the financial system as some Creditor transactions were not successfully migrated. Furthermore, the municipality indicated that these errors are being corrected during the 2017/18 AFS preparation process and that the correct balance for Creditors is R3.1 million sitting in the "0 - 30 days" category.
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	43.7%	The municipality attributed the high ratio to the labour intensive mechanisms used to deliver municipal services and the implementation of the Expanded public works programme which is also labour intensive.
Contracted services as a % of Total operating expenditure	2% - 5%	9.8%	The municipality attributed the ratio in excess of the norm to the new mSCOA classification as some of the expenditure that was previously classified under Other expenditure is now classified as Contracted services in the MFMA section 71 reporting.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	10.8%	This ratio suggest that the municipality is highly dependent on grants to fund most of the Operating expenditure.
Own funded capital expenditure	-	-	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	23.0%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(j).
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	0.9%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(j).

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	15 073	23 642	31 442	133.0	The municipality has attributed the over-generation of Property rates to the under estimation of the Adjusted Budget amount of R23.6 million during the Adjustments Budget process.
Service Charges ¹	36 416	36 016	30 028	83.4	The municipality has attributed the under-generation of revenue to over-budgeting of Service charges during the Adjustments Budget process.
Transfers recognised - operational	87 476	87 664	140 564	160.3	The municipality has attributed the over-generation of revenue to the incorrect journals on various votes thus duplicating grant income recognised. The municipality has however indicated that it will rectify these errors during the finalisation of the 2017/18 Annual Financial Statements (AFS) in order to reflect 100 percent revenue recognised for this line item.
Other sources of Revenue ²	12 140	14 784	(14 338)	-	The municipality has attributed this negative amount of R14.3 million to errors and misallocations in the MFMA Section 71 reports and these errors will be rectified during the finalisation of the 2017/18 AFS in order to reflect 97 percent revenue generated for this line item.
Total Operating Revenue	151 105	162 106	187 696	115.8	
Operating Expenditure					
Employee related costs	60 735	60 735	55 973	92.2	The municipality attributed the under expenditure on Employee Related Costs to the vacancies for the senior management positions such as the Municipal Manager and the Chief Financial Officer which are currently filled at an acting capacity. Furthermore, the Director - Planning and Director - Corporate Services positions were not filled in the 2017/18 financial year.
Remuneration of councillors	8 646	8 646	8 111	93.8	
Debt impairment	186	186	-	-	The municipality did not account for Debt impairment in the MFMA Section 71 reports for the period ended 30 June 2018 despite having budgeted R186 000 for this line item. This was despite the municipality being advised by Provincial Treasury to report the Debt Impairment expenditure on a monthly basis. The municipality indicated that Debt impairment figures were not finalised at the time of MFMA Section 71 reporting and will be incorporated in the 2017/18 AFS.
Depreciation and asset impairment	10 869	13 869	-	-	The municipality did not account for Depreciation and asset impairment at the end of the 2017/18 financial year despite having budgeted R13.9 million for this item. This was despite the municipality being advised by Provincial Treasury to report the Depreciation and asset impairment on a monthly basis. 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 2017/18 AFS.
Bulk purchases	30 852	30 852	30 968	100.4	
Contracted services	3 369	3 321	3 243	97.7	
Other expenditure items ³	46 688	51 121	42 499	83.1	The municipality has attributed the under-spending on Other Expenditure Items to the 2017/18 year-end accruals which have not yet been finalised and the savings from the cost-cutting measures that were implemented during the 2017/18 financial year.
Total Operating Expenditure	161 345	168 730	140 795	83.4	
Operating surplus/(deficit)	(10 240)	(6 624)	46 900		The municipality reported an Operating surplus of R46.9 million which may be overstated as the municipality has indicated that Transfer Recognised - Operational is overstated and Other Expenditure items such as Debt impairment and Depreciation and asset impairment have not been taken into account in the total Operating expenditure. The correct operating performance amount will be reported in the 2017/18 AFS.

Source: NT Igdatabase

¹ Includes Service 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 material, 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	22 501	22 501	42 136	187.3	The municipality received additional funding of R5 million for the Municipal Infrastructure Grant as per the KZN Government Gazette No. 41519 published on the 23 March 2018. However, the Adjusted Budget remained unchanged at R22.5 million in the MFMA Section 71 reports for the period ended 30 June 2018. Furthermore, the municipality has attributed the over generation of revenue to errors and misallocations reported in the MFMA Section 71 reports and these will be rectified during the finalisation of the 2017/18 AFS in order to reflect 100 percent revenue recognised for this line item.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	56 611	48 991	513	1.0	The municipality has attributed the under-generation of revenue to misallocations that have been erroneously reflected under Transfers recognised - Capital and these will be rectified during the finalisation of the 2017/18 AFS in order to reflect at least 40 percent revenue recognised for this line item. Furthermore, under-generation of revenue was attributed to the delay in the tender process for the construction of municipal offices amounting to R25 million which was to be funded from this line item.
Total Capital Revenue	79 112	71 492	42 649	59.7	
Capital Expenditure					
Governance and Administration	3 350	7 210	3 941	54.7	The municipality has attributed this under-spending to errors and misallocations in the MFMA Section 71 reports which will be rectified during the finalisation of the 2017/18 AFS.
Community and Public Safety	11 310	4 950	420	8.5	The municipality has attributed this under-spending to errors and misallocations in the MFMA Section 71 reports which will be rectified during the finalisation of the 2017/18 AFS.
Eco. & Environmental Services	64 452	51 001	25 771	50.5	The municipality has attributed this under-spending from the Planning & Development vote to the delay in the tender process for the construction of municipal offices amounting to R25 million which was budgeted from this line item.
Trading Services	–	8 331	12 517	150.2	The municipality has attributed this over-spending to errors and misallocations in the MFMA Section 71 reports which will be rectified during the finalisation of the 2017/18 AFS.
Other	–	–	–	–	
Total Capital Expenditure	79 112	71 492	42 649	59.7	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	107 432	129 931	–		The municipality has not reported on Cash/ cash equivalents at year begin in the MFMA Section 71 reports while the audited 2016/17 AFS reflected an opening balance of R129.9 million.
Cash/cash equiv. at the year end:	48 786	79 207	9 146		
Net Increase/(Decrease) in cash held	(58 646)	(50 724)	9 146		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	–	
Expanded Public Works Programme Integrated Grant	1 006	1 006	100.0%	–	
Municipal Infrastructure Grant	28 685	28 684	100.0%	1	

Table 4.1 (o) Trade and other receivables, Trade and other payables and Key ratios - uMuziwabantu Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	18 083		
Debtors as at 30 June 2018	20 521		The municipality reported R20.5 million for Debtors as at 30 June 2018 which is a R2.4 million or 13.5 percent increase from the 2016/17 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.
<u>By age analysis</u>			
0-30 days	3 323	16.2%	
31-60 days	1 917	9.3%	
61-90 days	1 102	5.4%	
>90 days	14 178	69.1%	The municipality reported R14.2 million or 69.1 percent for Debtors outstanding for over 90 days of which, R6 million or 42.4 percent of these Debtors relates to Households; R2.8 million or 19.6 percent relates to Commercial and R4.3 million or 30.6 percent relates to Organs of State. The municipality has attributed this long outstanding ageing Debtors to a culture of non-payment within the municipal area.
Total by age analysis	20 521	100.0%	
<u>By customer group</u>			
Organs of state	5 211	25.4%	
Commercial	4 856	23.7%	
Households	8 940	43.6%	Households owed R8.9 million or 43.6 percent of the total Debtors. The municipality attributed this percentage to a high unemployment rate and the overall socio-economic environment within the municipal area.
Other	1 514	7.4%	
Total by customer group	20 521	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	The municipality did not submit their Month 12 return for Creditors and are therefore reflecting a nil balance.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	45.5%	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. However, this ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(m).
Contracted services as a % of Total operating expenditure	2% - 5%	2.3%	
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	25.1%	This ratio suggest that the municipality is highly dependent on grants to fund most of the Operating expenditure. However, this ratio is distorted by thenegative Other sources of revenue reported and discussed in Table 4.1(m).
Own funded capital expenditure	-	1.2%	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	23.2%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(m).
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	25.0%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(m).

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 ¹	358 959	358 959	295 710	82.4	The municipality has attributed the under-generation of revenue to the new General Valuation Roll (GVR) that was effected on the 1 July 2017. This new GVR has been subjected to appeals and objections from the public thus resulting in under-performance for this line item.
Service Charges ²	166 659	166 659	151 763	91.1	The municipality has attributed the under-generation of revenue to the increase in number of indigent applicants relating to refuse removals. As a result, the anticipated revenue generated from Service charges - refuse revenue decreased.
Transfers recognised - operational	217 740	217 740	232 375	106.7	The municipality has attributed the over-generation of revenue to the incorrect journals on various votes thus duplicating some of their grant income in the process. The municipality has indicated that it will rectify these errors during the finalisation of the 2017/18 Annual Financial Statements (AFS).
Other sources of Revenue ³	86 659	86 659	133 183	153.7	The over-generation of revenue under this line item is mainly attributed to Other own revenue which reported R107.3 million or 165.5 percent of revenue against the Adjusted Budget of R40.4 million. This over-generation of revenue was not anticipated by the municipality during the preparation of the 2017/18 Adjustments Budget.
Total Operating Revenue	830 018	830 018	813 030	98.0	
Operating Expenditure					
Employee related costs	384 257	384 257	208 577	54.3	The municipality has indicated that the actual expenditure of R208.6 million or 54.3 percent reported against the Adjusted Budget of R384.3 million is incorrect. The municipality indicated that the expenditure for Employee related costs was not finalised on the municipality's VIP payroll system at the time of reporting for MFMA Section 71. As a result, the Employee related costs appears understated. However, after correcting the misallocations, the final expenditure for the 2017/18 financial year is R356.8 million which amounts to 92.8 percent of the Adjusted Budget.
Remuneration of councillors	26 255	26 255	15 900	60.6	The municipality has indicated that the actual expenditure of R15.9 million or 60.6 percent reported against the Adjusted Budget of R26.3 million is incorrect. The municipality indicated that the expenditure for Remuneration of councillors was not finalised on the municipality's VIP payroll system at the time of reporting for MFMA Section 71. As a result, the Remuneration of councillors appears understated. However, after correcting the misallocations, the final expenditure for the 2017/18 financial year is R26 million which amounts to 98.9 percent of the Adjusted Budget.
Debt impairment	3 200	3 200	2 163	67.6	The amount of R2.2 million or 67.6 percent for Debt impairment reflected in the Section 71 reports for the year ended 30 June 2018 appears to be understated. The municipality indicated that the Debt Impairment figures were not finalised at the time of reporting for MFMA Section 71.
Depreciation and asset impairment	70 658	70 658	4 970	7.0	The amount of R5 million or 7 percent for Depreciation and asset impairment reflected in the Section 71 reports for the year ended 30 June 2018 appears to be significantly understated. The municipality indicated that the asset verification process was not finalised at the time of reporting for MFMA Section 71.
Bulk purchases	80 712	80 712	81 245	100.7	
Contracted services	50 412	50 412	74 816	148.4	The municipality has attributed the over-spending on Contracted services to misallocation of expenditure as a result of incorrect mSCOA segments that were created in their financial management system.
Other expenditure items ⁴	313 151	313 151	136 705	43.7	The municipality has attributed the under-spending on Other expenditure items to the 2017/18 year-end accruals which have not yet been finalised and the savings from cost-cutting measures that were implemented during the 2017/18 financial year.
Total Operating Expenditure	928 646	928 646	524 376	56.5	
Operating surplus/(deficit)	(98 629)	(98 629)	288 654		The municipality reported an Operating surplus of R288.7 million which may be overstated as the municipality has indicated that Transfer recognised - operational and Other revenue sources are overstated while Other expenditure items such as Debt impairment and Depreciation and asset impairment have been understated. The correct operating performance amount will be reported in the 2017/18 AFS.

Source: NT Igdatabase

1 Includes Property rates and Property rates - Penalties and collection charges

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

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

4 Includes Finance charges, Transfers and grants, Other material, 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	98 202	98 202	109 173	111.2	The municipality has attributed the over-generation of revenue to errors and misallocations reported in the MFMA Section 71 reports. These errors and misallocations will be rectified during the finalisation of the 2017/18 AFS in order to reflect 100 percent revenue recognised for this line item.
Public contributions and donations	–	–	799	–	The municipality has reported Capital revenue of R799 000 while no budget was provided for Public contributions and donations. The municipality has attributed this overstatement to errors and misallocations in the MFMA Section 71 reports and this will be rectified during the finalisation of the 2017/18 AFS.
Borrowing	–	–	–	–	
Internally generated funds	34 586	34 586	15 413	44.6	The municipality indicated that a resolution was taken to prioritise capital projects funded by the National Revenue Fund (NRF). As a result, Capital revenue from Internally generated funds was not fully spent.
Total Capital Revenue	132 788	132 788	125 385	94.4	
Capital Expenditure					
Governance and Administration	1 885	1 885	114 074	6 050.2	The municipality has attributed this over-spending to errors and misallocations in the MFMA Section 71 reports which will be rectified during the finalisation of the 2017/18 AFS.
Community and Public Safety	45 657	45 657	827	1.8	The municipality has attributed this under-spending to errors and misallocations in the MFMA Section 71 reports which will be rectified during the finalisation of the 2017/18 AFS.
Eco. & Environmental Services	58 899	58 899	5 163	8.8	The municipality has attributed this under-spending to errors and misallocations in the MFMA Section 71 reports which will be rectified during the finalisation of the 2017/18 AFS.
Trading Services	26 317	26 317	5 321	20.2	The municipality has attributed this under-spending to errors and misallocations in the MFMA Section 71 reports which will be rectified during the finalisation of the 2017/18 AFS.
Other	30	30	–	–	
Total Capital Expenditure	132 788	132 788	125 385	94.4	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	91 721	93 557	87 142		The municipality reported R87.1 million for Cash/ cash equivalents at year begin as reflected in the MFMA Section 71 reports while the audited 2016/17 AFS reflected an opening balance of R93.6 million. This is as a result of errors reported in the MFMA Section 71 reports.
Cash/cash equiv. at the year end:	51 670	53 516	151 711		
Net Increase/(Decrease) in cash held	(40 051)	(40 042)	64 570		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	3 600	3 423	95.1%	177	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. These will be rectified during the finalisation of the 2017/18 AFS in order to reflect 100 percent expenditure for this conditional grant.
Expanded Public Works Programme Integrated Grant	3 306	3 306	100.0%	–	
Municipal Infrastructure Grant	62 615	31 996	51.1%	30 619	The municipality has attributed the under-expenditure on the Municipal Infrastructure Grant to errors and misallocations in the figures reported in the MFMA Section 71 reports. These will be rectified during the finalisation of the 2017/18 AFS in order to reflect 100 percent expenditure for this conditional grant.

Table 4.1 (r) Trade and other receivables, Trade and other payables and Key ratios - Ray Nkonyeni Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	266 084		
Debtors as at 30 June 2018	263 772		The municipality reported R263.8 million for Debtors as at 30 June 2018 which is a R2.3 million or 1 percent decrease from the 2017/18 financial year. The municipality attributed the decrease in Debtors to the implementation of the new credit control policy.
<u>By age analysis</u>			
0-30 days	48 396	18.3%	
31-60 days	21 985	8.3%	
61-90 days	34 467	13.1%	
>90 days	158 924	60.3%	The municipality reported R158.9 million or 60.3 percent for Debtors outstanding for over 90 days of which, R127.1 million or 80 percent of these Debtors relates to Households; R16 million or 10.1 percent relates to Commercial; R12.8 million or 8.1 percent relates to Other debtors and R3 million or 1.9 percent relates to Organs of state. The municipality has attributed this long outstanding debts to a culture of non payment within the municipal area.
Total by age analysis	263 772	100.0%	
<u>By customer group</u>			
Organs of state	19 680	7.5%	
Commercial	44 875	17.0%	
Households	190 148	72.1%	Households owed R190.1 million or 72.1 percent of the total Debtors. The municipality attributed this percentage to a culture of non-payment and the overall socio-economic environment within the municipal area.
Other	9 068	3.4%	
Total by customer group	263 772	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	48 508	100.0%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	48 508	100.0%	
Key Ratios			
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	42.8%	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.
Contracted services as a % of Total operating expenditure	2% - 5%	14.3%	The municipality has attributed the ratio above the norm to the increase in the use of consultants since the implementation of the Municipal Standard Chart of Account (mSCOA).
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	71.4%	This ratio indicates that the municipality is able to generate 71.4 percent of revenue from its own sources to fund its Operating expenditure.
Own funded capital expenditure	-	12.3%	The municipality has reported Own funded capital expenditure ratio of 12.3 percent as it prioritised the completion of grant funded capital projects.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	19.3%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	35.5%	The municipality has reported a Net operating surplus margin of 35.5 percent.

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	–	–	(7)	–	The municipality reported negative R7 000 for Property rates during the 2017/18 financial year which was not budgeted for in the Adjustments Budget. The municipality indicated that this was as a result of an error in the MFMA section 71 reports.
Service Charges ¹	429 071	429 071	516 670	120.4	The municipality attributed the over-generation of revenue to the demarcation process which resulted in more customer billings than initially anticipated.
Transfers recognised - operational	445 808	445 808	50 269	11.3	The municipality attributed the low revenue generation to the errors in the MFMA Section 71 reporting. The unaudited actual for Transfers recognised - operational is R418.4 million or 93.8 percent as per the grants register submitted by the municipality.
Other sources of Revenue ²	37 798	37 798	8 647	22.9	<p>According to the municipality, the low revenue reported for the 2017/18 financial year in relation to the budgeted amounts is attributed to various revenue sources which make up the total Other sources of revenue budget as follows:</p> <p>The municipality reported revenue of R31 000 or 0.1 percent against the Adjusted Budget of R20.8 million for Interest earned - external investments. The municipality attributed the low actual revenue generated to Interest earned on investments not recognised being on a monthly basis.</p> <p>The municipality also reported revenue of R754 000 or 6.3 percent against the Adjusted Budget of R12 million for Other own revenue. The low revenue generation was attributed to the errors in the MFMA section 71 reporting which were caused by the introduction on the new financial system. The municipality indicated that these errors are to be corrected during the 2017/18 Annual Financial Statements (AFS) preparation process.</p>
Total Operating Revenue	912 678	912 678	575 579	63.1	
Operating Expenditure					
Employee related costs	350 373	350 373	305 416	87.2	The municipality attributed this under-spending to the funded vacant posts not filled during the year due to slow recruitment process.
Remuneration of councillors	13 306	13 306	8 315	62.5	The municipality attributed this under-performance to the fact that the Adjusted Budget was overstated. In addition, the position of the Deputy Mayor was vacant for the full financial year which also contributed to the poor performance of this line item.
Debt impairment	3 000	3 000	–	–	The municipality did not report on Debt impairment against an Adjusted Budget amount of R3 million. The municipality indicated that the Debt impairment for the year will be processed as part of the year end journal entries during the 2017/18 AFS preparation process. This was despite the municipality being advised by Provincial Treasury to report the Debt impairment expenditure on a monthly basis.
Depreciation and asset impairment	121 047	121 047	–	–	The municipality did not report on Depreciation and asset impairment against an Adjusted Budget amount of R121 million. The municipality indicated that the expenditure for the year will be processed as part of the year end journal entries during the 2017/18 AFS preparation process. This was despite the municipality being advised by Provincial Treasury to report the expenditure on a monthly basis.
Bulk purchases	76 034	76 034	5 468	7.2	The municipality indicated that the Bulk purchases expenditure was misallocated to Contract services line item.
Contracted services	35 558	35 558	270 653	761.2	The municipality indicated that the Bulk purchases and Other expenditure line items were incorrectly reported under Contract services line item.
Other expenditure items ³	314 114	314 114	150 702	48.0	Refer to the comment above.
Total Operating Expenditure	913 431	913 431	740 555	81.1	
Operating surplus/(deficit)	(753)	(753)	(164 976)		The municipality has reported an Operating deficit of R165 million in the 2017/18 financial year. It must however be noted that this figure is subject to increase 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 material, 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	278 851	278 851	207 684	74.5	The municipality reported Capital revenue of R207.7 million or 74.5 percent for Transfers recognised - capital in the MFMA Section 71 reports for the period ended 30 June 2018. The municipality has attributed the under-generation of this line item to the fact that the Capital acquisitions actual (CAA) MFMA Section 71 return for month 12 was not submitted to the Local government database due to the challenges with the new financial system and also to the year-end accruals not being processed at the time of the MFMA Section 71 reporting.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	83 474	83 474	12 058	14.4	The municipality has attributed the under-generation of this line item to the fact that the CAA MFMA Section 71 return for month 12 was not submitted to the Local government database due to the challenges with the new financial system and also to the year-end accruals not being processed at the time of the MFMA Section 71 reporting.
Total Capital Revenue	362 325	362 325	219 742	60.6	
Capital Expenditure					
Governance and Administration	51 159	51 159	12 058	23.6	The under-expenditure was attributed to the fact that the CAA MFMA Section 71 return for month 12 was not submitted to the Local government database due to the challenges with the new financial system and also to the year-end accruals not being processed at the time of the MFMA Section 71 reporting.
Community and Public Safety	–	–	–	–	
Eco. & Environmental Services	915	915	–	–	Refer to the comment above.
Trading Services	310 251	310 251	207 684	66.9	Refer to the comment above.
Other	–	–	–	–	
Total Capital Expenditure	362 325	362 325	219 742	60.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	281 797	281 797	179 487		The cash flow opening balance of R179.5 million does not agree to the Cash and cash equivalents closing balance of R188.2 million as per the 2016/17 audited AFS.
Cash/cash equiv. at the year end:	172 068	172 068	129 835		Based on the error noted above, the Cash and cash equivalents at the year end amount of R129.8 million is not correct and may vary after the correction of the error.
Net Increase/(Decrease) in cash held	(109 729)	(109 729)	(49 652)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 795	1 795	100.0%	–	
Expanded Public Works Programme Integrated Grant	1 956	1 956	100.0%	–	
Municipal Infrastructure Grant	245 479	245 479	100.0%	–	

Table 4.1 (u) Trade and other receivables, Trade and other payables and Key ratios - Ugu District Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	366 946		
Debtors as at 30 June 2018	-		The municipality indicated that the Age analysis of debtors (AD) MFMA Section 71 return for month 12 was not submitted to the Local government database due to the challenges with the new financial system and as a result, the Debtors are reflected at nil values.
<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			
<u>By age analysis</u>			
0-30 days	11 535	93.1%	
31-60 days	140	1.1%	
61-90 days	-	-	
>90 days	710	5.7%	
Total by age analysis	12 385	100.0%	A total amount of R850 000 of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2018. This constitutes non compliance with Section 65(2)(e) of the MFMA. The municipality indicated that the Creditors in the "over 30 days" categories were as a result of disputes and late submission of invoices.
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	42.4%	Although the ratio of 42.4 percent is 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 4.1(s). Notwithstanding this, the municipality needs to implement measures to ensure their Remuneration is kept within a reasonable ratio as a high ratio could indicate that the municipality is overstaffed or there is mis-directed expenditure towards non-essential services or non-delivery of service related expenditure as per MFMA Circular No. 71.
Contracted services as a % of Total operating expenditure	2% - 5%	36.5%	This ratio is distorted by the overstatement of Contracted services as discussed in Table 4.1(s). In addition, the municipality indicated that the corrected ratio is still above the norm due to the new mSCOA classification as some of the expenditure that was previously classified under Other expenditure is now classified as Contracted services in the MFMA Section 71 reporting.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	91.3%	This ratio is distorted by the understatement of Transfers recognised - operational as discussed in Table 4.1(s).
Own funded capital expenditure	-	5.5%	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	22.9%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.1(s).
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-28.7%	The negative ratio of the Net operating surplus margin is an indication that the municipality was operating at a deficit during the 2017/18 financial year.

4.2 uMgungundlovu District

The uMgungundlovu District comprises of seven local municipalities namely; the uMshwathi, uMngeni, Mpofana, iMpendle, Msunduzi, Mkhambathini and Richmond Local Municipalities. The district covers a geographical area of 9 602 km² (KZNCOGTA, 2017). There are four municipalities classified as low capacity namely; the uMshwathi, Mpofana, iMpendle and Richmond Local Municipalities, whilst the uMngeni and Mkhambathini Local Municipalities and the uMgungundlovu District Municipality are classified as medium capacity. Msunduzi Local Municipality is classified as a high capacity municipality. 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 provide *Electricity* and *Refuse removal* services whilst the uMshwathi, iMpendle, Richmond and Mkhambathini Local Municipalities only rendered *Refuse removal* services during the 2017/18 financial year.

During the 2017/18 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 iMpendle Local Municipality had a permanent MM and an acting CFO was appointed on 11 April 2017. The Mpofana Local Municipality had an acting MM who was appointed on 16 February 2018 and an acting CFO for the entire 2017/18 financial year. The Mkhambathini Local Municipality had a permanent CFO and an acting MM from 01 March 2018. The uMgungundlovu District Municipality had a permanent MM and an acting CFO since 01 June 2018. The Richmond Local Municipality had a CFO and appointed a permanent MM on 01 August 2017, however, the both the MM and CFO are currently suspended. Msunduzi Local Municipality has a permanent CFO and the MM was appointed on 01 December 2017 but is currently suspended.

The uMshwathi, iMpendle, Mkhambathini and Richmond Local Municipalities maintained their unqualified audit opinion in the 2016/17 financial year from the previous financial year. The uMgungundlovu District Municipality regressed from an unqualified audit opinion with no findings in 2015/16 to an unqualified audit opinion with findings in 2016/17. The Mpofana Local Municipality improved from a disclaimer to a qualified audit opinion in 2016/17 and the uMngeni Local Municipality regressed from an unqualified audit opinion in 2015/16 to a qualified audit opinion in the 2016/17 financial year. The Msunduzi Local Municipality also regressed from a qualified audit opinion in 2015/16 to a disclaimer in the 2016/17 financial year.

The Mpofana Local Municipality was placed under intervention in terms of Section 139(1)(b) of the Constitution of South Africa, 1996 since February 2018. The municipality was appointed with an acting CFO and an Administrator by the KZN Department of Co-operative Governance and Traditional Affairs (CoGTA).

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 2017/18 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.

4.2.1 Overview of uMgungundlovu District Performance

Table 4.2(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMshwathi	139 911	139 911	152 752	109.2
uMngeni	428 406	362 219	336 389	92.9
Mpofana	136 720	133 002	133 607	100.5
iMpendle	42 913	43 628	70 600	161.8
Msunduzi	4 937 882	4 797 399	4 447 642	92.7
Mkhambathini	86 903	86 903	79 909	92.0
Richmond	94 563	100 670	107 685	107.0
uMgungundlovu DM	724 030	691 061	643 800	93.2
Total	6 591 329	6 354 794	5 972 384	94.0

Source: NT Igdatabase

Table 4.2(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMshwathi	138 411	138 411	135 942	98.2
uMngeni	428 244	362 191	349 465	96.5
Mpofana	154 886	155 967	126 322	81.0
iMpendle	54 105	55 266	43 460	78.6
Msunduzi	4 904 829	4 754 810	4 161 164	87.5
Mkhambathini	86 761	86 761	65 046	75.0
Richmond	104 547	119 402	72 054	60.3
uMgungundlovu DM	738 351	774 511	752 041	97.1
Total	6 610 134	6 447 319	5 705 494	88.5

Source: NT Igdatabase

Table 4.2(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMshwathi	40 516	40 516	36 012	88.9
uMngeni	30 407	49 206	38 861	79.0
Mpofana	12 164	15 164	12 386	81.7
iMpendle	18 364	17 719	15 141	85.5
Msunduzi	698 424	762 591	584 184	76.6
Mkhambathini	22 985	129 248	20 401	15.8
Richmond	21 005	22 679	17 777	78.4
uMgungundlovu DM	201 044	201 044	118 657	59.0
Total	1 044 909	1 238 167	843 420	68.1

Source: NT Igdatabase

Table 4.2(d) Debtors Age Analysis (Total) - 2017/18

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	4 388	4.1	2 876	2.7	2 039	1.9	98 425	91.4	107 729
uMngeni	9 987	9.0	3 923	3.5	3 278	3.0	93 516	84.5	110 703
Mpofana	4 735	4.8	2 488	2.5	2 304	2.3	89 087	90.3	98 614
iMpendle	43	0.5	142	1.6	131	1.4	8 760	96.5	9 076
Msunduzi	479 814	18.8	90 902	3.6	19 026	0.7	1 969 135	77.0	2 558 877
Mkhambathini	3 023	12.3	560	2.3	481	2.0	20 422	83.4	24 486
Richmond	2 156	10.3	669	3.2	1 163	5.6	16 900	80.9	20 888
uMgungundlovu DM	32 527	6.6	41	0.0	11 564	2.3	449 363	91.1	493 495
Total	536 673	15.7	101 600	3.0	39 987	1.2	2 745 608	80.2	3 423 868

Source: NT Igdatabase

Table 4.2(e) Debtors by Customer Group (Total) - 2017/18

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	47 654	44.2	21 704	20.1	38 371	35.6	–	–	107 729
uMngeni	8 002	7.2	2 248	2.0	83 662	75.6	16 791	15.2	110 703
Mpofana	–	–	–	–	–	–	98 614	100.0	98 614
iMpendle	5 512	60.7	643	7.1	350	3.9	2 571	28.3	9 076
Msunduzi	182 982	7.2	462 093	18.1	1 757 554	68.7	156 247	6.1	2 558 877
Mkhambathini	629	2.6	9 871	40.3	3 053	12.5	10 932	44.6	24 486
Richmond	5 735	27.5	1 654	7.9	8 361	40.0	5 138	24.6	20 888
uMgungundlovu DM	10 880	2.2	147	–	325 905	66.0	156 564	31.7	493 495
Total	261 394	7.6	498 361	14.6	2 217 256	64.8	446 857	13.1	3 423 868

Source: NT Igdatabase

Table 4.2(f) Creditors Age Analysis (Total) - 2017/18

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	1 675	100.0	–	–	–	–	–	–	1 675
uMngeni	–	–	–	–	–	–	–	–	–
Mpofana	8 560	21.1	6 120	15.1	5 977	14.8	19 847	49.0	40 504
iMpendle	–	–	–	–	–	–	–	–	–
Msunduzi	800 080	95.2	15 603	1.9	2 275	0.3	22 634	2.7	840 593
Mkhambathini	3 363	100.0	–	–	–	–	–	–	3 363
Richmond	–	–	–	–	–	–	–	–	–
uMgungundlovu DM	72 611	98.2	455	0.6	393	0.5	481	0.7	73 940
Total	886 289	92.3	22 178	2.3	8 645	0.9	42 962	4.5	960 075

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	31 000	31 000	40 359	130.2	The municipality generated Property rates of R40.4 million or 130.2 percent against the Adjusted Budget of R31 million. The municipality has indicated that the budget for Property rates was understated.
Service Charges ¹	1 950	1 950	2 151	110.3	The municipality generated Service charges of R2.2 million or 110.3 percent against the Adjusted Budget of R2 million. The municipality has indicated that there were new requests for refuse collection from residents during the year which resulted in the over-generation of Service charges.
Transfers recognised - operational	96 674	96 674	95 274	98.6	The municipality has reported Transfers recognised - operational of R95.3 million against the Adjusted Budget of R96.7 million. The municipality indicated that the difference of R1.4 million is as a result of grants rolled over from the 2016/17 financial year which was utilised in the current financial year.
Other sources of Revenue ²	10 287	10 287	14 968	145.5	The municipality generated Other sources of revenue of R15 million or 145.5 percent against the Adjusted Budget of R10.3 million. The municipality indicated that the over-generation of revenue is attributed to the increased revenue from Motor Licensing and the Interest on arrear debtors.
Total Operating Revenue	139 911	139 911	152 752	109.2	
Operating Expenditure					
Employee related costs	59 664	59 664	64 425	108.0	The municipality has reported expenditure of R64.4 million or 108 percent against the Adjusted Budget of R60 million for Employee related costs. The municipality indicated that the over-expenditure is attributed to the increase in salaries due to the filling of critical posts that were not budgeted for.
Remuneration of councillors	9 000	9 000	10 210	113.4	The municipality has reported expenditure of R10.2 million or 113.4 percent against the Adjusted Budget of R9 million for Remuneration of councillors. The municipality indicated that the over-expenditure is attributed to the incorrect posting of R946 350 and a correcting adjustment will be made during the preparation of the 2017/18 Annual Financial Statements (AFS).
Debt impairment	-	-	-	-	
Depreciation and asset impairment	11 500	11 500	12 711	110.5	The municipality has reported expenditure of R12.7 million or 110.5 percent against the Adjusted Budget of R11.5 million for Depreciation and asset impairment. The municipality indicated that a reversal of R1.2 million will be processed on the prorata Depreciation and asset impairment for the current year.
Bulk purchases	-	-	-	-	
Contracted services	28 871	28 871	26 848	93.0	The municipality has reported expenditure of R26.8 million or 93 percent against the Adjusted Budget of R28.9 million for Contracted services. The municipality indicated that the accruals still have to be taken into account during the preparation of the 2017/18 AFS.
Other expenditure items ³	29 376	29 376	21 747	74.0	The municipality has reported expenditure of R21.7 million or 74 percent against the Adjusted Budget of R29.4 million for Other expenditure items. The municipality indicated that the accruals still have to be taken into account during the preparation of the 2017/18 AFS.
Total Operating Expenditure	138 411	138 411	135 942	98.2	
Operating surplus/(deficit)	1 500	1 500	16 810		The Operating surplus of R16.8 million may be overstated as the municipality's accruals still have to be taken into account during the preparation of the 2017/18 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 material, 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	39 016	39 016	34 665	88.8	The municipality reported expenditure of R34.7 million or 88.8 percent against the allocation of R39 million for Transfers recognised - capital. The municipality indicated that the accrued capital expenditure journals will be processed during the preparation of the 2017/18 AFS.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	1 500	1 500	1 347	89.8	The municipality reported expenditure of R1.3 million or 89.8 percent against the allocation of R1.5 million for Internally generated funds. The municipality has indicated that the accrued capital expenditure will be processed during the preparation of the 2017/18 AFS.
Total Capital Revenue	40 516	40 516	36 012	88.9	
Capital Expenditure					
Governance and Administration	1 500	1 500	1 859	123.9	The municipality reported Capital expenditure of R1.9 million or 123.9 percent against the Adjusted Budget of R1.5 million in the Governance and administration vote. The municipality indicated that the over-expenditure is as a result of the unplanned replacement of IT equipment.
Community and Public Safety	25 416	25 416	19 785	77.8	The municipality reported expenditure of R19.8 million or 77.8 percent against the Adjusted Budget of R25.4 million in the Community and public safety votes. The municipality indicated that some projects were not completed as planned and some invoices will be processed as accruals during the preparation of the 2017/18 AFS.
Eco. & Environmental Services	13 600	13 600	14 368	105.6	The municipality reported expenditure of R14.4 million or 105.6 percent against the Adjusted Budget of R13.6 million in the Economic and environmental services votes. The municipality indicated that there were misallocations of Capital expenditure which will be rectified during the preparation of the 2017/18 AFS.
Trading Services	–	–	–	–	
Other	–	–	–	–	
Total Capital Expenditure	40 516	40 516	36 012	88.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	1 317	1 317	879		The Cash and cash equivalents at year beginning of R1.3 million for the Adjusted Budget is not equivalent to the closing Cash and cash equivalents of R6.4 million in the 2016/17 audited AFS resulting in an understatement of R5.1 million.
Cash/cash equiv. at the year end:	4 665	4 665	1 200		The municipality has reported Cash and cash equivalents at year end of R1.2 million. However, according to the Bank reconciliation and Investment register, Cash and cash equivalents as at 30 June 2018 amount to R11.2 million. Therefore, the municipality's Cash and cash equivalents at year end appears to be understated by R10 million.
Net Increase/(Decrease) in cash held	3 348	3 348	320		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	–	
Expanded Public Works Programme Integrated Grants	2 065	2 065	100.0%	–	
Municipal Infrastructure Grant	39 016	39 016	100.0%	–	

Table 4.2 (i) Trade and other receivables, Trade and other payables and Key ratios - uMshwathi Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	109 770		
Debtors as at 30 June 2018	107 729		The Consumer debtors reflect a decreasing trend from the audited amount of R109.8 million as at 30 June 2017 to R107.7 million as at 30 June 2018. The municipality indicated that there is a slight drop in Debtors mainly due to the partial settlement of the government debt.
<u>By age analysis</u>			
0-30 days	4 388	4.1%	
31-60 days	2 876	2.7%	
61-90 days	2 039	1.9%	
>90 days	98 425	91.4%	The municipality indicated that the large number of Debtors over 90 days is attributable to a major portion of the government debt outstanding in lieu of interest and the culture of Households not prioritising municipal accounts for payment.
Total by age analysis	107 729	100.0%	
<u>By customer group</u>			
Organs of state	47 654	44.2%	The municipality indicated that there is still a major portion of Government debt outstanding in lieu of interest from the Department of Water and Sanitation.
Commercial	21 704	20.1%	The municipality reported that the outstanding Debtors in the Commercial customer group is 20.1 percent.
Households	38 371	35.6%	The municipality indicated that there is a culture of consumers not prioritising municipal accounts for payment.
Other	-	-	
Total by customer group	107 729	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	1 675	100.0%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	1 675	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	54.9%	The municipality indicated that the high ratio is due to the demand of Human resource capacity and limited use of Consultants.
Contracted services as a % of Total operating expenditure	2% - 5%	19.7%	The municipality indicated that Contracted services is made up of training and various community projects expenditure classified as Contracted services.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	37.6%	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	-	3.7%	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	20.9%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	11.0%	

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	185 228	185 228	176 700	95.4	The municipality generated Property rates of R176.7 million or 95.4 percent against the Adjusted Budget of R185.2 million. The municipality has indicated that the budget for Property rates were overstated.
Service Charges ¹	84 211	84 856	72 419	85.3	The municipality generated Service charges of R72.4 million or 85.3 percent against the Adjusted Budget of R84.9 million. The municipality indicated that the under-generation of revenue is attributed to lower billing of electricity due to electricity theft from illegal connections within the municipal area.
Transfers recognised - operational	89 081	65 765	65 481	99.6	
Other sources of Revenue ²	69 886	26 369	21 789	82.6	The municipality generated Other sources of revenue of R21.8 million or 82.6 percent against the Adjusted Budget of R26.4 million. The municipality indicated that the under-generation of revenue is attributed to its inability to issue traffic fines and learner driver licences as the municipality was revoked the authority to perform these services by the National Director of Public Prosecutions.
Total Operating Revenue	428 406	362 219	336 389	92.9	
Operating Expenditure					
Employee related costs	114 559	101 675	97 005	95.4	
Remuneration of councillors	7 901	8 895	9 200	103.4	The municipality reported expenditure of R9.2 million or 103.4 percent against the Adjusted Budget of R8.9 million for the Remuneration of councillors. The municipality indicated that the over-expenditure is attributed to the incorrect posting of a transaction and an adjustment will be made during the preparation of the 2017/18 Annual Financial Statements (AFS).
Debt impairment	33 346	9 389	-	-	The municipality did not account for expenditure on Debt impairment against the Adjusted Budget of R9.4 million. The municipality indicated that the calculation for Debt impairment will be finalised during the preparation of the 2017/18 AFS. This is despite Provincial Treasury requesting the municipality to record Debt impairment on a monthly basis.
Depreciation and asset impairment	30 741	30 741	30 741	100.0	
Bulk purchases	103 353	88 353	103 747	117.4	The municipality reported expenditure of R103.7 million or 117.4 percent on Bulk purchases against the Adjusted Budget of R88.4 million. The municipality indicated that the budgeted Bulk purchases line item was understated during the Adjustments Budget process.
Contracted services	13 578	73 059	23 993	32.8	The municipality reported expenditure of R24 million or 32.8 percent on Contracted services against the Adjusted Budget of R73.1 million. The municipality indicated that the under-expenditure is due to the reclassification of accounts as per the mSCOA requirements.
Other expenditure items ³	124 766	50 079	84 779	169.3	The municipality reported expenditure of R84.8 million or 169.3 percent on Other expenditure against the Adjusted Budget of R50.1 million. The municipality indicated that the over-expenditure is due to the reclassification of accounts as per the mSCOA requirements.
Total Operating Expenditure	428 244	362 191	349 465	96.5	
Operating surplus/(deficit)	162	28	(13 077)		The municipality generated an Operating deficit of R13.1 million which may be understated as Debt impairment has not been accounted for.

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 material, 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	23 400	42 879	36 038	84.0	The municipality reported Capital revenue of R36 million or 84 percent against the Transfers recognised - capital. The municipality indicated that the under-performance is due to the delayed implementation of the Mandela Capture Site project due to the allocation being made by the KZN Department of Co-operative Governance and Traditional Affairs (CoGTA) after the 2017/18 Adjustments Budget was tabled.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	7 007	6 327	2 823	44.6	The municipality reported Capital revenue of R2.8 million or 44.6 percent against Internally generated funds. The municipality indicated that the under-performance is due to erroneously including R3.5 million in the budgeted amount of R6.3 million which was intended for the electrification programme by Eskom.
Total Capital Revenue	30 407	49 206	38 861	79.0	
Capital Expenditure					
Governance and Administration	333	1 497	261	17.5	The municipality reported Capital expenditure of R261 000 or 17.5 percent against the Adjusted Budget of R1.5 million in the Governance and administration vote. The municipality indicated that the under-performance is as a result of the lack of funds in the municipality as the Capital expenditure was budgeted against Internally generated funds source of funding.
Community and Public Safety	3 166	266	2 966	1 115.6	The municipality reported Capital expenditure of R3 million or 1115.6 percent against the Adjusted Budget of R266 000 in the Community and public safety vote. The over-performance is as a result of an error in the Adjusted Budget amount recorded in the Adjustment Budget return. The Adjusted Budget amount is R3.2 million and the actual expenditure is 92.7 percent of the budget.
Eco. & Environmental Services	20 621	43 223	31 419	72.7	The municipality reported expenditure of R31.4 million or 72.7 percent against the Adjusted Budget of R43.2 million in the Economic and environmental services vote. The municipality indicated that the under-performance is due to the non-completion of some projects funded by the Nelson Mandela Capture Site grant.
Trading Services	3 600	4 220	4 215	99.9	
Other	2 686	–	–	–	
Total Capital Expenditure	30 407	49 206	38 861	79.0	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	14 031	15 353	15 353		
Cash/cash equiv. at the year end:	10 677	9 635	11 766		
Net Increase/(Decrease) in cash held	(3 353)	(5 718)	(3 587)		The municipality generated a Net decrease in cash held of R3.6 million in the 2017/18 financial year. This indicates that the municipality's reserves are being further eroded.
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 700	1 700	100.0%	–	
Expanded Public Works Programme Integrated Grant	1 000	1 000	100.0%	–	
Municipal Infrastructure Grant	23 379	23 379	100.0%	–	

Table 4.2 (I) Trade and other receivables, Trade and other payables and Key ratios - uMngeni Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	100 559		
Debtors as at 30 June 2018	110 703		The Debtors reflect an increasing trend of R10.1 million or 10.1 percent from the audited amount of R100.6 million as at 30 June 2017 to R110.7 million as at 30 June 2018. The municipality indicated that the increase in Debtors is due to the current economic climate and unemployment. This is an indication that the municipality is not collecting its Debtors which has already had an adverse effect on the cash flow of the municipality.
<u>By age analysis</u>			
0-30 days	9 987	9.0%	
31-60 days	3 923	3.5%	
61-90 days	3 278	3.0%	
>90 days	93 516	84.5%	The municipality reported that R93.5 million or 84.5 percent of Debtors have been outstanding for over 90 days. Households owed R69.7 million or 74.5 percent of the Debtors in the over 90 days category. The municipality runs a risk of not being able to meet its obligations as they fall due. The municipality needs to develop an action plan to improve revenue and debtors collection.
Total by age analysis	110 703	100.0%	
<u>By customer group</u>			
Organs of state	8 002	7.2%	
Commercial	2 248	2.0%	
Households	83 662	75.6%	The municipality indicated that the R83.7 million or 75.6 percent of total outstanding Debtors attributable to Households is due to the culture of non-payment of municipal debt by ratepayers. The municipality indicated that the large amount of the outstanding Debtors from Households have been handed over to debt collectors.
Other	16 791	15.2%	The municipality indicated that the amount of R16.8 million is in respect of Sundry Debtors.
Total by customer group	110 703	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	-	-	The municipality indicated that at the time of reporting, there were no outstanding Creditors as per the Month 12 Section 71 Creditors return. However, there are accruals which will be taken into account during the preparation of the 2017/18 AFS.
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	30.4%	
Contracted services as a % of Total operating expenditure	2% - 5%	6.9%	The municipality indicated that the ratio of 6.9 percent is as a result of the increase in security and surveying contracts during the year.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	80.5%	The municipality is not grant dependant as it generated 80.5 percent of its own revenue.
Own funded capital expenditure	-	7.3%	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	10.0%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-3.9%	The municipality generated a Net operating surplus margin of negative 3.9 percent as a result of reporting an Operating deficit of R13.1 million which may be understated as Debt impairment has not been accounted for.

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	14 624	14 704	12 084	82.2	The municipality generated Property rates of R12.1 million or 82.2 percent against the Adjusted Budget of R14.7 million. The municipality indicated that the under-generation of revenue is due to the late billing of customers for the month of June 2018. The billings for the month of June will be taken into account during the preparation of the 2017/18 Annual Financial Statements (AFS).
Service Charges ¹	58 706	58 973	59 189	100.4	
Transfers recognised - operational	44 614	38 614	47 056	121.9	The municipality recognised R47.1 million or 121.9 percent of Transfers recognised - operational against the budgeted allocation of R38.6 million. The municipality indicated that all operating grants have been fully spent. However, the MFMA Section 71 monthly returns were not correctly populated as this line item also includes the Transfers recognised - capital. The reported amount will be rectified during the preparation of the 2017/18 AFS.
Other sources of Revenue ²	18 775	20 711	15 278	73.8	The municipality generated R15.3 million or 73.8 percent of revenue against the Adjusted Budget of R20.7 million for Other sources of Revenue. The municipality has attributed the under-generation of revenue to the budgeted revenue of R3 million from SANRAL which has not yet been realised. The municipality further indicated that the capturing of the Traffic fines issued during the 2017/18 financial year on the financial system was also delayed.
Total Operating Revenue	136 720	133 002	133 607	100.5	
Operating Expenditure					
Employee related costs	35 343	35 343	36 750	104.0	
Remuneration of councillors	3 188	2 741	2 750	100.3	
Debt impairment	18 820	9 820	-	-	The municipality budgeted for Debt impairment of R9.8 million. However, no expenditure was recorded as at the end of the financial year. The municipality indicated that the expenditure for Debt Impairment will be accounted for during the preparation of the 2017/18 AFS. This is despite Provincial Treasury requesting the municipality to record Debt impairment on a monthly basis.
Depreciation and asset impairment	7 622	7 622	-	-	The municipality budgeted for Depreciation and asset impairment of R7.6 million. However, no expenditure was recorded as at the end of the financial year. The municipality indicated that the expenditure for Depreciation and asset impairment will be accounted for during the preparation of the 2017/18 AFS. This is despite Provincial Treasury requesting the municipality to record Depreciation and asset impairment on a monthly basis.
Bulk purchases	66 390	66 390	46 523	70.1	The municipality reported expenditure of R46.5 million or 70.1 percent against the Adjusted Budget of R66.4 million for Bulk purchases. The municipality indicated that the accruals for the invoices that have not been paid to Eskom still have to be taken into account during the preparation of the 2017/18 AFS.
Contracted services	6 363	7 500	14 590	194.5	The municipality reported expenditure of R14.6 million or 194.5 percent against the Adjusted Budget of R7.5 million for Contracted services. The municipality indicated that the budgeted amount was understated.
Other expenditure items ³	17 161	26 550	25 709	96.8	
Total Operating Expenditure	154 886	155 967	126 322	81.0	
Operating surplus/(deficit)	(18 167)	(22 965)	7 285		The municipality generated an Operating surplus of R7.3 million which may become an Operating deficit as Debt impairment and Depreciation and asset impairment have not been accounted for.

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 material, Other expenditure and Loss on disposal of PPE

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

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Capital Revenue					
Transfers recognised - capital	12 164	12 164	12 386	101.8	The municipality recognised expenditure of R12.4 million or 101.8 percent against the allocation of R12.2 million for Transfers recognised - capital. The municipality indicated that the over-expenditure is attributable to the utilisation of its Internally generated funds to supplement the funding of grant funded projects. This error will be rectified during the preparation of the 2017/18 AFS.
Public contributions and donations	–	3 000	–	–	The municipality had erroneously recorded Internally generated funds as Public contributions and donations in the Adjustment Budget return. The reported amount will be rectified during the preparation of the 2017/18 AFS and in the Adjustment Budget return.
Borrowing	–	–	–	–	
Internally generated funds	–	–	–	–	
Total Capital Revenue	12 164	15 164	12 386	81.7	
Capital Expenditure					
Governance and Administration	–	–	–	–	
Community and Public Safety	–	–	–	–	
Eco. & Environmental Services	12 164	15 164	12 386	81.7	The municipality reported Capital expenditure of R12.4 million or 81.7 percent against the Adjusted Budget of R15.2 million in the Economic and environmental services vote. The municipality indicated that the budgeted projects were completed and some invoices will be processed as accruals during the preparation of the 2017/18 AFS.
Trading Services	–	–	–	–	
Other	–	–	–	–	
Total Capital Expenditure	12 164	15 164	12 386	81.7	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	(14 071)	497	497		
Cash/cash equiv. at the year end:	(26 067)	38 823	(27 354)		The municipality did not provide Provincial Treasury with their year end bank reconciliation to verify this amount. Furthermore, the municipality indicated that there are accruals as at year end that were not captured and included in the Section 71 reports. Considering the municipality's negative cash position and significant Creditors, it implies that the municipality's Unspent Grants are not cash backed as at year end. The municipality has also contravened Section 45(4)(a) of the MFMA which requires a municipality to pay off all short term debt within the financial year.
Net Increase/(Decrease) in cash held	(11 996)	38 326	(27 850)		The municipality generated a Net decrease in cash held of R27.9 million in the 2017/18 financial year. This indicates that the municipality's reserves are being further eroded.
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 911	100.6%	(11)	The municipality indicated that there was an error in the monthly Section 71 returns which will be rectified during the preparation of the 2017/18 AFS.
Expanded Public Works Programme Integrated	1 000	1 000	100.0%	–	
Municipal Infrastructure Grant	12 164	12 164	100.0%	–	

Table 4.2 (o) Trade and other receivables, Trade and other payables and Key ratios - Mpfana Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	96 951		
Debtors as at 30 June 2018	98 614		The Debtors reflect an increasing trend of R1.7 million or 1.7 percent from the audited amount of R97 million as at 30 June 2017 to R98.6 million as at 30 June 2018. The municipality indicated that the increase in Debtors is due to the current economic climate and unemployment. However, the municipality should increase efforts to improve its rate of collecting outstanding Debtors in order to alleviate the cash flow strain that the municipality is currently facing.
<u>By age analysis</u>			
0-30 days	4 735	4.8%	
31-60 days	2 488	2.5%	
61-90 days	2 304	2.3%	
>90 days	89 087	90.3%	The municipality reported that R89.1 million or 90.3 percent of Debtors have been outstanding for over 90 days. The municipality indicated that a large amount of the outstanding Debtors are from Households which have been handed over to debt collectors.
Total by age analysis	98 614	100.0%	
<u>By customer group</u>			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	98 614	100.0%	The municipality indicated that the new financial system has not yet been configured to categorise its Debtors by customer group.
Total by customer group	98 614	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	8 560	21.1%	
31-60 days	6 120	15.1%	The municipality reported Creditors outstanding for more than 30 days of R31.9 million which is in contravention of Section 65(2)(e) of the MFMA. The municipality attributed this to its inability to pay its Creditors timeously due to its cash flow constraints.
61-90 days	5 977	14.8%	
>90 days	19 847	49.0%	
Total by age analysis	40 504	100.0%	The amount of R40.5 million reported by the municipality is understated as the municipality owed R78.2 million to Eskom as at 30 June 2018.
Key Ratios			
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	31.3%	
Contracted services as a % of Total operating expenditure	2% - 5%	11.5%	The municipality indicated that there was an increase in Contracted services due to the acquisition of vehicles through a fleet management company.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	64.8%	The municipality is not grant dependant and should increase efforts to improve its rate of collecting outstanding Debtors in order to alleviate the cash flow strain that the municipality is currently facing.
Own funded capital expenditure	-	-	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	8.9%	The municipality's ratio of Capital Expenditure to Total expenditure is below the norm of 10 to 20 percent due to cash flow constraints experienced by the municipality.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	5.5%	The municipality generated a Net operating surplus margin of 5.5 percent which is overstated as Debt impairment and Depreciation and asset impairment has not been accounted for.

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	4 878	4 878	(437)	-	The municipality indicated that they had identified errors in their financial system that occurred during the mSCOA implementation which have resulted in incorrect amounts being reported during the financial year. The corrected MFMA Section 71 reports were subsequently submitted after the NT Igdatabase was closed.
Service Charges ¹	40	73	47	64.3	The municipality attributed the under-generation of revenue to the fact that the municipality over-budgeted for this line item during the Adjustments Budget process as they anticipated more revenue from Service charges - refuse revenue.
Transfers recognised - operational	36 067	36 067	30 940	85.8	The municipality has recognised R30.9 million or 85.8 percent of Transfers recognised - operational against the allocation of R36.1 million. The municipality indicated that the under-generation of revenue for this line item is due to the misallocation of Transfers recognised -operational to Other sources of revenue.
Other sources of Revenue ²	1 928	2 610	40 050	1 534.4	The municipality attributed the over-generation of this line item to the misallocation of capital revenue to Other revenue in the MFMA Section 71 reports. The municipality indicated that these transactions will be corrected and accurately accounted for in the 2017/18 Annual Financial Statements (AFS).
Total Operating Revenue	42 913	43 628	70 600	161.8	
Operating Expenditure					
Employee related costs	23 508	26 149	24 553	93.9	The municipality attributed the under-spending on Employee related costs to the fact that the municipality over-budgeted for this line item during the Adjustments Budget process.
Remuneration of councillors	2 353	2 407	2 396	99.6	
Debt impairment	3 078	3 078	-	-	The municipality did not report expenditure against the Adjusted Budget of R3.1 million for Debt impairment. The municipality indicated that the calculations for Debt impairment will be finalised during the preparation of AFS in order to ensure the accuracy and completeness thereof. As a result, the finalised Debt impairment figures were not available at the time of the MFMA Section 71 reporting. This is despite Provincial Treasury requesting the municipality to report Debt impairment on a monthly basis.
Depreciation and asset impairment	8 587	8 587	1 230	14.3	The municipality reported expenditure of R1.2 million against the Adjusted Budget of R8.6 million for Depreciation and asset impairment. The under-expenditure was attributed to the fact that the Depreciation and asset impairment calculation is finalised during the preparation of AFS in order to ensure the accuracy and completeness thereof. As a result, the finalised Depreciation and asset impairment figures were not available at the time of the MFMA Section 71 reporting.
Bulk purchases	-	-	-	-	
Contracted services	1 332	2 935	6 387	217.6	The municipality reported expenditure of R6.4 million or 217.6 percent against the Adjusted Budget of R2.9 million. The municipality indicated that there are expenditure items that were budgeted for as Other expenditure in the Adjustments Budget that has since been classified as Contracted services under the MFMA Section 71 reports as per the mSCOA classification of expenditure accounts.
Other expenditure items ³	15 248	12 111	8 894	73.4	The municipality reported expenditure of R8.9 million or 73.4 percent against the Adjusted Budget of R12.1 million. The municipality indicated that the under-expenditure is due to items that were budgeted for as Other expenditure in the Adjustments Budget that have since been classified as Contracted services under the MFMA Section 71 reports as per the mSCOA classification of expenditure accounts.
Total Operating Expenditure	54 105	55 266	43 460	78.6	
Operating surplus/(deficit)	(11 192)	(11 638)	27 140		The municipality reported an Operating surplus of R27.1 million which may be overstated as the municipality has indicated that the Own revenue is overstated and Other expenditure items such as Debt impairment and Depreciation and assets impairment have not been taken into account in the Total operating expenditure. The correct operating performance amount will be reported in the 2017/18 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

4 Includes Finance charges, Transfers and grants, Other material, 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	17 692	17 692	15 141	85.6	The municipality recognised R15.1 million or 85.6 percent towards funding capital projects of R17.7 million. The municipality attributed the under-recognition of capital revenue to the fact that the Infrastructure - sport facilities grant was not fully spent.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	672	27	–	–	The municipality indicated that there was an error in MFMA Section 71 reporting as the capital revenue of R47 000 was not recognised against the Adjusted Budget of R27 000.
Total Capital Revenue	18 364	17 719	15 141	85.5	
Capital Expenditure					
Governance and Administration	–	–	47	–	The municipality indicated that the expenditure of R47 000 has been misallocated to this vote instead of Trading services.
Community and Public Safety	5 847	5 847	3 250	55.6	The municipality attributed the under-spending in this vote to the Infrastructure - sport facilities grant that was not fully spent due to delays in the completion of the project.
Eco. & Environmental Services	12 517	11 845	11 845	100.0	
Trading Services	–	27	–	–	The municipality indicated that the Capital expenditure of R47 000 has been misallocated to the Governance and administration vote.
Other	–	–	–	–	
Total Capital Expenditure	18 364	17 719	15 141	85.5	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	2 400	3 273	2 886		The municipality incorrectly populated the actual Cash and cash equivalents at year begin as R2.9 million instead of R3.3 million as per the audited 2016/17 AFS.
Cash/cash equiv. at the year end:	2 293	3 780	4 854		Based on the error noted above, the Cash and cash equivalents at the year end amount of R4.9 million may vary after the correction of the error.
Net Increase/(Decrease) in cash held	(107)	507	1 968		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	–	
Expanded Public Works Programme Integrated Grant	1 460	1 460	100.0%	–	
Municipal Infrastructure Grant	11 845	10 345	87.3%	1 500	The municipality indicated that there were errors in the MFMA Section 71 reports. Furthermore, the municipality indicated that the Municipal Infrastructure Grant was fully spent and will be correctly accounted for in the 2017/18 AFS.

Table 4.2 (r) Trade and other receivables, Trade and other payables and Key ratios - iMpendle Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	6 736		
Debtors as at 30 June 2018	9 076		The municipality reported R9.1 million for Debtors as at 30 June 2018, which is a R2.3 million or 34.7 percent increase from the audited balance as at 30 June 2017 of R6.7 million. The municipality attributed the significant increase in Debtors to the government debt. The municipality indicated that it is still engaging with the relevant government departments.
<u>By age analysis</u>			
0-30 days	43	0.5%	
31-60 days	142	1.6%	
61-90 days	131	1.4%	
>90 days	8 760	96.5%	The municipality reported R8.8 million or 96.5 percent for Debtors outstanding for over 90 days. The municipality indicated that a significant amount of outstanding debtors over 90 days is from government.
Total by age analysis	9 076	100.0%	
<u>By customer group</u>			
Organs of state	5 512	60.7%	The municipality reported R5.5 million or 60.7 percent for Organs of state.
Commercial	643	7.1%	
Households	350	3.9%	
Other	2 571	28.3%	
Total by customer group	9 076	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	-	-	The municipality indicated that it had challenges with the submission of the Month 12 Creditors return which were resolved after the NT Igdatabase was closed for publication. According to the municipality, the return reflects an outstanding balance of R1.2 million as at 30 June 2018.
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	62.0%	Although the ratio of 62 percent is above the norm, the ratio could be distorted as the Debt impairment and Depreciation and asset impairment line items were understated as discussed in Table 4.1(p). Notwithstanding this, the municipality needs to implement measures to ensure that their Remuneration is kept within a reasonable ratio as a high ratio could indicate that the municipality is overstaffed or there is misdirected expenditure towards non-essential services or the non-delivery of services related expenditure, as per MFMA Circular No. 71.
Contracted services as a % of Total operating expenditure	2% - 5%	14.7%	The municipality indicated that the expenditure that was budgeted as Other expenditure has since been classified as Contracted services in the MFMA Section 71 reports due to the mSCOA classification of accounts.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	56.2%	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 0.1 percent.
Own funded capital expenditure	-	-	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	25.8%	The higher percentage of Capital expenditure was attributed to higher spending on infrastructure and community assets which reflects an acceleration of service delivery.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	38.4%	The ratio could be distorted as the Debt impairment and Depreciation and asset impairment line items were understated as discussed in Table 4.1(p).

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	13 435	14 683	14 002	95.4	The municipality attributed the under-generation of revenue to the fact that the municipality over-budgeted for this line item during the Adjustments Budget process.
Service Charges ¹	531	531	414	78.0	The municipality attributed the under-generation of revenue to the fact that the municipality over-budgeted for this line item during the Adjustments Budget process.
Transfers recognised - operational	63 487	63 487	43 328	68.2	The municipality recognised R43.3 million or 68.2 percent for Transfers recognised - operational against the allocation of R63.5 million. The municipality indicated that the under-performance of this line item is due to the misallocation of Transfers recognised - operational to Other sources of revenue. The correct figures were not available at the time of MFMA Section 71 reporting .
Other sources of Revenue ²	9 450	8 202	22 165	270.2	The municipality attributed the over-generation of this line item to the misallocation of Transfers recognised - operational to Other revenue in the MFMA Section 71 reports. The municipality indicated that these errors will be corrected and accurately accounted for in the 2017/18 Annual Financial Statements (AFS).
Total Operating Revenue	86 903	86 903	79 909	92.0	
Operating Expenditure					
Employee related costs	32 247	32 247	30 489	94.5	
Remuneration of councillors	5 398	5 398	4 425	82.0	The municipality attributed the under-spending of Remuneration of councillors to the fact that the municipality over-budgeted for this line item during the Adjustments Budget process.
Debt impairment	700	700	-	-	The municipality did not report expenditure against the Adjusted Budget of R700 000 for Debt impairment. The municipality indicated that the calculations for Debt impairment will be finalised during the preparation of the AFS in order to ensure accuracy and completeness thereof. As a result, the finalised Debt impairment figures were not available at the time of reporting for MFMA Section 71. This was despite the municipality being advised by Provincial Treasury to report Debt impairment on a monthly basis.
Depreciation and asset impairment	6 100	6 100	31	0.5	The municipality reported expenditure of R31 000 against the Adjusted Budget of R6.1 million for Depreciation and asset impairment. The under-expenditure was attributed to the fact that the Depreciation and asset impairment calculation is finalised during the preparation of AFS in order to ensure accuracy and completeness thereof. As a result, the finalised Depreciation and asset impairment figures were not available at the time of reporting for MFMA Section 71. This was despite the municipality being advised by Provincial Treasury to report Depreciation and asset impairment on a monthly basis.
Bulk purchases	-	-	-	-	
Contracted services	-	-	17 921	-	The municipality did not reflect the Adjusted Budget of R28.1 million for Contracted services as per the 2017/18 approved Adjustments Budget therefore the expenditure of R17.9 million has been reported against the nil budget. However, as per the amount reported in MFMA Section 71 report the municipality has under-spent on Contracted services by R10.2 million due to over-budgeting for this line item.
Other expenditure items ³	42 316	42 316	12 180	28.8	The municipality incorrectly reflected the Adjusted Budget as R42.3 million instead of R13.6 million as per the 2017/18 approved Adjustments Budget therefore the municipality has an under-expenditure of 10.4 percent. The under-spending has been attributed to the savings from the cost containment measures implemented by the municipality.
Total Operating Expenditure	86 761	86 761	65 046	75.0	
Operating surplus/(deficit)	142	142	14 863		The municipality reported an Operating surplus of R14.9 million which may be overstated as the expenditure on Debt impairment and Depreciation and asset impairment have not been taken into account and will be finalised during the preparation of the 2017/18 AFS.

Source: NT Igdatabase

² Includes Services Charges - electricity, water, sanitation, refuse and other

³ 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

⁴ Includes Finance charges, Transfers and grants, Other material, 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	16 355	129 248	20 401	15.8	The municipality incorrectly reflected the Transfers recognised - capital as R129.2 million instead of R16.3 million as per the 2017/18 approved Adjustments Budget. The unaudited actual of R20.4 million is also incorrectly reflected as the municipality has spent R16.3 million or 100 percent of their capital grant allocation as per the Grant register.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	6 630	-	-	-	The municipality had budgeted to fund its Capital expenditure with Internally generated funds of R6.7 million in the Adjusted Budget as per the 2017/18 approved Adjustments Budget. The municipality has indicated that there is a misallocation of the Capital expenditure funded by the Internally generated funds in its MFMA Section 71 report.
Total Capital Revenue	22 985	129 248	20 401	15.8	
Capital Expenditure					
Governance and Administration	1 060	129 248	319	0.2	The municipality incorrectly reflected the Adjusted Budget as R129.2 million instead of R1.1 million as per the 2017/18 approved Adjustments Budget. Therefore, the municipality has under-spent the adjusted budget by 71 percent which has been attributed to errors and misstatements in the MFMA Section 71 reports.
Community and Public Safety	16 355	-	14 590	-	The municipality did not reflect the Adjusted Budget figure of R16.4 million for this vote. Therefore, the municipality should have reflected the Capital expenditure of 89 percent. However, the municipality has also noted errors in the MFMA Section 71 reports.
Eco. & Environmental Services	3 570	-	5 492	-	The municipality did not reflect the Adjusted Budget figure of R3.6 million for this vote and also noted errors in the MFMA Section 71 reports.
Trading Services	2 000	-	-	-	The municipality did not reflect the Adjusted Budget amount of R2 million and the actual expenditure for the Trading services in the MFMA Section 71 reports.
Other	-	-	-	-	
Total Capital Expenditure	22 985	129 248	20 401	15.8	The municipality has incorrectly reflected the total Capital expenditure as R129.2 million instead of R23 million as per the 2017/18 approved Adjustments Budget. This is despite the municipality being advised to correct the adjustments budget returns.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	37 260	-	52 816		The municipality did not populate the Cash and cash equivalents at the year begin of R52.8 million in the Adjustments Budget return as per the audited 2016/17 AFS.
Cash/cash equiv. at the year end:	36 885	(18 000)	59 975		The municipality incorrectly populated the Cash and cash equivalents at the year end as negative R18 million in the Adjustments Budget return instead of R35.7 million as per the 2017/18 approved Adjustments Budget.
Net Increase/(Decrease) in cash held	(376)	(18 000)	7 159		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	2 056	108.2%	(156)	The municipality has indicated that the Financial Management Grant has been fully spent. The over-spending is as a result of errors in the MFMA Section 71 reports.
Expanded Public Works Programme Integrated Grant	1 089	1 205	110.6%	(116)	The municipality indicated that the Expanded Public Works Programme Integrated Grant has been fully spent. The over-spending is as a result of errors in the MFMA Section 71 reports.
Municipal Infrastructure Grant	16 285	15 337	94.2%	948	The municipality 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.

Table 4.2 (u) Trade and other receivables, Trade and other payables and Key ratios - Mkhambathini Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	19 790		
Debtors as at 30 June 2018	24 486		The municipality reported R24.5 million for Debtors as at 30 June 2018 which is a R4.7 million or 23.7 percent increase from the audited balance as at 30 June 2017 of R19.7 million. The municipality attributed the significant increase in Debtors to the new supplementary valuation roll effective in May 2018 and a 10 percent collection charge that was added to all Debtors outstanding as at 30 June 2018.
<u>By age analysis</u>			
0-30 days	3 023	12.3%	
31-60 days	560	2.3%	
61-90 days	481	2.0%	
>90 days	20 422	83.4%	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 debt collection strategies which includes handing over Debtors to attorneys for collection.
Total by age analysis	24 486	100.0%	
<u>By customer group</u>			
Organs of state	629	2.6%	
Commercial	9 871	40.3%	The municipality indicated that they handed over Commercial debtors to attorneys for collection to fast track the recovery of the outstanding amounts.
Households	3 053	12.5%	The municipality indicated that they handed over the Households debtors to attorneys for collection to fast track the recovery of the outstanding amounts.
Other	10 932	44.6%	This amount includes Debtors that should have classified as Organ of state. The municipality has engaged amongst others, the Department of Public Works and Land Affairs to recover the outstanding amounts. Other debtors include the Ingonyama Trust properties and the municipality indicated they are working with the KZN Department of Co-operative Governance and Traditional Affairs (CoGTA) to resolve challenges with recovering these debts.
Total by customer group	24 486	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	3 363	100.0%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	3 363	100.0%	
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	53.7%	The municipality indicated that the ratio could be distorted as 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(s).
Contracted services as a % of Total operating expenditure	2% - 5%	27.6%	The municipality attributed the significant ratio to the new mSCOA classification as some of the expenditure that was previously classified under Other expenditure is now classified as Contracted services in the MFMA Section 71 reports.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	45.8%	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 0.5 percent.
Own funded capital expenditure	-	-	The municipality did not reflect the budgeted Internally generated funds of R6.7 million and the actual Capital expenditure in the MFMA Section 71 reports.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	23.9%	This ratio is distorted by the understatement of Debt impairment and Depreciation and asset impairment as discussed in Table 4.2(s).
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	18.6%	

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	15 040	15 040	14 600	97.1	
Service Charges ¹	1 070	1 070	754	70.5	The municipality attributed the under-generation of revenue to the over-budgeting of Service charges during the Adjustments Budget process.
Transfers recognised - operational	72 463	75 476	87 630	116.1	The municipality attributed the over-generation of revenue to the incorrect journals on various votes thus duplicating some of its recognised grant income in the process. The municipality indicated that it will rectify these errors during the finalisation of the 2017/18 Annual Financial Statements (AFS).
Other sources of Revenue ²	5 990	9 084	4 701	51.8	The municipality attributed the under-generation of revenue to over-budgeting of Other Sources of Revenue during the Adjustments Budget process.
Total Operating Revenue	94 563	100 670	107 685	107.0	
Operating Expenditure					
Employee related costs	45 900	44 221	37 572	85.0	The municipality indicated that the actual expenditure of R37.6 million or 85 percent reported against the Adjusted Budget of R44.2 million is incorrect. The municipality did not submit the month 12 MFMA Section 71 figures. As a result, the reported Employee Related Costs is understated.
Remuneration of councillors	5 106	5 494	4 253	77.4	The municipality indicated that the actual expenditure of R4.3 million or 77.4 percent reported against the Adjusted Budget of R5.5 million is incorrect. The municipality did not submit the month 12 MFMA Section 71 figures. As a result, the reported Remuneration of Councillors is understated.
Debt impairment	1 050	2 317	-	-	The municipality did not account for Debt impairment in the MFMA Section 71 reports for the period ended 30 June 2018. This is despite the municipality being advised by Provincial Treasury to report the Debt Impairment expenditure on a monthly basis. 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 2017/18 AFS.
Depreciation and asset impairment	11 867	19 310	-	-	The municipality did not account for Depreciation and asset impairment in the MFMA Section 71 reports for the period ended 30 June 2018. This was despite the municipality being advised by Provincial Treasury to report the Depreciation and asset impairment on a monthly basis. The municipality indicated that Depreciation and asset impairment figures were not finalised at the time of the MFMA Section 71 reporting and will be incorporated in the 2017/18 AFS.
Bulk purchases	-	-	-	-	
Contracted services	24 275	30 068	17 530	58.3	The municipality attributed the under-spending on Contracted Services to the 2017/18 year-end accruals which were not processed at the time of the MFMA Section 71 reporting.
Other expenditure items ³	16 349	17 991	12 699	70.6	The municipality attributed the under-spending on Other Expenditure items to the 2017/18 year-end accruals which have not yet been finalised and savings from the cost-cutting measures that were implemented during the 2017/18 financial year.
Total Operating Expenditure	104 547	119 402	72 054	60.3	
Operating surplus/(deficit)	(9 983)	(18 732)	35 632		The municipality reported an Operating surplus of R35.6 million which may be overstated as the municipality has indicated that Transfer recognised - operational is overstated and Other expenditure items such as Debt impairment and Depreciation have not been taken into account in the Total operating expenditure. The correct operating performance amount will be reported in the 2017/18 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 material, 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	21 005	20 760	17 008	81.9	The municipality attributed the under-generation of revenue to errors and misallocations reported in the MFMA Section 71 reports. These errors will be rectified during the finalisation of the 2017/18 AFS in order to reflect 100 percent revenue recognised for this line item.
Public contributions and donations	–	13	13	101.0	
Borrowing	–	–	–	–	
Internally generated funds	–	1 906	756	39.7	The municipality attributed the under-generation of revenue to accruals and retentions that were not taken into account at the time of the MFMA Section 71 reporting which will be rectified during the finalisation of the AFS in order to reflect at least 90 percent revenue recognised for Internally generated funds.
Total Capital Revenue	21 005	22 679	17 777	78.4	
Capital Expenditure					
Governance and Administration	210	430	59	13.6	The municipality indicated that the Capital expenditure of R59 000 or 13.6 percent reported against the Adjusted Budget of R430 000 is incorrect. The municipality did not submit the month 12 MFMA Section 71 figures. As a result, the Governance and administration is understated.
Community and Public Safety	7 822	7 389	4 859	65.8	The municipality indicated that the Capital expenditure of R4.9 million or 65.8 percent reported against the Adjusted Budget of R7.4 million is incorrect. The municipality did not submit the month 12 MFMA Section 71 figures. As a result, the Community and public safety is understated.
Eco. & Environmental Services	12 973	14 860	12 859	86.5	The municipality attributed the under-performance to the non-submission of the Month 12 returns at the time of the reporting for MFMA Section 71. The municipality indicated that the correct amount spent on economic & environment services is R14.9 million which will be reflected in the 2017/18 AFS.
Trading Services	–	–	–	–	
Other	–	–	–	–	
Total Capital Expenditure	21 005	22 679	17 777	78.4	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	41 192	32 099	32 099		
Cash/cash equiv. at the year end:	38 618	29 096	(17 662)		The municipality reported negative R17.7 million for Cash and cash equivalents at year end. The municipality attributed this negative amount to errors contained in the MFMA Section 71 reports. These errors will be rectified during the finalisation of the 2017/18 AFS.
Net Increase/(Decrease) in cash held	(2 574)	(3 003)	(49 762)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 898	99.9%	2	
Expanded Public Works Programme Integrated Grant	1 443	1 443	100.0%	–	
Municipal Infrastructure Grant	25 354	25 354	100.0%	–	

Table 4.2 (x) Trade and other receivables, Trade and other payables and Key ratios - Richmond Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	14 306		
Debtors as at 30 June 2018	20 888		The municipality reported R20.9 million for Debtors as at 30 June 2018 which reflects an increase of R6.6 million or 46 percent when compared to the 2016/17 AFS. 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.
<u>By age analysis</u>			
0-30 days	2 156	10.3%	
31-60 days	669	3.2%	
61-90 days	1 163	5.6%	
>90 days	16 900	80.9%	The municipality reported R16.9 million or 80.9 percent of Debtors outstanding for over 90 days of which R6.6 million or 38.8 percent of these Debtors relates to the Other customer group; R5.1 million or 30.7 percent relates to Households; R3.8 million or 22.7 percent relates to Commercial and R1.3 million or 7.8 percent relates to Organs of State. The municipality has acknowledged the fact that collecting outstanding debtors remains a huge challenge for the municipality since it is largely influenced by a high unemployment rate and other related socio-economic issues. The municipality remains committed to seeking further debt collection strategies in the forthcoming years in order to improve the current status.
Total by age analysis	20 888	100.0%	
<u>By customer group</u>			
Organs of state	5 735	27.5%	
Commercial	1 654	7.9%	
Households	8 361	40.0%	The municipality attributed this high percentage to an increase in number of the deceased estate debts as well as a lack of economic activities within the community thus having a negative influence on the repayment of municipal debts.
Other	5 138	24.6%	
Total by customer group	20 888	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	The municipality did not submit their month 12 MFMA Section 71 Report on Creditors.
Key Ratios			
	Norm/ Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	58.0%	The municipality attributed this high percentage of 58 percent to labour intensive mechanisms that are used to deliver municipal services.
Contracted services as a % of Total operating expenditure	2% - 5%	24.3%	The municipality attributed the high percentage of 24.3 percent to the increase in consultant costs due to the implementation of an mSCOA compliant ERP system for the 2017/18 financial year.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	18.6%	
Own funded capital expenditure	-	4.3%	The municipality reported Own funded Capital expenditure ratio of 4.3 percent.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	19.8%	The ratio of 19.8 percent could be distorted as some of the expenditure items are understated and some accruals have not yet been accounted for.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	33.1%	The positive ratio of 33.1 percent could be distorted as some of the expenditure items are understated and some accruals have not yet been accounted for.

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	228 996	196 388	176 668	90.0	The municipality generated R176.7 million or 90 percent of revenue against the Adjusted Budget of R196.4 million for Service charges. The municipality has attributed the under-generation of revenue to the fact that the municipality over-budgeted for this line item during the Adjustments Budget process.
Transfers recognised - operational	462 884	467 823	426 489	91.2	The municipality recognised R426.5 million or 91.2 percent of Transfers recognised - operational against the Adjusted Budget of R467.8 million. The grants register submitted by the municipality reflects that all operating grants budgeted for have been fully spent. Therefore, the under-performance in this line item is a result of errors in the MFMA Section 71 reports.
Other sources of Revenue ²	32 150	26 850	40 643	151.4	The municipality recognised R40.6 million or 151.4 percent of Other sources of revenue against the Adjusted Budget R26.9 million. The municipality reported the Interest earned - outstanding debtors of R30.1 million against the Adjusted Budget of R5 million. This is attributed to the high actual revenue generated on Interest earned - outstanding debtors and thus Other sources of revenue.
Total Operating Revenue	724 030	691 061	643 800	93.2	
Operating Expenditure					
Employee related costs	228 194	221 547	218 759	98.7	
Remuneration of councillors	11 086	12 266	10 178	83.0	The municipality attributed the under-spending of Remuneration of councillors to the fact that the municipality over-budgeted for this line item during the Adjusted Budget process.
Debt impairment	78 998	78 998	78 998	100.0	
Depreciation and asset impairment	46 713	36 713	36 257	98.8	
Bulk purchases	111 034	121 234	121 333	100.1	
Contracted services	168 081	198 779	199 653	100.4	
Other expenditure items ³	94 245	104 973	86 862	82.7	The municipality reported expenditure of R86.9 million or 82.7 percent on Other expenditure items against the Adjusted Budget of R105 million. The municipality attributed the under-expenditure to the fact that the Adjusted Budget was overstated and the savings from the implementation of cost cutting measures.
Total Operating Expenditure	738 351	774 511	752 041	97.1	
Operating surplus/(deficit)	(14 321)	(83 449)	(108 241)		The municipality reported an Operating deficit of R108.2 million which may be understated as the municipality has indicated that there are year-end accruals that have not been taken into account in some expenditure line items.

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 material, 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	166 766	166 766	118 282	70.9	The municipality recognised R118.3 million or 70.9 percent against the capital projects of R166.8 million. The municipality attributed the under-performance of Capital revenue to the fact that the conditional grants such as Water service infrastructure grant and Camperdown waste water works were not fully spent.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	34 278	34 278	375	1.1	The municipality only funded Capital expenditure of R375 000 or 1.1 percent using the Internally generated funds against the budgeted amount of R34.3 million. This was attributed to the constraints in cash reserves to fund capital projects internally.
Total Capital Revenue	201 044	201 044	118 657	59.0	
Capital Expenditure					
Governance and Administration	1 950	1 950	375	19.2	The municipality attributed the under-spending of 80.8 percent for the Government and administration vote to the constraints in cash reserves to fund capital assets that were initially budgeted to be acquired using the Internally generated funds.
Community and Public Safety	–	–	–	–	
Eco. & Environmental Services	–	–	–	–	
Trading Services	199 094	199 094	118 282	59.4	The municipality incorrectly reflected the Adjusted Budget for the Trading services as R199.1 million in the Adjustments Budget return instead of R211.8 million as per the 2017/18 approved Adjustments Budget. This is despite the municipality being advised to correct the Adjustments Budget returns to reflect the accurate Adjusted Budgeted amount. However, the municipality attributed the under-spending on Trading services to the fact that the conditional grants were not spent at year end due to the challenges with Supply Chain Management processes.
Other	–	–	–	–	
Total Capital Expenditure	201 044	201 044	118 657	59.0	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	178 511	178 511	178 511		The municipality incorrectly populated the Cash and cash equivalents at year begin as R178.5 million instead of R94 million as per the audited 2016/17 Annual Financial Statements (AFS) which may overstate the cash balance at the end of 2018 financial year.
Cash/cash equiv. at the year end:	177 746	177 746	9 556		Based on the error noted above, the Cash and cash equivalents at the year end amount of R9.6 million may vary after the correction of the error.
Net Increase/(Decrease) in cash held	(765)	(765)	(168 955)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 250	1 250	100.0%	–	
Expanded Public Works Programme Integrated Grant	1 428	1 428	100.0%	–	
Municipal Infrastructure Grant	96 021	96 021	100.0%	–	

Table 4.2 (aa) Trade and other receivables, Trade and other payables and Key ratios - uMgungundlovu District Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	402 433		
Debtors as at 30 June 2018	493 495		The municipality attributed the significant increase in Debtors to the culture of non-payment within the municipal area and indicated that the implementation of the current credit control and debt collection policies was not effective. Furthermore, the municipality indicated that it is planning to write off Debtors that are older than 365 days as they are not collectable.
<u>By age analysis</u>			
0-30 days	32 527	6.6%	
31-60 days	41	0.0%	
61-90 days	11 564	2.3%	
>90 days	449 363	91.1%	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 indicated that it has embarked on various debt collection strategies which includes data cleansing and verification of debtors.
Total by age analysis	493 495	100.0%	
<u>By customer group</u>			
Organs of state	10 880	2.2%	
Commercial	147	0.0%	The amount for Commercial debtors is understated as part of the Commercial debtors are misallocated under Households and Other debtors category.
Households	325 905	66.0%	The municipality indicated that the Households debtors of R325.9 or 66 percent of total Debtors is overstated as it includes Commercial debtors.
Other	156 564	31.7%	The amount for Other debtors is overstated as it includes debtors that should have been classified under Commercial debtors.
Total by customer group	493 495	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	72 611	98.2%	The municipality reported Creditors of R72.6 million or 98.2 percent due to invoices that were not processed at the time of the MFMA Section 71 reporting. The remaining R1.3 million or 1.8 percent of Creditors relates to retention monies and disputes with suppliers.
31-60 days	455	0.6%	
61-90 days	393	0.5%	
>90 days	481	0.7%	
Total by age analysis	73 940	100.0%	
Key Ratios			
	Norm/Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	30.4%	
Contracted services as a % of Total operating expenditure	2% - 5%	26.5%	The significant ratio was attributed to the fact that the municipality has taken a decision to convert operational expenditure to Contracted services for more effective management of expenditure.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	33.8%	This ratio gives an indication that the municipality is highly grant dependent. Furthermore, Own sources of revenue is based on the tariffs that are not currently cost reflective as the community within the municipality is rural and the affordability is still a concern.
Own funded capital expenditure	-	0.3%	The municipality has only funded Capital expenditure of 0.3 percent using the Internally generated funds. This was attributed to the constraints in cash reserves to fund capital projects internally.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	13.6%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-16.8%	The negative ratio of the Net operating surplus margin is an indication that the municipality was operating at a deficit during the 2017/18 financial year.

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 dominant commercial centre in the uThukela District. The municipal area is 11 134 km² (KZNCOGTA, 2017) 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.

The iNkosi Langalibalele Local Municipality was placed under intervention in terms of Section 139(1)(b) of the Constitution of South Africa, 1996 on 08 December 2017 and continued to be under administration as at 07 September 2018.

At the end of the 2017/18 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.

The Alfred Duma Local Municipality received a qualified audit opinion whilst the iNkosi Langalibalele Local Municipality received a disclaimer audit opinion for the 2016/17 financial year, which was the first year of existence for both these newly established municipalities. The Okhahlamba Local Municipality maintained a financially unqualified with other matters audit opinion from the 2015/16 to the 2016/17 financial year. The uThukela District Municipality regressed from a financially unqualified with other matters audit opinion in the 2015/16 financial year to a qualified audit opinion in the 2016/17 financial year.

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 2018, made up of Total cash less Unspent grants could not be confirmed for both municipalities as they did not submit the Bank reconciliation, the Investments register and the Grants register. However, as per the Section 71 report as at June 2018, the uThukela District Municipality reported an overdraft of R62.4 million. The Net cash position for the iNkosi Langalibalele Local Municipality as at 30 June 2018 as per the Section 71 Report is R1.1 million and the total Unspent conditional grants amount to R27.2 million as per the Grant register therefore Unspent conditional grants do not appear to be sufficiently cash backed.

4.3.1 Overview of uThukela District Performance

Table 4.3(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Okhahlamba	171 041	172 788	234 270	135.6
iNkosi Langalibalele	528 359	532 253	501 425	94.2
Alfred Duma	751 762	787 827	772 056	98.0
uThukela DM	688 650	618 806	638 181	103.1
Total	2 139 812	2 111 674	2 145 932	101.6

Source: NT Igdatabase

Table 4.3(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Okhahlamba	170 405	176 936	182 578	103.2
iNkosi Langalibalele	490 231	512 679	400 749	78.2
Alfred Duma	774 619	916 692	639 492	69.8
uThukela DM	599 410	621 957	521 686	83.9
Total	2 034 666	2 228 264	1 744 506	78.3

Source: NT Igdatabase

Table 4.3(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Okhahlamba	75 906	87 858	85 337	97.1
iNkosi Langalibalele	53 876	56 576	42 036	74.3
Alfred Duma	89 638	102 953	82 005	79.7
uThukela DM	371 539	368 089	340 951	92.6
Total	590 959	615 476	550 330	89.4

Source: NT Igdatabase

Table 4.3(d) Debtors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	4 493	8.5	(46)	(0.1)	1 568	3.0	46 994	88.7	53 010
iNkosi Langalibalele	29 544	12.6	14 419	6.2	9 151	3.9	181 130	77.3	234 244
Alfred Duma	44 614	12.8	13 869	4.0	10 471	3.0	278 951	80.2	347 906
uThukela DM	11	0.0	45 581	5.6	20 550	2.5	747 672	91.9	813 813
Total	78 662	5.4	73 823	5.1	41 740	2.9	1 254 747	86.6	1 448 973

Source: NT Igdatabase

Table 4.3(e) Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	18 388	34.7	236	0.4	14 582	27.5	19 804	37.4	53 010
iNkosi Langalibalele	126 684	54.1	3 023	1.3	53 361	22.8	51 177	21.8	234 244
Alfred Duma	-	-	-	-	-	-	347 906	100.0	347 906
uThukela DM	31 832	3.9	49 117	6.0	731 788	89.9	1 076	0.1	813 813
Total	176 904	12.2	52 375	3.6	799 731	55.2	419 962	29.0	1 448 973

Source: NT Igdatabase

Table 4.3(f) Creditors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	6 362	100.0	-	-	-	-	-	-	6 362
iNkosi Langalibalele	87 891	82.3	252	0.2	441	0.4	18 252	17.1	106 836
Alfred Duma	53 539	100.0	-	-	-	-	-	-	53 539
uThukela DM	83 988	78.4	5 787	5.4	5 980	5.6	11 381	10.6	107 136
Total	231 780	84.6	6 039	2.2	6 421	2.3	29 633	10.8	273 872

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	31 717	31 717	29 797	93.9	The municipality has indicated that there were properties which were legible for rebates but were not granted the rebate for the past five financial years. The accumulated rebate was only processed in June 2018 which then reduced the revenue generated to 93.9 percent of the Adjustments Budget.
Service Charges ¹	584	2 143	2 419	112.9	The municipality generated R2.4 million or 112.9 percent of revenue against the Adjusted Budget of R2.1 million for Service charges - refuse revenue. The municipality indicated that the over-generation of Service charges - refuse revenue was as a result of the underestimation of the Adjusted Budget amount of R2.1 million during the Adjustments Budget process.
Transfers recognised - operational	126 399	125 928	186 068	147.8	The municipality has indicated that the Capital grants revenue was misallocated to Operating grants revenue as the R186.1 million reported is the total for both Operating and Capital grants. The misallocation will be corrected during the finalisation of the 2017/18 Annual Financial Statements (AFS).
Other sources of Revenue ²	12 341	13 000	15 986	123.0	The over-performance in revenue generation of Other sources of Revenue can be attributed to the following: -Licenses and permits: 137.1 percent of the Adjustments Budget was generated due to a significant increase in the demand for Licenses and permits. -Property rates - penalties and collection charges: 123.6 percent of the Adjustments Budget was generated due to an increase in long outstanding Debtors. -Fines: 519.9 percent of the Adjustments Budget was generated due to under-budgeting.
Total Operating Revenue	171 041	172 788	234 270	135.6	
Operating Expenditure					
Employee related costs	60 513	63 943	65 791	102.9	
Remuneration of councillors	9 198	10 322	10 183	98.6	
Debt impairment	4 821	4 821	11 371	235.9	The municipality reported expenditure of R11.4 million which is significantly above the Adjusted Budget figure of R4.8 million. The municipality did not report and monitor the Debt impairment charge on a regular basis and as a result, the municipality could not establish whether or not to adjust the budget during the Adjustments Budget process.
Depreciation and asset impairment	23 869	22 064	19 356	87.7	The municipality indicated that a certain portion of Depreciation and asset impairment will only be accounted for during August 2018 as the finalisation of Work-in-progress and the capitalisation of assets will be completed during the finalisation of the 2017/18 AFS.
Bulk purchases	-	-	-	-	
Contracted services	4 512	40 128	40 368	100.6	
Other expenditure items ³	67 493	35 657	35 510	99.6	
Total Operating Expenditure	170 405	176 936	182 578	103.2	
Operating surplus/(deficit)	635	(4 148)	51 692		

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 material, 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	49 042	60 296	60 364	100.1	
Public contributions and donations	-	-	-	-	
Borrowing	20 000	20 000	20 000	100.0	
Internally generated funds	6 864	7 562	4 974	65.8	The municipality has utilised only 65.8 percent of the Adjusted Budget of R7.6 million. The municipality attributed the low expenditure to the limited cash flow resources of the municipality to finance Capital expenditure.
Total Capital Revenue	75 906	87 858	85 337	97.1	
Capital Expenditure					
Governance and Administration	1 964	1 550	482	31.1	The municipality has attributed the under-spending to the low utilisation of Internally generated funds as the expenditure on Governance and Administration is funded from Internally generated funds.
Community and Public Safety	-	175	93	53.2	The municipality has attributed the under-spending to the low utilisation of Internally generated funds as the expenditure on Community and Public Safety is funded from Internally generated funds.
Eco. & Environmental Services	73 942	86 133	84 763	98.4	
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	75 906	87 858	85 337	97.1	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	22 565	31 376	31 377		The opening balance of Cash and cash equivalents of R31.4 million reconciles to the closing balance as per the 2016/17 AFS.
Cash/cash equiv. at the year end:	7 843	29 415	29 584		The closing balance of Cash and cash equivalents of R29.6 million reconciles to the balance as per the bank reconciliation statement and investments register as at 30 June 2018.
Net Increase/(Decrease) in cash held	(14 722)	(1 961)	(1 793)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme	3 911	3 911	100.0%	(0)	
Integrated Grant					
Municipal Infrastructure Grant	33 742	33 742	100.0%	-	

Table 4.3 (i) Trade and other receivables, Trade and other payables and Key ratios

- Okhahlamba Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	51 836		
Debtors as at 30 June 2018	53 010		The Debtors balance as at 30 June 2018 reported by the municipality appears to be understated as the municipality did not include other debtors such as Vat receivable, Traffic fines and Other debtors when populating the Section 71 Report. The municipality is advised to design and implement effective credit control and collection procedures in order to improve the cash flow of the municipality as 88.7 percent of the municipality's debtors have been outstanding for longer than 90 days.
<u>By age analysis</u>			
0-30 days	4 493	8.5%	
31-60 days	(46)	-0.1%	The negative R46 000 appears to be an error and the municipality indicated that the aging of debtors will be reviewed during the preparation of 2017/18 AFS.
61-90 days	1 568	3.0%	
>90 days	46 994	88.7%	It was noted with concern that 88.7 percent of debtors is outstanding for longer than 90 days.
Total by age analysis	53 010	100.0%	
<u>By customer group</u>			
Organs of state	18 388	34.7%	The municipality indicated that the entire R18.4 million is owed by the Provincial Department of Public Works and that there are on-going negotiations with the department to settle the outstanding debt.
Commercial	236	0.4%	
Households	14 582	27.5%	
Other	19 804	37.4%	The Other debtors of R19.8 million appears to be significant in relation to the total debtors balance and the municipality did not indicate who the balance relates to.
Total by customer group	53 010	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	6 362	100.0%	The Creditors total submitted as at 30 June 2018 of R6.4 million appears to be understated in comparison to Trade and other payables total of R16.5 million as per the audited 2016/17 AFS which suggests that the municipality excluded a number of Trade and other payables categories when they submitted their Trade and other payables return for June 2018.
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	6 362	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	41.6%	The municipality indicated that the rate has increased as the municipality has recently acquired Plant and equipment of about R20 million which required the municipality to appoint more plant operators. However, the ratio could be overstated since the municipality did not capture all Depreciation and asset impairment and Debt impairment expenditure.
Contracted services as a % of Total operating expenditure	2% - 5%	22.1%	The ratio is distorted as Total operating expenditure was not fully reported at the end of the financial year with Depreciation and asset impairment and Debt impairment still to be finalised during the preparation of the 2017/18 AFS.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	20.6%	The low rate of Own sources of 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 1 percent. The municipality is rural and the affordability is still a concern.
Own funded capital expenditure	-	5.8%	The ratio of 5.8 percent indicates that the municipality is highly dependant on grants to fund Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	31.9%	The municipality increased its Capital expenditure in 2017/18 through the acquisition of R20 million loan in order to improve service delivery to the community. However, the ratio could be overstated since the municipality did not capture all Depreciation and asset impairment and Debt impairment expenditure.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	22.1%	The positive ratio of the Net operating surplus margin is an indication that the municipality was operating at a surplus during the 2017/18 financial year. However, the ratio could be overstated since the municipality has mistakenly included Capital grants revenue under Operating revenue.

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	94 693	94 693	93 841	99.1	
Service Charges ¹	248 308	248 309	231 748	93.3	The municipality has attributed the under-generation of revenue to over-budgeting for Service charges during the Adjustments Budget process.
Transfers recognised - operational	161 834	165 551	155 418	93.9	The municipality generated R155.4 million or 93.9 percent for Transfers recognised - operational against an Adjusted Budget of R165.6 million. The municipality indicated that due to poor planning of grant expenditure, the municipality under-spent on the Expanded Public Work Programme Grant and on the Municipal Demarcation Transition Grant.
Other sources of Revenue ²	23 523	23 700	20 419	86.2	No interest was reported for Interest earned - external investments and Interest earned - outstanding debtors despite having budgets of R544 000 and R1 million respectively. Furthermore, R3.4 million or 63.1 percent of Adjusted Budget of R5.4 million was reported for Licences and permits. It was noted that the Original Budget figure for Other sources of Revenue as per the 2017/18 Approved Budget is R23.7 million and not the R23.5 million as reported by the municipality in the budget return.
Total Operating Revenue	528 359	532 253	501 425	94.2	
Operating Expenditure					
Employee related costs	129 226	159 226	168 907	106.1	The municipality incurred R168.9 million (106.1 percent) on Employee related costs against an Adjusted Budget of R159.2 million. The municipality stated that the variance was caused by under-budgeting on Employee related costs both in the Original and Adjusted Budgets.
Remuneration of councillors	16 119	16 119	14 473	89.8	The budget for Remuneration of councillors was based on the new Level 4 grading of the municipality however, the South African Local Government Association has delayed the implementation of the new grading.
Debt impairment	7 000	7 000	-	-	The municipality did not report on Debt impairment in the Section 71 reports. According to the municipality, the comprehensive calculations will only be performed in August 2018 during the finalisation of the 2017/18 Annual Financial Statements (AFS).
Depreciation and asset impairment	45 159	45 159	-	-	The municipality did not report on Depreciation and asset impairment in the Section 71 reports. According to the municipality, the comprehensive calculations will only be performed in August 2018 during the finalisation of the 2017/18 AFS.
Bulk purchases	151 264	151 264	107 332	71.0	It was noted that the municipality reports expenditure in the Section 71 reports when it is paid therefore the reported under-expenditure can be attributable to the accrued expenditure which will be reflected in the 2017/18 AFS.
Contracted services	30 000	40 728	38 894	95.5	
Other expenditure items ³	111 462	93 183	71 144	76.3	It was noted that the municipality reports expenditure in the Section 71 reports when it is paid therefore the reported under-expenditure can be attributable to the accrued expenditure which will be reflected in the 2017/18 AFS.
Total Operating Expenditure	490 231	512 679	400 749	78.2	
Operating surplus/(deficit)	38 128	19 575	100 676		It was noted that the Original Budget figure for Operating surplus as per the 2017/18 Approved Budget is R38.3 million as opposed to R38.1 million reported by the municipality in the budget return.

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 material, 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	53 276	53 276	34 940	65.6	The municipality indicated that the low expenditure on Transfers recognised - capital is due to delays in the implementation of the electrification projects which is as a result of poor project planning. The municipality is currently preparing the motivation for the application of the roll-over of the Unspent conditional grants.
Public contributions and donations	-	-	183	-	It was noted that the R183 000 was misallocated as the municipality did not receive any Public contributions and donations. The error will be corrected during the finalisation of 2017/18 AFS.
Borrowing	-	-	-	-	
Internally generated funds	600	3 300	6 913	209.5	The reported figure of R6.9 million appears to be inaccurate in relation to the Adjusted Budget of R3.3 million. The municipality acknowledged that the error in reporting was identified where a difference was noted between the Section 71 reports and the Trial Balance which will be corrected in the 2017/18 AFS.
Total Capital Revenue	53 876	56 576	42 036	74.3	
Capital Expenditure					
Governance and Administration	300	2 300	206	9.0	
Community and Public Safety	100	800	1 004	125.5	
Eco. & Environmental Services	38 376	38 376	34 727	90.5	
Trading Services	15 100	15 100	6 099	40.4	
Other	-	-	-	-	
Total Capital Expenditure	53 876	56 576	42 036	74.3	The under-spending of the Capital budget is due to the significant under-spending on the Integrated National Electrification Grant of which the municipality has spent only 7.5 percent of the total allocation of R15 million.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	(20 469)	(21 289)	(20 469)		The opening balance of Cash and cash equivalents of R20.5 million overdraft reported by the municipality does not agree to the closing balance as per the 2016/17 AFS which reflects an overdraft of R21.3 million.
Cash/cash equiv. at the year end:	(2 909)	(7 861)	1 095		It was noted that the Adjustments Budget figure for Cash/cash equivalents at the year end as per the 2017/18 Adjustments Budget is R6.8 million overdraft instead of the R7.9 million overdraft reported by the municipality in the Adjustments Budget return.
Net Increase/(Decrease) in cash held	17 560	13 428	21 564		The closing balance of Cash and cash equivalents could not be confirmed as the municipality did not submit the bank reconciliation and the investments register as at 30 June 2018. The Adjustments Budget figure for the Net Increase in cash held as per the 2017/18 Adjustments Budget is R14.5 million instead of the R13.4 million reported by the municipality in the Adjustments Budget return.
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	3 600	3 600	100.0%	-	
Expanded Public Works Programme	5 133	5 133	100.0%	-	
Integrated Grant					
Municipal Infrastructure Grant	38 276	43 110	112.6%	(4 834)	The municipality has incorrectly reported R4.8 million expenditure twice, in April and in May 2018, which resulted in over-spending of R4.8 million. The municipality has acknowledged the error and will resubmit the incorrect return and also correct the error when finalising the 2017/18 AFS.

Table 4.3 (l) Trade and other receivables, Trade and other payables and Key ratios - iNkosi Langalibalele Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	176 725		
Debtors as at 30 June 2018	234 244		Debtors balance has increased by 32.5 percent from R176.7 million in the 2016/17 AFS to R232.2 million as at 30 June 2018. The municipality has indicated that the increase in the Debtors balance is as a result of possible understatement of the opening balance in the 2016/17 AFS and difficulty in collecting the old debtors.
<u>By age analysis</u>			
0-30 days	29 544	12.6%	
31-60 days	14 419	6.2%	
61-90 days	9 151	3.9%	
>90 days	181 130	77.3%	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 over several years, mainly owed by Government departments and Households. The municipality has started a campaign to negotiate payment arrangements and disconnect customers with long outstanding debt and has recovered some outstanding amounts from the Government departments.
Total by age analysis	234 244	100.0%	
<u>By customer group</u>			
Organs of state	126 684	54.1%	The biggest portion of Debtors balance is owed by Government departments. The municipality has started a campaign to negotiate with the departments and has recovered some outstanding amounts in the process.
Commercial	3 023	1.3%	
Households	53 361	22.8%	
Other	51 177	21.8%	
Total by customer group	234 244	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	87 891	82.3%	
31-60 days	252	0.2%	
61-90 days	441	0.4%	
>90 days	18 252	17.1%	
Total by age analysis	106 836	100.0%	It was noted that R18.9 million or 17.7 percent of the R106.8 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.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	45.8%	The municipality has indicated that the merger of the former Imbabazane and Umtshezi Local Municipalities to form iNkosi Langalibalele Local Municipality had negative implications on Employee related costs in relation to total Operating expenditure. 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.
Contracted services as a % of Total operating expenditure	2% - 5%	9.7%	Contracted services as a percentage of total Operating expenditure amounts to 9.7 percent which is in excess of the norm of 2 to 5 percent which indicates that the municipality is outsourcing functions higher than the norm to consultants or that contracted services are not effectively utilised. 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.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	69.0%	The ratio of 69 percent indicates that the municipality is not largely dependent on grants to fund its Operating expenditure.
Own funded capital expenditure	-	16.4%	The ratio of 16.4 percent indicates that the municipality is dependent on grants to fund Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	9.5%	The municipality has achieved 9.5 percent which is lower than the normal rate of 10 to 20 percent. The low rate is as a result of poor spending on the electrification Capital projects with an allocation of R15 million. However, the municipality did not capture all Operating expenditure for the year therefore the ratio is distorted.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	20.1%	The positive ratio of 20.1 percent indicates that the municipality generated an operating surplus. However, the municipality did not capture all Operating expenditure for the year therefore the ratio is distorted.

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	166 864	171 654	186 067	108.4	Revenue generated from Property rates of R186.1 million is 8.4 percent above the Adjusted Budget of R171.7 million. The incorrect posting of indigent's accounts has contributed to the reported over-performance and the municipality expects to correct the incorrect linking of accounts during the 2017/18 Annual Financial Statements (AFS) preparation process.
Service Charges ¹	325 409	331 719	336 474	101.4	
Transfers recognised - operational	211 960	221 810	189 993	85.7	The reported Revenue recognised from Operational transfers of R190 million is 85.7 percent of the Adjusted Budget of R221.8 million. The municipality indicated that the reported amount is incorrect and will be adjusted in the 2017/18 AFS.
Other sources of Revenue ²	47 530	62 644	59 522	95.0	
Total Operating Revenue	751 762	787 827	772 056	98.0	
Operating Expenditure					
Employee related costs	274 252	274 224	267 696	97.6	
Remuneration of councillors	24 739	24 932	24 351	97.7	
Debt impairment	37 662	54 085	-	-	There is no expenditure that has been reported on Debt impairment for June 2018. During the 2017/18 Draft Budget engagement, the municipality indicated that Debt impairment will only be accounted for at year end. The municipality is however 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	71 474	177 483	9 676	5.5	There is no expenditure that was reported on Depreciation and asset impairment from July 2017 to May 2018 however, expenditure of R9.7 million or 5.5 percent was reported in June 2018. The municipality indicated that the mSCOA compliant Asset management module is not yet fully functional however, there is considerable progress that has been made which indicates that Depreciation and asset impairment will be recognised and reported on a monthly basis in 2018/19 financial year once the fixed asset register is successfully implemented.
Bulk purchases	204 142	208 799	182 640	87.5	The Bulk purchases expenditure reported is R182.6 million which is 87.5 percent of the Adjusted Budget of R208.8 million and 89.5 percent of the Original Budget of R204.1 million therefore, the 2017/18 Adjustments Budget increase does not appear to have been justified. The municipality did not provide the reason for the under-performance however, according to the Section 71 report, it appears that the electricity consumption was less than expected in the 2nd, 3rd and 4th quarter of the 2017/18 financial year.
Contracted services	94 696	76 807	75 717	98.6	
Other expenditure items ³	67 654	100 362	79 412	79.1	Reported expenditure incurred on Other expenditure items of R79.4 million or 79.1 percent is below the Adjusted Budget of R100.4 million mainly due to under-performance on Transfers and subsidies (81.1 percent) and Other expenditure (70.4 percent). The municipality indicated that the implementation of the Cost containment measures in order to reduce unnecessary spending as per MFMA Circular 82 and the delays in the SCM processes resulted in the low performance.
Total Operating Expenditure	774 619	916 692	639 492	69.8	
Operating surplus/(deficit)	(22 857)	(128 865)	132 564		

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 material, 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	77 749	81 142	68 747	84.7	Revenue recognised from Capital expenditure funded from National government grants of R68.7 million is 84.7 percent of the Adjusted Budget amount of R81.1 million which is below the full year expected performance of 100 percent as at the end of June 2018. The reported spending of 84.7 percent as per the Section 71 report appears to be incorrect as the municipality has fully spent on the 2017/18 Capital transfers.
Public contributions and donations	-	-	1 799	-	The municipality has reported actual performance of R1.8 million on Revenue recognised from Capital expenditure funded from Public contributions and donations against a Nil budget. The municipality indicated that this is an error which will be corrected during the finalisation of the 2017/18 AFS.
Borrowing	-	-	-	-	
Internally generated funds	11 889	21 811	11 460	52.5	Revenue recognised from Capital expenditure funded from Internally generated funds of R11.5 million is 52.5 percent of the Adjusted Budget of R21.8 million which is below the expected performance of 100 percent as at the end of June 2018. The municipality indicated that the under-performance was due to non-compliance with SCM regulations by the Suppliers.
Total Capital Revenue	89 638	102 953	82 005	79.7	
Capital Expenditure					
Governance and Administration	11 389	25 480	7 196	28.2	The municipality indicated that the under-performance was due to non-compliance with SCM regulations by the Suppliers.
Community and Public Safety	4 292	4 686	2 743	58.5	The municipality indicated that the under-performance was due to non-compliance with SCM regulations by the Suppliers.
Eco. & Environmental Services	46 337	48 830	49 262	100.9	
Trading Services	27 620	23 957	22 803	95.2	
Other	-	-	-	-	
Total Capital Expenditure	89 638	102 953	82 005	79.7	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	261 321	262 208	23 823		Reported Cash and cash equivalents at the beginning of the year of R23.8 million does not agree with the balance of R262.2 million as per the Audited 2016/17 AFS. The municipality did not resubmit the month 1 Cash Flow Actuals(CFA) return to the National Treasury database upon the availability of the 2016/17 Audited AFS.
Cash/cash equiv. at the year end:	261 306	263 381	95 544		Cash and cash equivalents as at 30 June 2018 according to the bank reconciliation and the Investments register amounts to R274.8 million therefore, the R95.5 million amount as per the Section 71 report appears to be understated. The Net cash position and the cash backing of Unspent conditional grants could not be established as the municipality did not submit the Grants register as at 30 June 2018.
Net Increase/(Decrease) in cash held	(15)	1 173	71 721		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/(Overspent)	
Financial Management Grant	3 600	3 600	100.0%	-	
Expanded Public Works Programme Integrated Grant	3 347	3 347	100.0%	-	
Municipal Infrastructure Grant	62 749	70 306	112.0%	(7 557)	The municipality resubmitted the corrected MIG return which indicates 100 percent expenditure after the database had closed.

Table 4.3 (o) Trade and other receivables, Trade and other payables and Key ratios - Alfred Duma Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	313 421		
Debtors as at 30 June 2018	347 906		Debtors have increased by R34.5 million from R313.4 million as at 30 June 2017 to R347.9 million as at 30 June 2018.
<u>By age analysis</u>			
0-30 days	44 614	12.8%	
31-60 days	13 869	4.0%	
61-90 days	10 471	3.0%	
>90 days	278 951	80.2%	
Total by age analysis	347 906	100.0%	A significant portion (80.2 percent) of total outstanding debtors of R347.9 million is outstanding for longer than 90 days which indicates that the municipality is struggling to recover debtors older than 90 days. The municipality indicated that due to the current tight economic situation, consumers are finding it hard to meet their monthly commitments thus the high amount of debtors outstanding for longer than 90 days.
<u>By customer group</u>			
Organs of state	-	-	
Commercial	-	-	
Households	-	-	
Other	347 906	100.0%	The mSCOA Debtors module that is being implemented in the municipality's financial system does not yet categorise debtors per category and the municipality is currently engaging with the system vendor to ensure that the module is fully functional.
Total by customer group	347 906	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	53 539	100.0%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	53 539	100.0%	The Creditors balance of R53.5 million appears to be understated in comparison to the 2016/17 AFS of R227.7 million.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	45.7%	The ratio of 45.7 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 and low expenditure on Depreciation and asset impairment therefore the ratio is distorted.
Contracted services as a % of Total operating expenditure	2% - 5%	11.8%	The ratio of 11.8 percent is above the norm. This result may be an indication that many functions in the municipality are outsourced however, it must be noted that the Total operating expenditure is currently understated as a result of reporting Nil Debt impairment expenditure and low expenditure on Depreciation and asset impairment therefore the ratio is distorted.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	75.4%	The ratio of 75.4 percent indicates that the municipality finances the majority of its operating activities through Own sources of revenue therefore the municipality seems to be self sufficient. The ratio is however distorted as Transfers recognised-operational is understated and will only be corrected in the 2017/18 AFS.
Own funded capital expenditure	-	14.0%	The ratio of 14 percent indicates that the municipality funded an insignificant portion of the Capital expenditure budget through the municipality's own funding in 2017/18 therefore the municipality appeared to be reliant on grant funding.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	11.4%	The ratio of 11.4 percent is within the norm however, the Total operating expenditure is currently understated as a result of reporting Nil Debt impairment expenditure and low expenditure on Depreciation and asset impairment therefore the ratio is distorted.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	17.2%	The 17.2 percent Net operating surplus margin is due to the municipality reporting an Operating surplus of R132.6 million. 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 distorted.

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	264 566	273 566	250 636	91.6	The reported revenue recognised from Service charges of R250.6 million is 91.6 percent of the Adjusted Budget of R273.6 million which is below the 100 percent full year expected performance. Due to the drought in the municipal area, the municipality has been utilising water tankers to provide water to the residents which has resulted in the reported under-performance on Revenue earned from Service charges.
Transfers recognised - operational	367 387	300 254	314 886	104.9	
Other sources of Revenue ²	56 697	44 985	72 659	161.5	Interest earned from outstanding debtors within Other sources of Revenue appears to have been under-budgeted as the reported performance at year end is R63.6 million which is 206.8 percent of the Adjusted Budget of R30.8 million. Furthermore, the municipality reported an amount of R27.1 million as revenue earned from Interest earned on outstanding debtors for January 2018 which is 88.2 percent of the Adjusted Budget amount of R30.8 million. The municipality did not provide the explanation for the reported over-performance on Interest earned from outstanding debtors however, based on the reported Debtors amount, it appears that the municipality is struggling to recover the debtors which has resulted in the municipality recognising higher than anticipated interest.
Total Operating Revenue	688 650	618 806	638 181	103.1	
Operating Expenditure					
Employee related costs	241 092	251 092	250 539	99.8	
Remuneration of councillors	6 454	6 454	7 284	112.9	Expenditure incurred on Remuneration of councillors of R7.3 million is 12.9 percent above the Adjusted Budget of R6.5 million which is above the expected performance of 100 percent as at the end of June 2018. The municipality did not provide the reason for the reported over-performance on Remuneration of councillors.
Debt impairment	76 395	76 395	–	–	There is no expenditure that has been reported on Debt impairment as at the end of June 2018 and it appears that the municipality will only account for Debt impairment in the 2017/18 Annual Financial Statements (AFS). The municipality is however encouraged to recognise Debt impairment expenditure on a monthly basis as projected in the Approved Budget Table SA25 in order to avoid the misstatement of the figure at year end.
Depreciation and asset impairment	53 137	72 000	70 030	97.3	
Bulk purchases	6 255	6 255	3 081	49.3	Expenditure incurred on Bulk purchases of R3.1 million is 49.3 percent of the Adjusted Budget of R6.3 million which is significantly below the expected performance of 100 percent as at the end of June 2018. The municipality indicated that the reported under-performance is a result of not timeously receiving invoices from the Department of Water Affairs (DWA). The municipality is encouraged to recognise Bulk purchases on an accrual basis by estimating the expense based on consumption and/or previous months expense as opposed to waiting for invoices.
Contracted services	40 611	47 644	46 087	96.7	
Other expenditure items ³	175 467	162 117	144 666	89.2	Reported expenditure incurred on Other expenditure items of R144.7 million or 89.2 percent is below the Adjusted Budget of R162.1 million due to under-performance mainly on Finance charges (65.4 percent), Other materials (68.3 percent) and Other expenditure (84 percent). The municipality indicated that the upward adjustment of the Finance charges budget in the 2017/18 Adjustments Budget was too high and that due to the cash flow challenges, the municipality has tried to cut on spending especially on the projects that are not part of the core function which has resulted in the reported low expenditure on Other expenditure.
Total Operating Expenditure	599 410	621 957	521 686	83.9	
Operating surplus/(deficit)	89 240	(3 152)	116 495		

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 material, 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	367 339	367 339	340 951	92.8	The municipality reported under-performance on Capital revenue recognised from Capital transfers of R341 million which is 92.8 percent of the Adjusted Budget of R367.3 million. The municipality will investigate and correct the reported amount in the 2017/18 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	4 200	750	-	-	The municipality reduced the Capital funding from internally generated funds budget from R4.2 million to R750 000 in the 2017/18 Adjustments Budget and reported Nil Capital expenditure funded from Internally generated funds for 2017/18 which appears to be due to the cash flow challenges prevailing in the municipality.
Total Capital Revenue	371 539	368 089	340 951	92.6	
Capital Expenditure					
Governance and Administration	4 200	750	-	-	The municipality reduced the Capital expenditure budget funded from Internally generated funds on the Governance and administration programme from R4.2 million to R750 000 in the 2017/18 Adjustments Budget and reported Nil expenditure for 2017/18 which appears to be due to the cash flow challenges prevailing in the municipality.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	-	-	-	-	
Trading Services	367 339	367 339	340 951	92.8	The municipality reported under-performance on Capital revenue recognised from Capital transfers of R341 million which is 92.8 percent of the Adjusted Budget of R367.3 million. The municipality will investigate and correct the reported amount in the 2017/18 AFS.
Other	-	-	-	-	
Total Capital Expenditure	371 539	368 089	340 951	92.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	21 829	5 998	5 998		
Cash/cash equiv. at the year end:	55 341	(18 539)	(62 447)		The negative cash balance of R62.4 million is in line with the cash flow challenges prevailing in the municipality however, the accuracy of the amount could not be confirmed as the municipality did not submit the Bank reconciliation and the Investments register for June 2018.
Net Increase/(Decrease) in cash held	33 512	(24 537)	(68 445)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 795	1 794	99.9%	1	
Expanded Public Works Programme Integrated Grant	3 724	3 986	107.0%	(262)	The municipality reported over-expenditure of R4 million against an allocation of R3.7 million on the Expanded Public Works Grant for the 2017/18 financial year. The municipality did not provide the reasons for the possible unauthorised expenditure.
Municipal Infrastructure Grant	187 304	187 304	100.0%	-	

Table 4.3 (r) Trade and other receivables, Trade and other payables and Key ratios

- uThukela District Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	689 931		
Debtors as at 30 June 2018	813 813		
<u>By age analysis</u>			
0-30 days	11	0.0%	
31-60 days	45 581	5.6%	
61-90 days	20 550	2.5%	
>90 days	747 672	91.9%	
Total by age analysis	813 813	100.0%	A significant portion (91.9 percent) of Total outstanding debtors of R813.8 million is outstanding for longer than 90 days which indicates that the municipality is struggling to recover debtors older than 90 days and therefore aggravates the cash flow strain that the municipality is facing. During the mid-year Budget and performance assessment engagement, the municipality indicated that debt collectors have been appointed however, the effect is not yet visible as per the reported Debtors amount of R813.8 million.
<u>By customer group</u>			
Organs of state	31 832	3.9%	
Commercial	49 117	6.0%	
Households	731 788	89.9%	
Other	1 076	0.1%	
Total by customer group	813 813	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	83 988	78.4%	
31-60 days	5 787	5.4%	
61-90 days	5 980	5.6%	
>90 days	11 381	10.6%	
Total by age analysis	107 136	100.0%	The reported Creditors as at 30 June 2018 reflects that 21.6 percent of the creditors are outstanding for longer than 30 days which 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 majority of the historic debt relates to DWA where the municipality is paying R1 million over and above the monthly bill towards a historic debt every month as per the settlement terms.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	49.4%	The ratio of 49.4 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 distorted.
Contracted services as a % of Total operating expenditure	2% - 5%	8.8%	The ratio of 8.8 percent is above the norm. This result may be an indication that many functions in the municipality are outsourced 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 distorted.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	50.7%	The ratio of 50.7 percent indicates that the municipality finances 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 50.7 percent, the municipality only collects 45 percent on average of that revenue (according to the billing and receipts report as at 28 February 2018), hence the cash flow strain.
Own funded capital expenditure	-	-	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	39.5%	The ratio of 39.5 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 distorted.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	18.3%	The 18.3 percent ratio is a result of the municipality reporting an unaudited surplus of R116.5 million for the 2017/18 financial year. 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 distorted.

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 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 (KZNCOGTA, 2017).

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 2017/18 financial year.

The Nquthu Local Municipality had a full time Municipal Manager (MM) for the 2017/18 financial year. The uMsinga Local Municipality had an Acting MM from 19 March 2018 to 30 June 2018, whilst the uMvoti Local Municipality had an Acting MM from 17 July 2017 to 09 March 2018. A full time MM for the uMvoti Local Municipality was appointed on 12 April 2018. The eNdumeni Local Municipality had a MM from 01 July 2017 to 24 August 2017 and an Acting MM from 25 August 2017 to 30 March 2018. A full time MM was appointed on 01 April 2018. The uMzinyathi District Municipality had an Acting MM from 01 July 2017 to 30 November 2017. A full time MM was appointed on 01 December 2017.

The Nquthu Local Municipality had a full time Chief Financial Officer (CFO) for the duration of the 2017/18 financial year while the uMvoti Local Municipality had an acting CFO from 08 August 2017 to 14 March 2018. A full time CFO was appointed on 15 March 2018. The uMsinga Local Municipality had an acting CFO from 16 August 2017 to 30 June 2018. The eNdumeni Local Municipality had an acting CFO from 01 July 2017 to 08 April 2018 whilst the CFO was on suspension. Subsequent to the resignation of the full time CFO, an Acting CFO was appointed on 05 June 2018 to 30 June 2018. The uMzinyathi District Municipality had an Acting CFO for the period 01 July 2017 to 30 June 2018 as the appointed CFO was on suspension.

The 2016/17 audit opinions for eNdumeni, Nquthu and uMvoti Local Municipalities remained unchanged from the 2015/16 financial year and the municipalities obtained unqualified audit opinions with other matters for the 2016/17 financial year. The uMsinga Local Municipality regressed from an unqualified audit opinion with other matters in the 2015/16 financial year to a qualified audit opinion in the 2016/17 financial year, whilst the uMzinyathi District Municipality regressed from a qualified audit opinion in the 2015/16 financial year to an adverse audit opinion in the 2016/17 financial year.

4.4.1 Overview of uMzinyathi District Performance

Table 4.4(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
eNdumeni	288 573	296 188	294 670	99,5
Nquthu	170 978	170 978	180 927	105,8
uMsinga	156 002	180 539	106 046	58,7
uMvoti	160 443	310 379	269 526	86,8
uMzinyathi DM	402 265	371 253	378 417	101,9
Total	1 178 261	1 329 338	1 229 587	92,5

Source: NT Igdatabase

Table 4.4(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eNdumeni	298 224	307 995	256 398	83,2
Nquthu	159 554	159 554	113 436	71,1
uMsinga	211 528	217 127	156 392	72,0
uMvoti	346 152	297 415	261 255	87,8
uMzinyathi DM	366 295	375 008	369 638	98,6
Total	1 381 753	1 357 098	1 157 120	85,3

Source: NT Igdatabase

Table 4.4(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eNdumeni	126 726	36 070	39 368	109,1
Nquthu	103 029	103 029	63 278	61,4
uMsinga	72 022	37 800	27 751	73,4
uMvoti	76 546	76 546	44 640	58,3
uMzinyathi DM	372 432	373 223	284 394	76,2
Total	750 754	626 667	459 430	73,3

Source: NT Igdatabase

Table 4.4(d) Debtors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	9 095	10,2	2 433	2,7	1 738	1,9	76 259	85,2	89 526
Nquthu	1 280	3,7	347	1,0	1 104	3,2	32 085	92,2	34 816
uMsinga	1 005	100,0	-	-	-	-	-	-	1 005
uMvoti	16 414	25,1	(174)	(0,3)	2 226	3,4	46 938	71,8	65 404
uMzinyathi DM	12 973	5,3	7 683	3,1	7 130	2,9	216 789	88,6	244 575
Total	40 767	9,4	10 290	2,4	12 198	2,8	372 071	85,5	435 326

Source: NT Igdatabase

Table 4.4(e) Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	3 423	3,8	9 887	11,0	73 906	82,6	2 309	2,6	89 526
Nquthu	24 634	70,8	3 218	9,2	4 555	13,1	2 409	6,9	34 816
uMsinga	107	10,6	294	29,2	605	60,2	-	-	1 005
uMvoti	5 893	9,0	13 658	20,9	38 198	58,4	7 655	11,7	65 404
uMzinyathi DM	24 437	10,0	15 517	6,3	204 622	83,7	-	-	244 575
Total	58 494	13,4	42 573	9,8	321 886	73,9	12 373	2,8	435 326

Source: NT Igdatabase

Table 4.4(f) Creditors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	25 866	100,0	-	-	-	-	-	-	25 866
Nquthu	235	41,4	147	25,9	19	3,3	167	29,4	568
uMsinga	899	100,0	-	-	-	-	-	-	899
uMvoti	17 945	99,4	-	-	-	-	111	0,6	18 056
uMzinyathi DM	47 931	55,9	694	0,8	31	0,0	37 039	43,2	85 695
Total	92 876	70,9	841	0,6	50	0,0	37 316	28,5	131 083

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					
Property Rates	79 774	75 821	74 888	98,8	
Service Charges ¹	132 841	137 011	129 430	94,5	The municipality generated revenue of R129.4 million (94.5 percent) on Service charges against an Adjusted Budget of R137 million. The municipality attributed the under-generation to the municipality being unable to audit electricity meters in certain areas which resulted in the billing in these areas being low with the rate of meter tamperers increasing at an alarming rate.
Transfers recognised - operational	45 933	57 221	71 091	124,2	The municipality recognised revenue of R71.1 million (124.2 percent) on Transfers recognised - operational against an Adjusted Budget of R57.2 million. The municipality attributed the over-generation to the actual including Capital grants. This is an indication of incorrect reporting by the municipality. The over recognition on Operational transfers was highlighted to the municipality during the IYM process.
Other sources of Revenue ²	30 025	26 135	19 261	73,7	The municipality generated revenue of R19.3 million (73.7 percent) on Other sources of revenue against an Adjusted Budget of R26.1 million. The municipality had budgeted R8 million for Gains on disposal of assets in the 2017/18 Adjusted Budget. However, this did not materialise during the 2017/18 financial year, thus resulting in the variance. It was noted by Provincial Treasury in the Adjusted Budget Feedback letter dated 09 April 2018 that the Adjusted Budget for Gains on disposal of PPE appeared to be overstated.
Total Operating Revenue	288 573	296 188	294 670	99,5	The municipality generated Total Operating Revenue of R294.7 million (99.5 percent) against an Adjusted Budget of R296.2 million.
Operating Expenditure					
Employee related costs	116 659	117 865	103 440	87,8	The municipality expended R103.4 million (87.8 percent) for Employee related costs against an Adjusted Budget of R117.9 million. The municipality attributed this variance to the following vacant posts: Municipal Manager, Chief Finance Officer and Director for Corporate Services. These posts were vacant for the majority of the financial year. The under-expenditure on Employee related costs was highlighted to the municipality during the IYM process.
Remuneration of councillors	4 118	4 338	4 414	101,8	
Debt impairment	8 264	8 264	4 132	50,0	The municipality expended R4.1 million (50 percent) for Debt impairment against an Adjusted Budget of R8.3 million. The municipality attributed the under-expenditure to this figure being calculated only for the period July 2017 to December 2017. This is despite the advice from the Provincial Treasury to report against Debt impairment monthly during the IYM process.
Depreciation and asset impairment	5 493	5 493	2 747	50,0	The municipality expended R2.7 million (50 percent) for Depreciation and asset impairment against an Adjusted Budget of R5.5 million. The municipality attributed the under-expenditure to this figure being calculated only for the period July 2017 to December 2017. This is despite the advice from the Provincial Treasury to report against Depreciation and asset impairment monthly during the IYM process.
Bulk purchases	85 465	88 465	70 602	79,8	The municipality expended R70.6 million (79.8 percent) for Bulk purchases against an Adjusted Budget of R88.5 million. The municipality has indicated that the R70.6 million as per the Section 71 report is understated. According to the municipality, the correct Bulk purchases figure is R81 million (91.6 percent). The municipality attributed the under-expenditure to a lower than anticipated demand for Bulk electricity.
Contracted services	22 101	23 305	21 029	90,2	The municipality expended R21 million (90.2 percent) for Contracted services against an Adjusted Budget of R23.3 million. The municipality attributed the under-expenditure to the June 2018 invoices being paid in July 2018. The outstanding invoices will be processed as journals during the preparation of the 2017/18 Annual Financial Statements (AFS).
Other expenditure items ³	56 125	60 266	50 035	83,0	The municipality expended R50 million (83 percent) for Other expenditure items against an Adjusted Budget of R60.3 million. The municipality has not included all June 2018 invoices in the Month 12 Operating expenditure figures reported to the Igdatabase. The outstanding invoices will be processed as journals during the preparation of the 2017/18 AFS.
Total Operating Expenditure	298 224	307 995	256 398	83,2	The municipality expended R256.4 million (83.2 percent) Total operating expenditure against an Adjusted Budget of R308 million. This figure is subject to change with the inclusion of Debt impairment, Depreciation and asset impairment and other possible year-end entries.
Operating surplus/(deficit)	(9 651)	(11 806)	38 272		The municipality has budgeted for an Operating deficit of R11.8 million and in comparison, irrespective of the concerns reflected above, the unaudited actual shows that the municipality recorded an unaudited surplus of R38.3 million, a difference of R50 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 material, 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					
Transfers recognised - capital	22 902	4 500	30 640	680,9	The Adjusted Budget figures as per the Lgdatabase do not reconcile to the Approved Adjusted Budget figures in most cases. The municipality was advised to amend the returns during the IYM process. However, to date, this has not been resolved by the municipality. Therefore, the percentage of Budget Generated is distorted in these cases. The analysis was conducted against the Approved Adjusted Budget figures.
Public contributions and donations	-	-	-	-	
Borrowing	90 000	-	-	-	
Internally generated funds	13 824	31 570	8 727	27,6	The correct Adjusted Budget figure is R11.7 million and the correct percentage of Budget generated 74.8 percent. Reasons for the low capital recognition were not provided by the municipality. The low capital recognition was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Total Capital Revenue	126 726	36 070	39 368	109,1	The municipality recognised Total capital revenue of R39.4 million (109.1 percent) against an Adjusted Budget of R36.1 million. In this instance, the Adjusted Budget Total capital revenue recognised is correct.
Capital Expenditure					
Governance and Administration	2 127	1 171	653	55,7	The correct Adjusted Budget figure is R1.2 million and the correct percentage of Budget spent is 56.7 percent. The municipality attributed the variance to items that were budgeted for, ordered, however they were not delivered at financial year end and will be accrued for during the preparation of the 2017/18 AFS.
Community and Public Safety	10 276	8 499	992	11,7	The correct Adjusted Budget figure is R3.6 million and the correct percentage of Budget spent is 27.8 percent. The municipality attributed the variance to items that were budgeted for, ordered, however they were not delivered at financial year end and will be accrued for during the preparation of the 2017/18 AFS.
Eco. & Environmental Services	72 682	14 802	26 350	178,0	The correct Adjusted Budget figure is R18.7 million and the correct percentage of Budget spent is 140.7 percent. The municipality attributed the over-expenditure to the approved B Schedule not considering virements made by the municipality.
Trading Services	41 640	11 598	11 373	98,1	The correct Adjusted Budget figure is R12.6 million and the correct percentage of Budget spent is 90.1 percent. The municipality attributed the variance to items that were budgeted for, ordered, however they were not delivered at financial year end and will be accrued for during the preparation of the 2017/18 AFS.
Other	-	-	-	-	
Total Capital Expenditure	126 726	36 070	39 368	109,1	The municipality incurred Total capital expenditure of R39.4 million (109.1 percent) against an Adjusted Budget of R36.1 million. In this instance, the Adjusted Budget Total capital expenditure is correct.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	68 345	-	53 374		The correct Adjusted Budget figure is R68.3 million. This was highlighted during the IYM process.
Cash/cash equiv. at the year end:	49 355	(21 972)	45 462		The closing Cash/cash equiv. at year end of R45.5 million 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	(18 990)	(21 972)	(7 911)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 700	1 700	100,0%	-	
Expanded Public Works Programme Integrated Grant	1 218	1 218	100,0%	-	
Municipal Infrastructure Grant	21 702	21 702	100,0%	-	

Table 4.4 (i) Trade and other receivables, Trade and other payables and Key ratios - eNdameni Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	93 082		
Debtors as at 30 June 2018	89 526		The total outstanding Debtors has decreased from R93.1 million in 2016/17 to R89.5 million in 2017/18, a decrease of R3.6 million (3.8 percent). Despite the slight decrease in Debtors, the municipality needs to intensify its debt collection efforts as 85.2 percent of the outstanding Debtors is in the Over 90 days category.
<u>By age analysis</u>			
0-30 days	9 095	10,2%	
31-60 days	2 433	2,7%	
61-90 days	1 738	1,9%	
>90 days	76 259	85,2%	The municipality has total outstanding Debtors of R89.5 million of which R76.3 million (85.2 percent) are in the Over 90 days category.
Total by age analysis	89 526	100,0%	
<u>By customer group</u>			
Organs of state	3 423	3,8%	
Commercial	9 887	11,0%	
Households	73 906	82,6%	The majority of municipal debt is in the Households category. This indicates that the municipality has not collected R73.9 million (82.6 percent) of debts due. The municipality must improve their debt collection strategy to increase collections from
Other	2 309	2,6%	
Total by customer group	89 526	100,0%	
Creditors			
<u>By age analysis</u>			
0-30 days	25 866	100,0%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	25 866	100,0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	42,1%	This ratio is 42.1 percent, which is above the norm and indicates that inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. However, the ratio is distorted due to Total operating expenditure being understated due to the matters noted in Table 4.4 (g).
Contracted services as a % of Total operating expenditure	2% - 5%	8,2%	This ratio is 8.2 percent, which is above the norm and indicates that many functions are being outsourced to consultants or that Contracted services are not effectively utilised. However, the ratio is distorted due to Total operating expenditure being understated due to the matters noted in Table 4.4 (g).
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	75,9%	This ratio indicates that the municipality is not grant dependent. However, the ratio is distorted due to Transfers recognised - operational being overstated.
Own funded capital expenditure	-	22,2%	This ratio indicates that the municipality is funding 22.2 percent Capital expenditure from own funds and is grant dependent for its Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	13,3%	This ratio appears to be within the norm. However, the ratio is distorted due to Total operating expenditure being understated due to the matters noted in Table 4.4 (g).
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	13,0%	The Net operating surplus is 13 percent. This is however subject to change as Total operating expenditure is understated due to the matters noted in Table 4.4 (g).

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					
Property Rates	16 169	16 169	18 631	115,2	The Adjusted Budget figures as per the Lgdatabase do not reconcile to the Approved Adjusted Budget figures in most cases. The municipality was advised to amend the returns in the IYM feedbacks during the 2017/18 financial year. However, to date, this has not been resolved by the municipality. Therefore, the percentage of the Budget Generated is distorted in these cases. The analysis was conducted against the Approved Adjusted Budget figures.
Service Charges ¹	18 249	18 249	12 872	70,5	The correct Adjusted Budget figure is R14.3 million and the correct percentage of Budget generated is 90 percent. The municipality reported R12.9 million in respect of Service charges. No reasons were provided by the municipality for the variance. The variance could be attributed to incorrect budgeting on the part of the municipality. It was noted in the Provincial Treasury Adjusted Budget Feedback letter dated 12 April 2018, that the Adjusted Budget appeared to be overstated.
Transfers recognised - operational	120 803	120 803	129 096	106,9	The municipality reported R129.1 million (106.9 percent) against the Adjusted Budget of R120.8 million. No reasons were provided by the municipality for the variance. This could be an indication of incorrect reporting on the part of the municipality. The incorrect reporting of Transfers recognised was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Other sources of Revenue ²	15 757	15 757	20 328	129,0	
Total Operating Revenue	170 978	170 978	180 927	105,8	
Operating Expenditure					
Employee related costs	68 413	68 413	43 275	63,3	The correct Adjusted Budget figure is R58.1 million and the correct percentage of Budget generated is 74 percent. The municipality has expended R43.3 million on Employee related costs. Reasons for the under-expenditure were not provided by the municipality. This points to incorrect budgeting on the part of the municipality. It was noted by Provincial Treasury in the Adjusted Budget Feedback letter dated 12 April 2018, that the Adjusted Budget for Employee related costs appeared to be overstated.
Remuneration of councillors	10 936	10 936	10 885	99,5	The correct Adjusted Budget figure is R9.9 million and the correct percentage of Budget generated is 110 percent. The municipality has expended R10.9 million on Remuneration of councillors. Reasons for the over-expenditure were not provided by the municipality. This points to incorrect budgeting on the part of the municipality.
Debt impairment	2 224	2 224	-	-	The municipality has reported Nil expenditure against Debt impairment for the 2017/18 financial year. The municipality was advised by Provincial Treasury to report against Debt impairment on a monthly basis during the IYM process. Reasons for the Nil expenditure were not provided by the municipality. This is an indication of incorrect reporting on the part of the municipality.
Depreciation and asset impairment	11 794	11 794	-	-	The municipality has reported Nil expenditure against Depreciation and asset impairment for the 2017/18 financial year. As noted in various IYM feedbacks in 2017/18, the municipality was advised by Provincial Treasury to report against Depreciation and asset impairment on a monthly basis. Reasons for the Nil expenditure were not provided by the municipality.
Bulk purchases	20 000	20 000	15 967	79,8	The correct Adjusted Budget figure is R16 million and the correct percentage of Budget generated is 100 percent.
Contracted services	9 297	9 297	7 913	85,1	The correct Adjusted Budget figure is R10.8 million and the correct percentage of Budget generated is 73 percent. The municipality has expended R7.9 million for Contracted services for the 2017/18 financial year. The municipality has not provided any reasons for the variance. The low expenditure against Contracted services was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Other expenditure items ³	36 890	36 890	35 395	95,9	The correct Adjusted Budget figure is R40.5 million and the correct percentage of Budget generated is 87 percent. The municipality has expended R35.4 million for Other expenditure items for the 2017/18 financial year. The municipality has not provided any reasons for the variance. The low expenditure against Other expenditure items was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Total Operating Expenditure	159 554	159 554	113 436	71,1	
Operating surplus/(deficit)	11 424	11 424	67 491		The correct Adjusted Budget Operating surplus/(deficit) figure is R30.8 million. Irrespective of the concerns reflected above, the unaudited actual shows that the municipality recorded an unaudited surplus of R67.5 million, a difference of R36.7 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 Lgdatabase

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 material, 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					
Transfers recognised - capital	–	–	57 285	–	The Adjusted Budget figures as per the Lgdatabase do not reconcile to the Adjusted Budget figures as per the Approved Adjusted Budget in most cases. The municipality was advised to amend the returns in the IYM feedbacks during the 2017/18 financial year. However, to date, this has not been resolved by the municipality. Therefore, the percentage of the Budget Generated is distorted in these cases. The analysis was conducted against the Approved Adjusted Budget figures.
Public contributions and donations	66 691	66 691	–	–	The correct Adjusted Budget figure is Nil. The municipality was advised to amend the returns in the IYM feedbacks during the 2017/18 financial year. However, to date this has, not been resolved by the municipality.
Borrowing	–	–	–	–	
Internally generated funds	36 338	36 338	5 993	16,5	The correct Adjusted Budget figure is negative R1.7 million. It was noted in the Provincial Treasury Adjusted Budget Feedback letter dated 12 April 2018, that the Adjusted Budget figure of negative R1.7 million for Internally generated funds appears to be an error and will result in incorrect reporting.
Total Capital Revenue	103 029	103 029	63 278	61,4	
Capital Expenditure					
Governance and Administration	8 472	8 472	805	9,5	The correct Adjusted Budget figure is R3.9 million and the correct percentage of Budget spent is 20 percent. The municipality reported to have spent R805 000 (20 percent) on Governance and Administration for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. The low capital expenditure against Governance and Administration was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Community and Public Safety	37 892	37 892	11 354	30,0	The correct Adjusted Budget figure is R30.3 million and the correct percentage of Budget spent is 37 percent. The municipality reported to have spent R11.3 million on Community and Public Safety for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. The low capital expenditure against Community and Public Safety was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Eco. & Environmental Services	32 665	32 665	21 364	65,4	The correct Adjusted Budget figure is R43.4 million and the correct percentage of Budget spent is 49 percent. The municipality reported to have spent R21.4 million on Eco. & Environmental Services for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. The low capital expenditure against Eco. & Environmental Services was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Trading Services	24 000	24 000	29 754	124,0	The correct Adjusted Budget figure is R26.5 million and the correct percentage of Budget spent is 112 percent. The municipality reported to have spent R29.8 million on Trading Services for the 2017/18 financial year. Reasons for the over-expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality.
Other	–	–	–	–	
Total Capital Expenditure	103 029	103 029	63 278	61,4	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	168 047	168 047	246 559		
Cash/cash equiv. at the year end:	259 757	259 757	279 544		As per the Bank Reconciliation and Investment register as at 30 June 2018 submitted by the municipality on 24 July 2018, the municipality has unaudited Cash/cash equiv. at the year end of approximately R230,1 million, a difference of approximately R49.4 million.
Net Increase/(Decrease) in cash held	91 710	91 710	32 985		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100,0%	–	
Expanded Public Works Programme Integrated Grant	1 003	1 025	102,2%	(22)	The municipality has reported to have spent 102.2 percent of the Total available amount of R1 million for the Expanded Public Works Programme Integrated Grant. Reasons for over-expenditure were not provided by the municipality.
Municipal Infrastructure Grant	42 691	28 416	66,6%	14 275	The municipality has reported to have spent R28.4 million (66.6 percent) of the Total available amount of R42.7 million for the Municipal Infrastructure Grant. Under-expenditure on Conditional grants may lead to the funds being returned to the National Revenue Fund. The low expenditure against the Municipal Infrastructure Grant was highlighted to the municipality in the various IYM feedbacks during the 2017/18 financial year.

Table 4.4 (l) Trade and other receivables, Trade and other payables and Key ratios - Nquthu Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	33 859		
Debtors as at 30 June 2018	34 816		Debtors increased by R957 000 (2.8 percent) in the 2017/18 financial year.
<u>By age analysis</u>			
0-30 days	1 280	3,7%	
31-60 days	347	1,0%	
61-90 days	1 104	3,2%	
>90 days	32 085	92,2%	The municipality has total outstanding debtors of R34.8 million of which, R32.1 million (92.2 percent) is in the over 90 days category. This indicates that the municipality is experiencing difficulties in collecting payments from its Debtors and this impacts negatively on cash flows.
Total by age analysis	34 816	100,0%	
<u>By customer group</u>			
Organs of state	24 634	70,8%	It was noted that the bulk (70.8 percent) of the total of the outstanding Debtors is in the Organs of state Group. The municipality is in negotiations with the Provincial Department of Public Works to settle the outstanding debt.
Commercial	3 218	9,2%	
Households	4 555	13,1%	
Other	2 409	6,9%	
Total by customer group	34 816	100,0%	
Creditors			
<u>By age analysis</u>			
0-30 days	235	41,4%	
31-60 days	147	25,9%	
61-90 days	19	3,3%	
>90 days	167	29,4%	
Total by age analysis	568	100,0%	The municipality has reported total creditors of R568 000 as 30 June 2018 of which, R333 000 (58.6 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.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	47,7%	This ratio is above the norm. However, this is subject to change due to the fact that Operating expenditure is understated due to Debt impairment and Depreciation and asset impairment being understated.
Contracted services as a % of Total operating expenditure	2% - 5%	7,0%	This ratio is above the norm. However, this is subject to change due to the fact that Total operating expenditure is understated.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	28,6%	This ratio indicates that the municipality is grant dependant.
Own funded capital expenditure	-	9,5%	This ratio indicates that the municipality is grant dependant for Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	35,8%	This 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 expenditure is currently understated.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	37,3%	This ratio is questionable due to the concerns raised in the analysis of the Operating revenue and expenditure performance.

4.4.4 Analysis per municipality: uMsinga Local Municipality

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

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue					
Property Rates	8 305	10 466	15 569	148.8	The municipality has recognised R15.6 million (148.8 percent) for Property rates against an Adjusted Budget of R10.5 million. The municipality attributed the over-generation of the Property rates budget to additional Department of Public works properties identified and added to the municipal valuation roll after the Adjustments Budget process.
Service Charges ¹	335	177	79	44.5	The municipality has recognised R79 000 (44.5 percent) for Service charges against an Adjusted Budget of R177 000. The municipality has indicated that this is due to the misallocation between the Service charges and Other sources of revenue. The misallocation was highlighted during the IYM process and the municipality was advised to amend the figures accordingly.
Transfers recognised - operational	143 612	167 715	85 691	51.1	The municipality has recognised R85.7 million (51.1 percent) for Transfers recognised - operational against an Adjusted Budget of R167.7 million. The municipality has indicated that this is due to the misallocation of Transfers recognised. However, the Adjusted Budget figure of R167.7 million is incorrect. The total allocations as per the 2017/18 Adjusted DoRA and 2017/18 Provincial Estimates is R209.4 million. This was highlighted in Provincial Treasury's Adjustments Budget comments letter dated 11 April 2018 and during the IYM process.
Other sources of Revenue ²	3 750	2 180	4 708	215.9	The municipality has recognised R4.7 million (215.9 percent) for Other sources of Revenue against an Adjusted Budget of R2.2 million. The municipality has indicated that this is due to the under-budgeting for Other sources of Revenue. This is an indication of poor budgeting and this was highlighted in Provincial Treasury's Adjustments Budget comments letter dated 11 April 2018.
Total Operating Revenue	156 002	180 539	106 046	58.7	The Total Operating Revenue recognised is R106 million (58.7 percent) against an Adjusted Budget of R180.5 million. The municipality indicated that this figure will change once the 2017/18 Annual Financial Statements (AFS) have been finalised and is thus understated.
Operating Expenditure					
Employee related costs	74 653	35 268	38 604	109.5	The municipality has expended R38.6 million (109.5 percent) on Employee related costs against an Adjusted Budget of R35.3 million. The municipality stated that the variance was caused by the fact that job evaluations were implemented in March 2018 and most municipal officials moved from lower to higher scales. Provincial Treasury highlighted that the Employee related costs Adjustments Budget appeared understated in the Provincial Treasury's Adjustments Budget comments letter dated 11 April 2018.
Remuneration of councillors	11 039	7 709	1 675	21.7	The municipality has spent R1.7 million (21.7 percent) on Remuneration of councillors against an Adjusted Budget of R7.7 million. The municipality stated that the budget was overstated. The Provincial Treasury highlighted that the Remuneration of councillors Adjusted Budget appeared overstated in the Provincial Treasury's Adjustments Budget comments letter dated 11 April 2018. The low expenditure was also highlighted during the IYM process.
Debt impairment	14 410	1 500	-	-	The municipality has reported to have incurred nil on Debt impairment against an Adjusted Budget of R1.5 million. The municipality indicated that the Debt impairment figure will be available upon finalisation of the 2017/18 AFS. Non-reporting on a monthly basis for Debt Impairment was highlighted during the IYM process.
Depreciation and asset impairment	10 155	25 100	-	-	The municipality has reported to have incurred nil on Depreciation and asset impairment against an Adjusted Budget of R25.1 million. The municipality indicated that the Depreciation and asset impairment figure will be available upon finalisation of the 2017/18 AFS. Non-reporting on a monthly basis for Depreciation and asset impairment was highlighted during the IYM process.
Bulk purchases	103	-	-	-	
Contracted services	950	5 074	92 167	1 816.4	The municipality has spent R92.2 million (1816.4 percent) on Contracted services against an Adjusted Budget of R5.1 million. The municipality attributed the over-expenditure to misallocations between Contracted services and Other expenditure items. The over-expenditure for Contracted services was highlighted during the IYM process and the municipality was advised to amend the figures accordingly.
Other expenditure items ³	100 219	142 475	23 945	16.8	The municipality has spent R23.9 million (16.8 percent) on Other expenditure items against an Adjusted Budget of R142.5 million. The municipality attributed the under-expenditure to misallocations between Contracted services and Other expenditure items. The low expenditure for Other expenditure items was highlighted during the IYM process and the municipality was advised to amend the figures accordingly.
Total Operating Expenditure	211 528	217 127	156 392	72.0	The municipality has underspent on the Total operating expenditure Adjusted Budget by R60.7 million.
Operating surplus/(deficit)	(55 526)	(36 588)	(50 346)		Due to the poor quality of the submitted Section 71 reports, no reliance can be placed on the reported deficit of R50.3 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 material, 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					
Transfers recognised - capital	70 532	37 800	27 751	73.4	The municipality has reported Transfers recognised - capital of R27.8 million (73.4 percent) against an Adjusted Budget of R37.8 million. The municipality has indicated that the R27.8 million is incorrect and that the correct figure for Transfers recognised - capital should be R37.8 million.
Public contributions and donations	1 040	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	450	-	-	-	
Total Capital Revenue	72 022	37 800	27 751	73.4	
Capital Expenditure					
Governance and Administration	-	-	2 514	-	The municipality has expended R2.5 million against a nil budget. The municipality indicated that this was an error due to incorrect reporting which was highlighted during the IYM process and the municipality was advised to amend the figures accordingly.
Community and Public Safety	9 540	-	25 238	-	The municipality has expended R25.2 million against a nil budget. The municipality indicated that this was an error due to incorrect reporting which was highlighted during the IYM process and the municipality was advised to amend the figures accordingly.
Eco. & Environmental Services	38 032	35 800	-	-	Nil expenditure was reported on Eco. & Environmental Services against an Adjusted Budget of R35.8 million. The municipality indicated that the R35.8 million budget is incorrect and that the R35.8 million budget is for Trading Services.
Trading Services	24 000	-	-	-	
Other	450	2 000	-	-	Nil expenditure was reported on Other against an Adjusted Budget of R2 million. The municipality indicated that the R2 million budget figure is incorrect and that the R2 million budget is for Trading Services.
Total Capital Expenditure	72 022	37 800	27 751	73.4	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	40 989	40 989	36 761		The municipality has reported Cash/cash equiv. at the year begin of R36.8 million which is as per the 2016/17 AFS.
Cash/cash equiv. at the year end:	21 563	21 563	492		The Cash/cash equiv. at year end of R492 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	(19 426)	(19 426)	(36 268)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 730	91.1%	170	The municipality has indicated that the Financial Management Grant expenditure figure should be 100 percent and indicated that this figure will be corrected in the 2017/18 AFS.
Expanded Public Works Programme Integrated Grant	4 775	4 775	100.0%	-	
Municipal Infrastructure Grant	38 032	40 910	107.6%	(2 878)	The municipality has reported to have spent R40.9 million (107.6 percent) on the Municipal Infrastructure Grant with a total available of R38 million for 2017/18. The municipality attributed the over-expenditure to incorrect reporting and indicated that this figure be corrected in the 2017/18 AFS.

Table 4.4 (o) Trade and other receivables, Trade and other payables and Key ratios - uMsinga Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	30 125		
Debtors as at 30 June 2018	1 005		The reported figure appears incorrect as the municipality reported outstanding debtors of R1 million each month over the 2017/18 Financial Year. This was highlighted to the municipality several times during the IYM process, but was never corrected.
<u>By age analysis</u>			
0-30 days	1 005	100.0%	The reported figure appears incorrect as the municipality reported outstanding debtors of R1 million each month over the 2017/18 Financial Year. This was highlighted to the municipality several times during the IYM process, but was never corrected.
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	1 005	100.0%	
<u>By customer group</u>			
Organs of state	107	10.6%	
Commercial	294	29.2%	
Households	605	60.2%	
Other	-	-	
Total by customer group	1 005	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	899	100.0%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	899	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	25.8%	This ratio is within the norm. However, this ratio could be distorted due to issues raised under the Operating revenue and expenditure section.
Contracted services as a % of Total operating expenditure	2% - 5%	58.9%	This indicates that many functions are being outsourced to consultants and/or contractors. This can expose the municipality to other risks, such as an inability to build capacity and ongoing reliance on contractors. The contracted services expenditure figure is however questionable due to issues raised under the Operating revenue and expenditure section.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	19.2%	This ratio indicates that the municipality is grant dependant. The Operating revenue figures are however questionable due to issues raised under the Operating revenue and expenditure section.
Own funded capital expenditure	-	-	This ratio indicates that the municipality is grant reliant for its Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	15.1%	This ratio is within the norm. However, this ratio is distorted due to issues raised under the Operating revenue and expenditure section.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-47.5%	This ratio is below the norm. This implies that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery. This ratio is however questionable due to issues raised under the Operating revenue and expenditure section.

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					
Property Rates	36 225	36 225	37 490	103,5	
Service Charges ¹	101 183	85 458	74 047	86,6	The municipality has generated R74 million (86.6 percent) for Service charges against an Adjusted Budget of R85.5 million. The municipality attributed the under-generation to distribution losses and electricity theft. The low generation was highlighted by the Provincial Treasury during the IYM process.
Transfers recognised - operational	4 111	153 878	138 275	89,9	The municipality has generated R138.3 million (89.9 percent) for Transfers recognised-operational against an Adjusted Budget of R153.9 million. The municipality stated that this is due to the Massification grant that was not fully spent at year end. The rollover application was approved by CoGTA on 19 July 2018. The municipality was advised that the 2017/18 Adjustments Budget of R153.9 million appears overstated in the Provincial Treasury's Adjustments Budget comments letter dated 18 April 2018.
Other sources of Revenue ²	18 924	34 818	19 713	56,6	The municipality has generated R19.7 million (56.6 percent) for Other sources of Revenue against an Adjusted Budget of R34.8 million. The municipality attributed the low generation to the anticipated revenue from the plantation not materialising. The low generation was highlighted by the Provincial Treasury during the IYM process.
Total Operating Revenue	160 443	310 379	269 526	86,8	The Total Operating Revenue recognised is R269.5 million (86.8 percent) against an Adjusted Budget of R310.4 million.
Operating Expenditure					
Employee related costs	112 253	109 130	99 009	90,7	The municipality has expended R99 million (90.7 percent) for Employee related costs against an Adjusted Budget of R109.1 million. The municipality attributed this to a number of budgeted posts that were not filled in the 2017/18 financial year. The low expenditure was highlighted by the Provincial Treasury during the IYM process. The municipality was advised that the 2017/18 Adjustments Budget of R109.1 million appeared to be overstated by approximately R6.5 million in the Provincial Treasury's Adjustments Budget comments letter dated 18 April 2018.
Remuneration of councillors	9 306	10 092	9 609	95,2	
Debt impairment	22 457	-	-	-	The municipality did not budget for Debt impairment in the Adjusted Budget, nor report any expenditure to date, thus understating the Adjusted Budget and the actual expenditure. The nil expenditure was highlighted by the Provincial Treasury during the IYM process. The municipality was advised that the 2016/17 audited Annual Financial Statement (AFS) reflects R13.2 million and therefore the Adjusted Budget of nil might be understated by approximately R13.2 million in the Provincial Treasury's Adjustments Budget comments letter dated 18 April 2018.
Depreciation and asset impairment	14 751	25 989	24 443	94,1	
Bulk purchases	52 759	52 759	44 667	84,7	The municipality has expended R44.7 million (84.7 percent) for Bulk purchases against an Adjusted Budget of R52.8 million. The municipality attributed the low expenditure to Bulk purchases which was budgeted before NERSA approved a lesser rate. The low expenditure was highlighted by the Provincial Treasury during the IYM process. The municipality was advised that the 2017/18 Adjustments Budget of R52.8 million appeared to be overstated in the Provincial Treasury's Adjustments Budget comments letter dated 18 April 2018.
Contracted services	19 292	49 209	40 834	83,0	The municipality has expended R40.8 million (83 percent) for Contracted services against an Adjusted Budget of R49.2 million. The municipality attributed the low expenditure to cash flow constraints and in some instances, to poor procurement planning. The low expenditure was highlighted by the Provincial Treasury during the IYM process. The municipality was advised that the 2017/18 Adjustments Budget of R49.2 million appeared to be overstated in the Provincial Treasury's Adjustments Budget comments letter dated 18 April 2018.
Other expenditure items ³	115 334	50 236	42 693	85,0	The municipality has expended R42.7 million (85 percent) for Other expenditure against an Adjusted Budget of R50.2 million. The municipality attributed the low expenditure to mainly cash flow constraints and in other instances, to poor procurement planning. The low expenditure was highlighted by the Provincial Treasury during the IYM process. The municipality was advised that the 2017/18 Adjustments Budget of R50.2 million appeared to be overstated in the Provincial Treasury's Adjustments Budget comments letter dated 18 April 2018.
Total Operating Expenditure	346 152	297 415	261 255	87,8	The Total Operating Expenditure is R261.3 million (87.8 percent) against an Adjusted Budget of R297.4 million.
Operating surplus/(deficit)	(185 709)	12 964	8 271		The Operating surplus of R8.3 million is subject to change once the 2017/18 AFS is finalised.

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 material, 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					
Transfers recognised - capital	76 546	33 891	36 729	108,4	The municipality has reported expenditure on Transfers recognised - capital of R36.7 million (108.4 percent) against an Adjusted Budget of R33.9 million. The municipality attributed the over-recognition to a system error and that this figure will change once the 2017/18 AFS is finalised. The Provincial Treasury mSCOA team assisted the municipality in this regard.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	42 655	7 910	18,5	The municipality has reported expenditure funded by Internally generated funds of R7.9 million (18.5 percent) against an Adjusted Budget of R42.7 million. The municipality attributed the low recognition to the low spending by individual departments. The low generation was highlighted by the Provincial Treasury during the IYM process.
Total Capital Revenue	76 546	76 546	44 640	58,3	
Capital Expenditure					
Governance and Administration	7 509	7 509	3 637	48,4	The municipality has reported expenditure of R3.6 million (48.4 percent) on Governance and administration. The municipality attributed the slow spending to delays in the supply chain process.
Community and Public Safety	4 393	4 393	3 127	71,2	The municipality has reported expenditure of R3.1 million (71.2 percent) on Community and public safety. The municipality attributed the slow spending to delays in the supply chain process.
Eco. & Environmental Services	54 679	54 679	37 876	69,3	The municipality has reported expenditure of R37.9 million (69.3 percent) on Eco & environmental services. The municipality attributed the slow spending to delays in the supply chain process.
Trading Services	9 965	9 965	-	-	Nil expenditure was reported by the municipality for Trading Services against an Adjusted Budget of R10 million. No reasons were provided by the municipality for the nil expenditure. The nil expenditure was highlighted by the Provincial Treasury during the IYM process.
Other	-	-	-	-	
Total Capital Expenditure	76 546	76 546	44 640	58,3	The municipality has reported expenditure of R44.6 million (58.3 percent) on Total capital expenditure. The low capital expenditure could impact negatively on service delivery and lead to community dissatisfaction. The low expenditure was highlighted by the Provincial Treasury during the IYM process.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	48 518	-	-		The municipality has not reported Cash/cash equiv. at the year begin. The 2016/17 AFS reflects R12 million. This was highlighted to the municipality during the IYM engagements, however this was not rectified by the municipality.
Cash/cash equiv. at the year end:	11 921	(361 534)	(20 036)		The Cash/cash equiv. at year end 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	(36 597)	(361 534)	(20 036)		Net Increase/(Decrease) in cash held appears to be questionable due to the fact that Cash and cash equiv. at the year begin was understated by R12 million.
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 800	1 805	100,3%	(5)	
Expanded Public Works Programme Integrated Grant	1 007	2 326	231,0%	(1 319)	The municipality has reported to have spent R2.3 million (231 percent) on the Expanded Public Works Programme Integrated Grant with a total amount available for 2017/18 of R1 million. The municipality attributed the over-expenditure to incorrect reporting. The over-expenditure was highlighted by the Provincial Treasury during the IYM process.
Municipal Infrastructure Grant	27 634	28 060	101,5%	(426)	The municipality has reported to have spent R28.1 million (101.5 percent) on the Municipal Infrastructure Grant with a Total amount available for 2017/18 of R27.6 million. The municipality attributed the over-expenditure to incorrect reporting. The over expenditure was highlighted by the Provincial Treasury during the IYM process.

Table 4.4 (r) Trade and other receivables, Trade and other payables and Key ratios - uMvoti Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	59 706		
Debtors as at 30 June 2018	65 404		The Debtors balance has increased by R5.7 million (9.5 percent) from R59.7 million as at 30 June 2017 to R65.4 million as at 30 June 2018. This is an indication of poor debt collection from debtors which could have an adverse effect on the municipalities cash flow.
<u>By age analysis</u>			
0-30 days	16 414	25,1%	
31-60 days	(174)	-0,3%	
61-90 days	2 226	3,4%	
>90 days	46 938	71,8%	The majority of the municipality's debtors (71.8 percent) are in the "over 90 days" category which indicates that the municipality is experiencing difficulties in collecting long over due debts which impacts negatively on cash flows. The municipality needs to urgently implement its debt collection and credit control policy.
Total by age analysis	65 404	100,0%	
<u>By customer group</u>			
Organs of state	5 893	9,0%	
Commercial	13 658	20,9%	
Households	38 198	58,4%	The majority of municipal debt (58.4 percent) is in the Household category.
Other	7 655	11,7%	
Total by customer group	65 404	100,0%	
Creditors			
<u>By age analysis</u>			
0-30 days	17 945	99,4%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	111	0,6%	The municipality has reported to owe Creditors of R111 000 for more than 30 days. This is in contravention of Section 65(2)(e) of the Municipal Finance Management Act (MFMA) and could result in the municipality incurring fruitless and wasteful expenditure in the form of Interest on overdue accounts.
Total by age analysis	18 056	100,0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	41,6%	Reported remuneration as a percentage of Total operating expenditure is 41.6 percent which is above the norm as per MFMA Circular No 71. This ratio could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure.
Contracted services as a % of Total operating expenditure	2% - 5%	15,6%	This indicates that many functions are being outsourced to consultants and/or contractors. This can expose the municipality to other risks, such as an inability to build capacity and ongoing reliance on contractors.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	48,7%	This ratio indicates that the municipality is not wholly grant dependant.
Own funded capital expenditure	-	17,7%	This ratio indicates that the municipality is grant dependant for its Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	14,6%	This ratio is within the norm.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	3,1%	This ratio is within the norm, however it will be subject to change following the finalisation of the 2017/18 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					
Property Rates	–	–	–	–	
Service Charges ¹	78 823	45 559	51 628	113,3	The municipality generated R51.6 million (113.3 percent) for Service charges against an Adjusted Budget of R45.6 million. The municipality attributed the over-generation of Service charges revenue to the completion of water schemes which were under construction during the preparation of the 2017/18 Adjusted Budget.
Transfers recognised - operational	297 184	297 284	294 182	99,0	
Other sources of Revenue ²	26 258	28 409	32 608	114,8	The municipality generated revenue of R32.6 million (114.8 percent) for Other sources of revenue against an Adjusted Budget of R28.4 million. The municipality attributed the over-generation of Other sources of revenue to an increase in Interest earned - external investments. The municipality attributed the increase in investments to the withholding of payments to non-performing contractors.
Total Operating Revenue	402 265	371 253	378 417	101,9	
Operating Expenditure					
Employee related costs	121 709	146 397	107 320	73,3	The municipality expended R107.3 million (73.3 percent) for Employee related costs against an Adjusted Budget of R146.4 million. The municipality attributed the under expenditure to Post retirement benefits not being included. This figure is calculated at year end and will be reflected correctly in the 2017/18 Annual Financial Statements (AFS).
Remuneration of councillors	4 823	4 578	4 766	104,1	The municipality expended R4.8 million (104.1 percent) for Remuneration of councillors against an Adjustments Budget of R4.6 million. The municipality attributed the over-expenditure to the Adjustments Budget figure being incorrect.
Debt impairment	27 916	14 497	55 831	385,1	The municipality expended R55.8 million (385.1 percent) for Debt impairment against an Adjusted Budget of R14.5 million. The municipality attributed the over-expenditure to the Lgdatabase incorrectly updating figures reported and the actual figure will be corrected in the 2017/18 AFS.
Depreciation and asset impairment	67 074	39 915	134 149	336,1	The municipality expended R134.1 million (336.1 percent) for Depreciation and asset impairment against an Adjusted Budget of R39.9 million. The municipality attributed the over-expenditure to a systems error and the actual figure will be corrected in the 2017/18 AFS.
Bulk purchases	13 967	14 565	6 719	46,1	The municipality expended R6.7 million (46.1 percent) for Bulk purchases against an Adjusted Budget of R14.6 million. The municipality attributed the under-expenditure to the Lgdatabase incorrectly updating figures reported and accrual payments not included to the unaudited actuals.
Contracted services	63 863	23 327	2 302	9,9	The municipality expended R2.3 million (9.9 percent) for Contracted services against an Adjusted Budget of R23.3 million. The municipality attributed the under-expenditure to the Lgdatabase incorrectly updating figures reported.
Other expenditure items ³	66 943	131 729	58 551	44,4	The municipality expended R58.6 million (44.4 percent) for Other expenditure items against an Adjusted Budget of R131.7 million. The municipality attributed the under-expenditure to the Lgdatabase incorrectly updating figures reported and the actual figure will be corrected in the 2017/18 AFS.
Total Operating Expenditure	366 295	375 008	369 638	98,6	The municipality expended R369.6 million (98.6 percent) against an Adjusted Budget of R375 million. The municipality was advised on the possible over and under-expenditure for the various categories during the 2017/18 IYM process and was advised to make corrections where necessary.
Operating surplus/(deficit)	35 970	(3 755)	8 779		The municipality reflected an unaudited actual Operating Surplus of R8.8 million against an Adjusted Budget deficit of R3.8 million, a difference of R12.5 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 material, 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					
Transfers recognised - capital	371 842	364 710	279 925	76,8	The municipality recognised R280 million (76.8 percent) on Transfers recognised - capital against an Adjusted Budget of R364.7 million. This could result in the Unspent conditional grants of R84.8 million being returned to the National and Provincial Revenue Funds should the rollover applications be unsuccessful. The municipality attributed the under-recognition of Transfers recognised - capital to the fact that some projects were stopped due to disputes with appointed contractors.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	590	8 513	4 468	52,5	The municipality recognised Internally generated funds of R4.5 million (52.5 percent) against an Adjusted Budget of R8.5 million. The municipality attributed the under-recognition of Internally generated funds to the fact that some projects were stopped due to disputes with appointed contractors.
Total Capital Revenue	372 432	373 223	284 394	76,2	The municipality recognised Total Capital Revenue of R284.4 million (76.2 percent) against an Adjusted Budget of R373.2 million.
Capital Expenditure					
Governance and Administration	100	8 249	4 072	49,4	The municipality expended R4.1 million (49.4 percent) for Governance and administration against an Adjusted Budget of R8.2 million, a difference of R4.2 million. The municipality attributed the under-expenditure to the fact that some projects were stopped due to disputes with appointed contractors.
Community and Public Safety	10 450	4 805	219	4,6	The municipality expended R219 000 (4.6 percent) for Community and Public safety against an Adjusted Budget of R4.8 million, a difference of R4.6 million. The municipality attributed the under-expenditure to the fact that some projects were stopped due to disputes with appointed contractors.
Eco. & Environmental Services	40	40	-	-	
Trading Services	361 842	360 129	280 102	77,8	The municipality expended R280.1 million (77.8 percent) for Trading services against an Adjusted Budget of R360.1 million, a difference of R80 million. The municipality attributed the under-expenditure to the fact that some projects were stopped due to disputes with appointed contractors.
Other	-	-	-	-	
Total Capital Expenditure	372 432	373 223	284 394	76,2	The municipality expended R284.4 million (76.2 percent) on Total capital expenditure against an Adjusted Budget of R373.2 million. This could result in the Unspent conditional grants being returned to the National and Provincial Revenue Funds should the rollover applications be unsuccessful.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	(42 599)	-	68 851		The municipality did not budget for Cash/cash equivalents at the year begin in the 2017/18 Adjusted Budget. This was highlighted in the 2017/18 Adjusted Budget feedback letter dated 18 April 2018 to the municipality. The 2016/17 audited AFS reflected a figure of R68.9 million.
Cash/cash equiv. at the year end:	36 424	29 227	150 602		The municipality reported cash/cash equivalent at year end of R150.6 million, a difference of R121.4 million when compared to the Adjusted Budget of R29.2 million. This may include the unspent portion of the Capital grants.
Net Increase/(Decrease) in cash held	79 024	29 227	81 751		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 250	767	61,3%	483	The municipality expended R767 000 (61.3 percent) on the Finance Management Grant (FMG) against the Total available for 2017/18 of R1.3 million. This resulted in under-expenditure of R483 000. The municipality stated that according to their records, the unspent portion of the FMG has been committed at year end.
Expanded Public Works Programme Integrated Grant	2 444	2 444	100,0%	-	
Municipal Infrastructure Grant	178 941	178 941	100,0%	0	

Table 4.4 (u) Trade and other receivables, Trade and other payables and Key ratios - uMzinyathi District Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	193 997		
Debtors as at 30 June 2018	244 575		The total outstanding Debtors has increased from R194 million in the 2016/17 audited AFS to R244.6 million in 2017/18, an increase of R50.6 million (26.1 percent). This could be an indication that the municipality is experiencing difficulties in collecting debts due.
<u>By age analysis</u>			
0-30 days	12 973	5,3%	
31-60 days	7 683	3,1%	
61-90 days	7 130	2,9%	
>90 days	216 789	88,6%	The municipality has total outstanding Debtors of R244.6 million of which R216.8 million (88.6 percent) is in the Over 90 days category. This indicates that the municipality is experiencing difficulties in collecting payments from its Debtors and this impacts negatively on cash flows.
Total by age analysis	244 575	100,0%	
<u>By customer group</u>			
Organs of state	24 437	10,0%	
Commercial	15 517	6,3%	
Households	204 622	83,7%	The majority of municipal debt is in the Households category. This indicates that the municipality has not collected R204.6 million (83.7 percent) of debts due from Households.
Other	-	-	
Total by customer group	244 575	100,0%	
Creditors			
<u>By age analysis</u>			
0-30 days	47 931	55,9%	
31-60 days	694	0,8%	The municipality has reported to owe Creditors R694 000 for more than 30 days. This is in contravention of Section 65(2)(e) of the Municipal Finance Management Act (MFMA). This might result in interest being incurred which might result in Fruitless and wasteful expenditure.
61-90 days	31	0,0%	The municipality has reported to owe Creditors R31 000 for more than 60 days. This is in contravention of Section 65(2)(e) of the MFMA. This might result in interest being incurred which might result in Fruitless and wasteful expenditure.
>90 days	37 039	43,2%	The municipality has reported to owe Creditors R37 million for more than 90 days. This is in contravention of Section 65(2)(e) of the MFMA. This might result in interest being incurred which might result in Fruitless and wasteful expenditure.
Total by age analysis	85 695	100,0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	30,3%	This ratio is within the norm. However, the ratio is distorted due to the errors in reporting noted in Table 4.4 (s).
Contracted services as a % of Total operating expenditure	2% - 5%	0,6%	This ratio indicates that many functions are not being outsourced to consultants or that Contracted services are being effectively utilised. However, the ratio is distorted due to the errors in reporting noted in Table 4.4 (s).
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	22,3%	This ratio indicates that the municipality is grant dependant.
Own funded capital expenditure	-	1,6%	This ratio indicates that the municipality is grant dependant for Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	43,5%	This ratio indicates the municipality is prioritising expenditure towards future capacity in terms of Municipal Services instead of current operations. However, the ratio is distorted due to the errors in reporting noted in Table 4.4 (s).
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	2,3%	The Net operating surplus margin is 2.3 percent. This implies that the municipality is operating at a surplus. However, the ratio is distorted due to the errors in reporting noted in Table 4.4 (s).

4.5 Amajuba District

The Amajuba District is located in the north-western corner of KwaZulu-Natal, bordering on the Free State Province and Limpopo Province. The district is comprised of three local municipalities, namely the Newcastle, eMadlangeni and Dannhauser Local Municipalities and the Amajuba District municipality. The district is 7 102 km² in size (KZNCOGTA, 2017). 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, 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 on 19 January 2017 and remained under intervention for the duration of the 2017/18 financial year.

The Amajuba District and Dannhauser Local Municipalities had full time Municipal Managers for the duration of the 2017/18 financial year. The eMadlangeni Local Municipality had an acting Municipal Manager from 01 July 2017 to 31 January 2018 and appointed a full time Municipal Manager on 01 February 2018. The Newcastle Local Municipality had a Municipal Manager for the period 01 July 2017 to 30 September 2017, an acting Municipal Manager from 01 October 2017 to 31 December 2017 and appointed a full time Municipal Manager on 02 January 2018.

The Dannhauser Local and Amajuba District Municipalities had full time Chief Financial Officers for the duration of the 2017/18 financial year, whilst the Newcastle Local Municipality had an acting Chief Financial Officer from 01 July 2017 to 31 January 2018 and appointed a full time Chief Financial Officer on 01 February 2018. The eMadlangeni Local Municipality had an acting Chief Financial Officer from 01 July 2017 to 30 April 2018 and appointed a Chief Financial Officer on 02 May 2018.

Unqualified audit opinions with other matters were maintained by the eMadlangeni, Newcastle and Dannhauser Local Municipalities for the 2016/17 financial year from the 2015/16 financial year, whilst the Amajuba District Municipality, similar to the 2015/16 financial year, received a qualified audit opinion in the 2016/17 financial year.

4.5.1 Overview of Amajuba District Performance

Table 4.5(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Newcastle	1 742 062	1 697 829	1 626 259	95.8
eMadlangeni	77 066	71 610	82 497	115.2
Dannhauser	121 600	121 600	104 138	85.6
Amajuba DM	181 005	179 971	247 621	137.6
Total	2 121 733	2 071 011	2 060 515	99.5

Source: NT Igdatabase

Table 4.5(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
New castle	1 816 269	2 109 909	2 097 674	99.4
eMadlangeni	77 026	74 000	62 238	84.1
Dannhauser	117 442	117 442	66 345	56.5
Amajuba DM	208 879	218 318	175 571	80.4
Total	2 219 617	2 519 670	2 401 829	95.3

Source: NT Igdatabase

Table 4.5(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
New castle	252 778	232 863	179 893	77.3
eMadlangeni	19 744	22 153	18 338	82.8
Dannhauser	63 248	63 248	25 968	41.1
Amajuba DM	120 067	125 265	84 565	67.5
Total	455 837	443 529	308 765	69.6

Source: NT Igdatabase

Table 4.5(d) Debtors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
New castle	128 411	10.9	29 709	2.5	27 486	2.3	997 005	84.3	1 182 611
eMadlangeni	2 756	7.7	(21)	(0.1)	865	2.4	32 403	90.0	36 002
Dannhauser	916	1.7	770	1.4	711	1.3	53 086	95.7	55 484
Amajuba DM	4 631	7.6	3 855	6.3	2 161	3.5	50 609	82.6	61 255
Total	136 713	10.2	34 312	2.6	31 223	2.3	1 133 103	84.9	1 335 352

Source: NT Igdatabase

Table 4.5(e) Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
New castle	34 252	2.9	123 518	10.4	1 008 510	85.3	16 331	1.4	1 182 611
eMadlangeni	12 089	33.6	2 001	5.6	5 453	15.1	16 459	45.7	36 002
Dannhauser	10 714	19.3	8 517	15.4	29 993	54.1	6 259	11.3	55 484
Amajuba DM	5 650	9.2	2 557	4.2	53 048	86.6	-	-	61 255
Total	62 705	4.7	136 593	10.2	1 097 005	82.2	39 049	2.9	1 335 352

Source: NT Igdatabase

Table 4.5(f) Creditors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Newcastle	199 900	89.1	7 837	3.5	4 205	1.9	12 474	5.6	224 416
eMadlangeni	2 586	97.3	71	2.7	-	-	0	0.0	2 657
Dannhauser	1 533	95.6	-	-	-	-	70	4.4	1 603
Amajuba DM	8 965	13.3	10 196	15.1	2 980	4.4	45 476	67.3	67 618
Total	212 984	71.9	18 103	6.1	7 185	2.4	58 020	19.6	296 293

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					
Property Rates	283 210	257 042	252 934	98.4	
Service Charges ¹	1 065 727	1 000 827	962 401	96.2	The municipality generated R962.4 million (96.2 percent) on Service charges against an Adjusted Budget of R1 billion. It was noted in the Adjusted Budget Feedback letter dated 17 April 2018, that the Adjusted Budget appeared to be over-stated. During the IYM process, the municipality attributed the under-generation in the main to the low generation on Service charges - electricity which was caused by the down-scaling by major chemical industries.
Transfers recognised - operational	344 941	379 006	365 726	96.5	
Other sources of Revenue ²	48 183	60 955	45 198	74.2	The municipality generated R45.2 million (74.2 percent) on Other sources of Revenue against an Adjusted Budget of R61 million. The variance could be attributed to incorrect budgeting on the part of the municipality. It was noted in the Provincial Treasury Adjusted Budget Feedback letter dated 17 April 2018 that the Adjusted Budget appeared to be over-stated. The under-generation on Other sources of revenue was highlighted to the municipality during the IYM process.
Total Operating Revenue	1 742 062	1 697 829	1 626 259	95.8	
Operating Expenditure					
Employee related costs	514 737	516 471	538 871	104.3	The municipality expended R538.9 million (104.3 percent) on Employee related costs against an Adjusted Budget of R516.5 million. The municipality attributed the over-spending to overtime and pension fund contributions. The pension fund contributions were adjusted upwards retrospectively by the Pension Fund from the date of appointment of each employee as a result of the re-engineering process. During the IYM process, the municipality attributed the over-expenditure to overtime not budgeted for by the Water department due to emergencies.
Remuneration of councillors	23 219	23 219	21 527	92.7	The municipality expended R21.5 million (92.7 percent) on Remuneration of councillors against an Adjusted Budget of R23.2 million. The municipality attributed the variance to the provision for EXCO members as full time which was not approved by CoGTA.
Debt impairment	93 492	154 666	137 597	89.0	The municipality expended R137.6 million (89 percent) on Debt impairment against an Adjusted Budget of R154.7 million. This figure may change as a result of year end journals which have not been processed.
Depreciation and asset impairment	247 895	494 895	452 759	91.5	The municipality expended R452.8 million (91.5 percent) on Depreciation and asset impairment against an Adjusted Budget of R494.9 million. The municipality attributed the under-performance to low capital expenditure in the current year as well as projects which are still classified as work in progress. These projects will only incur depreciation upon completion.
Bulk purchases	579 385	576 385	530 968	92.1	The municipality expended R531 million (92.1 percent) on Bulk purchases against an Adjusted Budget of R576.4 million. The municipality attributed the under-expenditure to the down-scaling by major chemical industries which resulted in a lower usage of bulk services.
Contracted services	22 203	41 022	53 171	129.6	The municipality expended R53.2 million (129.6 percent) on Contracted services against an Adjusted Budget of R41 million. The municipality attributed the over-spending to the extension of scope for security contractors in safeguarding municipal properties, councillors and officials. The over-expenditure occurred despite the municipality adjusting the budget upwards by R18.8 million during the Adjustments Budget process.
Other expenditure items ³	335 337	303 251	362 780	119.6	The municipality expended R362.8 million (119.6 percent) on Other expenditure items against an Adjusted Budget of R303.3 million. The municipality attributed the over-spending mainly to machinery hire, maintenance of roads and storm waters, ward committees for their projects and voting process, maintenance of water meters, telephonic connections, as well as water installations and reticulation. It was noted in the Provincial Treasury Adjusted Budget Feedback letter dated 17 April 2018 that the Adjusted Budget appeared to be under-stated.
Total Operating Expenditure	1 816 269	2 109 909	2 097 674	99.4	The municipality expended R2.1 billion (99.4 percent) on Total operating expenditure against an Adjusted Budget of R2.1 billion.
Operating surplus/(deficit)	(74 207)	(412 079)	(471 415)		The municipality reflected an unaudited actual Operating deficit of R471.4 million against an Adjusted Budget deficit of R412.1 million, a difference of R59.3 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 material, 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					
Transfers recognised - capital	234 704	199 214	158 481	79.6	The municipality recognised R158.5 million (79.6 percent) on Transfers recognised - capital against an Adjusted Budget of R199.2 million. The municipality attributed the under-generation to slow procurement processes, cash flow challenges, termination of and poor performance of contractors as well as challenges with certain projects. This could result in the Unspent conditional grants of R40.7 million being returned to the National and Provincial Revenue Funds should the roll-over applications be unsuccessful.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	18 074	33 649	21 412	63.6	The municipality recognised R21.4 million (63.6 percent) for Internally generated funds against an Adjusted Budget of R33.6 million. The municipality attributed the under-generation to slow procurement processes, cash flow challenges, termination of poor performance of contractors as well as challenges with certain projects.
Total Capital Revenue	252 778	232 863	179 893	77.3	The municipality generated Total capital revenue of R179.9 million (77.3 percent) against an Adjusted Budget of R232.9 million.
Capital Expenditure					
Governance and Administration	3 700	2 160	1 955	90.5	The municipality expended R2 million (90.5 percent) on Governance and administration against an Adjusted Budget of R2.2 million.
Community and Public Safety	16 705	17 518	9 455	54.0	The municipality expended R9.5 million (54 percent) on Community and public safety against an Adjusted Budget of R17.5 million.
Eco. & Environmental Services	108 784	78 868	46 849	59.4	The municipality expended R46.8 million (59.4 Percent) on Eco. & environmental services against an Adjusted Budget of R78.9 million.
Trading Services	123 589	116 017	105 987	91.4	The municipality expended R106 million (91.4 percent) on Trading services against an Adjusted Budget of R116 million.
Other	-	18 300	15 646	85.5	The municipality expended R15.6 million (85.5 percent) on Other against an Adjusted Budget of R18.3 million.
Total Capital Expenditure	252 778	232 863	179 893	77.3	The municipality expended Total capital expenditure of R179.9 million (77.3 percent) against an Adjusted Budget of R232.9 million. The municipality attributed the under-expenditure to slow procurement processes, cash flow challenges, termination of poor performance of contractors as well as challenges with certain projects. It was further highlighted during the IYM process that the low Capital expenditure could affect service delivery.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	40 012	50 508	41 247		The municipality has reported Cash/cash equiv. at the year begin of R41.2 million which is different from the R50.5 million as per the 2016/17 audited AFS, a difference of R9.3 million.
Cash/cash equiv. at the year end:	4 722	172	(49 550)		The municipality reported a shortfall of R49.6 million for the year ended 30 June 2018. This is an indication of cash flow challenges prevalent at municipality.
Net Increase/(Decrease) in cash held	(35 290)	(50 336)	(90 796)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 700	1 700	100.0%	-	
Expanded Public Works Programme	4 166	4 166	100.0%	-	
Municipal Infrastructure Grant	114 604	93 619	81.7%	20 985	The municipality expended R93.6 million (81.7 percent) on the Municipal Infrastructure Grant (MIG) against the Total Available for 2017/18 of R114.6 million. This resulted in under-expenditure of R21 million. This could result in the Unspent conditional grant of R21 million being returned to the National Revenue Fund should the roll-over application be unsuccessful.

Table 4.5 (i) Trade and other receivables, Trade and other payables and Key ratios - Newcastle Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	1 118 461		
Debtors as at 30 June 2018	1 182 611		The total outstanding Debtors increased from R1.1 billion in the 2016/17 financial year to R1.2 billion in the 2017/18 financial year, an increase of R64.2 million. The municipality needs to urgently implement its debt collection and credit control policy.
<u>By age analysis</u>			
0-30 days	128 411	10.9%	
31-60 days	29 709	2.5%	
61-90 days	27 486	2.3%	
>90 days	997 005	84.3%	The municipality has total outstanding Debtors of R1.2 billion of which R997 million (84.3 percent) are in the Over 90 days category.
Total by age analysis	1 182 611	100.0%	
<u>By customer group</u>			
Organs of state	34 252	2.9%	
Commercial	123 518	10.4%	
Households	1 008 510	85.3%	The majority of municipal debt is in the Households category. This indicates that the municipality has not collected R1 billion (85.3 percent) of debts due. The municipality must improve their debt collection strategy to increase collections from Households.
Other	16 331	1.4%	
Total by customer group	1 182 611	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	199 900	89.1%	
31-60 days	7 837	3.5%	The municipality has reported to owe Creditors amounting to R7.8 million for more than 30 days. This is in contravention of Section 65(2)(e) of the MFMA. This might result in interest being incurred which might result in fruitless and wasteful expenditure.
61-90 days	4 205	1.9%	The municipality has reported to owe Creditors amounting to R4.2 million for more than 60 days. This is in contravention of Section 65(2)(e) of the MFMA. This might result in interest being incurred which might result in Fruitless and wasteful expenditure.
>90 days	12 474	5.6%	The municipality has reported to owe Creditors amounting to R12.5 million for more than 90 days. This is in contravention of Section 65(2)(e) of the MFMA. This might result in interest being incurred which might result in Fruitless and wasteful expenditure.
Total by age analysis	224 416	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	26.7%	This ratio is within the norm.
Contracted services as a % of Total operating expenditure	2% - 5%	2.5%	This ratio is within the norm.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	77.5%	This ratio indicates that the municipality is not grant dependent.
Own funded capital expenditure	-	11.9%	This ratio indicates that the municipality is funding 11.9 percent of its Capital expenditure from own funds and is grant dependent for its Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	7.9%	This ratio indicates that the municipality is not spending sufficiently on Capital expenditure which could result in poor Infrastructure and service delivery.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-29.0%	The Net operating surplus margin is negative 29 percent. This implies that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery.

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					
Property Rates	16 132	18 583	16 767	90.2	The municipality recognised R16.7 million (90.2 percent) for Property rates against an Adjusted Budget of R18.6 million. The municipality indicated that the Property rates Adjusted Budget of R18.6 million was over-stated. This was also highlighted in Provincial Treasury's Adjusted Budget comments letter dated 09 April 2018. The low generation was also highlighted by the Provincial Treasury during the IYM process.
Service Charges ¹	16 699	16 970	13 960	82.3	The municipality recognised R14 million (82.3 percent) for Service charges against an Adjusted Budget of R17 million. The municipality indicated that this is due to incorrect budgeting for Service charges. This is an indication of poor budgeting which was highlighted in Provincial Treasury's Adjusted Budget comments letter dated 09 April 2018. The low generation was also highlighted by the Provincial Treasury during the IYM process.
Transfers recognised - operational	28 062	29 062	46 892	161.4	The municipality recognised R46.9 million (161.4 percent) for Transfers recognised - operational against an Adjusted Budget of R29.1 million. The municipality indicated that this is due to the misallocation of Transfers recognised, the incorrect returns submitted to the Igdatabase and that the correct figure is R29.1 million. The over-recognition was highlighted by the Provincial Treasury during the IYM process.
Other sources of Revenue ²	16 172	6 994	4 878	69.7	The municipality recognised R4.9 million (69.7 percent) for Other sources of revenue against an Adjusted Budget of R7 million. The municipality indicated that this is due to the lower number of visitors to the municipal game park than anticipated during the holidays and that this has caused a decline in municipal revenue. This was also highlighted by the Provincial Treasury during the IYM process.
Total Operating Revenue	77 066	71 610	82 497	115.2	The Total operating revenue recognised is R82.5 million (115.2 percent) against an Adjusted Budget of R71.6 million.
Operating Expenditure					
Employee related costs	33 716	34 243	31 530	92.1	The municipality expended R31.5 million (92.1 percent) on Employee related costs against an Adjusted Budget of R34.2 million. The municipality stated that the variance was caused by the vacant posts not filled during the 2017/18 financial year. The Provincial Treasury highlighted that the Employee related costs budget of R34.2 million appeared to be over-stated in its Adjusted Budget comments letter dated 09 April 2018. The low expenditure was also highlighted during the IYM process.
Remuneration of councillors	-	3 500	3 193	91.2	The municipality expended R3.2 million (91.2 percent) on Remuneration of councillors against an Adjusted Budget of R3.5 million. The municipality stated that the variance was caused by the fact that councillors did not receive the expected increment. The low expenditure was also highlighted during the IYM process.
Debt impairment	1 761	1 544	-	-	The municipality reported to have expended nil on Debt impairment against an Adjusted Budget of R1.5 million. The municipality indicated that the Debt impairment figure will be available upon finalisation of the 2017/18 Annual Financial Statements (AFS). The nil expenditure was also highlighted during the IYM process.
Depreciation and asset impairment	4 382	4 599	-	-	The municipality reported to have expended nil on Depreciation and asset impairment against an Adjusted Budget of R4.6 million. The municipality indicated that the Depreciation and asset impairment figure will be available upon finalisation of the 2017/18 AFS. The nil expenditure was also highlighted during the IYM process.
Bulk purchases	12 237	12 237	11 501	94.0	The municipality expended R11.5 million (94 percent) on Bulk purchases against an Adjusted Budget of R12.2 million. The municipality indicated that the municipal estimate was slightly over-stated.
Contracted services	5 252	1 856	7 418	399.6	The municipality spent R7.4 million (399.6 percent) on Contracted services against an Adjusted Budget of R1.9 million. The municipality attributed the over-expenditure to misallocations between Contracted services and Other expenditure items. The over-expenditure was also highlighted during the IYM process.
Other expenditure items ³	19 679	16 021	8 595	53.6	The municipality spent R8.6 million (53.6 percent) on Other expenditure items against an Adjusted Budget of R16 million. The municipality attributed the under-expenditure to misallocations between Contracted services and Other expenditure items. The under-expenditure was also highlighted during the IYM process.
Total Operating Expenditure	77 026	74 000	62 238	84.1	Total operating expenditure is R62.2 million (84.1 percent) against an Adjusted Budget of R74 million.
Operating surplus/(deficit)	39	(2 390)	20 259		No reliance can be placed on the reported surplus of R20.3 million as the municipality did not report on 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 material, 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					
Transfers recognised - capital	18 424	21 423	18 338	85.6	The municipality has reported Transfers recognised - capital of R18.3 million (85.6 percent) against an Adjusted Budget of R21.4 million. The municipality indicated that this is due to the R3 million for the Municipal Infrastructure Grant which was withheld by National Treasury.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	1 320	730	-	-	The municipality reported nil Internally generated funds against an Adjusted Budget of R730 000. The municipality indicated that this is due to the financial problems within the municipality.
Total Capital Revenue	19 744	22 153	18 338	82.8	
Capital Expenditure					
Governance and Administration	525	650	-	-	Nil expenditure was reported on Governance and Administration against an Adjusted Budget of R650 000 and no reasons were provided by the municipality for the under-expenditure. The nil expenditure was also highlighted during the IYM process.
Community and Public Safety	145	-	-	-	
Eco. & Environmental Services	18 949	21 423	6 338	29.6	The municipality expended R6.3 million (29.6 percent) against an Adjusted Budget of R21.4 million for the 2017/18 financial year. The municipality attributed the low expenditure to the misallocations in some returns submitted to the database. The low expenditure was also highlighted during the IYM process. The municipality indicated that this figure will be corrected upon finalisation of the 2017/18 AFS.
Trading Services	60	20	12 000	60 000.0	The municipality reported expenditure of R12 million or 60 000 percent against an Adjusted Budget of R20 000 for the 2017/18 financial year. The reported figure is incorrect. The municipality attributed the over-expenditure to misallocations in some returns in the database. The over-expenditure was also highlighted during the IYM process. The municipality indicated that this figure will be corrected upon finalisation of the 2017/18 AFS.
Other	65	60	-	-	Nil expenditure was reported on Other against an Adjusted Budget of R60 000 and no reasons were provided by the municipality for the under-expenditure.
Total Capital Expenditure	19 744	22 153	18 338	82.8	The municipality reported expenditure of R18.3 million (82.8 percent) on Total capital expenditure. The low Capital expenditure could impact negatively on service delivery and lead to community dissatisfaction.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	21 053	21 053	14 828		The municipality reported Cash/cash equiv. at the year begin of R14.8 million, which is as per the 2016/17 audited AFS.
Cash/cash equiv. at the year end:	11 655	9 698	7 530		The municipality reported Cash/cash equiv. at the year end of R7.5 million, a decrease of R7.3 million from R14.8 million reported at the year begin.
Net Increase/(Decrease) in cash held	(9 399)	(11 355)	(7 298)		The Net decrease in cash held is an indication that the municipality is using its accumulated reserves to fund its current operations.
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme	1 000	1 000	100.0%	-	
Municipal Infrastructure Grant	6 423	6 423	100.0%	-	

Table 4.5 (I) Trade and other receivables, Trade and other payables and Key ratios - eMadlangeni Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	32 158		
Debtors as at 30 June 2018	36 002		The Debtors balance increased by R3.8 million (12 percent) from R32.2 million as at 30 June 2017 to R36 million as at 30 June 2018. This is an indication of poor debt collection which could have an adverse effect on the municipalities cash flow.
By age analysis			
0-30 days	2 756	7.7%	
31-60 days	(21)	-	
61-90 days	865	2.4%	
>90 days	32 403	90.0%	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 over due 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	36 002	100.0%	
By customer group			
Organs of state	12 089	33.6%	
Commercial	2 001	5.6%	
Households	5 453	15.1%	
Other	16 459	45.7%	The majority of municipal debt is in the Other category.
Total by customer group	36 002	100.0%	
Creditors			
By age analysis			
0-30 days	2 586	97.3%	
31-60 days	71	2.7%	The municipality has reported to owe Creditors of R71 000 for more than 30 days. This is in contravention of Section 65(2)(e) of the Municipal Finance Management Act (MFMA) and could result in the municipality incurring fruitless and wasteful expenditure in the form of Interest on overdue accounts.
61-90 days	-	-	
>90 days	0	0.0%	
Total by age analysis	2 657	100.0%	
Key Ratios			
	Norm/Range	% Actual	
Expenditure management			
Remuneration as a % of Total operating expenditure	25% - 40%	55.8%	Reported remuneration as a percentage of Total operating expenditure is 55.8 percent which is above the norm as per MFMA Circular No. 71. This indicates that the municipality is spending more than half of its Total operating expenditure on Remuneration. However, this is subject to change due to the fact that operating expenditure is understated by Depreciation and asset impairment and Debt impairment. This ratio indicates inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure.
Contracted services as a % of Total operating expenditure	2% - 5%	11.9%	This indicates that many functions are being outsourced to consultants and/or contractors.
Grant dependency			
Own sources of revenue to total operating revenue	-	43.2%	This ratio indicates that the municipality is not wholly grant dependant.
Own funded capital expenditure	-	-	This ratio indicates that the municipality is grant dependant for its Capital expenditure.
Asset Management			
Capital Expenditure to Total expenditure	10% - 20%	22.8%	This ratio indicates higher spending on infrastructure and acceleration in service delivery, but could also hold financial sustainability risks if the infrastructure does not include both economic and social type infrastructure spend.
Efficiency			
Net operating surplus margin	= or > 0%	24.6%	This ratio is within the norm, however it will be subject to change as Operating revenue is overstated and Operating expenditure is understated.

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					
Property Rates	19 299	19 299	16 605	86.0	The correct Adjusted Budget figure is R18.6 million and the correct percentage of budget generated is 89.2 percent. The municipality has reported to have recognised R16.6 million in respect of Property rates. No reasons were provided by the municipality for the variance. The variance could be attributed to incorrect budgeting and/or reporting on the part of the municipality. It was noted by Provincial Treasury in the Adjusted Budget Feedback comments letter dated 10 April 2018 that the Adjusted Budget amount of R18.6 million appeared to be overstated.
Service Charges ¹	1 486	1 486	695	46.8	The correct Adjusted Budget figure is R1.1 million and the correct percentage of budget generated is 63.2 percent. No reasons were provided by the municipality for the variance. The variance could be attributed to incorrect budgeting on the part of the municipality. It was noted by the Provincial Treasury in the Adjusted Budget Feedback letter dated 10 April 2018 that the Adjusted Budget appeared to be overstated.
Transfers recognised - operational	6 709	6 709	57 161	852.0	The correct Adjusted Budget figure is R82.9 million and the correct percentage of budget generated is 69 percent. No reasons were provided by the municipality for the variance. The variance could be attributed to incorrect reporting on the part of the municipality. The incorrect reporting of Transfers recognised was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year which the municipality was advised to correct.
Other sources of Revenue ²	94 106	94 106	29 676	31.5	The correct Adjusted Budget figure is R25.3 million and the correct percentage of budget generated is 117.4 percent. The municipality reported to have recognised R29.7 million for Other sources of revenue. No reasons were provided by the municipality for the variance. Incorrect reporting may have resulted in the significant variance against Other sources of revenue reported at the end of the financial year. The incorrect reporting of Other sources of revenue (VAT refunds) was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year which the municipality was advised to correct.
Total Operating Revenue	121 600	121 600	104 138	85.6	
Operating Expenditure					
Employee related costs	38 367	38 367	17 847	46.5	The correct Adjusted Budget figure is R36.3 million and the correct percentage of budget generated is 49 percent. The municipality expended R17.8 million for Employee related costs. Reasons for the under-expenditure were not provided by the municipality. 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 10 April 2018 that the Adjusted Budget for Employee related costs appeared to be overstated.
Remuneration of councillors	7 195	7 195	11 069	153.9	The correct Adjusted Budget figure is R9.2 million and the correct percentage of budget generated is 120.7 percent. The municipality has expended R11.1 million against an Adjusted Budget of R9.2 million for Remuneration of councillors. Reasons for the over-expenditure were not provided by the municipality. This points to poor budgeting on the part of the municipality. The municipality indicated in the Adjustments Budget narrative that the Adjusted figure of R9.2 million is in line with the upper limits as reflected in Gazette No. 41335 dated 15 December 2017.
Debt impairment	-	-	-	-	
Depreciation and asset impairment	10 000	10 000	1 592	15.9	The municipality reported R1.6 million (15.9 percent) against an Adjusted Budget of R10 million for Depreciation and asset impairment for the 2017/18 financial year. As noted in various IYM feedbacks in 2017/18, the municipality was advised by Provincial Treasury to report against Depreciation and asset impairment on a monthly basis. Reasons for the low expenditure were not provided by the municipality. This is an indication of incorrect reporting on the part of the municipality.
Bulk purchases	-	-	(149)	-	The municipality reported negative R149 000 expenditure on Bulk purchases against a Nil budget. This is an indication of incorrect reporting on the part of the municipality. The municipality was advised to amend this error in the IYM feedbacks during the 2017/18 financial year.
Contracted services	9 093	9 093	17 749	195.2	The correct Adjusted Budget figure is R9.7 million and the correct percentage of budget generated is 182.3 percent. The municipality reported to have incurred R17.7 million expenditure against the Adjusted Budget of R9.7 million for Contracted services for the 2017/18 financial year. No reasons have been provided by the municipality for the variance. This could be an indication of poor budgeting and/or incorrect reporting on the part of the municipality. It was noted by the Provincial Treasury in the Adjusted Budget Feedback letter dated 10 April 2018 that the Adjusted Budget appeared to be understated.
Other expenditure items ³	52 789	52 789	18 237	34.5	The correct Adjusted Budget figure is R51.3 million and the correct percentage of budget generated is 35.5 percent. An amount of R18.2 million was expended against the Adjusted Budget of R51.3 million for Other expenditure items. No reasons have been provided by the municipality for the variance. This could be an indication of incorrect budgeting on the part of the municipality.
Total Operating Expenditure	117 442	117 442	66 345	56.5	
Operating surplus/(deficit)	4 158	4 158	37 793		The correct Adjusted Budget Operating surplus/(deficit) figure is R11.1 million. The unaudited actual shows that the municipality recorded an unaudited surplus of R37.8 million, a difference of R26.7 million. It must be noted that 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 material, 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					
Transfers recognised - capital	39 448	39 448	24 627	62.4	The correct Adjusted Budget figures as per the Lgdalabase do not reconcile to the Adjusted Budget figures as per the Approved Adjusted Budget in most cases. The municipality was advised to amend the returns in the IYM feedbacks during the 2017/18 financial year. However, to date, this has not been resolved by the municipality. Therefore, the percentage of the budget generated is distorted in these cases. The analysis was conducted against the Approved Adjusted Budget figures.
Public contributions and donations	1 300	1 300	-	-	The correct Adjusted Budget figure is Nil.
Borrowing	22 500	22 500	-	-	The correct Adjusted Budget figure for Borrowing is R21 million. The municipality indicated that R9.4 million (44.8 percent) was recognised against the Adjusted Budget Borrowing of R21 million which was incorrectly reported in the Section 71 reports. The incorrect recognition of Borrowing was also highlighted to the municipality in the various IYM feedbacks during the 2017/18 financial year.
Internally generated funds	-	-	1 341	-	The correct Adjusted Budget figure is R27.6 million and the correct percentage of budget generated is 4.7 percent. The municipality reported Internally generated funds of R1.3 million. No reasons have been provided by the municipality for the variance. The low recognition was highlighted during the IYM process.
Total Capital Revenue	63 248	63 248	25 968	41.1	
Capital Expenditure					
Governance and Administration	4 742	4 742	134	2.8	The correct Adjusted Budget figure is R2.5 million and the correct percentage of budget spent is 5.4 percent. The municipality expended R134 000 on Governance and administration for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. The low expenditure on Governance and administration was highlighted to the municipality in various IYM feedbacks during 2017/18.
Community and Public Safety	1 051	1 051	111	10.6	The correct Adjusted Budget figure is R4.3 million and the correct percentage of budget spent is 2.3 percent. The municipality expended R111 000 on Community and public safety for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. The low expenditure on Community and public safety was highlighted to the municipality in various IYM feedbacks during 2017/18.
Eco. & Environmental Services	54 300	54 300	24 988	46.0	The correct Adjusted Budget figure is R63.9 million and the correct percentage of budget spent is 39.1 percent. The municipality expended R25 million on Eco. & environmental services for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. The low expenditure on Eco. & environmental services was highlighted to the municipality in various IYM feedbacks during 2017/18.
Trading Services	3 155	3 155	735	23.3	The correct Adjusted Budget figure is Nil. The municipality expended R735 000 against a Nil Adjusted budget for Trading services for the 2017/18 financial year. The possible incorrect Capital expenditure reported against Trading services was highlighted to the municipality in various IYM feedbacks during 2017/18.
Other	-	-	-	-	
Total Capital Expenditure	63 248	63 248	25 968	41.1	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	36 743	36 743	-		The municipality was advised in various IYM feedbacks during 2017/18 that the cash/cash equiv. at the year begin should at least be R47.9 million which is as per the audited 2016/17 AFS.
Cash/cash equiv. at the year end:	53 316	53 316	14 066		The Cash/cash equiv. at year end of R14.1 million 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	16 573	16 573	14 066		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 910	100.5%	(10)	
Expanded Public Works Programme	1 000	1 000	100.0%	(0)	
Municipal Infrastructure Grant	22 081	22 293	101.0%	(212)	

Table 4.5 (o) Trade and other receivables, Trade and other payables and Key ratios - Dannhauser Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	22 911		
Debtors as at 30 June 2018	55 484		Debtors have increased substantially by R32.6 million (142.2 percent) in the 2017/18 financial year.
<u>By age analysis</u>			
0-30 days	916	1.7%	
31-60 days	770	1.4%	
61-90 days	711	1.3%	
>90 days	53 086	95.7%	The municipality has total outstanding debt of R55.5 million of which R53.1 million (95.7 percent) is in the over 90 days category. This indicates that the municipality is experiencing difficulties in collecting payments from its Debtors which impacts negatively on cash flows.
Total by age analysis	55 484	100.0%	
<u>By customer group</u>			
Organs of state	10 714	19.3%	
Commercial	8 517	15.4%	
Households	29 993	54.1%	It was noted that the bulk (54.1 percent) of the total outstanding Debtors is in the Households Group. The municipality urgently needs to implement its debt collection and credit control policy.
Other	6 259	11.3%	
Total by customer group	55 484	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	1 533	95.6%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	70	4.4%	
Total by age analysis	1 603	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	43.6%	This ratio is above the norm. However, this is subject to change due to the fact that Operating expenditure is under-stated due to Depreciation and asset impairment and Debt impairment being understated.
Contracted services as a % of Total operating expenditure	2% - 5%	26.8%	This ratio is above the norm. However, this is subject to change due to the fact that Operating expenditure is understated due to Depreciation and asset impairment and Debt impairment being understated.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	45.1%	This ratio indicates that the municipality is not wholly grant dependant.
Own funded capital expenditure	-	5.2%	This ratio indicates that the municipality is grant dependant for its Capital budget.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	28.1%	This 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 expenditure has not been fully reported at the end of the financial year due to Depreciation and asset impairment and Debt impairment being understated.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	36.3%	This ratio is questionable due to the concerns raised in the analysis of the Operating revenue and expenditure performance.

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	27 500	26 854	23 994	89.3	The municipality reported to have recognised R24 million (89.3 percent) against the Adjusted Budget of R26.9 million in respect of Service charges. The under-generation is due to the municipality not reporting revenue generated for Month 12.
Transfers recognised - operational	145 190	142 287	200 140	140.7	The municipality reported to have recognised R200.1 million (140.7 percent) against the Adjusted Budget of R142.3 million. The incorrect reporting of Transfers recognised was highlighted to the municipality in various IYM feedbacks during 2017/18 and the municipality was advised to make necessary corrections.
Other sources of Revenue ²	8 315	10 829	23 486	216.9	The municipality reported to have recognised R23.5 million (216.9 percent) against the Adjusted Budget of R10.8 million. Month 12 revenue was not reported which further increases the over-generation of Other sources of revenue. An excessive variation was noted against Other own revenue wherein an amount of R15.5 million (707.1 percent) was recognised against the Adjusted Budget of R2.2 million. The municipality has been incorrectly allocating VAT transactions under Other revenue despite advice from the Provincial Treasury in various IYM feedbacks.
Total Operating Revenue	181 005	179 971	247 621	137.6	The municipality has in total reported to have recognised R247.6 million (137.6 percent) of the Adjusted Budget of R180 million. This is due to incorrect reporting.
Operating Expenditure					
Employee related costs	84 847	81 214	73 590	90.6	The municipality reported to have expended R73.6 million (90.6 percent) on Employee related costs against an Adjusted Budget of R81.2 million for 2017/18. The percentage of the budget spent is approximately 98.8 percent using an estimated average expenditure of R6.7 million for Month 12.
Remuneration of councillors	5 505	5 944	4 718	79.4	The municipality reported R4.7 million (79.4 percent) against an Adjusted Budget of R5.9 million. The municipality did not report Month 12 Operating expenditure figures which has contributed to the under-expenditure.
Debt impairment	14 000	–	3 902	–	An amount of R3.9 million has been recorded against the nil Adjusted Budget for Debt impairment. This is an indication of incorrect reporting on the part of the municipality, in both the Adjusted Budget returns as well as in the Section 71 monthly reports. This was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year. The correct Adjusted Budget figure is R13 million and the correct percentage of Budget expended is 30 percent. The budget for Debt impairment appears to have been incorrectly included under Other expenditure items.
Depreciation and asset impairment	30 822	30 822	28 253	91.7	The municipality reported to have incurred R28.3 million (91.7 percent) for Depreciation and asset impairment against an Adjusted Budget of R30.8 million. The reported expenditure was only incurred in Month 05 to Month 09 as well as in Month 11 of the 2017/18 financial year, despite Provincial Treasury advising the municipality to report against Depreciation and asset impairment on a monthly basis. As a result, the expenditure is understated.
Bulk purchases	21 280	18 585	14 928	80.3	The municipality reported to have expended R14.9 million (80.3 percent) on Bulk purchases against an Adjusted Budget of R18.6 million for the 2017/18 financial year. The municipality did not report expenditure in Month 01, 03, 06 and 12 of the 2017/18 financial year which has contributed to the under-expenditure. The incorrect reporting of Bulk purchases was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Contracted services	13 445	22 271	19 086	85.7	The municipality reported to have expended R19.1 million (85.7 percent) on Contracted services against an Adjusted Budget of R22.3 million for the 2017/18 financial year. The percentage of the budget spent is approximately 93.5 percent using an estimated average expenditure of R1.7 million for Month 12.
Other expenditure items ³	38 980	59 482	31 094	52.3	An amount of R31.1 million (52.3 percent) was recorded against the Adjusted Budget of R59.5 million. The under-expenditure was highlighted during the IYM process.
Total Operating Expenditure	208 879	218 318	175 571	80.4	The municipality has in total reported to have expended R175.6 million (80.4 percent) of the Adjusted Budget of R218.3 million.
Operating surplus/(deficit)	(27 874)	(38 347)	72 050		The municipality had budgeted for an Operating deficit of R38.3 million and in comparison, irrespective of the concerns reflected above, the unaudited actual shows that the municipality recorded an unaudited surplus of R72.1 million, a difference of R110.4 million. It must be noted however, that this figure is distorted as the municipality did not submit their OSA return for Month 12.

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 material, 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					
Transfers recognised - capital	119 917	124 917	84 404	67.6	The municipality reported Transfers recognised - capital of R84.4 million (67.6 percent) against an Adjusted Budget of R124.9 million. No reasons were provided by the municipality for the low recognition. The under-performance could be attributed to the Water Services Infrastructure Grant that was not fully spent (40.4 percent) by the end of the 2017/18 financial year. The low recognition was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year. In addition, under-expenditure on Capital grants may lead to the funds being returned to the National Revenue Fund, should the roll-over application be unsuccessful.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	150	348	161	46.3	The municipality has reported Internally generated funds of R161 000 (46.3 percent) against an Adjusted Budget of R348 000. No reasons have been provided by the municipality for the variance. This could be an indication of cash flow challenges, incorrect reporting and/or budgeting on the part of the municipality. The low Capital recognition was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Total Capital Revenue	120 067	125 265	84 565	67.5	The municipality reported Total capital revenue of R84.6 million (67.5 percent) against an Adjusted Budget of R125.3 million.
Capital Expenditure					
Governance and Administration	150	348	161	46.3	The municipality reported to have spent R161 000 (46.3 percent) on Governance and administration for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. The low expenditure against Governance and administration was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Community and Public Safety	-	5 000	3 229	64.6	The municipality reported to have spent R3.2 million (64.6 percent) on Community and public safety for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. The low expenditure against Community and public safety was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Eco. & Environmental Services	-	-	-	-	
Trading Services	119 917	119 917	81 175	67.7	The municipality reported to have spent R81.2 million (67.7 percent) on Trading services for the 2017/18 financial year. Reasons for the under-expenditure were not provided by the municipality. This could be an indication of incorrect budgeting on the part of the municipality. The low expenditure against Trading services was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year. The low expenditure could impact negatively on service delivery and lead to community dissatisfaction.
Other	-	-	-	-	
Total Capital Expenditure	120 067	125 265	84 565	67.5	The municipality reported Total capital expenditure of R84.5 million (67.5 percent) against an Adjusted Budget of R125.3 million. This could be an indication of incorrect budgeting and/or reporting on the part of the municipality. The low expenditure was highlighted to the municipality in various IYM feedbacks during the 2017/18 financial year.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	2 909	20 981	20 981		The municipality has reported Cash/cash equiv. at the year begin of R21 million which is as per the 2016/17 audited Annual Financial Statements (AFS).
Cash/cash equiv. at the year end:	(15 044)	1 303	50 255		The municipality has well documented financial difficulties currently being experienced. Therefore, the closing Cash/cash equiv. at year end of R50.3 million is questionable and includes Unspent conditional capital grants of approximately R40.5 million.
Net Increase/(Decrease) in cash held	(17 953)	(19 678)	29 274		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 500	1 500	100.0%	-	
Expanded Public Works Programme Integrated Grant	1 789	1 789	100.0%	-	
Municipal Infrastructure Grant	41 717	41 717	100.0%	-	

Table 4.5 (r) Trade and other receivables, Trade and other payables and Key ratios - Amajuba District Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	48 232		
Debtors as at 30 June 2018	61 255		Debtors increased substantially by R13.1 million (27 percent) in the 2017/18 financial year as compared to the 2015/16 financial year.
By age analysis			
0-30 days	4 631	7.6%	
31-60 days	3 855	6.3%	
61-90 days	2 161	3.5%	
>90 days	50 609	82.6%	The municipality has total outstanding debt of R61.3 million of which R50.6 million (82.6 percent) is in the over 90 days category. This indicates that the municipality is experiencing difficulties in collecting payments from its Debtors which impacts negatively on cash flows.
Total by age analysis	61 255	100.0%	
By customer group			
Organs of state	5 650	9.2%	
Commercial	2 557	4.2%	
Households	53 048	86.6%	The bulk of the total of the outstanding Debtors, R53 million (86.6 percent) is in the Households customer group. The municipality needs to implement its debt collection and credit control policy.
Other	-	-	
Total by customer group	61 255	100.0%	
Creditors			
By age analysis			
0-30 days	8 965	13.3%	
31-60 days	10 196	15.1%	
61-90 days	2 980	4.4%	
>90 days	45 476	67.3%	The municipality reported to owe Creditors of R58.7 million for more than 30 days. This is in contravention of Section 65(2)(e) of the Municipal Finance Management Act (MFMA) and could result in the municipality incurring fruitless and wasteful expenditure in the form of Interest on overdue accounts.
Total by age analysis	67 618	100.0%	
Key Ratios			
	Norm/	% Actual	
Expenditure management			
Remuneration as a % of Total operating expenditure	25% - 40%	44.6%	This ratio is above the norm. 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 by the Month 12 figures.
Contracted services as a % of Total operating expenditure	2% - 5%	10.9%	This ratio is above the norm. A ratio in excess of the norm could indicate that many functions are being outsourced to Consultants, or that Contracted services are not effectively utilised. However, this is subject to change due to the fact that Total operating expenditure is under-stated by the month 12 figures.
Grant dependency			
Own sources of revenue to total operating revenue	-	19.2%	This ratio indicates that the municipality is grant dependant
Own funded capital expenditure	-	0.2%	This ratio indicates that the municipality is grant dependant for Capital expenditure.
Asset Management			
Capital Expenditure to Total expenditure	10% - 20%	32.5%	This 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. However, this is subject to change due to the fact that Total operating expenditure is under-stated by the month 12 figures.
Efficiency			
Net operating surplus margin	= or > 0%	29.1%	This ratio is questionable due to the concerns raised in the analysis of the Operating revenue and expenditure performance.

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 Local Municipalities. According to the IDP of the Zululand District Municipality, the Zululand District is located in the northern region of the KwaZulu-Natal Province and it covers a geographical area of approximately 14 799 km² (KZNCOGTA, 2017). Approximately half of the area is under the jurisdiction of traditional authorities whilst the remainder is divided between commercially-owned farms and conversation 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 AbaQulusi and Ulundi Local Municipalities had the positions of the Chief Financial Officer (CFO) filled for the entire 2017/18 financial year. The position of the CFO at the Nongoma Local Municipality was filled on the 01 October 2017 and the uPhongolo Local Municipality filled the CFO position during December 2017. The position of the CFO at the Zululand District Municipality remained vacant however, some municipal officials were acting on a rotational basis from 01 July 2017 till 31 October 2017. The position of the CFO at the eDumbe Local Municipality was vacant from 01 February 2018 without any official acting due to the lack of capable officials at the municipality.

The uPhongolo, AbaQulusi and Ulundi Local Municipalities and the Zululand District Municipality had the positions of the Municipal Manager (MM) filled for the entire 2017/18 financial year. The Nongoma and eDumbe Local Municipalities appointed MMs on the 12 December 2017 and 01 January 2018, respectively.

The eDumbe Local Municipality was placed under financial administration in terms of Section 139(2) of the MFMA read together with Section 139(1) of the Constitution of the Republic of South Africa since September 2017, however, the Financial Administrator, who was managing the municipality resigned on 07 March 2018 and no replacement was appointed by KZN COGTA. National Treasury, together with the assistance of Provincial Treasury, assisted the eDumbe Local Municipality with the preparation of a holistic Financial Recovery Plan, which was approved by Council on 20 November 2017 in an effort to improve the financial position of the municipality.

The Zululand District Municipality and the eDumbe, Nongoma and Ulundi Local Municipalities maintained their unqualified audit opinions with other matters in the 2016/17 financial year from the 2015/16 financial year. The AbaQulusi Local Municipality regressed from an unqualified audit opinion with other matters in the 2015/16 financial year to a qualified audit opinion in the 2016/17 financial year. The uPhongolo Local Municipality maintained its qualified audit opinion in the 2016/17 financial year from the 2015/16 financial year.

4.6.1 Overview of Zululand District Performance

Table 4.6(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
eDumbe	112 644	112 644	76 926	68.3
uPhongolo	208 735	210 300	249 881	118.8
AbaQulusi	484 681	484 681	369 127	76.2
Nongoma	177 963	161 765	180 270	111.4
Ulundi	320 866	321 708	279 723	86.9
Zululand DM	553 927	428 181	428 626	100.1
Total	1 858 816	1 719 278	1 584 554	92.2

Source: NT Igdatabase

Table 4.6(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eDumbe	117 912	117 912	56 883	48.2
uPhongolo	218 296	227 628	207 844	91.3
AbaQulusi	592 775	592 775	433 648	73.2
Nongoma	157 252	156 434	158 996	101.6
Ulundi	291 854	388 843	288 565	74.2
Zululand DM	537 905	599 960	549 198	91.5
Total	1 915 994	2 083 552	1 695 135	81.4

Source: NT Igdatabase

Table 4.6(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eDumbe	41 765	41 765	52 275	125.2
uPhongolo	64 335	85 996	39 815	46.3
AbaQulusi	-	22 318	16 638	74.6
Nongoma	64 089	63 709	56 880	89.3
Ulundi	57 570	57 388	37 734	65.8
Zululand DM	465 852	459 410	347 738	75.7
Total	693 611	730 586	551 080	75.4

Source: NT Igdatabase

Table 4.6(d) Debtors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eDumbe	-	-	-	-	-	-	-	-	-
uPhongolo	7 299	4.5	3 633	2.2	2 793	1.7	149 114	91.6	162 839
AbaQulusi	19 317	12.1	5 922	3.7	4 962	3.1	129 751	81.1	159 953
Nongoma	441	1.1	195	0.5	807	2.0	39 577	96.5	41 020
Ulundi	-	-	-	-	-	-	-	-	-
Zululand DM	3 851	4.1	2 767	2.9	1 635	1.7	86 490	91.3	94 743
Total	30 908	6.7	12 518	2.7	10 198	2.2	404 932	88.3	458 556

Source: NT Igdatabase

Table 4.6(e) Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eDumbe	-	-	-	-	-	-	-	-	-
uPhongolo	22 041	13.5	8 199	5.0	117 221	72.0	15 378	9.4	162 839
AbaQulusi	6 714	4.2	41 340	25.8	102 719	64.2	9 180	5.7	159 953
Nongoma	22 442	54.7	19 879	48.5	9 823	23.9	(11 124)	-27.1	41 020
Ulundi	-	-	-	-	-	-	-	-	-
Zululand DM	9 766	10.3	3 341	3.5	81 159	85.7	478	0.5	94 743
Total	60 963	13.3	72 758	15.9	310 922	67.8	13 912	3.0	458 556

Source: NT Igdatabase

Table 4.6(f) Creditors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eDumbe	6 499	21.6	470	1.6	899	3.0	22 285	73.9	30 153
uPhongolo	9 058	97.5	139	1.5	10	0.1	83	0.9	9 290
AbaQulusi	28 249	100.0	-	-	-	-	-	-	28 249
Nongoma	3 478	98.8	71	2.0	-	-	(29)	-0.8	3 520
Ulundi	1 084	1.2	(518)	(0.6)	-	-	88 110	99.4	88 676
Zululand DM	2 470	100.0	-	-	-	-	-	-	2 470
Total	50 839	31.3	162	0.1	909	0.6	110 449	68.0	162 358

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	16 899	16 899	16 476	97.5	
Service Charges ¹	21 426	21 426	15 121	70.6	Inaccurate reporting of information by the municipality in 2017/18 lead to variance of 29.4 percent less than the expected amount for Service charges which is expected to change when all errors and final journal entries are captured. The 2017/18 Annual Financial Statements (AFS) will include the updated and correct figures.
Transfers recognised - operational	69 392	69 392	36 663	52.8	Incorrect reporting by the municipality in 2017/18 lead 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	4 927	4 927	8 665	175.9	The eDumbe Local Municipality over-generated by R3.7 million or 75.9 percent for Other sources of revenue for the 2017/18 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	112 644	112 644	76 926	68.3	
Operating Expenditure					
Employee related costs	48 804	48 804	22 620	46.3	The municipality reported expenditure of 46.3 percent for Employee related costs at the end of the period under review. The reported amount will change once the 2017/18 AFS are finalised. The under-spending was due to unfilled positions such as CFO based on organogram. Furthermore, some of the expenditure meant for Employee related costs was misallocated under Contracted services. Furthermore, the positions of the Municipal Manager and Director Community and Corporate Services were only filled in February and March 2018.
Remuneration of councillors	5 464	5 464	3 318	60.7	The municipality reported expenditure of R3.3 million or 60.7 percent against Adjusted Budget of R5.5 million for Remuneration of councillors. The municipality indicated that they have fully spent the budget which will be rectified in the finalised AFS.
Debt impairment	-	-	-	-	The municipality indicated that Debt impairment is only calculated at year-end. Therefore, at the time of the Section 71 reporting, the expenditure was not finalised. The municipality was advised to calculate Debt impairment on a monthly basis. It was also noted that the municipality did not budget for Debt impairment in the Original and the Adjusted 2017/18 Budget despite reflecting actual expenditure in the prior years. This is despite numerous recommendations by Provincial Treasury that the municipality should budget for Debt impairment.
Depreciation and asset impairment	7 254	7 254	24	0.3	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. This is despite numerous recommendations by Provincial Treasury that the municipality should account for Depreciation and asset impairment on a monthly basis in order to reflect correct expenditure amount.
Bulk purchases	20 350	20 350	17 114	84.1	The municipality reported expenditure of 84.1 percent at the end of the period under review. However, the figures reported in the Section 71 reports are expected to change when all the final journal entries are accounted for.
Contracted services	6 090	6 090	9 652	158.5	The municipality indicated that the variance of 58.5 percent in Contracted services is as a result of an increase in scope of work for securities and thereby leading to an increased expenditure in Contracted services.
Other expenditure items ³	29 950	29 950	4 156	13.9	Although the expenditure amount of R4.1 million or 13.9 percent reflected under Other expenditure item is not accurate, the municipality has stated that the under-spending on this line item is due to the cost containment measures that have been implemented by the municipality to address the cash flow challenges. The correct expenditure amount will be reflected in the 2017/18 AFS.
Total Operating Expenditure	117 912	117 912	56 883	48.2	
Operating surplus/(deficit)	(5 269)	(5 269)	20 042		

Source: NT Igdalabase

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 material, 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	41 465	41 465	52 275	126.1	Incorrect reporting by the municipality lead to the variance in the Transfers recognised-capital which is expected to change when all the 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 2017/18 AFS will include the most recent and correct figures.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	300	300	-	-	Given the cash flow position of the eDumbe Local Municipality, it was not possible to fund any of their Capital expenditure from the Internally generated funds.
Total Capital Revenue	41 765	41 765	52 275	125.2	
Capital Expenditure					
Governance and Administration	300	300	-	-	No expenditure was recorded for Governance and administration. The municipality indicated that the correct expenditure amount on Government and administration will be reflected in the 2017/18 AFS.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	17 465	17 465	21 784	124.7	The municipality reported R21.7 million or 124.7 percent against the Adjusted Budget of R17.5 million for Economic and environmental services. The expenditure is related to the Road transport sub-function. The municipality indicated that there were reporting errors which resulted in the amount which is significantly above the budget and which will be rectified in the 2017/18 AFS.
Trading Services	24 000	24 000	30 492	127.0	The municipality reported R30.5 million or 127 percent against the Adjusted Budget of R24 million for Trading services. The municipality indicated that the expenditure amount reflected in this vote is a reporting error which will be rectified in the 2017/18 AFS. The expenditure under this vote related only to sub-function of Electricity.
Other	-	-	-	-	
Total Capital Expenditure	41 765	41 765	52 275	125.2	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	-	-	14		The opening balance of R14 000 for the 2017/18 financial year does not agree to the 2016/17 closing balance of R565 182 for Cash and cash equivalents as per the audited 2016/17 AFS resulting in the under statement of the opening balance for 2017/18.
Cash/cash equiv. at the year end:	(3 272)	(3 272)	(2 853)		The municipality indicated that it experienced cash flow challenges due to its poor collection rate. This is despite the implementation of a Revenue enhancement strategy by the municipality. Thus, the municipality has been unable to comply with Section 65 of the MFMA which requires municipality to settle all payments due to creditors within 30 days of receipt of invoice. In the Mid-year report the municipality conceded that its ability to operate as a going concern is questionable and needed to be addressed.
Net Increase/(Decrease) in cash held	(3 272)	(3 272)	(2 868)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme Integrated Grant	1 389	1 326	95.5%	63	
Municipal Infrastructure Grant	18 292	17 827	97.5%	465	

Table 4.6 (i) Trade and other receivables, Trade and other payables and Key ratios - eDumbe Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	22 869		
Debtors as at 30 June 2018	-		The municipality did not report any information on debtors in their Section 71 report. However, this is expected to change when all the year-end journal entries are processed which will be reflected in the 2017/18 AFS.
<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			
<u>By age analysis</u>			
0-30 days	6 499	21.6%	
31-60 days	470	1.6%	
61-90 days	899	3.0%	
>90 days	22 285	73.9%	
Total by age analysis	30 153	100.0%	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. This was mainly due to the cash flow challenges prevailing at the municipality which has a negative impact on the municipality's liquidity and solvency position.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	45.6%	Employee related costs contribute 45.6 percent towards Total operating expenditure. This is above the National Treasury norm of between 25 and 40 percent. The ratio above the norm could indicate inefficiencies, over-staffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. However, the ratio is distorted due to the matters noted in Table 4.6(g).
Contracted services as a % of Total operating expenditure	2% - 5%	17.0%	This ratio is not in line with the National Treasury norm. The norm as per MFMA Circular No. 71 is between 2 and 5 percent. The ratio in excess of the norm could indicate that many functions are being outsourced to consultants or that Contracted services are not being effectively used. However, 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	-	52.3%	Given the current financial constraints of the municipality compounded by inaccurate reporting, the results of 52.3 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%	47.9%	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.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	26.1%	

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	33 493	34 187	35 014	102.4	The municipality anticipated to generate revenue of R34.2 million in the Adjustments Budget. However, the unaudited actual amount reflected R35 million. The amount generated is slightly above the projected baseline by R827 000 or 2.4 percent.
Service Charges ¹	44 986	44 986	46 003	102.3	Service charges comprises of Service charges - electricity revenue and Service charges - refuse revenue. The municipality budgeted to generate an amount of R45 million in the Adjustments Budget. However, as at the end of June 2018, the municipality has generated revenue that is slightly above the baseline by R1.1 million or 2.3 percent.
Transfers recognised - operational	117 306	117 306	154 320	131.6	As at the end of June 2018, the municipality recognised an amount of R154.3 million. The municipality indicated that there was an error in the Section 71 reporting. The unaudited actual under Transfers recognised - operational should have been an amount of R116 million. A portion of 5 percent in respect of MIG which was allocated under Operating revenue has been utilised to finance capital projects. The correct amount will be reflected in the 2017/18 Annual Financial Statements (AFS).
Other sources of Revenue ²	12 950	13 822	14 544	105.2	The higher revenue generation under Other sources of revenue of R722 000 or 5.2 percent is due to Interest earned - outstanding debtors line item, whereby the municipality budgeted to generate an amount of R7.7 million and revenue of R8.7 million (113.7 percent) was generated. The municipality had anticipated that the Revenue Enhancement Strategy will improve the collection from debtors, however the collection activity is still a challenge. It appeared that there was under-budgeting for insurance claim under Other own revenue as there was a higher generation of revenue reported under this item due to high number of Insurance pay-outs.
Total Operating Revenue	208 735	210 300	249 881	118.8	
Operating Expenditure					
Employee related costs	76 224	76 153	73 321	96.3	The municipality incurred expenditure amount of R73.3 million against the Adjustments Budget amount of R76.2 million. The expenditure incurred is below the projected baseline by an amount of R2.8 million or 3.7 percent. The municipality indicated that the correct expenditure will be reflected after processing the final year- end adjustments and correcting the misallocations.
Remuneration of councillors	8 746	9 306	8 498	91.3	The municipality incurred expenditure amount of R8.5 million against the Adjustments budget amount of R9.3 million. The expenditure incurred is below the projected baseline by an amount of R808 000 or 8.7 percent. The municipality indicated that the correct expenditure will be reflected after processing the final year- end adjustments and correcting the misallocations.
Debt impairment	10 730	14 917	13 914	93.3	As at the end of June 2018, the municipality accounted for an amount of R13.9 million or 93.3 percent under Debt impairment. The expenditure accounted for is below the expected baseline at the end of the financial year by an amount of R1 million or 6.7 percent. The municipality has indicated that the actual expenditure was based on interim calculations, the correct amount will be reflected in the AFS.
Depreciation and asset impairment	9 366	12 101	11 841	97.9	
Bulk purchases	26 847	26 847	25 121	93.6	Against the Adjustments Budget amount of R26.8 million, the municipality has incurred an amount of R25.1 million or 93.6 percent. The low performance is below the projected baseline by an amount of R1.7 million or 6.4 percent. The municipality indicated that there has been a misallocation which will be rectified in the AFS. The expenditure has been erroneously allocated under Contracted services.
Contracted services	24 098	23 243	26 316	113.2	As at the end of June 2018, the municipality has incurred expenditure amount of R26.3 million against the Adjustments Budget amount of R23.2 million. The municipality has reported over-spending by an amount of R3.1 million or 13.2 million. The municipality attributed the over-spending to misallocations. The spending reported is expected to change after processing all year end transactions during the preparation of the 2017/18 AFS.
Other expenditure items ³	62 286	65 063	48 834	75.1	Other expenditure items comprises of Finance charges, Other materials, Transfers and grants and Other expenditure. The overall performance on these items is below the projected baseline as at the end of June 2018: 1. Other materials: A significant low performance of R7.4 million or 38.8 percent or against the Adjustments Budget amount of R12.2 million was reported; 2. Other expenditure: The municipality has reported an expenditure amount of R43.3 million or 85.5 percent against the budgeted amount of R50.6 million; and 3. Transfers and grants: An amount of R5.3 million was budgeted, however as at the end of June 2018, the municipality did not record any expenditure against this item. The correct expenditure amount will be reflected in the AFS.
Total Operating Expenditure	218 296	227 628	207 844	91.3	
Operating surplus/(deficit)	(9 561)	(17 328)	42 037		

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 material, 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	36 304	68 646	38 586	56.2	In B Schedule, the municipality anticipated to utilise an amount of R40.8 million to finance capital projects. However, the Adjustments Budget return submitted to the database indicated an amount of R68.6 million. The Adjustments Budget amount has therefore distorted the unaudited percentage recognised. The municipality has indicated that the Transfers recognised - capital has been fully recognised and the correct performance will be reflected in the AFS.
Public contributions and donations	–	–	–	–	
Borrowing	20 130	15 000	–	–	In the Adjustments Budget the municipality budgeted to finance Capital expenditure utilising Borrowings. However, as at the end of June 2018, the municipality did not record any revenue raised from Borrowing. The municipality has indicated that no new loans were raised due to anticipated challenges with repaying the loan therefore the actual assets that were budgeted to be procured through Borrowings were never purchased.
Internally generated funds	7 901	2 350	1 229	52.3	The municipality has anticipated to utilise an amount of R2.4 million of Internally generated funds to finance Capital expenditure. However, as at the end of June 2018, the municipality has utilised R1.2 million. The municipality indicated that due to financial constraints, the municipality was unable to raise sufficient funding to finance capital projects.
Total Capital Revenue	64 335	85 996	39 815	46.3	
Capital Expenditure					
Governance and Administration	5 466	3 736	1 271	34.0	Under Governance and administration, the municipality incurred Capital expenditure amount of R1.3 million against the Adjustments Budget amount of R3.7 million. The municipality indicated that the correct Capital expenditure incurred will be reflected in the AFS. There was an error in the Section 71 report as part of the Capital expenditure was erroneously allocated under Community and public safety.
Community and Public Safety	18 125	3 775	10 167	269.3	An exorbitant amount of R10.2 million or 269.3 percent was reported under Community and public safety against the Adjustments Budget amount of R3.8 million. A notable over-spending was reported under Community and social services where an amount of R7.2 million was incurred against the budget amount of R225 000. There appears to be an error in the Adjustments Budget return submitted to the database. Incorrect submission of the Adjustments Budget returns have also contributed to the exorbitant spending reported. The municipality has indicated that there was an error in the Section 71 reporting where there was a misallocation of Capital expenditure. The correct spending will be reflected in the AFS.
Eco. & Environmental Services	31 094	53 378	20 530	38.5	The Adjustments Budget return submitted to the database reflected an incorrect Adjusted Budget amount of R53.4 million whilst the 2017/18 B Schedule reflected R16.7 million. This has resulted in an incorrect performance reported under Economic and environmental services. The municipality indicated that the correct performance will be reflected in the AFS.
Trading Services	9 650	24 728	7 847	31.7	As per the 2017/18 B Schedule, the municipality budgeted to incur Capital expenditure of R14 million on Trading services. However, the Adjustments Budget return submitted to the database reflected an incorrect amount of R24.7 million. The incorrect reporting has distorted the actual performance reported at the end of June 2018. The municipality has indicated that Trading services will be correctly reflected with actual performance as at the end of June 2018 in the AFS.
Other	–	379	–	–	
Total Capital Expenditure	64 335	85 996	39 815	46.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	9 779	–	1 604		
Cash/cash equiv. at the year end:	19 448	32 529	17 156		The municipality reflected Cash and cash equivalents of R17.2 million, however the amount reported might not be a true reflection of the municipality's Cash and cash equivalents at year end. The municipality did not report Cash and Cash equivalents at the beginning of the year in the Adjustments Budget. Furthermore, the municipality did not submit the Bank statement together with the Bank reconciliation to confirm the closing cash balance.
Net Increase/(Decrease) in cash held	9 669	32 529	15 552		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	–	
Expanded Public Works Programme	4 678	4 678	100.0%	–	
Municipal Infrastructure Grant	33 741	33 741	100.0%	–	

Table 4.6 (I) Trade and other receivables, Trade and other payables and Key ratios - uPhongolo Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	145 633		
Debtors as at 30 June 2018	162 839		As at the end of June 2018, the municipality reported Debtors outstanding amounted to R162.8 million. The Debtors balance as at the end of June 2018 has increased when compared to the audited results reported in the 2016/17 financial year. The municipality indicated that it does not have an indigent policy in place. Furthermore, growth in Debtors might have resulted due the poor implementation of the credit control policy. In order to curb the increase of Debtors book, the municipality must fast track the updating of the indigent register and ensure that the indigent policy is in place in order to consider writing off irrecoverable Debtors and implementation and enforcement of the credit control policy.
<u>By age analysis</u>			
0-30 days	7 299	4.5%	
31-60 days	3 633	2.2%	
61-90 days	2 793	1.7%	
>90 days	149 114	91.6%	Reflected under Debtors age analysis for over 90 days category is an amount of R149.1 million representing 91.6 percent of outstanding debtors as at the end of June 2018. The municipality indicated that the Indigent register is not updated therefore the amount of outstanding Debtors is inflated with customers that are not eligible to be billed. The municipality was unable to correctly determine which debtors to write off.
Total by age analysis	162 839	100.0%	
<u>By customer group</u>			
Organs of state	22 041	13.5%	
Commercial	8 199	5.0%	
Households	117 221	72.0%	A significant amount of outstanding Debtors is reflected under the Households group. The municipality indicated that the Indigent register has not been updated and which has resulted in a significant amount of outstanding debtors under the Household customer group. The municipality is unable to correctly determine which customers are indigent in order to determine the amounts to be written off.
Other	15 378	9.4%	
Total by customer group	162 839	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	9 058	97.5%	
31-60 days	139	1.5%	
61-90 days	10	0.1%	
>90 days	83	0.9%	
Total by age analysis	9 290	100.0%	Included in the amount of R9.3 million is an amount of R232 000 or 2.5 percent of the outstanding Creditors reported categories which are more than 30 days. The municipality has conceded that there is great possibility of incorrect categorisation of the Creditors balance. However, it should be noted that the municipality is in contravention of Section 65(2)(e) of the MFMA which requires that the creditors be paid within 30 days after receiving the invoice.
Key Ratios			
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	39.4%	The Remuneration as a percentage of Total operating expenditure measures the extent of Remuneration to Total operating expenditure. As at the end of June 2018, the municipality has reported Remuneration as a percentage of Total operating expenditure of 39.4 percent which is within the norm as per MFMA Circular No. 71.
Contracted services as a % of Total operating expenditure	2% - 5%	12.7%	As per MFMA Circular No. 71, Contracted services as a percentage of Total operating expenditure measures the extent to which the municipality resources are committed towards Contracted services to perform municipal related functions. As at the end of June 2018, the municipality reported a percentage of 12.7 percent which is above the norm of 2 to 5 percent as per MFM Circular No. 71. The excessive ratio could be an indication that many functions are being outsourced or that the Contracted services are not effectively being utilised.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	38.2%	
Own funded capital expenditure	-	3.1%	The municipality is grant dependent as capital projects are primarily funded from National and Provincial grants. The geographic location of the municipality which is rural in nature has also negatively affected the municipality as it is not able to generate its own revenue.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	16.1%	As at the end of June 2018, the municipality reflected a ratio of 16.1 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.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	16.8%	

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	67 628	67 628	58 586	86.6	As per the Section 71 report, the revenue amount under-generated by the municipality on Property rates was R9 million or 13.4 percent. The municipality did not provide reasons for generating lower than the budget amount on Property rates. However, due to the challenges of submitting the inaccurate information by the municipality, it was further noted that the Month 5 return submitted by the municipality is reflecting a negative amount of R3 000, thereby distorting the total revenue generated to date on Property rates. The municipality has indicated that the correct amount for the generated revenue on Property rates will be reflected in the 2017/18 Annual Financial Statements (AFS).
Service Charges ¹	277 863	277 863	191 622	69.0	The Service charges revenue has been under-generated by R86.2 million or 31 percent. The municipality indicated that the under-generation on Service charges is due to water charges not billed during the drought period which contributed to the decline in revenue generation. However, the information submitted by the municipality especially for months 4 and 5 is also questionable as they had challenges with their system. This is despite the municipality being given the opportunity for re-submission after the deadline period. It is expected that the correct amount will be reflected in the 2017/18 AFS.
Transfers recognised - operational	124 650	124 650	15 000	12.0	It is evidently clear that the municipality continues to experience a challenge of reporting the correct information despite being given an opportunity to re-submit Section 71 returns to ensure that the submitted information is correct. However, this is expected to be rectified in the 2017/18 AFS.
Other sources of Revenue ²	14 541	14 541	103 920	714.7	The reported revenue generated on this line item does not appear to be the correct amount generated on Other sources of revenue as at the end of the financial year. This is despite the municipality being given an opportunity for further re-submission of correct information. It is expected that the correct information will be reflected once the AFS have been finalised.
Total Operating Revenue	484 681	484 681	369 127	76.2	The total amount reported by the municipality for Total operating revenue was R369.1 million or 76.2 percent of the Adjusted Budget. However, the municipality indicated that the correct Total operating revenue is R517.6 million which will be reflected in the AFS.
Operating Expenditure					
Employee related costs	137 259	137 259	67 440	49.1	The municipality reported expenditure of 49.1 percent at the end of the period under review. The reason provided by the municipality for low expenditure than the budgeted amount was that some of the expenditure related to the Employee related costs have been incorrectly included under Contracted services.
Remuneration of councillors	17 650	17 650	-	-	No expenditure is shown by the municipality for Remuneration of councillors for the period under review due to incorrect reporting in the Section 71 reports. The municipality has indicated that expenditure amount for this item has been misallocated and will be rectified in the AFS. However, the municipality has indicated that the total amount of R17.7 million has been spent under Remuneration of councillors which reconciles to the budget amount.
Debt impairment	-	-	(124 744)	-	Incorrect reporting by the municipality lead to negative R124.7 million in Debt impairment which is expected to change when all errors and final journal entries are captured and the AFS are submitted. This is despite the fact that the municipality was given an opportunity to re-submit the returns with a view of reflecting the correct information.
Depreciation and asset impairment	96 383	96 383	322 690	334.8	The municipality exceeded their Depreciation and asset impairment budget by 234.8 percent. However, the municipality indicated that this is expected to be correctly reflected when all the year-end transactions are populated.
Bulk purchases	147 500	147 500	48 728	33.0	The municipality reported spending of 33 percent for this item for the entire financial year. The municipality has cited the fact that not all the information on Bulk purchases were processed at the time of submitting section 71 report. However, the municipality indicated that this is expected to change when all the year-end transactions are processed.
Contracted services	85 434	85 434	33 840	39.6	The municipality has incurred R33.8 million or 39.6 percent on Contracted services against an Adjusted Budget of R85.4 million. However, the municipality indicated that according to their records, actual expenditure is in line with the Adjusted Budget figure. It was also mentioned that some Employee related costs were included in Contracted services.
Other expenditure items ³	108 548	108 548	85 695	78.9	The municipality reported expenditure of 78.9 percent at the end of the period under review. However, the municipality indicated that the figures reported in the Section 71 reports are expected to change once all year-end journal entries are processed.
Total Operating Expenditure	592 775	592 775	433 648	73.2	
Operating surplus/(deficit)	(108 093)	(108 093)	(64 521)		

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 material, 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	-	22 295	16 638	74.6	The municipality submitted Original budget returns which contained errors. The Igdatabase rejected the returns and the municipality could not timeously correct and resubmit the updated returns.
Public contributions and donations	-	23	-	-	The revenue recognised by the municipality was reported as R16.6 million or 74.6 percent against the Adjusted Budget of R22.3 million. The municipality did not provide any reason for recognising the low performance. However, as per the report for the audit committee meeting in June 2018, the municipality indicated that they have received all tranches of grants including the Municipal Infrastructure Grant (MIG) which amounted to R34.2 million.
Borrowing	-	-	-	-	No expenditure was reported by the municipality against the Adjusted Budget of R23 000 for Public contributions and donations. However, it appears that the municipality made an error when submitting the Adjusted Budget returns and the AFS will reflect updated and correct information.
Internally generated funds	-	-	-	-	
Total Capital Revenue	-	22 318	16 638	74.6	
Capital Expenditure					
Governance and Administration	-	761	-	-	The Governance and administration capital projects were part of the projects which were affected by the decision that was taken by the AbaQulusi Local Municipality to limit expenditure especially on capital projects that could be delayed until the revenue generation improves in the municipality.
Community and Public Safety	-	637	-	-	The Community and public safety capital projects were part of the projects which were affected by the decision that was taken by the AbaQulusi Local Municipality to limit expenditure especially on capital projects that could be delayed until the revenue generation improves in the municipality.
Eco. & Environmental Services	-	213	15 916	7 484.3	It appears that the municipality made an error in their Section 71 reports where the 2017/18 Adjusted Budget figure of R213 000 and year-to-date actuals of R15.9 million were incorrectly reflected under Economic and environmental services. However, the municipality indicated that this is expected to change when all the year-end entries are processed and the AFS will reflect the correct information.
Trading Services	-	20 708	722	3.5	The municipality reflected Capital expenditure of R722 000 or 3.5 percent against Adjusted Budget of R20.7 million for this item. The municipality indicated that the updated and correct information will be reflected in the AFS.
Other	-	-	-	-	
Total Capital Expenditure	-	22 318	16 638	74.6	As per the report for the audit committee meeting held in June 2018, there has been Capital expenditure of R31.5 million funded mainly from MIG. This suggest that the Capital expenditure reported through the Section 71 to National Treasury was not accurate.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	-	-	13 622		The opening balance of R13.6 million for the 2017/18 financial year does not agree to the 2016/17 closing balance of R11.7 million for Cash and cash equivalents as per the audited 2016/17 AFS resulting in the over statement of the opening balance for 2017/18.
Cash/cash equiv. at the year end:	62 968	62 968	4 446		The figure of R4.4 million reported by the municipality as their closing balance for the 2017/18 financial year is questionable as the municipality is currently facing cash flow challenges which has resulted in the municipality having to reduce spending drastically.
Net Increase/(Decrease) in cash held	62 968	62 968	(9 176)		The municipality's cash reserves are being depleted as the net increase / (decrease) in cash held is negative. This indicates that the municipality's cash position is weakening.
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 700	1 308	76.9%	392	Reasons for under-spending by R392 000 or 23.1 percent were not provided by the municipality. This is despite the indication in the report for the audit committee meeting in June 2018 that the municipality has received all due tranches on FMG to the total amount of R1.7 million. 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 2017/18 financial year.
Expanded Public Works Programme Integrated Grant	1 505	2 097	139.3%	(592)	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 2017/18 financial year.
Municipal Infrastructure Grant	35 440	31 266	88.2%	4 174	Similar to above, reasons for the under-spending on MIG 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 updated figures for the 2017/18 financial year.

Table 4.6 (o) Trade and other receivables, Trade and other payables and Key ratios - Abaqulusi Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	81 760		
Debtors as at 30 June 2018	159 953		The municipality reported R159.9 million for Debtors as at 30 June 2018 which reflects an increase of R78.2 million or 95.6 percent from the 2016/17 financial year. This is attributed to the culture of non-payment within the municipal area. The municipality has cited the drought in the municipal area as an impediment to the smooth collection of debt. 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	19 317	12.1%	
31-60 days	5 922	3.7%	
61-90 days	4 962	3.1%	
>90 days	129 751	81.1%	The majority of the municipality's debtors are in the Over 90 days category which indicates that the municipality is struggling to collect long overdue debts which impacts negatively on the cash flow. The municipality indicated that they are in the process to review their debts to ascertain whether these debts are indeed collectable.
Total by age analysis	159 953	100.0%	
<u>By customer group</u>			
Organs of state	6 714	4.2%	Of the total of R159.9 million owed to the municipality, R6.7 million or 4.2 percent is owed 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.
Commercial	41 340	25.8%	The second largest group of customers owing the municipality are businesses. 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	102 719	64.2%	A significant portion (R102.7 million or 64.2 percent) of debt owed to the municipality is owed by Households and a large portion of this debt is outstanding for more than 90 days. The Abaqulusi Local 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	9 180	5.7%	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	159 953	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	28 249	100.0%	As per the submitted Section 71 report, the municipality has only reflected the Creditors amount within the 30 days category only. However, based on the Creditors history of the municipality, the debt of the municipality has been longer than 30 days whereby the municipality has entered into a payment arrangement with some of their Creditors such as Eskom. It should therefore be indicated that the municipality is in contravention of Section 65(2)(e) of the MFMA which requires that the creditors be paid within 30 days after receiving the invoice. It is expected that the correct Creditors amount will be reflected in the AFS.
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	28 249	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	15.6%	Employee related costs contribute 15.6 percent towards Total operating expenditure. This is below the National Treasury norm of between 25 and 40 percent. This is due to the fact that not all expenditure incurred was reported correctly in the Section 71. The municipality indicated that this is expected to change when all the year end journal entries are processed.
Contracted services as a % of Total operating expenditure	2% - 5%	7.8%	This is not in line with the National Treasury norm. The norm as per MFMA Circular No. 71 is between 2 and 5 percent. The ratio in excess of the norm could indicate that many functions are being outsourced to Consultants or that Contracted services are not being effectively used. However, this is expected to change when all the year-end journal entries are processed as the information submitted by the municipality in the Section 71 is incorrect.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	95.9%	Given the current financial constraints of the municipality compounded by inaccurate reporting, the result of 95.9 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	-	-	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	3.7%	Incorrect reporting by the municipality lead to the distorted result for this ratio which is expected to change when all errors and final journal entries are captured. The AFS will reflect the correct figures. The municipality resubmitted some of their Monthly returns to correct some of the errors that were identified in the Section 71 quarterly verifications.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-17.5%	Incorrect reporting by the municipality lead to the distorted result for this ratio which is negative 17.5 percent. This is expected to change when all errors and final journal entries are captured. The AFS will reflect correct figures. This is despite the fact that the municipality resubmitted some of their Monthly returns to correct errors that were identified in the Section 71 quarterly verifications.

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	21 858	21 858	21 417	98.0	
Service Charges ¹	1 904	1 904	1 823	95.8	
Transfers recognised - operational	145 808	131 847	151 433	114.9	Inaccurate reporting of information by the municipality lead to the variance of 14.9 percent above the expected amount recognised on 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 2017/18 Annual Financial Statements (AFS) will reflect the correct figures.
Other sources of Revenue ²	8 392	6 155	5 597	90.9	The municipality generated R5.6 million or 90.9 percent of their Adjustments Budget of R6.2 million for the 2017/18 financial year. Amongst the sub-items which generated lower revenue than their budget are Other own revenue which generated R619 000 (35.4 percent) against the Budget of R1.7 million and Interest on outstanding debtors generated R329 000 (27.4 percent) against the Adjusted Budget of R1.2 million.
Total Operating Revenue	177 963	161 765	180 270	111.4	
Operating Expenditure					
Employee related costs	57 126	77 698	93 976	121.0	The municipality incurred R94 million or 121 percent on Employee related costs against an Adjusted Budget of R77.7 million which has resulted in over-spending of R16.3 million or 21 percent. The municipality stated that the over-expenditure related to critical posts that had to be filled in the financial year.
Remuneration of councillors	13 852	13 852	13 815	99.7	
Debt impairment	1 000	1 000	-	-	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. This is despite numerous recommendations by Provincial Treasury that the municipality should account for Debt impairment on a monthly basis as norm for good practise in order to reflect correct expenditure amount.
Depreciation and asset impairment	4 023	4 023	50	1.2	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. This is despite numerous recommendations by Provincial Treasury that the municipality should account for Depreciation and asset impairment on a monthly basis in order to reflect correct expenditure amount.
Bulk purchases	-	-	-	-	
Contracted services	21 737	16 080	23 698	147.4	The municipality has incurred R23.7 million or 147.4 percent on Contracted services against an Adjustments Budget of R16.1 million resulting in over-expenditure of R7.6 million or 47.4 percent. The municipality indicated that the reflection of higher expenditure amount than the budget amount was due to the misallocation of expenditure which was included under Contracted services instead of Other materials. The municipality has underlook to rectify the information in the AFS.
Other expenditure items ³	59 513	43 781	27 458	62.7	The municipality reported spending of 62.7 percent for Other expenditure items for the entire financial year. However, the municipality indicated that this is expected to change when all the year-end transactions are populated as all expenditure had not been recorded at the time of reporting for the Section 71.
Total Operating Expenditure	157 252	156 434	158 996	101.6	
Operating surplus/(deficit)	20 711	5 331	21 274		

Source: NT Igdalabase

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 material, 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	58 378	58 378	54 852	94.0	The municipality indicated to Provincial Treasury that the correct funding position of Capital expenditure from Transfers recognised-capital is expected to change when all the year-end journal entries have been accounted for. One of the reasons stated by the municipality for this variance was that expenditure incurred in June 2018 was paid in July 2018 meaning the funding for June 2018 expenditure only appeared in July 2018 after the Section 71 reporting for quarter 4 had been closed. The correct amount on Transfers recognised-capital is expected to be reflected once the journal entries for year-end are finalised.
Public contributions and donations	-	-	-	-	
Borrowing	-	2 950	-	-	The municipality did not report any funding from the Borrowings for the 2017/18 financial year despite the budgeted amount. However, the municipality indicated that they were planning to buy vehicles through Borrowings, however, there were delays in the Supply Chain Management (SCM) processes and no vehicles were purchased during the 2017/18 financial year.
Internally generated funds	5 711	2 381	2 028	85.2	
Total Capital Revenue	64 089	63 709	56 880	89.3	
Capital Expenditure					
Governance and Administration	1 460	3 414	1 549	45.4	Low expenditure noted under Governance and administration is as a result of under-spending on the following sub-functions: Executive & council (budget of R1.3 million but expenditure only 0.6 percent) and Corporate service (budget of R2 million but expenditure only 28.1 percent). Budget and treasury budgeted for R120 000 and reflect excessive over-expenditure of R862 000 (718.1 percent). The municipality did not provide reasons for under-spending on Governance and administration. The municipality has undertaken to reflect the correct amounts in the finalisation of AFS.
Community and Public Safety	2 884	75	479	638.8	The municipality reported R479 000 or 638.8 percent against the Adjusted Budget of R75 000 for Community and public safety. The municipality attributed the significant over-spending to errors and misstatements in the figures reported in the Section 71 reports for the year ended 30 June 2018 which will be corrected during the finalisation of 2017/18 AFS.
Eco. & Environmental Services	59 453	60 220	54 852	91.1	
Trading Services	292	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	64 089	63 709	56 880	89.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	2 500	3 678	3 643		
Cash/cash equiv. at the year end:	515	6 492	2 002		
Net Increase/(Decrease) in cash held	(1 985)	2 814	(1 642)		The negative amount on this line item suggest that the cash reserves of the municipality are being depleted thereby weakening the cash position of the municipality. However, due to inaccurate reporting in the entire Section 71 report by the municipality, the correct amount of Cash held could not be ascertained. The municipality has undertaken to rectify the amount in the AFS.
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 896	99.8%	4	
Expanded Public Works Programme	1 039	1 037	99.8%	2	
Municipal Infrastructure Grant	43 378	43 378	100.0%	(0)	

Table 4.6 (r) Trade and other receivables, Trade and other payables and Key ratios - Nongoma Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	26 564		
Debtors as at 30 June 2018	41 020		An increase of R14.5 million was noted in Debtors from the 2016/17 financial year to the 2017/18 financial year. It appears that an initiative by the municipality in the 2017/18 financial year to appoint a debt collector to assist in the collection of outstanding debt did not yield any positive results.
By age analysis			
0-30 days	441	1.1%	
31-60 days	195	0.5%	
61-90 days	807	2.0%	
>90 days	39 577	96.5%	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 and which impacts negatively on cash flow. The municipality needs to urgently implement and enforce their debt collection and credit control policies.
Total by age analysis	41 020	100.0%	
By customer group			
Organs of state	22 442	54.7%	The largest group of customers owing the municipality are the Organs of state. Of the total of R41 million owed to the municipality, R22.4 million or 54.7 percent is owed by the Organs of state. 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	19 879	48.5%	Commercial customers owe the municipality R19.9 million as at the end of the 2017/18 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	9 823	23.9%	R9.8 million or 23.9 percent of debt owed to the municipality is owed by Households and a large portion of this debt is outstanding for more than 90 days. The municipality is a rural municipality 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	(11 124)	-	
Total by customer group	41 020	100.0%	
Creditors			
By age analysis			
0-30 days	3 478	98.8%	
31-60 days	71	2.0%	
61-90 days	-	-	
>90 days	(29)	-	
Total by age analysis	3 520	100.0%	The municipality has been unable to pay their creditors within 30 days of receipt of invoice as required by section 65(2)(e) of the MFMA and no reasons were provided by the municipality for the non-compliance with Section 65(2)(e) of the MFMA.
Key Ratios			
	Norm/	% Actual	
Expenditure management			
Remuneration as a % of Total operating expenditure	25% - 40%	67.8%	Employee related costs contribute 67.8 percent towards Total operating expenditure. This is above the National Treasury norm of between 25 and 40 percent. The ratio above the norm could indicate inefficiencies, over-staffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure. However, this ratio is expected to change once all the year-end transactions are processed and the AFS will reflect the correct information.
Contracted services as a % of Total operating expenditure	2% - 5%	14.9%	This is not in line with the National Treasury norm. The norm as per MFMA Circular No. 71 is between 2 and 5 percent. The ratio in excess of the norm could indicate that many functions are being outsourced to Consultants or that Contracted services are not being effectively used. However, this ratio is expected to change once all the year-end transactions are processed and the AFS will reflect the correct information.
Grant dependency			
Own sources of revenue to total operating revenue	-	16.0%	This 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	-	3.6%	The ratio of 3.6 percent which is low and shows that the municipality's capital projects are funded mainly from National and Provincial Government transfers.
Asset Management			
Capital Expenditure to Total expenditure	10% - 20%	26.3%	The ratio above 20 percent suggest that the municipality has committed to improving their infrastructure in order to improve service delivery, hence the high capital expenditure rate.
Efficiency			
Net operating surplus margin	= or > 0%	11.8%	

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	74 310	74 310	58 799	79.1	As at the end of June 2018, the municipality generated an amount of R58.8 million for Property rates against the Adjustments Budget amount of R74.3 million. The municipality under-performed by an amount of R15.5 million or 20.9 percent. The municipality performed a data cleansing exercise and it appeared that there were duplicate consumer accounts which had no movements and a decision was taken at the council meeting to write of indigent customers as reflected on the Indigent register. It therefore appears that Property rates was inflated with revenue that was not eligible for billing.
Service Charges ¹	93 446	93 445	72 621	77.7	Service charges comprises of Service charges - electricity, Service charges - refuse and Service charges - other. The municipality budgeted to generate an amount of R84.4 million under Service charges - electricity however an amount of R25.8 million was generated which is below the projected baseline. The municipality attributed under-generation of electricity revenue to challenges which includes meters that have been by-passed by the electricity consumers and further alluded that all faulty and by-passed meters will be changed and programmed with new codes which will determine customers that are not purchasing electricity. Furthermore, the municipality indicated a data cleansing exercise will also be undertaken in order to determine indigent customers. It therefore appears that the municipality over-estimated revenue generation for Service charges - electricity.
Transfers recognised - operational	139 744	138 379	133 961	96.8	The following are the reasons for under-generation for Other sources of Revenue line items: Rental of facilities and equipment (80 percent): The municipality attributed under-generation of revenue to renovations of the main stadium which took longer than anticipated which resulted in lesser utilisation of the facilities; Under Licences and permits (6.7 percent): There were less applications for licences and permits in the 2017/18 financial year; and Other revenue (56.1 percent): The municipality attributed the under-generation to over - budgeting for this item.
Other sources of Revenue ²	13 367	15 574	14 342	92.1	
Total Operating Revenue	320 866	321 708	279 723	86.9	
Operating Expenditure					
Employee related costs	130 728	132 928	110 829	83.4	The municipality budgeted to incur an amount of R132.9 million under Employee related costs however, an amount of R110.8 million was incurred. As at the end of month 12 and during the Section 71 reporting, the municipality experienced financial system challenges which resulted in the under-performance reported in the Section 71. Therefore, the amount of R110.8 million is not a true reflection of the Employee related costs as at year end. The unaudited actual is expected to increase in the 2017/18 Annual Financial Statements (AFS) however, an under-performance will still be expected as the budget appears to be overstated.
Remuneration of councillors	15 850	16 837	13 336	79.2	The municipality budgeted to incur an amount of R16.8 million however, as at the end of June 2018, an amount of R13.3 million was incurred. The municipality indicated that the amount reported in the Section 71 in respect of month 12 is not the final figure. During the Section 71 reporting, the municipality experienced financial system challenges. The municipality indicated that the updated amount will be reflected in the 2017/18 AFS however, an under-performance will still be expected as the budget appears to be overstated.
Debt impairment	-	-	-	-	
Depreciation and asset impairment	41 000	47 893	36 329	75.9	The municipality anticipated an amount of R47.9 million for Depreciation and asset impairment in the 2017/18 Adjustments Budget. The municipality had anticipated that some of the projects will be completed during the 2017/18 financial year and transferred to Property, plant and equipment. However, these projects were completed towards year end. Depreciation and asset impairment will be correctly reflected in the 2017/18 AFS.
Bulk purchases	70 000	70 000	58 911	84.2	The municipality incurred an amount of R58.9 million which resulted in 84.2 percent performance for Bulk purchases. During the Section 71 reporting, the municipality experienced financial system challenges. The correct amount of expenditure incurred as at the end of June 2018 will be correctly reflected in the AFS. As at Mid-year, the municipality reported spending of 43 percent and further indicated that this item will be adjusted during the Adjustments Budget period, however, the municipality did not adjust this item accordingly. It is therefore evident that the municipality might have over-budgeted for this item.
Contracted services	18 564	69 965	37 469	53.6	As at the end of June 2018, the municipality incurred the expenditure amount of R37.5 million against the Adjustments Budget amount of R70 million. The municipality attributed under-performance to the implementation of cost of containment measures.
Other expenditure items ³	15 712	51 220	31 691	61.9	The municipality budgeted to incur an amount of R51.2 million in the Adjustments Budget. However, as at the end of June 2018, the municipality incurred an amount of R31.7 million. The municipality indicated that due to financial challenges faced by the municipality, a decision was taken to reduce non priority expenditure.
Total Operating Expenditure	291 854	388 843	288 565	74.2	
Operating surplus/(deficit)	29 012	(67 135)	(8 842)		

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 material, 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	57 570	57 388	37 734	65.8	As at the end of June 2018, the municipality recognised an amount of R37.7 million against Transfers recognised - capital amount of R57.4 million. The municipality has indicated that all capital transfers are fully spent. Therefore, there appears to be an error in reporting. The correct amount will be reflected in the AFS. In the Section 71 reporting, there appeared to be a material misstatement of the figures reported. In month 3, the municipality did not report any Capital spending with the corresponding Transfers recognised - capital and for Month 07 and Month 08, the municipality reported similar figures. The municipality has confirmed that all Capital transfers have been fully recognised as at the end of June 2018.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	-	-	-	
Total Capital Revenue	57 570	57 388	37 734	65.8	
Capital Expenditure					
Governance and Administration	-	19 280	-	-	In the Adjustments Budget, the municipality budgeted to incur capital spending amount of R19.3 million. However, as at the end of June 2018, the municipality did not report any capital spending against this function. In the Approved budget, the municipality did not reflect any anticipated capital spending under this function. In the Adjustments Budget, the municipality processed an amount of R19.3 million. There appears to an error in reporting and a misallocation of actual capital expenditure incurred as a portion of capital spending has been incorrectly reported under Community and public safety in the Section 71 report. The correct amount will be reflected in AFS.
Community and Public Safety	19 462	-	3 430	-	The municipality did not indicate an adjusted estimate in the Adjusted budget column and as at the end of June 2018 and reported an unaudited actual amount of R3.4 million. The municipality has attributed the expenditure to incorrect classification in the Section 71 report. The error will be rectified in the AFS.
Eco. & Environmental Services	12 108	12 108	14 794	122.2	Under Economic and Environmental services, the municipality has budgeted to incur an amount of R12.1 million. The capital spending reported exceeded the budget by R2.7 million or 22.2 percent. The municipality cited a misallocation as a reason for the over-performance.
Trading Services	26 000	26 000	19 510	75.0	As at the end of June 2018, the municipality reported Capital expenditure of R19.5 million or 75 percent, indicating under-spending of 25 percent. The municipality did not fully substantiate the under-spending on this vote. Overall, there appears to be a culture of incorrect reporting by the municipality. During the Section 71 reporting, the municipality experienced a financial system error. The errors noted during the Section 71 report were not rectified in their submissions to the database. The municipality has indicated that the correct figure will be reflected in the AFS.
Other	-	-	-	-	
Total Capital Expenditure	57 570	57 388	37 734	65.8	Overall the municipality has reported under-performance on Capital expenditure. The reasons provided by the municipality raises a concern over the credibility of the overall reporting.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	2 378	-	-		In the Cash flow Adjustments Budget return, the municipality did not reflect Cash and cash equivalents at the beginning. Furthermore, the Cash flow actual for Month 12 was not submitted to the database.
Cash/cash equiv. at the year end:	15 239	(12 747)	154 428		As a result of failure to submit the Cash flow for Month 12, the amount of R154.4 unaudited actual appears to be questionable. Furthermore, the municipality did not submit the bank reconciliation and the bank statement to verify the accuracy of the figure reported. The figure reported may change if the errors noted are rectified.
Net Increase/(Decrease) in cash held	12 861	(12 747)	154 428		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 800	2 653	147.4%	(853)	An amount of R1.8 million was allocated to the municipality and the municipality reported unaudited expenditure of R2.7 million. The amount reported exceeds the gazetted amount as per the Division of Revenue Act. The municipality indicated that there was an error in reporting which will be rectified in the AFS.
Expanded Public Works Programme Integrated Grant	2 995	3 440	114.9%	(445)	As per the Division of Revenue Act, an amount of R3 million has been allocated to the Ulundi Local Municipality. However, an unaudited actual amount of R3.4 million was reported. The municipality indicated that there was an error in reporting which will be rectified in the AFS.
Municipal Infrastructure Grant	31 388	31 440	100.2%	(52)	

Table 4.6 (u) Trade and other receivables, Trade and other payables and Key ratios - Ulundi Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	101 888		
Debtors as at 30 June 2018	-		The municipality experienced challenges in submitting the Month 12 Debtors return. The database was unable to successfully upload the return due to errors contained in the return. Considering the amount of Debtors reported as at the end of June 2017, it is evident that the municipality has experienced challenges in Debt collection. The inability to collect Debtors has a negative effect on the municipality's cash flow position. However, the council resolved in the sitting dated 24 May 2018 that the municipality must undertake a data cleansing exercise with a view to determine the correct balance of the Debtors account.
<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			
<u>By age analysis</u>			
0-30 days	1 084	1.2%	
31-60 days	(518)	-	
61-90 days	-	-	
>90 days	88 110	99.4%	
Total by age analysis	88 676	100.0%	The municipality owes Creditors amounting to R88.7 million of which 99.4 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. Taking into account the payment arrangement signed by the Ulundi Local Municipality and Eskom, the amount of Creditors outstanding is expected to decrease. However, it appears that the municipality is not adhering to payment arrangement as agreed upon.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	43.0%	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 43 percent. The ratio is distorted as the Employee related costs is understated and Total operating expenditure is incorrect.
Contracted services as a % of Total operating expenditure	2% - 5%	13.0%	As per MFMA Circular No. 71, Contracted services as a percentage of Total operating expenditure measures the extent to which the municipality resources are committed towards Contracted services to perform municipal related functions. As at the end of June 2018, the municipality reported percentage that is above the norm as per MFMA Circular No. 71. The excessive ratio could be an indication that many functions are being outsourced or that the Contracted services are not being effectively utilised.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	52.1%	
Own funded capital expenditure	-	-	The municipality did not finance Capital expenditure utilising Own funds. This could be an indication that the municipality is not self sufficient and mostly relies on grants to fund capital spending.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	11.6%	As at the end of June 2018, the municipality indicated ratio of 11.6 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.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-3.2%	The municipality has reported a Net operating surplus margin of negative 3.2 percent. This implies that the municipality is operating at a deficit and measures must be implemented to address the situation to ensure sustainable service delivery. The negative ratio is attributable to Operating deficit of R8.8 million reported by the municipality.

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	23 541	28 541	26 683	93.5	Included in Service charges are the Service charges - sanitation revenue and Service charges - water revenue. As at the end of June 2018, the municipality generated an amount of R18.8 million for Service charges - water revenue against the Adjustments budget amount of R20.7 million. This resulted in the actual revenue generated of 91.1 percent. The municipality has indicated that the billing is based on consumption, therefore, the revenue generated is based on actual billed revenue. It therefore appears that the municipality has over-budgeted for Service charges - water in the Adjustments Budget.
Transfers recognised - operational	391 492	391 492	391 792	100.1	
Other sources of Revenue ²	138 894	8 148	10 151	124.6	Other sources of Revenue comprises of Rental of facilities and equipments, Interest earned - external investments, Interest earned - outstanding debtors, Fines, penalties and forfeits and Other own revenue. As at the end of June 2018 the municipality has over-generated by an amount of R2 million or 24.6 percent under Other sources of Revenue on the following items: Rental of facilities and equipments over-generated by R32 000 (28.6 percent), due to recovery of rent income from the previous financial years; Interest earned - external investments over-generated by R1 million (15.3 percent), due to an increase in interest rates and cash flow management improvements; Interest earned - outstanding debtors over-generated by R16 362 (19.2 percent), due to businesses not settling their accounts in time; and Other own revenue over generated by R912 268. Under Fines, penalties and forfeits, the municipality has reported an amount of R25 000 while there was no related Adjustments Budget amount. The municipality has indicated that some of the figures are expected to change due to year end transactions that will be processed in the Annual Financial Statements (AFS).
Total Operating Revenue	553 927	428 181	428 626	100.1	
Operating Expenditure					
Employee related costs	171 638	171 606	182 490	106.3	As at the end of June 2018, the municipality incurred an amount of R182.5 million against the Adjusted budget amount of R171.6 million thereby over-spending by R10.9 million or 6.3 percent. The municipality attributed the over-spending on Employee related costs to transactions relating to travel claims and leave redemption that were incorrectly allocated under Employee related costs. The municipality undertook to rectify the reported over-spending in the AFS.
Remuneration of councillors	7 416	8 416	11 805	140.3	Over-spending by R3.4 million or 40.3 percent under Remuneration of councillors was noted at the end of June 2018. Similarly with the Employee related costs, the municipality attributed over-spending on Remuneration of councillors to travel claims that were incorrectly allocated under Remuneration of councillors. The municipality also indicated that this will be rectified in the process of 2017/18 AFS.
Debt impairment	3 637	3 637	-	-	The municipality budgeted for an amount of R3.6 million under Debt impairment however, as at the end of June 2018, the municipality did not account for Debt impairment. This is despite the recommendation by Provincial Treasury that the Debt impairment expenditure amount be accounted for on a monthly basis as a norm for good practice. The municipality has indicated that this item will be taken into account in the AFS.
Depreciation and asset impairment	75 445	75 445	56 165	74.4	As at the end of June 2018, the municipality accounted for a Depreciation and asset impairment amount of R56.2 million. The amount reported is below the expected spending level as at the end of June 2018. The municipality indicated that the final Depreciation and asset impairment amount will be disclosed in the AFS.
Bulk purchases	79 307	88 507	91 972	103.9	As at the end of June 2018, the municipality incurred an amount of R92 million against the Adjustments Budget amount of R88.5 million. The expenditure incurred is slightly above the projected baseline as at the end of the year. The municipality stated that the short fall in the Adjusted budget was covered by virements from savings identified within the Adjustments Budget which will be disclosed in the 2017/18 AFS.
Contracted services	112 626	130 414	109 919	84.3	The municipality incurred expenditure of R109.9 million against the budgeted amount of R130.4 million thereby under-spending by R20.5 million or 15.7 percent. The municipality indicated that at the time of submission of Section 71 report, the correct record for the actual amount spent on Contracted services was not finalised, hence the reflection of lower amount than the total budget estimate. The municipality indicated that this item will be adjusted accordingly in the AFS.
Other expenditure items ³	87 835	121 935	96 847	79.4	As at the end of June 2018, the municipality incurred R96.8 million from an amount of R121.9 million reflected in the Adjustments Budget resulting on the under-spending of R25.1 million or 20.6 percent. However, it should be noted that the sum of Other expenditure items does not correspond to the Adjustments Budget reported in B Schedule, clearly indicating that the expenditure amount reported by the municipality is not accurate. The municipality indicated that this item has been fully spent and it will be correctly reflected in the AFS.
Total Operating Expenditure	537 905	599 960	549 198	91.5	
Operating surplus/(deficit)	16 022	(171 780)	(120 572)		

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 material, 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	449 830	443 208	342 753	77.3	The municipality recognised an amount of R342.8 million or 77.3 percent against the budgeted Transfers recognised - capital amount of R443.2 million resulting in the unrecognised portion of R100.5 million or 22.7 percent. Despite the recognition of a lower amount than the budget amount, the municipality has indicated that a portion of the Municipal Infrastructure Grant (MIG) should have been allocated under the statement of Operating revenue in the Adjustments Budget. It was indicated by the municipality that the error was noted and it will be rectified in the AFS.
Public contributions and donations	–	–	–	–	
Borrowing	–	–	–	–	
Internally generated funds	16 022	16 202	4 985	30.8	The municipality budgeted to utilise an amount of R16.2 million to finance capital spending with Internally generated funds. However, as at the end of June 2018, the municipality has utilised only 30.8 percent. It is therefore evident that the municipality has not been able to raise adequate revenue to finance capital spending with Internally generated funds.
Total Capital Revenue	465 852	459 410	347 738	75.7	
Capital Expenditure					
Governance and Administration	8 820	454 921	4 255	0.9	As at the end of June 2018, the municipality has budgeted to incur Capital expenditure amounting to R454.9 million under Governance and administration. The municipality indicated that there has been a misallocation of Capital expenditure that resulted from the mSCOA classification. Some of the Capital expenditure that has been allocated under Governance and administration was incorrectly reflected under Trading services. The misallocation will be rectified in the AFS.
Community and Public Safety	252	230	167	72.5	The municipality incurred Capital expenditure amounting to R167 000 or 72.5 percent against the Adjustments Budget amount of R230 000. The municipality indicated that the capital projects that were budgeted under Community and public safety were not implemented due to financial constraints. It therefore appears that the municipality had over-estimated capital spending under this function.
Eco. & Environmental Services	2 409	2 359	1 710	72.5	The municipality budgeted to incur Capital expenditure amounting to R2.4 million under Economic and environmental services. The capital spending reported in Section 71 is below the projected baseline by R649 000 or 27.5 percent as at the end of June 2018. The municipality indicated that the under-performance reflected has resulted from accruals that have not been taken into account during the submission of the Section 71 reports. The correct spending has been taken into account in the AFS.
Trading Services	454 371	1 900	341 607	17 979.3	As at the end of June 2018, the municipality reported Capital expenditure amounting to R341.6 million thereby significantly exceeding the Adjustments Budget estimate. The municipality indicated that this is an error due to a misallocation which has distorted the unaudited actual amount. The municipality indicated that during the mSCOA classification process, a portion of capital spending that was initially budgeted under Governance and administration was erroneously allocated under Trading services. The correct spending has been taken into account in the AFS.
Other	–	–	–	–	
Total Capital Expenditure	465 852	459 410	347 738	75.7	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	(33 432)	7 436	7 436		
Cash/cash equiv. at the year end:	5 398	761	(126 303)		As at the end of June 2018, the municipality's Cash and cash equivalents at year end has resulted in a deficit of R126.3 million. The municipality did not submit the Bank statement and the Bank reconciliation to verify accuracy of the figure reported. However, the Cash and cash equivalents at year end may not be a true reflection of the municipality's Cash and cash equivalents considering that the municipality did not reflect the opening balance for Cash and cash equivalents in the Cash flow statement. Therefore, the closing balance appears to be distorted.
Net Increase/(Decrease) in cash held	38 830	(6 675)	(133 740)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 250	1 245	99.6%	5	
Expanded Public Works Programme	5 760	5 760	100.0%	–	
Municipal Infrastructure Grant	229 725	229 725	100.0%	–	

Table 4.6 (x) Trade and other receivables, Trade and other payables and Key ratios - Zululand District Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	80 906		
Debtors as at 30 June 2018	94 743		As at the end of June 2018, the municipality has recorded Debtors amounting to R94.7 million. The reported Debtors increased by R13.8 million or 17.1 percent as compared to the 2016/17 financial year. The municipality did not substantiate the growth in the Debtors balance noted.
<u>By age analysis</u>			
0-30 days	3 851	4.1%	
31-60 days	2 767	2.9%	
61-90 days	1 635	1.7%	
>90 days	86 490	91.3%	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	94 743	100.0%	
<u>By customer group</u>			
Organs of state	9 766	10.3%	
Commercial	3 341	3.5%	
Households	81 159	85.7%	A vast amount of outstanding Debtors is reflected under the Households customer group. This is an indication that the municipality is struggling to collect from this customer group. 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	478	0.5%	
Total by customer group	94 743	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	2 470	100.0%	As at the end of June 2018, the municipality has reported Creditors of R2.5 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 2016/17 AFS Creditors balance was R112.8 million which was carried over into 2017/18 financial year.
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	2 470	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	35.4%	As at the end of June 2018, the municipality has reported Remuneration as a percentage of Total operating expenditure that is within the norm. However, the percentage reflected may not be a true reflection of the municipality's percent due to excessive spending reported on Remuneration of councillor and Employee related costs. The ratio may change when these items are rectified.
Contracted services as a % of Total operating expenditure	2% - 5%	20.0%	The Contracted services as a percentage of Total operating expenditure is above the norm as per MFMA Circular No. 71. This may suggest that the municipality is under capacitated or most of the services are being outsourced and it may suggest that contractors are at a higher level than the norm.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	8.6%	
Own funded capital expenditure	-	1.4%	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 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%	38.8%	The Capital expenditure to Total expenditure indicated a ratio of 38.8 percent. The ratio indicated is above the norm of 20 percent. A ratio of more than 20% 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.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-28.1%	The Net operating surplus margin indicated by the municipality is a negative 28.1 percent. This indicates that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery. This may also suggest that the municipality is not able to efficiently manage its operations.

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 km² (KZNCOGTA, 2017). The uMkhanyakude 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 Mtubatuba Local Municipalities only provide *Refuse removal* services.

The position of the Municipal Manager (MM) at the uMhlabuyalingana Local Municipality had been permanently filled until the MM resigned in July 2017. The MM position has since, been filled in an acting capacity from August 2017 whilst the Chief Financial Officer (CFO) position was permanently filled for the 2017/18 financial year. For the Mtubatuba Local Municipality, the MM was appointed on a permanent capacity for the 2017/18 financial year whilst the position of the CFO was filled in an acting capacity until permanently filled in October 2017. The Jozini Local Municipality had a permanent MM for the 2017/18 financial year and the CFO was acting on a six months rotational basis until the position was permanently filled on 01 June 2018. Similar to the Jozini Local Municipality, the Big Five Hlabisa Local Municipality had a permanent MM for the 2017/18 financial year whilst the position of the CFO was filled on an acting capacity (six months rotational basis) until it was permanently filled on 01 June 2018.

The intervention in terms of Section 139(1)(b) of the Constitution at the Umkhanyakude District Municipality was terminated on 31 October 2017, after being in place for the entire 2016/17 financial year. The position of the MM was filled on 01 August 2017 while a permanent CFO was appointed on 01 September 2017.

Similar to the 2015/16 financial year, the uMhlabuyalingana Local Municipality obtained a financially unqualified audit opinion with no findings for the 2016/17 financial year. In 2015/16, the Jozini and Mtubatuba Local Municipalities achieved unqualified audit opinions with findings which were maintained in the 2016/17 financial year while the uMkhanyakude District received and maintained an adverse audit opinion over the same period. Lastly, in their first full audited period, the Big Five Hlabisa Local Municipality achieved an unqualified audit opinion with findings.

4.7.1 Overview of uMkhanyakude District Performance

Table 4.7(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMhlabuyalingana	175 199	175 199	172 632	98.5
Jozini	197 321	196 444	175 654	89.4
Mtubatuba	202 799	201 284	209 362	104.0
Big Five Hlabisa	133 184	139 111	102 576	73.7
uMkhanyakude DM	398 456	368 573	370 229	100.4
Total	1 106 960	1 080 612	1 030 454	95.4

Source: NT Igdatabase

Table 4.7(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMhlabuyalingana	175 093	175 093	154 013	88.0
Jozini	198 405	209 874	177 892	84.8
Mtubatuba	192 404	199 933	207 515	103.8
Big Five Hlabisa	132 983	138 824	123 861	89.2
uMkhanyakude DM	398 456	413 073	318 270	77.0
Total	1 097 342	1 136 796	981 552	86.3

Source: NT Igdatabase

Table 4.7(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMhlabuyalingana	60 587	69 785	68 374	98.0
Jozini	64 176	64 229	35 399	55.1
Mtubatuba	55 870	58 545	46 530	79.5
Big Five Hlabisa	21 664	21 664	22 142	102.2
uMkhanyakude DM	257 965	293 966	293 652	99.9
Total	460 261	508 188	466 096	91.7

Source: NT Igdatabase

Table 4.7(d) Debtors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	372	0.8	904	1.9	822	1.8	44 835	95.5	46 933
Jozini	2 431	1.5	2 969	1.8	3 402	2.1	152 693	94.5	161 496
Mtubatuba	6 598	6.1	(69)	(0.1)	2 416	2.2	99 059	91.7	108 004
Big Five Hlabisa	624	1.8	440	1.3	602	1.8	32 375	95.1	34 040
uMkhanyakude DM	2 908	1.5	2 195	1.1	1 368	0.7	186 191	96.6	192 663
Total	12 933	2.4	6 439	1.2	8 610	1.6	515 153	94.8	543 135

Source: NT Igdatabase

Table 4.7(e) Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	29 399	62.6	17 513	37.3	-	-	21	0.0	46 933
Jozini	87 372	54.1	29 738	18.4	44 382	27.5	4	0.0	161 496
Mtubatuba	10 090	9.3	18 536	17.2	76 257	70.6	3 122	2.9	108 004
Big Five Hlabisa	3 539	10.4	12 922	38.0	17 573	51.6	6	0.0	34 040
uMkhanyakude DM	14 344	7.4	33 621	17.5	145 723	75.6	(1 025)	(0.5)	192 663
Total	144 743	26.6	112 329	20.7	283 936	52.3	2 127	0.4	543 135

Source: NT Igdatabase

Table 4.7(f) Creditors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	(1 558)	208.8	(1 014)	135.9	1 499	(200.9)	327	-43.9	(746)
Jozini	33	6.6	6	1.2	0	0.0	465	92.2	505
Mtubatuba	2 589	22.4	3 418	29.6	483	4.2	5 068	43.8	11 559
Big Five Hlabisa	621	19.5	2 121	66.7	(936)	(29.5)	1 373	43.2	3 179
uMkhanyakude DM	4 429	6.7	(106)	(0.2)	58	0.1	61 858	93.4	66 239
Total	6 115	7.6	4 426	5.5	1 103	1.4	69 091	85.6	80 735

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 submitting an updated Adjustments Budget Return (OSR), the figures reflected in the OSR were the same as figures in the Original Budget, thus, the Adjusted Budget amounts reflected in Table 4.7 (g) are incorrect. For the purposes of analysis, the reported amounts will be compared to the Approved Adjusted Budget reflected in the adopted B Schedule.
Property Rates	19 517	19 517	19 821	101.6	
Service Charges ¹	202	202	298	147.7	As per the explanation provided by the municipality, during the 2017/18 financial year, additional refuse collection agreements were entered into with businesses in April 2018 which were not budgeted for in the 2017/18 Adjustments Budget, hence the over-generation noted against Service charges revenue. These have been adequately budgeted for accordingly in the 2018/19 Budget.
Transfers recognised - operational	142 570	142 570	142 088	99.7	
Other sources of Revenue ²	12 911	12 911	10 425	80.7	The municipality generated R10.4 million or 101.3 percent against the 2017/18 Adjusted Budget of R10.3 million for Other sources of revenue.
Total Operating Revenue	175 199	175 199	172 632	98.5	
Operating Expenditure					
Employee related costs	58 376	58 376	57 893	99.2	
Remuneration of councillors	12 210	12 210	12 216	100.0	
Debt impairment	16 013	16 013	218	1.4	As at June 2018, poor performance was reported against Debt impairment (Adjusted Budget R9.1 million). The municipality indicated that they are in the process of calculating the expenditure relating to Debt impairment which would be included in the 2017/18 AFS.
Depreciation and asset impairment	23 239	23 239	16 638	71.6	When taking into account the correct Adjusted Budget amount of R19 million (as per the adopted B Schedule) for Depreciation and asset impairment, the municipality has incurred the expenditure of 87 percent as at June 2018. As per the explanation provided by the municipality, the reason for low provision for Depreciation is due to the fact that there were disposals of assets in 2017/18. Furthermore, not all of the completed capital projects were capitalised. The expense amount will be updated accordingly in the 2017/18 AFS.
Bulk purchases	-	-	-	-	
Contracted services	6 992	6 992	43 255	618.6	As at June 2018, the municipality incurred R43.3 million or 149 percent against the Adjusted Budget of R29 million (as per the adopted B Schedule) for Contracted services. The municipality indicated that this was due to the reallocation of expenditure from Other expenditure to Contracted services relating to a reclassification of expenditure as required by mSCOA. As per the municipality, the necessary virements will be performed prior to finalisation of the 2017/18 AFS.
Other expenditure items ³	58 263	58 263	23 793	40.8	Refer to comment above (Contracted services).
Total Operating Expenditure	175 093	175 093	154 013	88.0	
Operating surplus/(deficit)	106	106	18 619		The reported operating surplus of R18.6 million is not a true reflection of the municipality's operating performance for the 2017/18 financial year mainly due to the incomplete reporting of expenditure relating to 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 material, 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	60 481	63 397	63 057	99.5	
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	106	6 388	5 317	83.2	In the 2017/18 Adjustments Budget, the municipality increased the budget against Internally generated funds as a result of adjustments to existing projects and an additional project which was to be funded internally. As indicated below (Community and public safety), strike actions displayed by the community forums resulted in delays in the implementation of internally funded projects.
Total Capital Revenue	60 587	69 785	68 374	98.0	
Capital Expenditure					
Governance and Administration	300	300	368	122.7	The municipality indicated that donated assets by the Department of Arts and Culture which should have been recognised in the Statement of financial performance is the main contributor to the variance. However, this transaction will be corrected accordingly during the finalisation of the 2017/18 AFS, as per the municipality.
Community and Public Safety	27 087	29 867	27 944	93.6	Capital assets which were still under construction at the time of reporting have resulted in under-expenditure against Community and public safety. The main reason for the delays in completing capital projects before or by 30 June 2018 includes a strike caused by Amadelangokubona Forum members who disrupted the construction of the community halls and sports fields, resulting in delays. Furthermore, a contractor's appointment was terminated due to non-performance which also contributed to the delay.
Eco. & Environmental Services	8 200	11 702	11 361	97.1	
Trading Services	25 000	27 916	28 701	102.8	As per the explanation provided by the municipality, change in scope of work (Variations) have resulted in the municipality incurring expenditure slightly in excess of the budgeted amount. However, the municipality has performed the necessary virements from savings obtained from other projects and this will reflect correctly in the 2017/18 AFS.
Other	-	-	-	-	
Total Capital Expenditure	60 587	69 785	68 374	98.0	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	40 005	18 261	18 261		
Cash/cash equiv. at the year end:	68 415	26 945	34 266		Cash and cash equivalents comprising of cash and short-term investments amounted to R34.3 million at the end of the financial year which was higher than the municipality's projected balance of R26.9 million as per the 2017/18 Adjusted Budget. This suggests that the municipality was conservative in forecasting the 2017/18 closing balance. 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 represents the municipality's financial commitments as such needs to be cash-backed, for example, Unspent conditional grants and Retentions.
Net Increase/(Decrease) in cash held	28 410	8 684	16 005		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme Integrated Grant	4 165	4 165	100.0%	-	
Municipal Infrastructure Grant	35 481	35 481	100.0%	-	

Table 4.7 (i) Trade and other receivables, Trade and other payables and Key ratios - uMhlabuyalingana Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	45 089		
Debtors as at 30 June 2018	46 933		As per the municipality's Section 71 reports submitted to National Treasury, the Debtors increased from R45.1 million in 2016/17 to R46.9 million in 2017/18. However, the municipality indicated that the updated debtors balance amount is R43.5 million which would reflect a slight decrease in gross debtors.
By age analysis			
0-30 days	372	0.8%	
31-60 days	904	1.9%	
61-90 days	822	1.8%	
>90 days	44 835	95.5%	As per the municipality, debtors in the Over 90 days category are a combination of debtors who have unresolved issues relating to their Property rates accounts such as Ingonyama Trust Debtors, Rural Communal Land Debtors, National and Provincial Public Works Debtors, Department of Rural Development and Commercial Debtors. The municipality is engaging the different sectors with the aim of encouraging payment of debt, however, they have been able to successfully reach a settlement with Department of Rural Development, only.
Total by age analysis	46 933	100.0%	
By customer group			
Organs of state	29 399	62.6%	As indicated above (Over 90 days), there are ongoing engagements with the responsible departments with one being successfully concluded with the Department of Rural Development.
Commercial	17 513	37.3%	
Households	-	-	
Other	21	0.0%	
Total by customer group	46 933	100.0%	
Creditors			
By age analysis			
0-30 days	(1 558)	-	The negative creditors reflected in the 0-30 days and 30-60 days categories were as a result of incorrect allocations of suppliers' payment. However, these have been addressed in the preparation of the 2017/18 AFS.
31-60 days	(1 014)	-	
61-90 days	1 499	-	
>90 days	327	-	
Total by age analysis	(746)		As at the end of the financial year, the municipality reported Creditors outstanding for a period of more than 30 days which is in contravention with the MFMA Section 65(2)(e). The municipality should implement proper internal controls to ensure that all creditors are recorded accurately and paid on time.
Key Ratios			
	Norm/	% Actual	
Expenditure management			
Remuneration as a % of Total operating expenditure	25% - 40%	45.5%	The excessive ratio of 45.5 percent could be distorted due to the fact that Total operating expenditure is understated (due to the understatement of Debt impairment). Notwithstanding this, the municipality needs to implement measures to ensure that their Remuneration ratio is kept within reasonable 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 71.
Contracted services as a % of Total operating expenditure	2% - 5%	28.1%	Although this ratio may also be distorted (refer to the above explanation), a high ratio indicates that many functions are being outsourced or Contracted services are not being effectively utilised. Increases in this ratio could also expose the municipality to risks such as inability to build capacity and ongoing reliance on contractors.
Grant dependency			
Own sources of revenue to total operating revenue	-	17.7%	The low ratio of Own source of revenue to total operating revenue is an indication that the municipality is highly grant dependant.
Own funded capital expenditure	-	7.8%	Similar to above (Own sources of revenue to total operating revenue), the low ratio of Own funded capital expenditure is an indication that the municipality is highly grant dependant.
Asset Management			
Capital Expenditure to Total expenditure	10% - 20%	30.7%	The high ratio could be attributed to the understated total expenditure due to the low expenditure reported against Debt impairment as mentioned above.
Efficiency			
Net operating surplus margin	= or > 0%	10.8%	

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	25 552	28 348	27 586	97.3	
Service Charges ¹	2 988	4 160	3 812	91.7	According to the municipality, based on their financial system information (Revenue report), the municipality actually billed R4.1 million for Service charges -refuse, thus, the amount reported in the Section 71 report is understated.
Transfers recognised - operational	153 278	149 578	122 813	82.1	The Transfers recognised-operational amount of R149.6 million reflected in the Adjusted budget is understated in relation to the R157 million reflected in the Adopted B-Schedule Adjustment Budget, which are in accordance with the Adjusted Provincial Gazette No.1910 (dated 21 December 2017) and Adjusted DORA No. 41394 (dated 23 January 2018). Although the municipality was advised by Provincial Treasury not to exclude the amount relating to the withheld unspent grant from Transfers recognised-operational in the 2017/18 Adjustment budget assessment letter (dated 06 April 2018), the municipality still indicated that the under-generation against Transfers recognised-operational was due to an amount of R9.8 million which was off-set by National Treasury from equitable share for the 2016/17 Unspent conditional grants. Furthermore, errors in the Section 71 report submitted to National Treasury also contributed to the low revenue reported against Transfers recognised-operational. The municipality indicated that this would be corrected in the 2017/18 AFS.
Other sources of Revenue ²	15 503	14 359	21 444	149.3	The main contributor to the high revenue generated against Other sources of revenue was Interest earned-outstanding debtors which was significantly higher than the budget (R19.1 million generated compared to an Adjusted budget of R7.3 million). The municipality indicated that the high revenue from interest earned-outstanding debtors was due to the increase in long outstanding debtors, thus confirming Provincial Treasury's findings in the assessment of the Adjustments Budget, where it was indicated to the municipality that the Adjusted Budget for this revenue source was significantly understated.
Total Operating Revenue	197 321	196 444	175 654	89.4	
Operating Expenditure					
Employee related costs	54 028	54 926	69 932	127.3	The high expenditure against Employee related costs was due to the municipality having to hire more body guards for municipal councillors than budgeted for. The municipality also attributed the high expenditure against Employee related costs to the travel claims that were budgeted against other expenditure line items whilst the actual expenditure was reported against Employee related costs as well as the high overtime expenditure incurred during the financial year than what the municipality had anticipated. It is unclear as to whether the reasons provided by the municipality is sufficient to justify the R15 million over-expenditure in relation to the R54.9 million budget.
Remuneration of councillors	11 925	11 925	10 130	84.9	Based on the municipality's financial system information (Expenditure report), an amount of R12.6 million (106 percent against a budget of R11.9 million) was reported against Remuneration of councillors for the 2017/18 financial year. The high expenditure against Remuneration of councillors was due to councillors travel claims which were budgeted against other expenditure line items whilst the actual expenditure was reported against Remuneration of councillors.
Debt impairment	11 671	14 000	3 082	22.0	The municipality indicated that the low expenditure against Debt impairment was due to the Debt impairment calculation not being finalised at the time of the Section 71 reporting. The municipality confirmed that the final Debt impairment amount would be reflected in the 2017/18 AFS.
Depreciation and asset impairment	19 072	20 140	-	-	The Depreciation and asset impairment calculation was not finalised at the time of submitting the Section 71 report for Quarter 4. This is despite numerous requests by Provincial Treasury for the municipality to report at least on a quarterly basis for Depreciation.
Bulk purchases	-	-	-	-	
Contracted services	2 052	40 865	44 955	110.0	The municipality stated that certain expenses that were budgeted against Other expenditure had to be reported against Contracted services in order to be mSCOA compliant. This resulted in the over-expenditure in relation to the budgeted amount as well as contributed to the under-expenditure against Other expenditure items.
Other expenditure items ³	99 657	68 017	49 794	73.2	Refer to comment on Employee related costs, Remuneration of councillors and Contracted services above.
Total Operating Expenditure	198 405	209 874	177 892	84.8	
Operating surplus/(deficit)	(1 084)	(13 429)	(2 238)		The municipality's reported deficit of R2.2 million is not a true reflection of the municipality's operating performance for the 2017/18 financial year due to the understated amount for Transfers recognised-operational, Remuneration of councillors as well as the incomplete reporting of expenditure for Debt impairment and Depreciation and asset impairment expense, 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 material, 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	53 003	53 003	35 009	66.1	Although based on the municipality's grant register and Section 71 grant expenditure reporting, the municipality indicated that they have fully spent their 2017/18 allocated capital grants budgeted against Transfers recognised-capital, the municipality has recognised capital grants revenue of only R35 million (66.1 percent). The municipality indicated that the amount was incorrect and would be corrected in the 2017/18 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	11 173	11 226	390	3.5	The municipality indicated that the amount reported against Internally generated funds for the 2017/18 financial year is understated. Based on the municipality's financial system (Expenditure report), an amount of R2.7 million was recognised against Internally generated funds. The low revenue recognised in relation to the Adjusted Budget amount of R11.2 million was due to the postponement of certain Capital expenditure projects to the 2018/19 financial year due to cash flow constraints.
Total Capital Revenue	64 176	64 229	35 399	55.1	
Capital Expenditure					
Governance and Administration	7 815	7 868	223	2.8	The municipality indicated that capital projects against this function were budgeted to be funded from Internally generated funds. The low expenditure against the Governance and administration function was due to delays in Internally funded capital projects in an effort to preserve a favourable cash position for the municipality as mentioned above.
Community and Public Safety	400	400	133	33.4	
Eco. & Environmental Services	54 662	54 662	33 021	60.4	
Trading Services	1 298	1 298	2 022	155.8	The over-spending reported against Trading services, according to the municipality, is due to misallocated expenditure across the different functions.
Other	-	-	-	-	
Total Capital Expenditure	64 176	64 229	35 399	55.1	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	32 370	56 889	54 357		The municipality has understated the opening Cash and cash equivalents balance as the 2016/17 Audited AFS reflected a closing Cash and cash equivalents balance of R56.96 million.
Cash/cash equiv. at the year end:	17 100	52 787	14 307		Based on the bank reconciliation statements and the investment register submitted by the municipality as at the end of June 2018, the actual Closing cash and cash equivalents balance is R12.7 million. The municipality did not submit the Bank reconciliation statement for their ABSA main account for the end of June 2018, thus considering the understated opening Cash and cash equivalents balance as well as the outstanding ABSA Bank statement, the Closing cash and cash equivalents balance is understated.
Net Increase/(Decrease) in cash held	(15 270)	(4 102)	(40 050)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme Integrated Grant	3 156	3 156	100.0%	-	
Municipal Infrastructure Grant	38 003	38 003	100.0%	-	

Table 4.7 (I) Trade and other receivables, Trade and other payables and Key ratios - Jozini Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	132 737		
Debtors as at 30 June 2018	161 496		The municipality's debtors balance has increased from 2016/17 to 2017/18 by R28.8 million (21.7 percent).
<u>By age analysis</u>			
0-30 days	2 431	1.5%	
31-60 days	2 969	1.8%	
61-90 days	3 402	2.1%	
>90 days	152 693	94.5%	The majority of long-outstanding debt is due to indigent customers that will only be written off upon the finalisation of the indigent register as well as non-traceable debtors against whom the municipality is unable to issue out letters of demand. The municipality also indicated that debts related to the Ingonyama Trust Board are also included in the municipality's long outstanding debtors.
Total by age analysis	161 496	100.0%	
<u>By customer group</u>			
Organs of state	87 372	54.1%	The municipality indicated that the Department of National Public Works has delayed payments. The department indicated that they are dealing with each municipality. At the time of submitting the Section 71 report for the end of the 2017/18 financial year, the municipality had not received any payment from the Department of National Public Works. The Department of Land Affairs is also one of the departments that has not been paying their debt. The municipality stated that the debt owed by the Department of Land Affairs has been outstanding since 2015/16 and they have not received any response from the department on the statements issued to them by the municipality. Furthermore, the Organs of state also incorrectly includes a portion of the debt relating to the Ingonyama Trust Board.
Commercial	29 738	18.4%	
Households	44 382	27.5%	
Other	4	0.0%	The municipality indicated that Other debtors relate to outstanding amounts from the Ingonyama Trust Board which has been incorrectly reported against Organs of state as mentioned above.
Total by customer group	161 496	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	33	6.6%	
31-60 days	6	1.2%	
61-90 days	0	0.0%	
>90 days	465	92.2%	Creditors outstanding for more than 90 days constitutes the bulk of the municipality's Creditors balance which is a contravention of Section 65(2)(e) of the MFMA. As per the municipality, the Creditors balance outstanding for over 90 days relates to IT Siyaya and Chain Concept company's whose contracts were terminated due to a forensic investigation. Payments to these contractors have been put on hold pending the outcomes of the forensic investigation.
Total by age analysis	505	100.0%	The municipality indicated that although the majority of the Creditors balance is within the category of greater than 90 days, the closing Creditors balance should have been R16 million and not R505 000 as reflected in the Section 71 report. The municipality stated that this would be corrected in the 2017/18 AFS.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	45.0%	As noted in the discussion under Table 4.7 (j), the municipality has not finalised expenditure relating to the Debt impairment and Depreciation and asset impairment, thus the Total operating expenditure can be expected to increase after the inclusion of these amounts. The current ratio of 45 percent is therefore not a true reflection of the municipality's remuneration as a percentage of Total operating expenditure.
Contracted services as a % of Total operating expenditure	2% - 5%	25.3%	Refer to comment above regarding the understated Total operating expenditure which distorts the ratio.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	30.1%	
Own funded capital expenditure	-	1.1%	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	16.6%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-1.3%	The negative Net operating surplus margin is not a true reflection of the municipality's operating position since the municipality understated their Transfers recognised-operational revenue and has not finalised the expenditure for Debt impairment and Depreciation and asset impairment, amongst others.

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	38 099	38 099	30 633	80.4	The Revenue forgone accounted for by the municipality during the financial year was higher than what was budgeted for, hence the under-generation of revenue reflected against Property rates.
Service Charges ¹	7 776	7 776	23 152	297.7	According to the municipality, based on their financial system (Revenue report), Service charges- refuse which makes up the bulk of total Service charges amounted to R7.1 million, thus reflecting an under-performance of 9 percent in relation to the budget at the end of the 2017/18 financial year. The billing of St. Lucia residents being lower than what the municipality had anticipated in the budget also contributed to the under-generation against Service charges.
Transfers recognised - operational	140 480	140 480	145 879	103.8	The municipality indicated that the amount reported in the Section 71 report was overstated. The correct amount for Transfers recognised-operational should have been R140.5 million.
Other sources of Revenue ²	16 444	14 929	9 698	65.0	The municipality generated lower than budgeted revenue from Licences and permits, accounted for under Other sources of revenue, as the Traffic department's building has been under construction since the second quarter of the 2017/18 financial year. The municipality is also experiencing delays in receiving information from the traffic department, thus the actual revenue reported for Fines amounted to a mere 2.4 percent of the budgeted amount of R2.7 million. The municipality also indicated that system challenges were experienced during the first quarter of the financial year with the billing of Interest from outstanding debtors due to the implementation of mSCOA.
Total Operating Revenue	202 799	201 284	209 362	104.0	
Operating Expenditure					
Employee related costs	67 875	68 550	73 617	107.4	The municipality indicated that the high expenditure in relation to the Adjusted Budget for Employee related costs was due to the overtime work as well as the travel claims that were higher than anticipated.
Remuneration of councillors	12 923	14 350	17 705	123.4	The high expenditure for Remuneration of councillors in relation to the budget, according to the municipality, was due to back payments made to councillors in the 2017/18 financial year, relating to the 2016/17 financial year which was under-budgeted for.
Debt impairment	11 224	11 224	38	0.3	According to the municipality, the low expenditure against Debt impairment was due to the Debt impairment calculation not being finalised at the time of the Section 71 reporting. The municipality further indicated that a thorough review and impairment assessment is only performed for purposes of preparing the AFS at year end.
Depreciation and asset impairment	21 600	27 400	15 882	58.0	Based on the municipality's financial system (Expenditure report), Depreciation and asset impairment amounts to R28.9 million, thus the amount reflected in the Section 71 report is understated. The municipality indicated that the high expenditure against Depreciation and asset impairment in relation to the budget resulted from assets that were classified as Work-In-Progress (WIP) during the financial year being completed before the financial year end and not budgeted for in the Adjustment Budget.
Bulk purchases	-	-	1	-	The municipality indicated that the R1 000 reported against Bulk purchases in the Section 71 report is incorrect as the municipality does not provide water and electricity services. The municipality committed to correct this error in the 2017/18 AFS.
Contracted services	20 610	24 168	47 469	196.4	In order for the municipality to be mSCOA compliant, certain expenses which were not budgeted under Contracted services had to be reported against Contracted services. Furthermore, the municipality conceded that the budget for Repairs and maintenance, which also forms part of Contracted services, was understated as more repairs of roads, vehicle and equipment were undertaken.
Other expenditure items ³	58 172	54 240	52 804	97.4	
Total Operating Expenditure	192 404	199 933	207 515	103.8	
Operating surplus/(deficit)	10 395	1 352	1 847		

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 material, 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	47 832	57 915	45 879	79.2	The municipality indicated that they have fully spent their Capital grants allocation for the 2017/18 financial year budgeted against Transfers recognised- capital. The municipality confirmed that the Capital grants revenue of R45.9 million (79.2 percent) reflected in the Section 71 report was incorrect and would be corrected in the AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	8 038	630	651	103.4	
Total Capital Revenue	55 870	58 545	46 530	79.5	
Capital Expenditure					
Governance and Administration	700	2 000	536	26.8	The expenditure reflected in the Section 71 against the Governance and administration function is, according to the municipality, understated and should in fact be R1.7 million (85 percent) of the Adjusted Budget of R2 million. The municipality confirmed that certain assets which were budgeted against this function were not procured during the 2017/18 financial year as anticipated.
Community and Public Safety	800	440	-	-	The municipality had budgeted to purchase a bakkie, firearms for traffic officers as well as a vehicle for the fire department under the Community and public safety function. However, the related expenditure was not incurred during the 2017/18 financial year as part of the municipality's cash flow management measures.
Eco. & Environmental Services	53 570	56 105	45 890	81.8	The municipality indicated that the expenditure reflected against the Economic and environmental services function in the Section 71 report is understated as the municipality has fully spent the budget for this function in the 2017/18 financial year.
Trading Services	800	-	103	-	The expenditure reported against Trading services was misallocated. The amount should have been reflected against the Governance and administration function.
Other	-	-	-	-	
Total Capital Expenditure	55 870	58 545	46 530	79.5	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	8 396	7 575	7 575		
Cash/cash equiv. at the year end:	28 682	15 710	12 224		Based on the supporting documents submitted by the municipality (investment register and bank statements), the municipality closed the 2017/18 financial year with a Cash and cash equivalents balance of R12.1 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 and as such, needs to be cash-backed, for example, Unspent conditional grants, etc.
Net Increase/(Decrease) in cash held	20 286	8 134	4 648		
National Conditional Grant					
	Total Avail. 2016/17	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme	1 558	1 558	100.0%	-	
Municipal Infrastructure Grant	32 253	34 748	107.7%	(2 495)	The municipality indicated that they fully spent their MIG allocation (100 percent) for the 2017/18 financial year. However, the municipality incorrectly reported against this grant in the Section 71 grant report and which would be corrected in the 2017/18 AFS.

Table 4.7 (o) Trade and other receivables, Trade and other payables and Key ratios - Mtubatuba Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	98 090		
Debtors as at 30 June 2018	108 004		Debtors have increased by R9.9 million (10.1 percent) from the 2016/17 financial year to the 2017/18 financial year.
<u>By age analysis</u>			
0-30 days	6 598	6.1%	
31-60 days	(69)	-	The municipality indicated that Debtors with negative balances reflect Debtors who have paid their accounts in advance which will be reversed once the accounts are due.
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 balance. The municipality indicated that 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 also stated that the incorrect billing of indigent customers contributed to the increase in long-outstanding debtors, hence they are in the process of updating their indigent register.
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			
<u>By age analysis</u>			
0-30 days	2 589	22.4%	
31-60 days	3 418	29.6%	
61-90 days	483	4.2%	
>90 days	5 068	43.8%	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. Some creditors are still under investigation and payments are subject to the outcomes of the investigation. The said Creditors include SNT protection services and Camelsa CCG System.
Total by age analysis	11 559	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	44.0%	As noted in the discussion in Table 4.7 (m), the municipality has not finalised the calculations for Debt impairment and Depreciation and asset impairment, hence Total operating expenditure is understated. The current ratio of 44 percent is therefore not a true reflection of the municipality's remuneration as a percentage of Total operating expenditure.
Contracted services as a % of Total operating expenditure	2% - 5%	22.9%	As at result of the municipality requirement to be mSCOA compliant, certain expenditure items that were previously not treated as Contracted services had to be reported as such in the Section 71 report. This resulted in an increase in the ratio for Contracted services as a percentage of Total operating expenditure.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	30.3%	
Own funded capital expenditure	-	1.4%	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	18.3%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	0.9%	

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	14 428	16 894	17 207	101.9	
Service Charges ¹	1 962	2 176	1 817	83.5	As per the municipality, the Adjusted Budget of R2.2 million for Services charges refuse included revenue to be generated from sites that the municipality was expecting to sell during the 2017/18 financial year. The municipality confirmed that they had been incorrectly billing these sites for Service charges refuse although no property development had taken place on these sites. The municipality had to reverse the incorrect billings which resulted in a decrease in the actual revenue generated for Service charges-refuse.
Transfers recognised - operational	111 123	114 838	80 465	70.1	The municipality conceded that the amount reflected for Transfers recognised-operational in the Section 71 report at the time of submission of the Quarter 4 figures was incorrect. The correct amount is R114.8 million, as per the municipality's revenue report.
Other sources of Revenue ²	5 671	5 204	3 088	59.3	As per the municipality, the low revenue reported against Other sources of revenue was due to the fact that at the time of the submission of the Section 71 report, the municipality had not received the amount generated for Fines, penalties and forfeits from the Traffic department. The municipality also conceded that the Gains on disposal of sites (Adjusted Budget amount of R1.2 million) were not reported in the Section 71 report. The municipality will reflect the amount in the AFS.
Total Operating Revenue	133 184	139 111	102 576	73.7	
Operating Expenditure					
Employee related costs	59 623	63 467	68 854	108.5	The municipality indicated that due to the process of equalising salaries for employees in the same position from the two merged municipality in order to address salary disparities, the expenditure for Employee related cost was higher than what they had budgeted for in the Adjusted Budget.
Remuneration of councillors	6 926	6 926	7 502	108.3	The high expenditure against Remuneration of councillors in relation to the budget was due to councillors travel claims that were higher than anticipated.
Debt impairment	6 000	6 000	(25)	-	The negative amount reflected in the Section 71 report was erroneously reported. The municipality stated that since Debt impairment assessment is only conducted at year end, the municipality will report the Debt impairment in their 2017/18 AFS as at the time of submission of the Section 71 report, the assessment was not finalised.
Depreciation and asset impairment	7 500	7 500	3 168	42.2	Similar to Debt impairment, the Depreciation and asset impairment calculation was not finalised at the time of submitting the Section 71 report for Quarter 4. The municipality indicated that the amount will increase once the calculation has been finalised and the updated amount will be reflected in the 2017/18 AFS.
Bulk purchases	-	-	-	-	
Contracted services	9 252	11 990	22 502	187.7	The municipality indicated that the significantly high expenditure reported against Contracted services is as a result of misallocations and duplications of expenditure that occurred due to challenges with the mSCOA system and adapting to change. The municipality has been working on rectifying these in preparation for the AFS.
Other expenditure items ³	43 682	42 941	21 859	50.9	The municipality indicated that the low expenditure reported (50.9 percent) against the budget is as a result of some expenditure items being misallocated due to challenges with the mSCOA system. As mentioned above, the municipality is currently rectifying these errors in preparation of their 2017/18 AFS. The municipality further indicated that although the expenditure incurred against the Adjusted Budget for Other expenditure of R42.9 million is expected to be lower than the budget due to cost cutting measures that were implemented through out the financial year, the municipality confirmed that the expenditure is higher than the R21.9 million reflected in the Section 71 report.
Total Operating Expenditure	132 983	138 824	123 861	89.2	
Operating surplus/(deficit)	201	287	(21 284)		The Operating deficit of R21.3 million reported by the municipality is not a true reflection of the municipality's operating performance for the 2017/18 financial year as the municipality has not accounted for the Debt impairment and total Depreciation and asset impairment expenditures for the financial year, as well as the understated revenue for Transfers recognised-operational, Fines, penalties and forfeits as well as Gains on disposal of PPE.

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 material, 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	21 664	21 664	22 142	102.2	The municipality indicated that the Municipal Infrastructure Grant allocation budgeted against Transfers recognised-capital was fully spent (100 percent). According to the municipality, the higher than budgeted amount reported in the Section 71 report was incorrect and will be updated the 2017/18 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	-	-	-	
Total Capital Revenue	21 664	21 664	22 142	102.2	
Capital Expenditure					
Governance and Administration	-	21 664	-	-	The Adjustment Budget return submitted by the municipality was incorrect in reflecting the entire Capital budget of R21.7 million against Governance and administration, while as per the Adopted B- Schedule, no Capital expenditure budget was allocated against this function.
Community and Public Safety	13 664	-	-	-	The municipality confirmed that they have fully spent their Capital expenditure budget of R13.7 million against Community and public safety, however, the expenditure was not correctly allocated in the Section 71 report.
Eco. & Environmental Services	8 000	-	22 142	-	Similar to Community and Public safety function, the Capital expenditure budget of R8 million against Economic and environmental services was fully spent.
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	21 664	21 664	22 142	102.2	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	503	1 922	1 922		
Cash/cash equiv. at the year end:	7 166	966	(1 743)		Based on the supporting documentation (Investment register, Bank reconciliation statements and Bank statements) submitted by the municipality as at the end of June 2018, the closing Cash and cash equivalents balance amounts to R3.95 million. Thus, the negative R1.7 million closing Cash and cash equivalents balance is misstated. 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 and as such, needs to be cash-backed, for example, Unspent conditional grants, etc.
Net Increase/(Decrease) in cash held	6 663	(956)	(3 664)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	3 800	3 823	100.6%	(23)	The municipality fully spent all their 2017/18 grant allocations, however, the Section 71 grants reports submitted by the municipality before the publication of the Quarter 4 figures were incorrect.
Expanded Public Works Programme Integrated Grant	2 051	3 257	158.8%	(1 206)	Refer to comment above.
Municipal Infrastructure Grant	21 664	26 183	120.9%	(4 519)	Refer to comment above.

Table 4.7 (r) Trade and other receivables, Trade and other payables and Key ratios - Big Five Hlabisa Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	48 015		
Debtors as at 30 June 2018	34 040		The municipality stated that the reduction in the Debtors balance from 2016/17 to 2017/18 is due to the call centre facility that has been implemented in the collections department. The call centre facility has improved the municipality's collection rate as Debtors are constantly reminded to pay their outstanding debts.
<u>By age analysis</u>			
0-30 days	624	1.8%	
31-60 days	440	1.3%	
61-90 days	602	1.8%	
>90 days	32 375	95.1%	Although the municipality has reported an improvement in the collections of debt owed to the municipality, Debtors greater than 90 days still form the bulk of the municipality's Debtors balance. The municipality conceded that the inclusion of indigent customers in the Debtors balance also contributed to the high Debtors balance in the greater than 90 days category.
Total by age analysis	34 040	100.0%	
<u>By customer group</u>			
Organs of state	3 539	10.4%	
Commercial	12 922	38.0%	
Households	17 573	51.6%	
Other	6	0.0%	
Total by customer group	34 040	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	621	19.5%	
31-60 days	2 121	66.7%	
61-90 days	(936)	-	The municipality indicated that negative Creditors balance relates to service providers who have received payment but their invoices have not been cleared on the system. The municipality confirmed that these would be cleared and the Creditors balance will be accurately reported in the 2017/18 AFS.
>90 days	1 373	43.2%	Creditors outstanding for more than 30 days, which is a contravention of Section 65(2)(e) of the MFMA, is mainly due to invoices with queries that still need to be sorted with the service providers, as per the municipality.
Total by age analysis	3 179	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	61.6%	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 expenditure, thus, the ratio of 61.6 percent is not a true reflection of the Remuneration ratio. However, based on reasonable levels of anticipated Depreciation and Debt 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
Contracted services as a % of Total operating expenditure	2% - 5%	18.2%	Although this ratio may also have been distorted (refer to the above), a high ratio indicates that many functions are being outsourced or Contracted services are not being effectively utilised. Increases in this ratio could also expose the municipality to risks such as their inability to build capacity and ongoing reliance on Contractors. Furthermore, as discussed in Table 4.7(p), Contracted services is also overstated due to misallocations and duplications of expenditure that occurred due to challenges with the mSCOA system and adapting to change.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	21.6%	
Own funded capital expenditure	-	-	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	15.2%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-20.7%	As discussed in Table 4.7(p), the Operating deficit is missated due to understated Operating revenue and expenditure, hence the negative operating surplus margin.

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					
Some of the municipality's resubmitted returns were not uploaded to the NT Igdatabase timeously. For purposes of analysis, the updated figures provided by the municipality are referred to in the performance analysis below. Furthermore, the year-to-date performance figures reported in the Section 71 report are not consolidated (it excludes the performance reporting for the Umhlosinga Development Agency in its entirety) therefore, the reported figures reflected against the Other sources of revenue, Employee related costs and Other expenditure line items are incomplete.					
Property Rates	-	-	-	-	
Service Charges ¹	35 669	25 780	29 935	116.1	Reported revenue exceeded the 2017/18 Adjusted Budget for all sources of Service charges revenue with the most significant being Service charges-water (R20.6 million or 107.8 percent of the Adjusted Budget of R19.1 million). The municipality conceded that an amount of R2.3 million reflected against Service charges- other in the Section 71 report was an error, thus, Total service charges reported should have been R27.6 million against the Adjusted Budget of R25.8 million. As per the municipality, Government and Commercial customers were correctly and timeously billed during 2017/18. This process revealed that the budget for Service charges-water was understated.
Transfers recognised - operational	346 343	328 343	333 432	101.5	
Other sources of Revenue ²	16 445	14 450	6 863	47.5	The main reason for the significant under-generation against Other sources of revenue is due to the poor performance against Other revenue (R64 000 or 0.8 percent against the budget of R8.3 million). This source of revenue mainly relates to the revenue of the municipal entity (R8.1 million) which has not been included in the reporting (refer to comment above). Furthermore, the municipality conceded that the negative revenue of R878 000 against Gain on disposal of PPE with a budget of R1.5 million is an error as the municipality did not dispose of any PPE during the 2017/18 financial year.
Total Operating Revenue	398 456	368 573	370 229	100.4	
Operating Expenditure					
Employee related costs	136 793	143 358	141 153	98.5	
Remuneration of councillors	8 940	8 940	7 207	80.6	The municipality attributed the low expenditure of R7.2 million or 80.6 percent against the Adjusted Budget due to a higher increase in upper limits anticipated in the budget as compared to the Government Gazette in respect of upper limits. The municipality also effected stricter controls in respect of Travel allowances which resulted in savings.
Debt impairment	18 028	18 028	-	-	The municipality did not report expenditure against Debt impairment in the 2017/18 financial year, despite Provincial Treasury's advice and the municipality's commitment to do so during the mid-year performance (Section 72) engagement.
Depreciation and asset impairment	45 009	38 291	-	-	The municipality indicated that the calculation of Depreciation and asset impairment was not completed at the time of the Section 71 reporting and will be incorporated in the 2017/18 Annual Financial Statements (AFS).
Bulk purchases	89 912	89 912	75 946	84.5	The municipality confirmed that at the date of the submission of the Section 71 report, expenditure in respect of Bulk purchases pertained to only 10 months of the financial year, as the invoice for Month 11 was being processed and the accrual for Month 12 had yet to be raised. The municipality indicated that the actual amount to be reflected in the 2017/18 AFS is expected to approximate the 2017/18 Adjusted Budget.
Contracted services	24 355	38 462	53 108	138.1	The municipality incurred R53.1 million or 138.1 percent of the Adjusted Budget in respect of Contracted services. The municipality confirmed that expenditure related to Other materials may have been misclassified as Other expenditure and/or Contracted services which primarily contributed to the over-expenditure. This will be corrected in the 2017/18 AFS.
Other expenditure items ³	75 419	76 083	40 856	53.7	The main reasons for the under-expenditure noted against Other expenditure items are due to the municipality not reporting any expenditure against Other materials (Budget R31.5 million) and negative expenditure of R1.7 million against Loss on disposal of PPE. As noted above, expenditure related to Other materials may have been misclassified as Other expenditure and/or Contracted services. Furthermore, the municipality anticipates a significant increase in expenditure incurred in respect of Other expenditure items due to invoices not yet captured at the date of submission of the Section 71 report and the processing of accruals. The municipality conceded that negative expenditure of R1.7 million reflected against Loss on disposal of PPE is an error which would be rectified in the AFS.
Total Operating Expenditure	398 456	413 073	318 270	77.0	
Operating surplus/(deficit)	-	(44 500)	51 959		Considering the inaccurate reporting noted against various line items above and the municipality not having fully reported performance against Bulk purchases, Other materials, Debt impairment, Depreciation and asset impairment and Other expenditure items, the Operating surplus of R52 million appears to be overstated and is not a true reflection of the municipality's actual performance as at the end of the 2017/18 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 material, 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	257 965	293 266	293 652	100.1	The amount of R293.3 million reflected in the Section 71 report against Transfers recognised- capital represents the 2017/18 allocations amounting to R261.1 million and an approved rollover relating to the Water Services Infrastructure Grant of R32.2 million. In the Approved 2017/18 Adjusted Budget (B Schedule), the municipality incorrectly reflected the total capital sources of finance as R300.7 million.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	700	-	-	As discussed above, the municipality's total Capital budget should be R293.3 million with no budgeted revenue against Internally generated funds.
Total Capital Revenue	257 965	293 966	293 652	99.9	
Capital Expenditure					
Governance and Administration	-	700	-	-	The municipality conceded that they have misallocated Capital expenditure of R700 000 relating to the Governance and administration standard classification to the Trading services standard classification.
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	-	-	-	-	
Trading Services	257 965	293 266	293 652	100.1	
Other	-	-	-	-	
Total Capital Expenditure	257 965	293 966	293 652	99.9	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	22 317	22 317	34 626		Although the municipality reflected the correct opening Cash and cash equivalents balance as per the Audited 2016/17 AFS (R34.6 million) in the Adopted B Schedule, the Adjusted Budget return still reflects the Original budgeted amount of R22.3 million.
Cash/cash equiv. at the year end:	20 508	20 508	78 373		The municipality confirmed that the closing Cash and cash equivalent balance of R78.4 million reflected in the Section 71 report was incorrect. The municipality has closed the financial year with R62.3 million which is sufficient to cash back all unspent grants.
Net Increase/(Decrease) in cash held	(1 809)	(1 809)	43 747		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 250	1 250	100.0%	-	
Expanded Public Works Programme Integrated Grant	1 008	792	78.6%	216	As per the municipality, expenditure related to the Expanded Public Works Programme Integrated Grant (EPWP) grant was under-reported and should have reflected expenditure of 100 percent.
Municipal Infrastructure Grant	218 910	206 936	94.5%	11 974	Similar to EPWP, the municipality indicated that expenditure related to the MIG grant was under reported and should have reflected expenditure of 100 percent.

Table 4.7 (u) Trade and other receivables, Trade and other payables and Key ratios - uMkhanyakude District Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	206 374		It should be noted that the municipality obtained an adverse audit opinion, thus the credibility of the Debtors balance as at 30 June 2017 is highly questionable.
Debtors as at 30 June 2018	192 663		
<u>By age analysis</u>			
0-30 days	2 908	1.5%	
31-60 days	2 195	1.1%	
61-90 days	1 368	0.7%	
>90 days	186 191	96.6%	The municipality indicated that the bulk of the amount owing in the >90 days category and the Household customer group is attributable to long outstanding debtors who do not pay on their municipal debt due to high levels of unemployment and poverty. This is indicative of the high number of indigents within the district. The municipality, however, does not have an indigent register, resulting in the incorrect billing of these consumers. The municipality confirmed that an indigent register is in the process of being compiled and will be available in the 2018/19 financial year.
Total by age analysis	192 663	100.0%	
<u>By customer group</u>			
Organs of state	14 344	7.4%	
Commercial	33 621	17.5%	
Households	145 723	75.6%	
Other	(1 025)	-	The municipality confirmed that the negative figure reflected against the Other customer group extracted from the financial system is incorrect and a journal to reverse the amount will be processed as part of the preparation of the 2017/18 AFS.
Total by customer group	192 663	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	4 429	6.7%	
31-60 days	(106)	-0.2%	The municipality confirmed that the negative amount relates to an invoice that was paid before raising a creditor on the financial system which would be corrected in the 2017/18 AFS.
61-90 days	58	0.1%	
>90 days	61 858	93.4%	
Total by age analysis	66 239	100.0%	93.5 percent of the municipality's Total creditors, or R61.9 million have not been paid for a period of greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. Similar to prior financial years, this was mainly due to cash flow challenges prevailing at the municipality which has had a negative impact on the municipality's liquidity position.
Key Ratios			
	Norm/Range	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	46.6%	As noted in Table 4.7 (s), the Total operating expenditure of the municipality is understated, thus, the ratio of 46.6 percent is not a true reflection of the Remuneration ratio. Based on reasonable levels of anticipated Depreciation and asset impairment and Debt impairment expenditure, amongst others, the ratio is approaching the upper limits of the norm. As per MFMA Circular No.71, if the ratio exceeds 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.
Contracted services as a % of Total operating expenditure	2% - 5%	16.7%	Similar to the Remuneration ratio, the Contracted services as a percentage of Total operating expenditure ratio of 16.7 percent and is not a true reflection of the ratio of Contracted services as a percentage of Total operating expenditure due to understated levels of total operating expenditure such as Depreciation and asset impairment, Debt impairment and Other expenditure.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	9.9%	
Own funded capital expenditure	-	-	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	48.0%	The high Capital expenditure to Total expenditure ratio is due to the municipality's Total operating expenditure being understated as indicated above. The ratio is expected to decrease once the municipality fully reports on their Total operating expenditure.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	14.0%	The Net operating surplus margin reported is as a result of the municipality recording an Operating surplus in the 2017/18 financial year. However, due to the concerns noted in Table 4.7 (s) in terms of understated Total operating expenditure, it is unclear as to whether the municipality will maintain a positive net operating surplus margin.

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 Local Municipalities. The Integrated Development Plan (IDP) of the King Cetshwayo District shows that the King Cetshwayo District Municipality is located in the North-Eastern Region of the KwaZulu-Natal Province on the eastern sea-board of South Africa and it covers a geographical area of 8 213 km² (KZNCOGTA, 2017). The IDP also states that the agricultural sector is 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.

With the exception of the uMfolozi Local Municipality, all the Chief Financial Officer (CFO) positions in the district were filled throughout the 2017/18 financial year. The CFO of the uMfolozi Local Municipality was vacant from November 2017 and the Finance Manager was acting as CFO for the remainder of the 2017/18 financial year.

The vacant Municipal Manager (MM) positions for the King Cetshwayo District Municipality and the uMlalazi Local Municipality were due to the MM's employment contracts expiring on 30 June 2017. Since 01 July 2017, the Senior managers for both municipalities have been acting as MM's on a rotational basis. The MM for the uMlalazi Local Municipality was appointed in March 2018 and the MM position for the King Cetshwayo District Municipality was vacant for the entire 2017/18 financial year. 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 maintained their clean audit opinions from the 2015/16 financial year as they received unqualified audit opinions with no other matters in the 2016/17 financial year. The other four municipalities also maintained their unqualified audit opinions with other matters from the 2015/16 financial year in the 2016/17 financial year.

The tables in this report to 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 - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMfolozi	136 377	138 008	136 629	99.0
uMhlathuze	2 895 441	2 815 155	2 772 147	98.5
uMlalazi	341 541	343 496	358 732	104.4
Mthonjaneni	144 513	147 299	91 835	62.3
Nkandla	130 883	127 884	51 076	39.9
King Cetshwayo DM	682 074	758 959	696 674	91.8
Total	4 330 829	4 330 802	4 107 093	94.8

Source: NT Igdatabase

Table 4.8(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMfolozi	120 000	133 078	111 719	84.0
uMhlathuze	2 882 744	2 878 250	2 780 457	96.6
uMlalazi	384 840	389 302	351 579	90.3
Mthonjaneni	121 935	125 805	114 938	91.4
Nkandla	122 788	151 006	93 167	61.7
King Cetshwayo DM	776 195	897 989	785 840	87.5
Total	4 408 501	4 575 431	4 237 700	92.6

Source: NT Igdatabase

Table 4.8(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMfolozi	60 000	60 000	28 306	47.2
uMhlathuze	521 255	570 505	468 601	82.1
uMlalazi	50 448	50 448	46 046	91.3
Mthonjaneni	39 683	49 423	41 387	83.7
Nkandla	33 714	27 714	22 344	80.6
King Cetshwayo DM	327 418	274 533	185 291	67.5
Total	1 032 518	1 032 623	791 976	76.7

Source: NT Igdatabase

Table 4.8(d) Debtors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	1 202	14.9	580	7.2	607	7.5	5 703	70.5	8 093
uMhlathuze	273 713	54.0	20 113	4.0	22 527	4.4	190 650	37.6	507 002
uMlalazi	-	-	-	-	-	-	-	-	-
Mthonjaneni	2 663	10.6	1 642	6.5	954	3.8	19 974	79.2	25 233
Nkandla	1 154	4.8	646	2.7	578	2.4	21 862	90.2	24 239
King Cetshwayo DM	8 578	12.4	4 159	6.0	4 324	6.2	52 364	75.4	69 425
Total	287 310	45.3	27 139	4.3	28 990	4.6	290 554	45.8	633 993

Source: NT Igdatabase

Table 4.8(e) Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	2 273	28.1	2 422	29.9	2 771	34.2	627	7.7	8 093
uMhlathuze	13 740	2.7	293 220	57.8	186 065	36.7	13 978	2.8	507 002
uMlalazi	-	-	-	-	-	-	-	-	-
Mthonjaneni	5 071	20.1	4 557	18.1	5 299	21.0	10 306	40.8	25 233
Nkandla	5 263	21.7	4 341	17.9	8 259	34.1	6 377	26.3	24 239
King Cetshwayo DM	8 992	13.0	8 495	12.2	51 506	74.2	432	0.6	69 425
Total	35 340	5.6	313 035	49.4	253 899	40.0	31 720	5.0	633 993

Source: NT Igdatabase

Table 4.8(f) Creditors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	7 292	79.2	1 310	14.2	100	1.1	504	5.5	9 206
uMhlathuze	619 403	100.0	-	-	-	-	-	-	619 403
uMlalazi	71 950	100.0	-	-	-	-	-	-	71 950
Mthonjaneni	3 526	88.1	196	4.9	7	0.2	273	6.8	4 003
Nkandla	(7 761)	80.6	(1 104)	11.5	(135)	1.4	(634)	6.6	(9 634)
King Cetshwayo DM	20 736	33.1	13 017	20.8	5 058	8.1	23 898	38.1	62 708
Total	715 146	94.4	13 419	1.8	5 030	0.7	24 041	3.2	757 635

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	5 975	8 475	13 947	164.6	Property rates revenue has been over-generated by R5.5 million or 64.6 percent. The municipality indicated that the over-generation of Property rates billings was due to a new general valuation roll which was implemented during the 2017/18 financial year. The valuation roll showed that a number of property values had appreciated, resulting in an increase in billings for Property rates, as well as Refuse and Interest on outstanding debtors.
Service Charges ¹	338	338	465	137.7	The municipality indicated that the over-generation of Service charges billings, was due to a new general valuation roll which was implemented during the 2017/18 financial year. As stated above, the general valuation roll showed that a number of property values had appreciated, resulting in an increase in billings for Property rates, as indicated earlier, where the Refuse removal services tariff is directly linked to Property rates values.
Transfers recognised - operational	112 439	127 145	119 449	93.9	
Other sources of Revenue ²	17 625	2 051	2 768	134.9	The unaudited actual as at the end of the fourth quarter in June 2018 amounted to R2.8 million for this line item, resulting in revenue of 134.9 percent against the Adjusted Budget, which appears to be questionable. The reason for this over-generation is attributable to additional Other revenue reported of R1.3 million against an Adjustments Budget of R231 000, resulting in a variance of R1.1 million or 465.8 percent for this revenue line item.
Total Operating Revenue	136 377	138 008	136 629	99.0	
Operating Expenditure					
Employee related costs	42 904	56 785	46 914	82.6	The municipality stated that there has been notable progress in the filling of vacancies however, numerous posts have remained vacant throughout the financial year, which has resulted in the savings on Employee related costs as at 30 June 2018. It was further explained that the vacant posts will be filled in the 2018/19 financial year.
Remuneration of councillors	8 849	-	9 687	-	As per the published figures, the municipality incorrectly omitted the Adjusted Budget figure for this line item in the Financial performance Section 71 return. The amount that should have been reflected is R10.5 million and not zero, as per the submitted Section 71 return. This distorts the performance reported of R9.7 million, which is 92.3 percent of the Adjusted Budget in the Approved B Schedule.
Debt impairment	-	265	17	6.4	The municipality has an Adjustments Budget of R265 000 for Debt impairment, however the municipality has only reflected expenditure of R17 000 as at the end of June 2018. The under-expenditure has not been justified by the municipality. Furthermore, the unaudited actual for Debt impairment appears to be questionable judging from the fact that the municipality has long outstanding Debtors' balances and the collection thereof is not fully effective at the municipality. It may also appear as though the municipality accounts for the expenditure on Debt impairment only at the end of the financial year. This is despite the recommendation by Provincial Treasury that Debt impairment expenditure must be accounted for on a monthly basis.
Depreciation and asset impairment	-	1 800	-	-	Despite the municipality being advised to ensure that Depreciation and asset impairment is reported and calculated on a monthly basis, the municipality has not reported on this expenditure item correctly. 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	4 800	38 643	31 125	80.5	It has been noted that the uMfolozi Local Municipality has only spent 80.5 percent of the Adjusted Budget. The municipality indicated that due to financial constraints experienced throughout the financial year, various operational projects were not implemented, resulting in Contracted services being under-spent.
Other expenditure items ³	63 447	35 585	23 977	67.4	According to the municipality, the under-spending is due to selected projects that were not implemented during the financial year and some were implemented in the latter part of 2017/18, where the related expenditure was still in progress, at the time the figures were reported. The under-expenditure was mainly reported in Other expenditure, which is a result of financial constraints experienced by the municipality throughout the financial year, where Cost containment measures were applied.
Total Operating Expenditure	120 000	133 078	111 719	84.0	
Operating surplus/(deficit)	16 377	4 930	24 909		

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 material, 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	43 623	43 623	26 243	60.2	Of the R43.6 million provided for in the Adjustments Budget, only 60.2 percent has been recognised, which appears to be incorrect. The municipality acknowledged that the error in reporting where a difference was noted between the Section 71 reports and the Trial Balance on the municipal financial system, which will be corrected in the final Annual Financial Statements.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	16 377	16 377	2 063	12.6	As per the municipality, the variance of 87.4 percent noted was due to financial constraints experienced throughout the financial year and as a result, various projects were not implemented therefore, funds were not fully utilised from the Internally generated funds.
Total Capital Revenue	60 000	60 000	28 306	47.2	
Capital Expenditure					
Governance and Administration	-	-	13 146	-	The unaudited actual amount of R13.2 million has no budget against this expenditure and the municipality has stated that there has been a challenge regarding the misallocation of information for this function hence, the reflection of this expenditure amount without a related budget estimate. The expenditure amongst the sub-functions were distributed as follows: Executive and council (R57 000); Budget and Treasury office (R12.5 million) and Corporate services (R597 000).
Community and Public Safety	-	-	15 160	-	Similar to the Governance and administration function, the unaudited actual amount for Community and Public Safety of R15.2 million has no related budget estimate and the municipality has stated that there has been a challenge regarding the misallocation of information for this function hence, the reflection of this expenditure amount without a related budget estimate. The expenditure related to this sub-function, for Community and social services, amounting to R15.2 million will be correctly reflected in the Annual Financial Statements.
Eco. & Environmental Services	30 623	30 623	-	-	As at the end of June 2018, the municipality has not recorded any expenditure throughout the financial year against the Adjusted Budget of R30.6 million, which is a concern as service delivery is being negatively affected. The sub-functions budgeted under this function were: Planning and development with an amount of R26.6 million and Road transport with R4 million. The municipality has indicated that this will be rectified in the final Annual Financial Statements.
Trading Services	13 000	13 000	-	-	As at the end of June 2018, the municipality has not recorded any expenditure throughout the financial year against the Adjusted Budget of R13 million, which is a concern as service delivery is being negatively affected. The budgeted amount is related to Electricity. It is expected that the correct information will be reflected in the Annual Financial Statements.
Other	16 377	16 377	-	-	Similar to the Trading services function, the municipality has not reported any expenditure as at the end of June 2018 against the function named Other, where there is an Adjusted Budget of R16.4 million. The municipality has undertaken to reflect the correct status under this function in the Annual Financial Statements.
Total Capital Expenditure	60 000	60 000	28 306	47.2	It was noted that the municipality is grant reliant. The low level of expenditure is detrimental for injection of funds into the upgrade of infrastructure. According to the municipality, the low expenditure is due to delays in various projects which were caused by glitches in the procurement procedures and cost-cutting measures, as the municipality was experiencing financial challenges.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	2 354	1 614	1 614		
Cash/cash equiv. at the year end:	2 354	1 879	233		The municipality should ensure that the Cash flow position of the municipality is improved as it appears that the Cash flow is deteriorating, which is of great concern as this will negatively affect the liquidity of the municipality, as well as the ability to run the municipality's day to day operational activities.
Net Increase/(Decrease) in cash held	-	266	(1 381)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	0	
Expanded Public Works Programme	1 418	1 418	100.0%	0	
Municipal Infrastructure Grant	26 623	26 564	99.8%	59	It was mentioned that the municipality experienced delays in a number of Capital projects which had been budgeted for with the Municipal Infrastructure Grant therefore, due to the delay in the implementation of these projects, it appears as though the municipality was unable to fully utilise the grant.

Table 4.8 (i) Trade and other receivables, Trade and other payables and Key ratios - uMfolozi Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	6 622		
Debtors as at 30 June 2018	8 093		The amount for outstanding Debtors as at the end of June 2018 has been reported as R8.1 million resulting in an increase of R1.5 million or 22.2 percent when compared to the R6.6 million reported in the 2016/17 financial year.
<u>By age analysis</u>			
0-30 days	1 202	14.9%	
31-60 days	580	7.2%	
61-90 days	607	7.5%	
>90 days	5 703	70.5%	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	8 093	100.0%	
<u>By customer group</u>			
Organs of state	2 273	28.1%	
Commercial	2 422	29.9%	Of the total outstanding Debtors, the Commercial customer group, which represents Industry/business customers, is 29.9 percent of the outstanding Debtors, which is the second 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	2 771	34.2%	The municipality indicated that the largest portion of the debt owed is from rural areas and areas within the formal urban settlements, where the majority of households are predominantly indigent, and appear to be billed as well. The municipality has undertaken to update the Indigent register and perform a data cleansing exercise to ensure that only customers who are able to pay for the service are being billed.
Other	627	7.7%	
Total by customer group	8 093	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	7 292	79.2%	
31-60 days	1 310	14.2%	
61-90 days	100	1.1%	
>90 days	504	5.5%	
Total by age analysis	9 206	100.0%	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.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	50.7%	The ratio of 50.7 percent is above the norm however, the ratio is distorted as the municipality did not report on Depreciation and asset impairment and Debt impairment appears to be understated.
Contracted services as a % of Total operating expenditure	2% - 5%	27.9%	Contracted services as a percentage of Total operating expenditure amounts to 27.9 percent, thereby exceeding the norm of 2 to 5 percent, as prescribed by National Treasury. This indicates that the municipality is outsourcing a higher than normal percentage of its functions to consultants or that Contracted services are not effectively being utilised. This may expose the municipality to risks such as not being able to build internal capacity and over reliance on consultants. The municipality has indicated that the greater portion of their operations which are outsourced to an external service provider, relate to Repairs and maintenance, which is the main reason for exceeding the required norm.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	12.6%	The low percentage of 12.6 percent is as a result of the municipality being grant reliant. The municipality only has Service charges for Refuse revenue and the geographical area does not have any businesses or major developments which could assist in attracting revenue injectors and business. The municipality relies on Property rates, Service charges-refuse revenue and Other revenue such as Rentals and Fines, which contribute to Own sources of revenue.
Own funded capital expenditure	-	7.3%	The municipality is grant reliant in terms of Capital projects, as these projects require substantial financial injection, which is sourced from grants.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	20.2%	This clearly suggests that the municipality is investing in Infrastructure which will positively affect service delivery and increase the lifespan of existing assets.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	18.2%	

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	51 482	54 550	46 732	85.7	As at the end of the 2017/18 financial year, the municipality has reported unaudited revenue generated from Property rates amounting to R46.7 million or 85.7 percent of the Adjustments budget amount of R54.6 million. This has resulted in the under-generation of Property rates budget estimate by R7.8 million or 14.3 percent. The municipality did not provide reasons for the under-performance on the remaining portion of R7.8 million except to indicate that the reported amount is not accurate and that the corrected amount will be reflected in the 2017/18 Annual Financial Statements.
Service Charges ¹	68 871	71 819	78 438	109.2	The over-generation of Service charges is due to higher than anticipated electricity consumption. As at the end of the 2017/18 financial year, the municipality had generated total Service charges amounting to R66.5 million on Electricity services against the Adjustments Budget of R60.9 million resulting in the over-generation of R5.6 million or 9.2 percent.
Transfers recognised - operational	164 648	164 159	175 830	107.1	It was noted that the amount of R164.2 million reported by the municipality as the 2017/18 Adjusted Budget figure for Transfers recognised - operation is incorrect and distorts the performance at the end of the 2017/18 financial year. The correct Adjustments Budget is R176.7 million as per the Approved B Schedule therefore the correct performance is 99.5 percent.
Other sources of Revenue ²	56 541	52 969	57 731	109.0	The municipality indicated that the variance under Other sources of Revenue of R4.8 million or 9 percent was mainly due to the following: 1. Rental of facilities and equipment (126.8 percent): the variance of R351 000 is due to the amount raised being more than the budgeted amount. 2. Interest earned - external investments (57.2 percent): the variance of R3.2 million less than the pro-rata budget is due to the Interest earned on external investments being less than anticipated. 3. Interest earned - outstanding debtors (39.9 percent): the variance of R430 000 less than the pro-rata budget is due to the interest earned on outstanding debtors being less than anticipated. 4. Fines, penalties and forfeits (125.7 percent): the variance of R9.4 million more than the budget is due to the number of Fines issued being more than anticipated. 5. Licences and permits (40 percent): the variance in this line item is due actual revenue being less than anticipated. 6. Agency services (83.1 percent): the variance in this line item is due to the commission received being less than anticipated. 7. Gains on disposal of PPE (0 percent): the variance is due to the fair value adjustment which will be processed during the year end procedures and will be reflected in the financial statements.
Total Operating Revenue	341 541	343 496	358 732	104.4	
Operating Expenditure					
Employee related costs	113 956	107 382	107 288	99.9	
Remuneration of councillors	20 115	20 529	20 134	98.1	
Debt impairment	44 442	44 442	44 442	100.0	
Depreciation and asset impairment	43 708	45 928	22 870	49.8	The municipality indicated that the variance of R23.1 million or 50.2 percent on Depreciation and asset impairment is due to the actual depreciation from the Asset Management System. The actual amount reported is from July 2017 to December 2017 and the rest of the months will be posted in period 13 and the total depreciation will be reflected in the Annual Financial Statements.
Bulk purchases	48 916	48 416	46 636	96.3	
Contracted services	65 669	71 138	66 345	93.3	The under-spending under Contracted services was mainly due to the fact that the final invoices were only received in July 2018 which will be allocated to the 2017/18 financial year during the compilation of the 2017/18 Annual Financial Statements.
Other expenditure items ³	48 034	51 467	43 865	85.2	The under-spending under the Other expenditure items is due to slow spending on a number of Other expenditure line items along with savings realised from the implementation of cost-cutting measures.
Total Operating Expenditure	384 840	389 302	351 579	90.3	
Operating surplus/(deficit)	(43 299)	(45 806)	7 153		

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 material, 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	50 448	50 448	46 046	91.3	
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	-	-	-	-	
Total Capital Revenue	50 448	50 448	46 046	91.3	
Capital Expenditure					
Governance and Administration	4 290	4 290	3 582	83.5	The municipality indicated that it has spent 100 percent of its Capital budget allocation for Governance and administration. The variance is due to VAT not included when reporting to National Treasury whereas the budget allocation is inclusive of the VAT portion.
Community and Public Safety	5 353	5 353	6 091	113.8	The municipality has indicated that the variance is due to virements done towards the end of the financial year and based on the new budget amounts, the variance is less than 5 percent.
Eco. & Environmental Services	38 615	38 615	34 755	90.0	The municipality indicated that it has spent 100 percent of its Capital budget allocation for Economic and environmental services. As indicated under the Governance and administration function, the variance of 10 percent is due to VAT not included when reporting to National Treasury whereas the budget allocation is inclusive of the VAT portion.
Trading Services	2 190	2 190	1 618	73.9	The municipality indicated that it has spent 100 percent of its Capital budget allocation for Trading services. The variance under this sub function is also mainly due to VAT not included when reporting to National Treasury whereas the budget allocation is inclusive of the VAT portion and virements done towards the end of the financial year.
Other	-	-	-	-	
Total Capital Expenditure	50 448	50 448	46 046	91.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	73 889	86 112	86 123		
Cash/cash equiv. at the year end:	70 305	59 527	135 055		The closing cash and cash equivalents could not be verified as the municipality did not submit the bank reconciliation and the investments register.
Net Increase/(Decrease) in cash held	(3 584)	(26 585)	48 932		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 700	1 700	100.0%	0	
Expanded Public Works Programme	2 985	2 985	100.0%	-	
Municipal Infrastructure Grant	41 045	38 980	95.0%	2 065	The municipality indicated that it has spent 100 percent of its Municipal Infrastructure Grant allocation for the 2017/18 financial year. The variance is due to the Project Management Unit portion of the MIG allocation not being reported which will be reported accordingly in the 2017/18 Annual Financial Statements.

Table 4.8 (l) Trade and other receivables, Trade and other payables and Key ratios - uMlalazi Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	20 080		
Debtors as at 30 June 2018	-		It was noted that the municipality has not reported any Debtors as at 30 June 2018. The municipality indicated that they had challenges with the Debtors management module of the Financial Management System and could not report on Debtors. The Debtors as at the end of the 2017/18 financial year will be correctly reported in the 2017/18 Annual Financial Statements.
<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			
<u>By age analysis</u>			
0-30 days	71 950	100.0%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	71 950	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	36.2%	As per the unaudited figures reported by the municipality, Remuneration as a percentage of Total operating expenditure amounts to 36.2 percent. Although the ratio is within the norm of 25 to 40 percent, it has been showing an increasing trend. In the previous financial year the ratio amounted to 25.3 percent as per the audited 2016/17 Annual Financial Statements.
Contracted services as a % of Total operating expenditure	2% - 5%	18.9%	Contracted services as a percentage of Total operating expenditure amounts to 18.9 percent which is in excess of the norm of 2 to 5 percent. This indicates that the municipality is outsourcing a higher than normal percentage of its functions to Consultants or that Contracted services are not effectively utilised. This may expose the municipality to risks such as not being able to build internal capacity and ongoing or increasing reliance on Consultants.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	51.0%	Own sources of revenue to Total operating revenue amounts to 51 percent. This indicates that the municipality does not mainly rely on grants to fund its operational projects.
Own funded capital expenditure	-	-	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	11.6%	The municipality's ratio of Capital expenditure to Total expenditure amounts to 11.6 percent and is within the norm of 10 percent to 20 percent and suggests that the municipality is committed to improving infrastructure and the eradication of backlogs.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	2.0%	

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	13 165	13 165	7 866	59.8	As at the end of the 2017/18 financial year, the municipality has reported unaudited revenue generated from Property rates amounting to R7.9 million or 59.8 percent against the 2017/18 Adjustments Budget of R13.2 million. This has resulted in the revenue under-generation of Property rates amounting to R5.3 million or 40.2 percent. However, the municipality indicated that the amount reported is not accurate. The amount will be investigated and corrected during the preparation of the 2017/18 Annual Financial Statements.
Service Charges ¹	23 538	23 539	28 972	123.1	The municipality has reported unaudited revenue generated from Service charges amounting to R29 million which is R5.4 million or 23.1 percent more than the anticipated revenue to be generated from Service charges as at the end of the 2017/18 financial year. The municipality indicated that the over-generation was due to a higher than expected demand or consumption of electricity.
Transfers recognised - operational	76 584	79 370	47 912	60.4	Despite the reflection of R47.9 million or 60.4 percent of operational grants recognised, the municipality has indicated that it has received all Transfers recognised - operational in full as per the 2017/18 Adjustments Budget. This will be investigated and reported correctly in the 2017/18 Annual Financial Statements.
Other sources of Revenue ²	31 226	31 225	7 084	22.7	Revenue generated from Other source of Revenue has been reported as R7.1 million or 22.7 percent resulting on revenue under-generation of R24.1 million or 77.3 percent. The municipality indicated that the variance under Other sources of Revenue was mainly due to the following: <ul style="list-style-type: none"> 1. Rental of facilities and equipment (55.7 percent): The demand for hire of facilities was lower than anticipated. 2. Interest earned - external investments (10.8 percent): The budgeted amount was based on previous years audit outcomes. However, there was less cash available for investing than anticipated in the 2017/18 financial year due to low revenue generation in areas such as Property rates and Traffic fines. 3. Fines, penalties and forfeits (20.4 percent): The TMT contract was stopped early in the year and hence low generation of traffic fine revenue. 4. Licences and permits (31.6 percent): The demand for Licences and permits was lower than anticipated.
Total Operating Revenue	144 513	147 299	91 835	62.3	
Operating Expenditure					
Employee related costs	46 818	44 516	42 649	95.8	
Remuneration of councillors	8 131	7 674	8 176	106.5	
Debt impairment	2 000	2 000	-	-	The municipality indicated that their Debt impairment provision is calculated and recognised at year end, thus, no actual performance amount was available at the time of the Section 71 reporting. This is despite the recommendation by Provincial Treasury that the Debt impairment expenditure amount be accounted for on a monthly basis as a norm for good practice.
Depreciation and asset impairment	5 809	5 809	9 001	155.0	It was indicated by the municipality that Depreciation and asset impairment was calculated late in the year due to technical challenges with the system resulting in the over-spending of the Depreciation and asset impairment budget by 55 percent.
Bulk purchases	23 800	24 307	17 967	73.9	The municipality indicated that the average amount spent on Bulk purchases on a monthly basis amounts to R1.5 million and approximately R18 million per annum. This suggests that the under-spending on the Bulk purchases budget is due to the municipality over-budgeting and savings realised after the municipality was placed on the correct tariff by Eskom.
Contracted services	4 684	22 550	9 682	42.9	The municipality indicated that the high level of under-spending reported under Contracted services was mainly due to incorrect reporting where some Contracted services transactions were misallocated and reported under Other materials. The municipality will correct the error in the 2017/18 Annual Financial Statements.
Other expenditure items ³	30 693	18 949	27 462	144.9	The municipality indicated that the excessive over-spending by R8.5 million or 44.9 percent on Other expenditure items may be due to misallocations during the 2017/18 financial year. The over-spending will be investigated and corrected in the 2017/18 Annual Financial Statements.
Total Operating Expenditure	121 935	125 805	114 938	91.4	
Operating surplus/(deficit)	22 578	21 494	(23 104)		

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 material, 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	26 278	26 278	30 361	115.5	The municipality indicated that the excessive over-spending by R4.1 million or 15.5 percent on Transfers recognised - capital will be investigated and correctly reported in the 2017/18 Annual Financial Statements.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	13 405	23 145	11 027	47.6	Due to financial constraints, the municipality could not fully utilise Internally generated funds to fund capital programmes.
Total Capital Revenue	39 683	49 423	41 387	83.7	
Capital Expenditure					
Governance and Administration	5 344	9 841	7 618	77.4	The municipality indicated that the under-spending under Governance and administration was as a result of savings that were encouraged to minimise the over-spending on municipal Capital expenditure funded internally.
Community and Public Safety	121	497	935	188.3	The Community and public safety function has been over-spent by R438 000 or 88.3 percent. The municipality did not provide reason for over-spending on this function except to indicate that the excessive overspending on the Community and public safety capital budget will be investigated and correctly reported in the 2017/18 Annual Financial Statements.
Eco. & Environmental Services	18 728	18 648	16 480	88.4	The municipality indicated that it has spent 100 percent of the Economic and environmental services capital budget. The municipality will report the correct amount in the 2017/18 Annual Financial Statements.
Trading Services	15 490	20 438	16 354	80.0	The municipality indicated that it has spent 100 percent of the Trading Services capital budget. The municipality will report the correct amount in the 2017/18 Annual Financial Statements.
Other	-	-	-	-	
Total Capital Expenditure	39 683	49 423	41 387	83.7	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	20 066	20 066	20 282		
Cash/cash equiv. at the year end:	25 484	25 484	(4 614)		It was noted with concern that the municipality has closed the financial year with a negative Cash/cash equivalents balance of negative R4.6 million. This effectively means that the municipality is technically bankrupt and the municipality's status as a going concern is in jeopardy. It must however be noted that the Draft 2017/18 Annual Financial Statements indicate a Cash/cash equivalents balance of R3.7 million at the end of the 2017/18 financial year.
Net Increase/(Decrease) in cash held	5 418	5 418	(24 896)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	2 850	2 850	100.0%	-	
Expanded Public Works Programme	2 222	2 222	100.0%	-	
Municipal Infrastructure Grant	24 278	24 092	99.2%	186	

Table 4.8 (o) Trade and other receivables, Trade and other payables and Key ratios - Mthonjaneni Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	27 438		As at the end of June 2018, the municipality has recorded Debtors amounting to R25.2 million. The Debtors balance has decreased by R2.2 million or 8 percent as compared to the 2016/17 financial year suggesting that the debtors balance is reducing. The municipality has not substantiated the decrease in the Debtors balance noted.
Debtors as at 30 June 2018	25 233		
By age analysis			
0-30 days	2 663	10.6%	
31-60 days	1 642	6.5%	
61-90 days	954	3.8%	
>90 days	19 974	79.2%	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	25 233	100.0%	
By customer group			
Organs of state	5 071	20.1%	
Commercial	4 557	18.1%	
Households	5 299	21.0%	
Other	10 306	40.8%	A significant portion (R10.3 million or 40.8 percent) of debt owed to the municipality is owed by the Other customer group. The municipality did not provide a breakdown of the Other customer group.
Total by customer group	25 233	100.0%	
Creditors			
By age analysis			
0-30 days	3 526	88.1%	
31-60 days	196	4.9%	
61-90 days	7	0.2%	
>90 days	273	6.8%	
Total by age analysis	4 003	100.0%	Included in the amount of R4 million is the amount of R476 000 or 11.9 percent of the outstanding Creditors reported in the categories which are more than 30 days. The municipality is in contravention with Section 65(2)(e) of the MFMA by having creditors more than 30 days as they attract interest charges which translates to fruitless and wasteful expenditure.
Key Ratios			
	Norm/	% Actual	
Expenditure management			
Remuneration as a % of Total operating expenditure	25% - 40%	44.2%	As per the unaudited figures reported by the municipality, Remuneration as a percentage of Total operating expenditure amounts to 44.2 percent. This exceeds the norm of 25 - 40 percent and could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure
Contracted services as a % of Total operating expenditure	2% - 5%	8.4%	Contracted services as a percentage of Total operating expenditure amounts to 8.4 percent which is in excess of the norm of 2 to 5 percent. This suggests that the municipality is outsourcing a higher than normal percentage of its functions to consultants or that Contracted services are not effectively utilised. This may expose the municipality to risks such as not being able to build internal capacity and ongoing or increasing reliance on consultants.
Grant dependency			
Own sources of revenue to total operating revenue	-	47.8%	Own sources of revenue to Total operating revenue amounts to 47.8 percent. This suggests that the municipality is not heavily reliant on grants to fund its operational projects. However, the municipality reported an incorrect amount for Transfers recognised - operational under the Financial Performance report therefore the ratio is distorted.
Own funded capital expenditure	-	26.6%	
Asset Management			
Capital Expenditure to Total expenditure	10% - 20%	26.5%	The municipality's ratio of Capital expenditure to Total expenditure amounts to 26.5 percent and although it is in excess of the norm of 10 percent to 20 percent, this suggests that the municipality is committed to improving infrastructure and the eradication of backlogs.
Efficiency			
Net operating surplus margin	= or > 0%	-25.2%	Net operating surplus margin amounts to negative 25.2 percent and not in line with the norm of being equal to or greater than 0. A ratio which is greater than 0 percent will enable the municipality to generate a surplus which will assist to contribute towards its capital funding requirements. If the result is less than 0 percent, as is the case with the Mthonjaneni Local Municipality, it implies that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery.

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	18 338	18 338	4 800	26.2	The municipality had budgeted for revenue amounting to R18.3 million from Property Rates in the 2017/18 financial year, however as per the unaudited figures, the municipality has generated a total amount of R4.8 million resulting in an under-generation of R13.5 million. The municipality did not provide a clear reason for the under-generated revenue on Property rates, however the municipality indicated that the reported amount may not reflect the correct amount. The municipality has furthermore indicated that as per the set of draft 2017/18 Annual Financial Statements submitted to internal auditors, revenue amount generated on Property rates was R17.4 million.
Service Charges ¹	17 667	15 667	11 432	73.0	Although the Service charges has reflected revenue generation of 73 percent, it was indicated by the municipality that this was not the true reflection of revenue generated on this line item. The high variance noted under the Service charges was mainly due to reporting errors on the monthly Section 71 reports which lead to misallocations reported under Other own revenue. The municipality indicated that these misallocations will be corrected during the compilation of the Annual Financial Statements for the 2017/18 financial year.
Transfers recognised - operational	88 846	88 846	23 290	26.2	It was indicated by the municipality that the under-generation of 73.8 percent as indicated on Transfer recognised - operational was not a true reflection of the actual amount generated on this line item at the end of the financial year. 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 and the OSA return, however, this error will be corrected during the compilation of the Annual Financial Statements for the 2017/18 financial year.
Other sources of Revenue ²	6 032	5 033	11 554	229.6	The high variance noted under Other sources of revenue is mainly due to reporting errors on the monthly Section 71 reports which lead to misallocations reported under Other own revenue. The municipality indicated that these misallocations will be corrected during the compilation of the Annual Financial Statements for the 2017/18 financial year.
Total Operating Revenue	130 883	127 884	51 076	39.9	
Operating Expenditure					
Employee related costs	41 841	41 841	33 510	80.1	It was noted that the municipality has spent R33.5 million or 80.1 percent of its Employee related costs Adjusted budget amount of R41.8 million. Ideally at the end of the financial year, the municipality should have spent around 95 to 100 percent of its Approved 2017/18 Adjusted Budget. The municipality indicated that the large variances are due to incorrect reporting. There is an action plan in place currently to ensure that information reported is accurate.
Remuneration of councillors	9 071	9 621	7 814	81.2	It was noted that the municipality has spent R7.8 million or 81.2 percent of its Remuneration of councillors Adjusted budget amount of R9.6 million. Ideally at the end of the financial year, the municipality should have spent around 95 to 100 percent of its Approved 2017/18 Adjusted Budget. The municipality indicated that the large variances are due to incorrect reporting. As indicated previously, the municipality will implement an action plan to ensure that the information reported is accurate.
Debt impairment	1 500	3 500	-	-	The municipality indicated that their Debt impairment provision is calculated and recognised at year end, thus, no actual performance amount was available at the time of the Section 71 reporting. The municipality is encouraged to report on this expenditure line item on a monthly basis.
Depreciation and asset impairment	6 500	9 000	1 484	16.5	Despite the municipality being advised to ensure that Depreciation and asset impairment is calculated and reported on a monthly basis, it appears that the municipality has not implemented the advise. However, the municipality indicated that the large variances are due to incorrect reporting.
Bulk purchases	14 000	14 000	6 851	48.9	It was noted that the municipality has spent R6.9 million or 48.9 percent of its Bulk purchases Adjusted budget amount of R14 million. Ideally at the end of the financial year, the municipality should have spent around 95 to 100 percent of its Approved 2017/18 Adjusted Budget. The municipality indicated that it has been billed by Eskom on a higher tariff and the budget was based on that tariff. Eskom identified the error and bills currently on a new lower tariff resulting in variances.
Contracted services	22 479	22 478	21 860	97.2	
Other expenditure items ³	27 397	50 566	21 649	42.8	The municipality indicated that the large variances are due to incorrect reporting and that the correct figure will be reported in the 2017/18 Annual Financial Statements.
Total Operating Expenditure	122 788	151 006	93 167	61.7	
Operating surplus/(deficit)	8 096	(23 122)	(42 091)		

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 material, 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	23 170	27 714	22 344	80.6	The municipality has attributed the large variance of 19.4 percent on Transfers recognised - capital due to incorrect reporting. The municipality has further mentioned that there is an action plan in place currently to ensure that information reported is accurate.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	10 544	-	-	-	
Total Capital Revenue	33 714	27 714	22 344	80.6	
Capital Expenditure					
Governance and Administration	3 326	326	-	-	Although there is no reflection of an amount spent under this vote as per the Section 71 report submitted to National Treasury, the municipality has indicated that this was as a result of reporting error. The municipality has further mentioned that there is an action plan in place currently to ensure that information reported is accurate.
Community and Public Safety	2 279	2 279	-	-	The municipality has indicated that the large variance is due to incorrect reporting. The municipality has further mentioned that there is an action plan in place currently to ensure that information reported is accurate.
Eco. & Environmental Services	24 949	23 949	22 344	93.3	
Trading Services	3 160	1 160	-	-	It was noted that the municipality has not reported any expenditure against the Trading services capital budget allocation for the 2017/18 financial year. During the Mid-Term Budget engagement, the municipality was advised that investment in capital expenditure, in particular Capital expenditure with regards to Trading services, is vital in the municipality achieving its service delivery mandate. It must however be noted that the municipality indicated that the large variance is due to incorrect reporting. The municipality has further mentioned that there is an action plan in place currently to ensure that information reported is accurate.
Other	-	-	-	-	
Total Capital Expenditure	33 714	27 714	22 344	80.6	The municipality has indicated that there is a reporting error since the Total capital expenditure for the 2017/18 financial year amounts to R25.3 million as per the draft Annual Financial Statements (AFS) submitted to the Internal Audit for review. It is expected that the correct amount will be reflected in the finalised AFS. The municipality has put an action plan in place to ensure that there is correct reporting going forward.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	8 718	8 718	807		During the assessment of the adopted 2017/18 Adjustments Budget, it was noted that the municipality had incorrectly used R8.7 million instead of R807 000 as the Cash/cash equivalents at the beginning of the year and consequently Cash/cash equivalents at beginning of 2017/18 financial year as per the Approved 2017/18 Adjustments budget was overstated by R7.9 million. It appears that the error was corrected in the financial year under review.
Cash/cash equiv. at the year end:	9 145	32 351	20 581		It was noted that the closing balance of R20.6 million does not reconcile to the final bank reconciliation for the 2017/18 financial year which amounts to R1.5 million. It is expected that the correct amount will be reflected in the finalised Annual Financial Statements.
Net Increase/(Decrease) in cash held	427	23 633	19 774		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	2 157	113.5%	(257)	The municipality has exceeded its Financial Management Grant (FMG) allocation by R257 000 or 13.5 percent. The municipality did not provide an explanation for exceeding its allocated FMG funds.
Expanded Public Works Programme Integrated Grant	3 210	2 951	91.9%	259	As per the unaudited figures reported by the municipality, the Expanded Public Works Programme grant was not fully utilised during the 2017/18 financial year. The municipality spent R2.9 million or 91.9 percent against an allocation of R3.2 million, however the municipality indicated that it had fully utilised the grant and that the reflection of unspent funds must have been a reporting error on their side which will be corrected in the 2017/18 Annual Financial Statements.
Municipal Infrastructure Grant	23 170	23 469	101.3%	(299)	The municipality has exceeded its Municipal Infrastructure Grant (MIG) allocation by R299 000 or 1.3 percent. The municipality did not provide an explanation for exceeding its allocated MIG funds.

Table 4.8 (r) Trade and other receivables, Trade and other payables and Key ratios - Nkandla Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	9 497		
Debtors as at 30 June 2018	24 239		Debtors have increased by R14.7 million from R9.5 million at the end of the 2016/17 financial year to R24.2 million at the end of the 2017/18 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.
			It must however be noted that the draft 2017/18 Annual Financial Statements indicate that debtors as at 30 June 2018 amount to R4.6 million.
By age analysis			
0-30 days	1 154	4.8%	
31-60 days	646	2.7%	
61-90 days	578	2.4%	
>90 days	21 862	90.2%	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 which negatively impacts on the municipality's cash flow position.
Total by age analysis	24 239	100.0%	
By customer group			
Organs of state	5 263	21.7%	
Commercial	4 341	17.9%	
Households	8 259	34.1%	A significant portion (R8.3 million or 34.1 percent) of debt owed to the municipality is owed by the Households customer group and a large portion (R7.8 million or 94.9 percent) of this debt is outstanding for more than 90 days. The municipality is largely rural in nature and the majority of Households with outstanding balances appear to be indigent and should be classified accordingly by the municipality.
Other	6 377	26.3%	
Total by customer group	24 239	100.0%	
Creditors			
By age analysis			
0-30 days	(7 761)	-	
31-60 days	(1 104)	-	
61-90 days	(135)	-	
>90 days	(634)	-	
Total by age analysis	(9 634)		It was noted that the municipality had reported negative R9.6 million as Creditors as at the end of the 2017/18 financial year. The amount reported is incorrect and the municipality has reported the correct figure of R21.4 million in the draft 2017/18 Annual Financial Statements.
Key Ratios			
	Norm/Range	% Actual	
Expenditure management			
Remuneration as a % of Total operating expenditure	25% - 40%	44.4%	As per the unaudited figures reported by the municipality, Remuneration as a percentage of Total operating expenditure amounts to 44.4 percent. This exceeds the norm of 25 - 40 percent and could indicate inefficiencies, overstaffing or even the incorrect focus due to misdirected expenditure to non-essentials or non-service delivery related expenditure
Contracted services as a % of Total operating expenditure	2% - 5%	23.5%	Contracted services as a percentage of Total operating expenditure amounts to 23.5 percent which is in excess of the norm of 2 to 5 percent. This indicates that the municipality is outsourcing a higher than normal percentage of its functions to consultants or that Contracted services are not effectively utilised. This may expose the municipality to risks such as not being able to build internal capacity and ongoing or increasing reliance on consultants.
Grant dependency			
Own sources of revenue to total operating revenue	-	54.4%	As per the unaudited figures reported by the municipality, Own sources of revenue to Total operating revenue amounts to 54.4 percent suggesting that the municipality is not heavily dependant on grants from National and Provincial Government. In addition to the above, the municipality has only recognised Transfers recognised-operational amounting to R23.3 million of the budgeted R88.8 million.
			The figures reported by the municipality may have distorted the grant dependency ratio.
Own funded capital expenditure	-	-	
Asset Management			
Capital Expenditure to Total expenditure	10% - 20%	19.3%	The municipality's ratio of Capital expenditure to Total expenditure amounts to 19.3 percent and is within the norm of 10 percent to 20 percent and suggests that the municipality is committed to improving infrastructure and the eradication of backlogs.
Efficiency			
Net operating surplus margin	= or > 0%	-82.4%	Net operating surplus margin amounts to negative 82.4 percent and not in line with the norm of being equal to or greater than 0. A ratio which is greater than 0 percent will enable the municipality to generate a surplus which will assist to contribute towards its capital funding requirements. If the result is less than 0 percent, as is the case with the Nkandla Local Municipality, it implies that the municipality is operating at a deficit and measures must be implemented to address this situation to ensure sustainable service delivery.

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	85 624	77 346	77 099	99.7	
Transfers recognised - operational	523 525	600 279	536 750	89.4	The municipality indicated that the under-generation noted in the published figures is as a result of lower than expected expenditure on operational conditional grants which affects the revenue recognition for Transfers recognised-operational. Furthermore, the municipality stated that the figures reported are provisional, pending the finalisation of the Annual Financial Statements.
Other sources of Revenue ²	72 925	81 335	82 826	101.8	
Total Operating Revenue	682 074	758 959	696 674	91.8	
Operating Expenditure					
Employee related costs	234 731	217 328	188 855	86.9	The municipality stated that there has been notable progress in the filling of vacancies however, numerous posts have remained vacant throughout the financial year, which has resulted in the savings noted in Employee related costs as at 30 June 2018. It was further explained that the figures reported are provisional, pending the finalisation of the Annual Financial Statements.
Remuneration of councillors	12 873	12 003	11 778	98.1	
Debt impairment	3 615	3 615	3 740	103.5	The over-spending on Debt impairment is attributable to the write-off that was approved by the municipal Council. In addition to that, the municipality stated that virements for the transaction has been processed, in line with the municipality's approved Virements Policy.
Depreciation and asset impairment	86 511	86 511	61 495	71.1	The municipality indicated that the under-performance noted was due to Capital projects that were not completed during the financial year. Furthermore, the figures reported are provisional, pending the finalisation of the Annual Financial Statements.
Bulk purchases	52 800	29 052	28 938	99.6	
Contracted services	269 838	395 007	361 135	91.4	
Other expenditure items ³	115 826	154 473	129 899	84.1	According to the district municipality, the under-spending is due to selected projects that were implemented in June 2018, where the related expenditure was still in progress, at the time the figures were reported. The under-expenditure in Other materials is as a result of an increase in the allocation of the purchase of Bulk chemicals which are used for the Water treatment plants. Furthermore, the municipality stated that the figures reported for Other expenditure items are provisional, pending the finalisation of the Annual Financial Statements.
Total Operating Expenditure	776 195	897 989	785 840	87.5	
Operating surplus/(deficit)	(94 121)	(139 029)	(89 166)		

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 material, 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	289 758	233 271	171 099	73.3	The district municipality stated that the variance noted is due to the lower than expected expenditure on Conditional grants which in turn affects the revenue recognition. The figures provided in the Section 71 reports are provisional figures, pending the finalisation of the Annual Financial Statements.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	37 660	41 262	14 193	34.4	As per the municipality, the variance of 65.6 percent noted was due to delays in Supply Chain Management procedures. As a result, funds were not fully utilised from the Internally generated funds.
Total Capital Revenue	327 418	274 533	185 291	67.5	
Capital Expenditure					
Governance and Administration	11 874	16 651	3 478	20.9	The under-spending of 20.9 percent noted under Governance and administration is attributable to a delay in Supply Chain Management procedures where various projects were not completed or initiated timeously. The municipality was supposed to fund these projects through Internally generated funds however, these projects will continue in the 2018/19 financial year.
Community and Public Safety	800	5 922	750	12.7	The municipality has indicated that the low expenditure is attributable to a delay in Supply Chain Management procedures where various projects were not completed or initiated timeously. The delayed Capital projects will be continued in the 2018/19 financial year.
Eco. & Environmental Services	1 416	100	49	48.9	
Trading Services	313 328	251 576	181 012	72.0	As per the municipality, the under spending is due to lower than expected expenditure on Conditional grants as at the end of the 2017/18 financial year as well as delays experienced in Supply Chain Management procedures. The related funds are expected to be rolled over to the 2018/19 financial year.
Other	-	283	3	1.1	
Total Capital Expenditure	327 418	274 533	185 291	67.5	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	303 426	503 357	172 524		According to the district municipality, the Cash/cash equivalents at the beginning of the financial year which was reported in the Cash flow Section 71 return does not include Investments, resulting in a significant under-statement. Furthermore, the figures appear to be questionable as the audited 2016/17 Annual Financial Statements of the municipality reflected Cash and Investments balance of R503.4 million.
Cash/cash equiv. at the year end:	249 372	412 982	39 052		As stated above, the amount reported in the Cash flow Section 71 return does not include Investments which has resulted in an incorrect closing balance. The district municipality stated that the balance reported for Cash and cash equivalents in the 2017/18 draft Annual Financial Statements amounts to R498.3 million.
Net Increase/(Decrease) in cash held	(54 054)	(90 375)	(133 473)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 250	1 250	100.0%	0	
Expanded Public Works Programme	5 032	5 032	100.0%	0	
Municipal Infrastructure Grant	173 938	173 938	100.0%	0	

Table 4.8 (u) Trade and other receivables, Trade and other payables and Key ratios - King Cetshwayo District Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	65 036		
Debtors as at 30 June 2018	69 425		The amount for outstanding Debtors as at the end of June 2018 has slightly increased when compared to the amount reported in the 2016/17 financial year.
<u>By age analysis</u>			
0-30 days	8 578	12.4%	
31-60 days	4 159	6.0%	
61-90 days	4 324	6.2%	
>90 days	52 364	75.4%	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	69 425	100.0%	
<u>By customer group</u>			
Organs of state	8 992	13.0%	The municipality stated that the main contributors to the outstanding payments are the Department of Education and the Department of Health. The Department of Public Works also owes the municipality although it is less than the amount owed by the other departments mentioned.
Commercial	8 495	12.2%	According to the municipality, this debt mainly arose from commercial consumers who terminated operations and vacated premises or stopped using municipal services without settling their accounts. Actions through legal processes are the only avenue for recovery however, such processes are unfortunately lengthy.
Households	51 506	74.2%	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	432	0.6%	
Total by customer group	69 425	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	20 736	33.1%	
31-60 days	13 017	20.8%	
61-90 days	5 058	8.1%	
>90 days	23 898	38.1%	
Total by age analysis	62 708	100.0%	Included in the amount of R62.7 million is the amount of R42 million or 67 percent of the outstanding Creditors reported in the categories which are more than 30 days 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.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	25.5%	
Contracted services as a % of Total operating expenditure	2% - 5%	46.0%	Contracted services as a percentage of Total operating expenditure amounts to 46 percent, thereby exceeding the norm of 2 to 5 percent, as prescribed by National Treasury. This indicates that the municipality is outsourcing a higher than normal percentage of its functions to consultants or that Contracted services are not being utilised effectively. This may expose the municipality to risks such as not being able to build internal capacity, resulting in the municipality relying heavily on Consultants. The municipality stated that this ratio assumes an ideal operating scenario where all the operations are done internally by the organisation however, in the case of the King Cetshwayo District Municipality, the operations and Repairs and maintenance of the district's rural water schemes is outsourced to an external service provider, which has resulted in a higher ratio than the norm.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	23.0%	The King Cetshwayo District is said to be 80 percent rural and only 20 percent urban in the main economic hub of the district. The 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 the individuals residing in the district cannot afford to pay for the services rendered.
Own funded capital expenditure	-	7.7%	The municipality is grant reliant in terms of Capital projects, as these projects require substantial financial injection which is sourced from grants.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	19.1%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-12.8%	The negative amount is as a result of the Operating deficit of R89.2 million reported under Financial Performance. Evidently, this deterioration in surplus cash is also reflective in the reduction in the Cash/ cash equivalents at year end as reported in the Cash flow section. Furthermore, the municipality stated that the figures reported for certain revenue and expenditure items are provisional, pending the finalisation of the Annual Financial Statements.

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 has also established 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 km² (kzncogta.gov.za, 2018), and a population size of 606 774 (KZNCOGTA, 2017) 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 a high level 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 2017/18 financial year, the KwaDukuza and Ndwedwe Local Municipalities and the iLembe District Municipality had permanent Municipal Managers (MM) whilst the MM for Maphumulo Local Municipality was appointed on 01 August 2017 and Mandeni Local Municipality on 16 October 2017.

The Mandeni and the KwaDukuza Local Municipalities and the iLembe District Municipality had permanent Chief Financial Officers (CFO) as at the end of the 2017/18 financial year. The position of the CFO at the Maphumulo Local Municipality was filled permanently in September 2017 and the Ndwedwe Local Municipality had an Acting CFO from September 2017 until the end of June 2018.

The KwaDukuza, Ndwedwe and Maphumulo Local Municipalities retained their unqualified audit opinions with findings from the 2015/16 financial year to the 2016/17 financial year. The Mandeni Local Municipality and the iLembe District Municipality regressed from an unqualified audit opinion with no findings to an unqualified audit opinion with findings from the 2015/16 financial year to the 2016/17 financial year.

4.9.1 Overview of iLembe District Performance

Table 4.9.1(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Mandeni	218 704	224 507	111 532	49.7
KwaDukuza	1 455 675	1 428 903	1 397 925	97.8
Ndwedwe	143 057	143 057	102 466	71.6
Maphumulo	113 162	113 162	112 776	99.7
iLembe DM	645 833	654 459	1 244 846	190.2
Total	2 576 432	2 564 089	2 969 545	115.8

Source: NT Igdatabase

Table 4.9.1(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Mandeni	218 704	224 507	208 715	93.0
KwaDukuza	1 453 584	1 425 968	1 228 405	86.1
Ndwedwe	142 557	142 557	130 830	91.8
Maphumulo	116 576	116 576	107 082	91.9
iLembe DM	641 947	653 000	687 940	105.4
Total	2 573 368	2 562 609	2 362 971	92.2

Source: NT Igdatabase

Table 4.9.1(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Mandeni	57 721	51 721	41 007	79.3
KwaDukuza	230 844	217 762	139 036	63.8
Ndwedwe	108 395	108 395	31 098	28.7
Maphumulo	24 491	29 780	38 431	129.0
iLembe DM	354 720	337 303	243 056	72.1
Total	776 171	744 962	492 629	66.1

Source: NT Igdatabase

Table 4.9.1(d) Debtors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	(1 669)	(1.0)	7 311	4.4	33	0.0	160 788	96.6	166 463
KwaDukuza	40 694	37.8	17 810	16.5	8 012	7.4	41 197	38.2	107 713
Ndwedwe	796	5.3	1	0.0	332	2.2	13 769	92.4	14 898
Maphumulo	448	1.7	(8)	(0.0)	195	0.7	26 316	97.6	26 950
iLembe DM	20 293	7.1	20 766	7.3	13 216	4.6	231 622	81.0	285 896
Total	60 561	10.1	45 880	7.6	21 788	3.6	473 692	78.7	601 920

Source: NT Igdatabase

Table 4.9.1(e) Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	4 696	2.8	68 697	41.3	93 158	56.0	(89)	(0.1)	166 463
KwaDukuza	9 735	9.0	23 358	21.7	49 285	45.8	25 335	23.5	107 713
Ndwedwe	3 760	25.2	7 930	53.2	2 311	15.5	897	6.0	14 898
Maphumulo	7 701	28.6	9 333	34.6	2 320	8.6	7 596	28.2	26 950
iLembe DM	19 709	6.9	4 338	1.5	244 875	85.7	16 974	5.9	285 896
Total	45 600	7.6	113 656	18.9	391 949	65.1	50 714	8.4	601 920

Source: NT Igdatabase

Table 4.9.1(f) Creditors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	2 515	96.6	89	3.4	1	0.0	-	-	2 605
KwaDukuza	199 981	98.3	303	0.1	1 446	0.7	1 746	0.9	203 476
Ndwedwe	(4 902)	130.1	16	(0.4)	18	(0.5)	1 100	-29.2	(3 769)
Maphumulo	697	27.6	805	31.9	118	4.7	906	35.9	2 526
iLembe DM	66 365	78.6	16 691	19.8	145	0.2	1 237	1.5	84 438
Total	264 655	91.5	17 904	6.2	1 727	0.6	4 990	1.7	289 276

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	30 789	30 789	28 214	91.6	As per the municipality, an amount of R31.4 million or 101.9 percent was generated against the 2017/18 Adjusted Budget for Property rates.
Service Charges ¹	25 665	27 484	24 939	90.7	The under-generation against Service charges was mainly due to the poor performance against Service charges-electricity where the municipality generated only R16.7 million against the Adjusted budget of R19.1 million. The municipality indicated that the reason for the poor performance noted was due to less than anticipated consumption by the Umgeni Water Board in the implementation of the Bulk water scheme.
Transfers recognised - operational	152 744	156 797	50 940	32.5	The municipality conceded that the amount reflected for Transfers recognised-operational revenue was inaccurate. Based on the updated unaudited actual of R150.7 million relating to Transfers recognised-operational, the municipality generated 96.1 percent of the 2017/18 Adjustments Budget. The municipality indicated that the main reason for the variance was due to the INEP (R2.7 million) and Library grants (R1.1 million) not being fully spent as at year end due to the delays in the appointment personnel as well as disputes in land ownership. The municipality indicated that they will apply for rollovers for the abovementioned unspent grants.
Other sources of Revenue ²	9 507	9 438	7 439	78.8	As per the municipality, the updated unaudited actual in respect of Interest earned- external investments amounted to R2.8 million or 93.3 percent of the Adjustments Budget instead of the amount of R447 000 reflected in the Section 71 report. Thus, revenue generated in respect of Other sources of revenue amounts to R9.8 million or 104 percent of the 2017/18 Adjusted budget of R9.4 million.
Total Operating Revenue	218 704	224 507	111 532	49.7	
Operating Expenditure					
Employee related costs	72 961	72 961	75 347	103.3	As per the municipality, actual expenditure related to Employee related costs amounted to R76.6 million or 104.9 percent of the 2017/18 Adjustments Budget. As per the municipality, the variance was due to the municipality only budgeting for a 6 percent increase in basic salaries, whereas the final conclusion of the SALGA negotiated agreement was 7 percent.
Remuneration of councillors	13 700	13 700	11 841	86.4	As per the municipality, the updated unaudited actual in respect of Remuneration of councillors amounted to R12.8 million or 93.4 percent of the 2017/18 Adjusted Budget. The municipality indicated that the budget was overstated due to a higher than anticipated increase in the budget as compared to the Government Gazette in respect of the upper limits.
Debt impairment	3 862	3 862	8 797	227.8	The municipality indicated that the revised unaudited actual expenditure in respect of Debt impairment amounts to R10.4 million which significantly exceeds the 2017/18 Adjusted Budget. The municipality conceded that the 2017/18 Adjusted Budget was understated due to the municipality not considering the contribution to Debt impairment resulting from the Ingonyama Trust Board debtors which was the subject of unsuccessful legal proceedings.
Depreciation and asset impairment	23 000	25 764	12 477	48.4	Based on an updated Asset register, the revised unaudited actual for Depreciation and asset impairment amounted to R26.95 million or 104.6 percent of the Adjusted Budget. The municipality indicated that the slight over-expenditure was due to assets being capitalised at an earlier date than anticipated during the budget stage.
Bulk purchases	14 596	16 149	19 977	123.7	As per the municipality, actual expenditure in respect of Bulk purchases amounted to R16.6 million which represents 103.1 percent of the 2017/18 Adjustments Budget. The municipality conceded that the budget for Bulk purchases was understated.
Contracted services	13 594	20 609	24 502	118.9	As per the municipality, the over-expenditure against Contracted services was due to the implementation of mSCOA whereby certain Public participation programs budgeted for against Other expenditure were actually reported against Contracted services.
Other expenditure items ³	76 991	71 463	55 774	78.0	Low expenditure noted against Other expenditure items was mainly due to under-expenditure against Other materials of R4.8 million or 26.8 percent of the Adjusted Budget of R17.8 million. In respect of Other materials which is comprised of the budget for Repairs and maintenance, the municipality indicated that due to cash flow constraints, expenditure has been deferred in order to maintain a sustainable cash position.
Total Operating Expenditure	218 704	224 507	208 715	93.0	
Operating surplus/(deficit)	0	(0)	(97 183)		The operating deficit of R97.2 million is not a true reflection of the municipality's actual performance as at the end of the 2017/18 financial year. As per the municipality, the actual Operating surplus generated as at the end of the financial year was R30 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 material, 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	45 321	45 321	38 473	84.9	The municipality indicated that the updated unaudited actual revenue amount relating to Transfers recognised- capital is R40.8 million or 90.1 percent of the 2017/18 Adjusted Budget. The municipality further stated that the main reason for the under-performance against budget was due to only R4.9 million or 43.8 percent of the Neighbourhood Development Partnership Grant (NDPG) allocation of R11.2 million being utilised due to technical delays being experienced on site by the contractors.
Public contributions and donations	-	-	271	-	The municipality conceded that revenue of R271 000 reflected against Public contributions and donations was erroneous and will be corrected in the 2017/18 AFS.
Borrowing	-	-	-	-	
Internally generated funds	12 400	6 400	2 263	35.4	Based on the revised unaudited actual, the municipality recognised an amount of R7.3 million or 114.1 percent in respect of Internally generated funds. As per the municipality, the higher amount recognised resulted from under-estimated costs relating to the completion of the council chamber which was finalised in the 2017/18 financial year.
Total Capital Revenue	57 721	51 721	41 007	79.3	Based on the updated amounts noted above, the municipality has recognised revenue of R48.1 million or 93 percent of the Total capital revenue budget.
Capital Expenditure					
Governance and Administration	410	200	2 904	1 451.9	The municipality indicated that the revised unaudited actual amount for Governance and administration should have amounted to R836 000 or 418 percent of the Adjusted Budget of R200 000. The over-expenditure was due to the under-estimated costs for the completion of the council chambers.
Community and Public Safety	2 700	1 000	1 946	194.6	As per the municipality, the over-expenditure noted against Community and public safety was due to the municipality revising the Municipal Infrastructure Grant (MIG) support plan and reallocating expenditure relating to MIG funded projects to Community facilities.
Eco. & Environmental Services	54 051	50 521	29 495	58.4	The municipality indicated that the revised unaudited actual in respect of Eco. & environmental services amounted to R45.3 million or 89.7 percent against the Adjusted Budget of R50.5 million. The municipality confirmed that the under-expenditure noted was due to delays in the implementation of projects funded from the NDPG grant as discussed above.
Trading Services	560	-	6 663	-	The municipality did not budget for any Capital expenditure relating to Trading services in the 2017/18 Adjustments Budget. Despite the municipality reflecting expenditure of R6.7 million in the Section 71 report, the municipality indicated that corrected unaudited actual amount is R56 000 which was related to an item incorrectly budgeted for as Repairs and maintenance.
Other	-	-	-	-	
Total Capital Expenditure	57 721	51 721	41 007	79.3	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	14 744	15 157	15 204		
Cash/cash equiv. at the year end:	6 547	19 611	41 898		The correct projected Cash/cash equiv. at the year end as per the Adjusted Budget (Adopted B Schedule) is R18.7 million and not R19.6 million as per the municipality's Section 71 report. The municipality conceded that they had closed the financial year with R30.3 million which is sufficient to cash back all unspent grants amounting to R7.7 million (NDPG: R5.7 million, Sports and recreation: R2 million).
Net Increase/(Decrease) in cash held	(8 197)	4 454	26 694		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme Integrated Grant	2 285	2 106	92.1%	179	As per the municipality, expenditure of R2.4 million has been incurred against the Expanded Public Works Programme (EPWP) allocation being the full 2017/18 allocation of R2.3 million as well as an approved rollover of R92 000, thus the amount reflected of R2.1 million against the EPWP grant is incorrect in the Section 71 report.
Municipal Infrastructure Grant	35 940	35 965	100.1%	(25)	

Table 4.9 (i) Trade and other receivables, Trade and other payables and Key ratios - Mandeni Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	149 286		
Debtors as at 30 June 2018	166 463		Outstanding debtors have increased from R149.3 million in the 2016/17 financial year to R166.5 million in 2017/18, an increase of 11.5 percent.
<u>By age analysis</u>			
0-30 days	(1 669)	-	The municipality indicated that the negative debtors reflected in the 0-30 days ageing category was as a result of erroneously allocating payments relating to older debtors to this ageing category. This will be rectified in the 2017/18 AFS.
31-60 days	7 311	4.4%	
61-90 days	33	0.0%	
>90 days	160 788	96.6%	Debtors outstanding for more than 90 days constitute the bulk of the municipality's Debtors balance. A significant number of non-paying debtors are Households (56 percent) as reflected below. The municipality conceded that there is no credit management system to assist the municipality with monitoring debtors, thus, a large number of Household debtors (Property Rates) accounts are long outstanding. Furthermore, indigent households do not apply for indigent status and were thus, incorrectly billed. The municipality indicated that, together with the district municipality, they are developing strategies in order to improve debtor collection and indigent applications. Difficulties in collecting outstanding amounts from Commercial customers occupying the Ingonyama Trust land were noted. The municipality instituted legal proceedings to assist in the recovery of the long outstanding debtor amounts which were unsuccessful and will result in a significant Provision for bad debts being raised in the 2017/18 AFS.
Total by age analysis	166 463	100.0%	
<u>By customer group</u>			
Organs of state	4 696	2.8%	
Commercial	68 697	41.3%	
Households	93 158	56.0%	
Other	(89)	-	The municipality indicated that the negative debtors balance reflected against the category "Other" is an error and will be rectified in the 2017/18 AFS.
Total by customer group	166 463	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	2 515	96.6%	
31-60 days	89	3.4%	
61-90 days	1	0.0%	
>90 days	-	-	
Total by age analysis	2 605	100.0%	As per the municipality, the revised total Trade and other payables owed by the municipality amount to R14.1 million as at the end of the financial year with an amount of R395 000 owing for a period of greater than 30 days. As per the municipality, this is due to an unresolved confirmation with the user department for the procured services. The municipality is, thus, in contravention with Section 65(2)(e) of the MFMA.
Key Ratios			
		Norm/	% Actual
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%		41.8%
As per the updated figures provided by the municipality, Remuneration of R89.4 million (Employee related cost: R76.6 million and Remuneration of Councillors: R12.8 million) constitutes 41.2 percent of Total operating expenditure of R216.8 million and exceeds the norm range of 25 to 40 percent. As per MFMA Circular No. 71, if the ratio exceeds 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.			
Contracted services as a % of Total operating expenditure	2% - 5%		11.7%
As noted in Table 4.9 (g), expenditure relating to Contracted services was higher than the budgeted amount due to the reporting of expenditure budgeted for against Other expenditure being reported against Contracted services. Notwithstanding this, the high ratio could indicate that many functions are being outsourced to Contractors or that Contracted services are not effectively utilised, as per National Treasury Circular 71. The municipality indicated that they perform the majority of the services internally except for those that they do not have capacity to undertake such as Security and Refuse trucks.			
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-		54.3%
Own funded capital expenditure	-		5.5%
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%		16.4%
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%		-87.1%
The negative Net operating surplus margin reported is as a result of the municipality recording an unaudited deficit of R97.2 million for the 2017/18 financial year. As noted in Table 4.9 (g), the revised unaudited actual surplus is R30 million and thus, the recalculated ratio is within the norm range.			

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	403 343	399 023	403 204	101.0	
Service Charges ¹	787 571	768 032	737 012	96.0	
Transfers recognised - operational	148 452	146 829	142 473	97.0	
Other sources of Revenue ²	116 309	115 019	115 236	100.2	
Total Operating Revenue	1 455 675	1 428 903	1 397 925	97.8	
Operating Expenditure					
Employee related costs	359 321	344 828	327 834	95.1	
Remuneration of councillors	23 146	23 146	27 031	116.8	As per the explanation provided in the municipality's Section 52(d) report, the variance against Remuneration of councillors was as a result of an error during the capturing process of the salary journal which will be corrected during the finalisation of the 2017/18 Annual Financial Statements (AFS).
Debt impairment	33 160	33 160	14 532	43.8	The municipality indicated that the main contributing factor to the under-expenditure against Debt impairment is the bad debt provision which is required in terms of GRAP but not yet included as at 30 June 2018. The full Debt impairment calculation will be undertaken during the preparation of the 2017/18 annual AFS and the expenditure will be recognised prior to finalisation of the AFS.
Depreciation and asset impairment	82 499	82 499	60 393	73.2	The under-expenditure reflected against Depreciation and asset impairment as at 30 June 2018 was due to the municipality incurring lower than expected expenditure against the Capital budget. Furthermore, delays in completing the prior year's capital projects resulted in delays in the capitalisation of assets and subsequent depreciation of the assets.
Bulk purchases	568 612	590 847	505 370	85.5	The explanation provided in the municipality's Section 52(d) report was that the invoice relating to Bulk purchases for June 2018 had not yet been captured onto the financial system at the time of the Section 71 reporting. As per the municipality, June 2018 invoice amounts to R62 million and will be updated accordingly prior to finalisation of the 2017/18 AFS.
Contracted services	31 764	139 455	147 026	105.4	As per the municipality, over-spending reflected against Contracted services was due to a reallocation of expenditure pertaining to item segments from Other materials and Other expenditure to Contracted services in order to comply with the mSCOA chart. Thus, the over-expenditure against Contracted services is expected to remain even after the finalisation of the AFS.
Other expenditure items ³	355 082	212 034	146 219	69.0	Under-expenditure of R50.5 million on Other expenditure was the main contributor against Other expenditure items. The under-expenditure was also as a result of the reallocation of expenditure between Contracted services, Other materials and Other expenditure. Furthermore, the municipality also indicated that there are other journals that are technically required in terms of GRAP (Contributions to provisions, etc.), which are normally undertaken during the finalisation of the AFS and thus, the expenditure will be updated accordingly. An under-spending of R12 million against Other materials was also noted as at 30 June 2018. As indicated above under Contracted services, this was due to a reallocation of expenditure. During the 2017/18 financial year, the municipality intended to take up a loan to fund the KwaDukuza substation which did not happen, thus the under-expenditure of R3.2 million against Finance charges.
Total Operating Expenditure	1 453 584	1 425 968	1 228 405	86.1	
Operating surplus/(deficit)	2 091	2 935	169 520		The Operating surplus is questionable considering that the various expenditure items are yet to be finalised such as Debt impairment and Provisions under the Other expenditure line item, 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 material, 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	59 934	42 772	18 205	42.6	Transfers recognised-capital reported as at the end of June 2018 was significantly lower than the budget. As per the municipality's Section 52(d) report, the variance will decrease as a number of accruals were not yet processed at the time of reporting. It should be noted that the bulk of the under-expenditure relates to projects funded from INEP as only R2.1 million was spent against the budgeted allocation of R18 million (R10 million allocated for 2017/18 and R8.2 million as a rollover).
Public contributions and donations	21 381	-	-	-	
Borrowing	12 186	2 186	-	-	As per the municipality's Section 52(d) report, the responsible unit is currently in the process of procuring the land for the development in respect of the Vehicle and testing station and the loan will be fully spent in the 2018/19 financial year.
Internally generated funds	137 343	172 804	120 830	69.9	The main reasons for lower recognition of revenue against Internally funded capital projects are discussed under the Capital expenditure section below.
Total Capital Revenue	230 844	217 762	139 036	63.8	
Capital Expenditure					
Governance and Administration	23 540	26 856	21 333	79.4	Refer to comment below (Eco. & environmental Services)
Community and Public Safety	55 247	41 533	41 428	99.7	
Eco. & Environmental Services	90 241	95 132	60 859	64.0	The municipality indicated that delays in Supply Chain Management (SCM) processes, cancellation of appointments awarded to contractors and slow progress of certain contractors on project implementation have resulted in the under-expenditure against Governance and administration and economic and environmental services (Road transport). Furthermore, R2.8 million which was to be spent against Borrowing for the land purchase for the vehicle and testing station has not been spent and has been re-budgeted for in the 2018/19 financial year.
Trading Services	61 816	54 241	15 416	28.4	As per the explanation provided in the municipality's Section 52(d) report, the majority of projects under Trading services (Electricity/Energy) are at tender stage. The reasons for the delays against this department was not provided in the report. Furthermore, projects amounting to R18.1 million are funded from INEP and only R2.1 million has been spent as at 30 June 2018. This was due to the fact that electricity infrastructure for these projects could only be installed once beneficiaries have occupied the dwellings, hence the delay on spending the grant. It should be noted that, of the projects budgeted for under Trading services, an amount of R8.2 million is related to an approved rollover for the INEP grant and only R2.1 million was spent as at June 2018. As per National Treasury, unspent amounts cannot be rolled over twice, therefore the municipality should ensure that the unspent amount is fully cash backed as it might be required to be surrendered to National Revenue Fund.
Other	-	-	-	-	
Total Capital Expenditure	230 844	217 762	139 036	63.8	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	352 464	270 209	270 209		
Cash/cash equiv. at the year end:	320 296	189 977	391 383		Cash and cash equivalents comprising of cash and short-term investments, which amounted to R391.4 million at the end of the financial year was significantly higher than the municipality's projected balance of R189.98 million as per the 2017/18 Adjusted Budget. This suggests that the municipality was conservative in forecasting the 2017/18 closing balance. 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 represents the municipality's financial commitments and as such, needs to be cash-backed, for example, Unspent conditional grants, Retentions, etc.
Net Increase/(Decrease) in cash held	(32 167)	(80 232)	121 174		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 800	1 800	100.0%	-	
Expanded Public Works Programme	1 565	1 565	100.0%	-	
Municipal Infrastructure Grant	62 562	62 562	100.0%	-	

Table 4.9 (l) Trade and other receivables, Trade and other payables and Key ratios - KwaDukuza Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	341 540		
Debtors as at 30 June 2018	107 713		Similar to prior years, the significant decrease in Debtors in 2017/18 when compared to 2016/17 is due to the municipality incorrectly reporting for Debtors on a net basis in the Section 71 report, while the 2016/17 debtors balance reflects gross debtors as per the 2016/17 audited AFS. The analysis of Debtors below is therefore based on the net debtors reported.
<u>By age analysis</u>			
0-30 days	40 694	37.8%	
31-60 days	17 810	16.5%	
61-90 days	8 012	7.4%	
>90 days	41 197	38.2%	As per the municipality's Section 52(d) report, numerous credit control measures have been implemented to accelerate collections of old debts, however, there has been an overall net increase of R7.4 million when compared to the 2016/17 year end net debtors. The municipality highlighted the challenges in respect of the Housing accreditation debtors also sitting under Over 90 days category as they are still awaiting receipt of payments from the claims put through to the Department of Human Settlements.
Total by age analysis	107 713	100.0%	
<u>By customer group</u>			
Organs of state	9 735	9.0%	
Commercial	23 358	21.7%	
Households	49 285	45.8%	A significant portion of outstanding debtors falls within the Household category. The municipality indicated that this is due to a high number of unregistered indigents within the municipal area.
Other	25 335	23.5%	
Total by customer group	107 713	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	199 981	98.3%	
31-60 days	303	0.1%	
61-90 days	1 446	0.7%	
>90 days	1 746	0.9%	
Total by age analysis	203 476	100.0%	As at the end of the financial year, the municipality reported Creditors balance of R3.5 million outstanding for a period of greater than 30 days which is in contravention with Section 65(2)(e) of the MFMA. The municipality indicated that the available budget on certain votes was insufficient and therefore, could not put through transactions which resulted in delays in payments.
Key Ratios			
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	28.9%	
Contracted services as a % of Total operating expenditure	2% - 5%	12.0%	As indicated in Table 4.9(j), reallocation of expenditure due to mSCOA implementation has resulted in the increase in the expenditure reflected against Contracted services and hence the high ratio of Contracted services as a percentage of Total operating expenditure.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	89.8%	These ratios indicate that the municipality is to a large extent self sufficient (Own sources of revenue to Total operating revenue and Own funded capital expenditure).
Own funded capital expenditure	-	86.9%	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	10.2%	
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	12.1%	

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	10 151	10 151	3 706	36.5	Despite the municipality submitting the updated Adjustments Budget returns, the returns were not successfully uploaded before the closure of the National Treasury (NT) database. Thus, the Adjusted Budget amounts reflected in Table 4.9(m) are incorrect.
Service Charges ¹	-	-	-	-	The municipality indicated that the under-generation of Property rates is incorrect as billings should be higher due to a new general valuation roll which was implemented during the 2017/18 financial year. It was indicated by the municipality that a number of property values had appreciated which will result in an increase in billings for Property rates. The municipality stated that the year to date actual revenue is R10.2 million according to the figures which are being finalised for the 2017/18 Annual Financial Statements (AFS).
Transfers recognised - operational	123 236	123 236	92 617	75.2	Although the Section 71 reports have reflected 75.2 percent of Transfers recognised-operational, the municipality has indicated that all operational Transfers were received to date. The figures will be correctly reflected in the 2017/18 AFS.
Other sources of Revenue ²	9 670	9 670	6 144	63.5	The unaudited actual as at the end of the fourth quarter in June 2018 amounted to R6.1 million for this line item, resulting in revenue of 63.5 percent against the Adjusted Budget, which appears to be relatively low. The reason for this under-generation is attributable to Other revenue being under-stated in the Section 71 return which will be corrected in the final AFS.
Total Operating Revenue	143 057	143 057	102 466	71.6	
Operating Expenditure					
Employee related costs	53 203	53 203	36 442	68.5	The municipality stated that there has been notable progress in the filling of vacancies however, numerous posts have remained vacant throughout the financial year which has resulted in savings in Employee related costs as at 30 June 2018. It was further explained that the vacant posts will be filled in the 2018/19 financial year.
Remuneration of councillors	10 177	10 177	11 004	108.1	The amount that was reported is R11 million as per the submitted Section 71 return. This resulted in expenditure of 108.1 percent of the Adjusted Budget which is over-expenditure, however the municipality should have an Adjustments Budget of R12.9 million as per the Approved B Schedule.
Debt impairment	2 500	2 500	-	-	The municipality has an Adjustments Budget of R2.5 million for Debt impairment however, the municipality has not reflected expenditure as at the end of June 2018 which was not justified by the municipality. The municipality was advised to ensure that Debt impairment is reported and calculated on a monthly basis during the 2017/18 financial year.
Depreciation and asset impairment	19 000	19 000	4 520	23.8	Depreciation and asset impairment reported was less than the Adjustments Budget as it amounted to 23.8 percent. The municipality indicated that the actual calculated Depreciation and asset impairment to date amounted to R17.2 million.
Bulk purchases	-	-	-	-	
Contracted services	8 630	8 630	55 546	643.6	As per the Ndwedwe Local Municipality, the 2017/18 Adjusted Budget for Contracted services included Repairs and maintenance projects which were to be outsourced to various contractors and it appears that the municipality increased the Repairs and maintenance. However, the increase appears to be questionable as it amounts to 643.6 percent resulting in a significant over-spend for Contracted services.
Other expenditure items ³	49 047	49 047	23 319	47.5	The under-spend noted is significant, although it appears as though the municipality applied cost-cutting measures, as Other expenditure was reduced. The municipality did not substantiate the low expenditure noted however, it is expected that this amount may vary once the AFS have been finalised.
Total Operating Expenditure	142 557	142 557	130 830	91.8	
Operating surplus/(deficit)	501	501	(28 364)		

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 material, 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	55 275	55 275	27 821	50.3	Despite the municipality submitting the updated Adjustments Budget returns, the returns were not successfully uploaded before the closure of the National Treasury (NT) database. Thus, the Adjusted Budget amounts reflected in Table 4.9(n) are incorrect.
Public contributions and donations	-	-	-	-	The municipality acknowledged that there was an error in reporting which was identified where a difference was noted between the Section 71 reports and the Trial Balance on the municipal financial system. The error will be corrected in the 2017/18 AFS.
Borrowing	-	-	-	-	
Internally generated funds	53 120	53 120	3 277	6.2	The municipality included various projects which were to be funded internally in the Capital budget however, the majority of these projects were delayed due to challenges with procurement procedures during the financial year resulting in this source of revenue not being utilised to fund Capital projects.
Total Capital Revenue	108 395	108 395	31 098	28.7	
Capital Expenditure					
Governance and Administration	14 800	14 800	2 202	14.9	The low expenditure recorded of 14.9 percent is an indication that the municipality was unable to spend the budget allocated fully. The municipality did not justify the under-expenditure noted.
Community and Public Safety	11 500	11 500	-	-	The Adjusted Budget recorded of R11.5 million has no expenditure recorded against it which was not justified by the municipality. The municipality did indicate that the Sports field budget had been increased to R12.2 million however, the statement could not be verified against the figures reported.
Eco. & Environmental Services	39 875	39 875	28 179	70.7	The municipality recorded expenditure of R28.2 million against the Adjusted Budget of R39.9 million resulting in an under-spend of 29.3 percent. The municipality did not justify the low expenditure noted.
Trading Services	28 000	28 000	717	2.6	As at the end of June 2018, the municipality recorded expenditure of 2.6 percent against the Adjusted Budget of R28 million. This expenditure is significantly low which was not justified by the municipality. Trading services are directly related to service delivery therefore the expenditure is expected to be higher or aligned to the Adjusted Budget.
Other	14 220	14 220	-	-	The municipality did not incur any expenditure under Other capital expenditure against the budgeted amount of R14.2 million as at the end of June 2018. The municipality did not provide any reasons for not spending on this item. It is expected that the correct information will be reflected in the 2017/18 AFS.
Total Capital Expenditure	108 395	108 395	31 098	28.7	It was noted that the municipality is grant reliant, especially in terms of Capital projects. The low level of expenditure is questionable due to numerous errors noted. According to the municipality, the correct expenditure will be reflected in the 2017/18 AFS.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	109 380	109 380	111 731		
Cash/cash equiv. at the year end:	66 892	66 892	178 132		The unaudited actual figure reflects a surplus of R178.1 million which is an improvement in the Cash flow at the end of the financial year when compared to the R111.7 million reflected in the audited 2016/17 AFS. The municipality should ensure that the Cash flow position of the municipality is improved at all times as it affects the liquidity of a municipality and the ability to run the municipality's day-to-day operational activities.
Net Increase/(Decrease) in cash held	(42 488)	(42 488)	66 402		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 866	98.2%	34	The remaining portion of R34 000 was as a result of the non-submission of the return due to not processing the final journal entries at the time of Section 71 reporting. However, the final amount for the Financial Management Grant (FMG) in the AFS will reflect that the grant is fully spent.
Expanded Public Works Programme Integrated Grant	1 768	1 850	104.6%	(82)	The over-spending noted of R82 000 for the Expanded Public Works Programme Integrated Grant (EPWP) was due to incorrect reporting when submitting the Section 71 reports. The municipality indicated that the grant is fully spent and the correct amount will be reflected in the AFS.
Municipal Infrastructure Grant	28 275	41 807	147.9%	(13 532)	The municipality indicated that the Municipal Infrastructure Grant (MIG) grant has been spent in full therefore the amount should be reflecting 100 percent instead of 147.9 percent expenditure.

Table 4.8 (o) Trade and other receivables, Trade and other payables and Key ratios - Ndwedwe Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	11 170		
Debtors as at 30 June 2018	14 898		The amount for outstanding Debtors as at the end of June 2018 increased by R3.7 million or 33.4 percent when compared to R11.2 million reported in the 2016/17 financial year. The municipality did not provide the reason for the increase in the Debtors balance.
<u>By age analysis</u>			
0-30 days	796	5.3%	
31-60 days	1	0.0%	
61-90 days	332	2.2%	
>90 days	13 769	92.4%	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	14 898	100.0%	
<u>By customer group</u>			
Organs of state	3 760	25.2%	
Commercial	7 930	53.2%	Of the total outstanding Debtors, the Commercial customer group represents 53.2 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	2 311	15.5%	
Other	897	6.0%	
Total by customer group	14 898	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	(4 902)		- The municipality has reported a negative amount for Creditors in the 0 - 30 days category, which appears to be questionable.
31-60 days	16	-0.4%	
61-90 days	18	-0.5%	
>90 days	1 100	-29.2%	
Total by age analysis	(3 769)		- The municipality 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.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	36.3%	
Contracted services as a % of Total operating expenditure	2% - 5%	42.5%	The Contracted services budget had been provided for according to new contracts that were entered into in 2017/18 resulting in a higher percentage, as reflected in this ratio. Contracted services includes Repairs and maintenance which had not been a part of the Contracted services budget previously. However, going forward, the municipality has initiated some Repairs and maintenance projects to be carried out internally by the municipality which will reduce costs. Furthermore, the municipality reported figures which are not credible for Contracted services.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	9.6%	The low percentage of 9.6 percent is as a result of the municipality being grant reliant. The municipality has no service charges and the geographical area which is rural, does not have any businesses or major developments which could assist in attracting revenue injectors and business. The municipality relies on Property rates and Other revenue such as Rentals and Fines which contribute to revenue.
Own funded capital expenditure	-	10.5%	The municipality is grant reliant in terms of Capital projects as these projects require substantial financial injection which is sourced from grants.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	19.2%	This suggests that the municipality is investing in infrastructure which will positively affect service delivery and increase the lifespan of existing assets. However, it should be indicated that the reported budget and performance information is not accurate.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-27.7%	The negative amount is as a result of the Operating deficit of R28.4 million which the municipality has reported under Financial performance. The municipality is advised to ensure that the focus is on implementing revenue generation strategies to ensure that the municipality's Cash position is improved in order to be able to continue to provide services to the municipal geographical area.

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	13 950	13 950	13 388	96.0	Despite the municipality submitting an updated Adjustments Budget Return (OSR), the return was not successfully uploaded before the closure of the National Treasury Local Government database due to incorrect population of the return. Thus, the Adjusted Budget amounts reflected in Table 4.9 (p) are incorrect. For purposes of analysis, the reported amounts will be compared to the approved Adjusted Budget reflected in the adopted B Schedule.
Service Charges ¹	-	-	0	-	
Transfers recognised - operational	93 879	93 879	94 015	100.1	
Other sources of Revenue ²	5 333	5 333	5 373	100.7	Although the municipality reflected revenue of 100.7 percent generated against Other sources of Revenue, it should be noted that the municipality generated revenue of only R98 000 or 5.1 percent of the 2017/18 Adjusted Budget of R1.9 million for Interest earned-outstanding debtors. This was offset by the over-generation of R3.6 million or 124.2 percent against the Adjusted Budget of R2.9 million for Interest earned-external investments and R717 000 or 113.7 percent against the Adjusted Budget of R631 000 for Other revenue. As per the municipality, there are challenges being experienced regarding the interest module on the financial system which had resulted in debtors not being billed for interest. The municipality indicated that they are in the process of preparing debtors reconciliations after which, negotiations regarding the collection of these amounts would commence. The municipality further conceded that the Adjusted Budget in respect of Interest earned-external investments was understated as cash outflows occurred at a later date than anticipated whilst the budget for Other revenue was understated due to greater than expected sales of tender documents.
Total Operating Revenue	113 162	113 162	112 776	99.7	
Operating Expenditure					
Employee related costs	31 149	31 149	30 343	97.4	The municipality incurred R30.3 million or 94.2 percent against the Adjusted Budget of R32.2 million for Employee related costs. The municipality indicated that the under-expenditure is due to the municipality not filling three positions which were budgeted for in the 2017/18 financial year.
Remuneration of councillors	7 158	7 158	8 091	113.0	The municipality incurred R8.1 million or 103.3 percent against the Adjusted Budget of R7.8 million for Remuneration of Councillors. The municipality attributed the over-expenditure to a greater than expected expenditure relating to travel allowances.
Debt impairment	3 339	3 339	-	-	The municipality did not report on Debt impairment in the 2017/18 financial year against the 2017/18 Adjustments Budget of R464 000, despite Provincial Treasury's advice and the municipality's commitment to do so during the Mid-year performance engagement and subsequent In-year monitoring feedback reports to the municipality.
Depreciation and asset impairment	14 190	14 190	8 085	57.0	As per the municipality, the amount of R8.1 million reflected against Depreciation and asset impairment is incomplete as they are still in the process of finalising the amount as part of the Annual Financial Statements (AFS) preparation process. The municipality further indicated that the 2017/18 Adjusted Budget for Depreciation and asset impairment of R12.7 million is possibly overstated.
Bulk purchases	-	-	-	-	
Contracted services	9 006	9 006	10 916	121.2	The municipality explained that the expenditure of R10.9 million or 107.3 percent against the Adjusted Budget for Contracted services of R10.2 million is due to over-expenditure of R700 000 related to unexpected Repairs and maintenance budgeted for under Contracted services.
Other expenditure items ³	51 734	51 734	49 647	96.0	Low expenditure of R49.6 million or 87.3 percent against the Adjusted Budget of R56.9 million in respect of Other expenditure items is mainly due to under-expenditure of R14.7 million or 73.4 percent against the Adjusted Budget of R20.1 million for Transfers and grants and R34.7 million or 94.2 percent against the Adjusted Budget of R36.6 million for Other expenditure. The municipality conceded that the reported expenditure in respect of Transfers and grants is understated as the Integrated National Electrification Programme (INEP) (R15 million) and Electrification grants (R4 million) were fully spent at year end. This will be corrected as part of the AFS preparation process. The municipality further confirmed that the Other expenditure budget is slightly overstated.
Total Operating Expenditure	116 576	116 576	107 082	91.9	
Operating surplus/(deficit)	(3 415)	(3 415)	5 694		The reported surplus of R5.7 million is not a true reflection of the operating performance of the municipality as at the end of the 2017/18 financial year due to the inaccurate reporting of Interest earned-outstanding debtors, Debt impairment and Depreciation and asset impairment and Transfers and grants, 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 material, 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	22 646	27 646	25 034	90.6	In the 2017/18 Adjustments Budget, the municipality budgeted an amount of R22.6 million in respect of 2017/18 allocations which was fully spent. The municipality further budgeted to spend an unspent balance of R5 million in respect of the 2014/15 Small town rehabilitation grant. The municipality conceded that the amount of R1.2 million reflected against Public contributions and donations should have been recognised against Transfers recognised capital, thus, total revenue against this revenue source amounts to R26.2 million or 94.8 percent of the 2017/18 Adjustments Budget. The municipality has indicated that delays in the projects related to the Small town rehabilitation grant resulted in the municipality not fully spending the Adjusted Budget for projects funded from Transfers recognised- capital.
Public contributions and donations	-	-	1 187	-	As mentioned above, the amount of R1.2 million reflected against Public contributions and donations should have reflected against Transfers recognised-capital.
Borrowing	-	-	-	-	
Internally generated funds	1 845	2 134	12 210	572.1	The municipality confirmed the reported revenue as being accurate. As per the municipality, multi-year Municipal Infrastructure Grant (MIG) funded projects were accelerated and funded from Internally generated funds.
Total Capital Revenue	24 491	29 780	38 431	129.0	
Capital Expenditure					
Governance and Administration	1 845	2 134	1 252	58.7	The municipality indicated that the delay in the completion of the projects relating to the Small Town Rehabilitation grant due to the late appointment of contractors resulted in the under-expenditure noted against Governance and administration.
Community and Public Safety	7 018	8 008	12 761	159.3	As indicated above, the municipality implemented capital projects in excess of what were budgeted for in the Adjustments Budget which resulted in the over-expenditure noted against Community and public safety and Economic and environmental services.
Eco. & Environmental Services	15 628	19 638	24 419	124.3	
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	24 491	29 780	38 431	129.0	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	28 125	32 588	31 947		
Cash/cash equiv. at the year end:	27 881	26 922	20 637		
Net Increase/(Decrease) in cash held	(244)	(5 666)	(11 310)		The municipality confirmed that they have ended the 2017/18 financial year with a positive cash balance of R20.6 million which is sufficient to cover the Unspent provincial grants amounting to R9.1 million (Corridor Development R5.3 million, Small Town Rehabilitation:R3.6 million, Titanium Mining: R100 000 and Sports Maintenance: R116 496).
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme Integrated Grant	1 529	1 554	101.6%	(25)	The municipality attributed the over expenditure reflected against the Expanded Public Works Programme (EPWP) Integrated Grant due to expenditure of R25 000 relating to an EPWP unspent balance from the 2016/17 financial year.
Municipal Infrastructure Grant	22 646	22 646	100.0%	-	

Table 4.9 (r) Trade and other receivables, Trade and other payables and Key ratios - Maphumulo Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	24 533		
Debtors as at 30 June 2018	26 950		The municipality's debtors balance has increased by 10 percent from the 2016/17 to the 2017/18 financial years. Similar to prior periods, this is mainly due to the continued billing of indigents and the Ingonyama Trust Board where outstanding debts have been difficult to collect.
<u>By age analysis</u>			
0-30 days	448	1.7%	
31-60 days	(8)	-	The municipality indicated that the negative debtors reflected in the 31-60 days ageing category are as a result of erroneously allocating debtor payments relating to other age categories against this category. This will be rectified in the 2017/18 AFS.
61-90 days	195	0.7%	
>90 days	26 316	97.6%	The municipality indicated that the debt reflected against this age category includes amounts relating to the Ingonyama Trust Board where outstanding debt has been difficult to collect and Commercial customers that have been slow to pay outstanding Property rates due to the fact that the municipality does not render any municipal services in the area. Ongoing meetings are being held between the municipality and Commercial customers to help them understand the importance of paying rates in terms of the Municipal Property Rates Act.
Total by age analysis	26 950	100.0%	
<u>By customer group</u>			
Organs of state	7 701	28.6%	This category of debt constitutes outstanding Property rates relating to the Department of Rural Development and the Department of Correctional Services. The municipality has been in discussions with these departments regarding the settlement of the outstanding amounts.
Commercial	9 333	34.6%	
Households	2 320	8.6%	
Other	7 596	28.2%	
Total by customer group	26 950	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	697	27.6%	
31-60 days	805	31.9%	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. This was mainly due to slow payment of some creditor invoices as a result of the late receipt of the invoices.
61-90 days	118	4.7%	
>90 days	906	35.9%	
Total by age analysis	2 526	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	35.9%	Although the ratio reflected is possibly overstated due to the understatement of Total operating expenditure and is still within the norm range of 25 percent to 40 percent, the Remuneration ratio still appears to be high even after the consideration of reasonable expenditure related to Depreciation and asset impairment and Debt impairment. As per MFMA Circular No.71, if the ratio exceeds 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.
Contracted services as a % of Total operating expenditure	2% - 5%	10.2%	The ratio in excess of the norm in respect of Contracted services as a percentage of Total Expenditure (even after the consideration of a reasonable level of expenditure in respect of Depreciation and asset impairment and Debt impairment) could indicate that many functions are being outsourced to Contractors, or that Contracted services are not effectively utilised, as per National Treasury Circular 71.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	16.6%	
Own funded capital expenditure	-	31.8%	
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	26.4%	Even after the consideration of a reasonable level of expenditure related to Debt impairment and Depreciation and asset impairment, the ratio of Capital expenditure to Total expenditure will exceed the norm due to the municipality taking a decision to accelerate multi-year capital projects which were not budgeted in the 2017/18 financial year.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	5.0%	

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	159 036	130 951	317 842	242.7	The municipality has confirmed that the figures reported against Service charges were incorrect and that the correct performance will be reflected in the 2017/18 Annual Financial Statements (AFS). Despite the incorrect figures reported, it should be noted that the revenue generated against Service charges as at 30 June 2018, according to the municipality, still exceeds the budgeted amount. The municipality indicated that the reason for the over- generation of revenue against Service charges was attributable to the growth in billing due to new areas identified during the financial year as well as the impact of the change in the basis of charging/billing for sanitation revenue, being the first year of implementation.
Transfers recognised - operational	441 250	460 250	476 479	103.5	The revenue recognised against Transfers recognised - operational appears to be overstated as it exceed the current year's allocation of R460.3 million and the Unspent conditional grants of R6.6 million as reported in the municipality's 2016/17 audited AFS.
Other sources of Revenue ²	45 548	63 258	450 524	712.2	Revenue reflected against Other sources of Revenue exceeded the budgeted revenue as at 30 June 2018 and the following revenue line items were the main contributors: - Rentals of facilities and equipment R3.2 million (Adjusted Budget: R135 000); - Interest earned - outstanding debtors R187.3 million (Adjusted Budget: R28.2 million); - Fines R3.8 million (Adjusted Budget: R322 000); - Licences and permits R1.5 million (Adjusted Budget: R32 000); and - Other own revenue R244.7 million (Adjusted Budget: R23.5 million). The municipality has confirmed that the figures reported were incorrect and the correct performance will be reflected in the 2017/18 AFS. Concerns with regards to the discrepancies in the Section 71 reported figures has been raised by Provincial Treasury with the municipality in a correspondence letter dated 29 August 2018.
Total Operating Revenue	645 833	654 459	1 244 846	190.2	
Operating Expenditure					
Employee related costs	204 889	204 276	219 101	107.3	As per the municipality, salaries funded by Municipal Infrastructure Grant (MIG) for the Project Management Unit (PMU) are included in the expenditure reflected against Employee related costs, hence, the expenditure in excess of 100 percent. The municipality will capitalise those salaries through a journal during preparation of the 2017/18 AFS.
Remuneration of councillors	11 809	9 516	9 311	97.8	
Debt impairment	44 232	44 232	44 232	100.0	
Depreciation and asset impairment	76 970	77 281	76 319	98.8	
Bulk purchases	84 466	80 500	86 741	107.8	The actual expenditure for the 2017/18 financial year exceeded the budget as at June 2018. As per the municipality, the reason for the variance was due to the commissioning of water schemes linked to the Lower Thukela bulk water scheme supply that was originally planned to only take effect during 2018/19 financial year.
Contracted services	42 160	60 429	58 983	97.6	
Other expenditure items ³	177 420	176 765	193 252	109.3	Expenditure incurred against Other expenditure items exceeded the budgeted amounts as at 30 June 2018 and the following items of expenditure were the main contributors: - Other materials R56.8 million (Adjusted Budget: R51.9 million); and - Other expenditure R100.5 million (Adjusted Budget: R83.8 million). The municipality has confirmed that the figures reported were incorrect and the correct performance will be reflected in the 2017/18 AFS.
Total Operating Expenditure	641 947	653 000	687 940	105.4	
Operating surplus/(deficit)	3 887	1 459	556 906		

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 material, 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	343 957	328 619	237 999	72.4	As per the municipality, the variance was due to accruals which had not been taken into account at the time of the Section 71 reporting. However, subsequent to the submission of the Quarter 4 figures, revenue recognised against Transfers recognised - capital increased to 91 percent.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	10 763	8 684	5 058	58.2	The low revenue recognised against Internally generated funds is due to a substantial number of capital projects not being implemented as planned because of the unavailability of sufficient funds. The municipality also indicated that they had to reprioritise internally funded projects to future periods, also taking into account the critical nature of each project to service delivery.
Total Capital Revenue	354 720	337 303	243 056	72.1	
Capital Expenditure					
Governance and Administration	16 013	9 038	4 344	48.1	Refer to comment above (Internally generated funds).
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	-	284	254	89.3	The municipality indicated that the variance against Eco. and environmental services as at 30 June 2018 is due to the fact that the actual cost of office furniture was lower than the budgeted amount.
Trading Services	338 707	327 981	238 458	72.7	Refer to comment above (Transfers and grants - capital).
Other	-	-	-	-	
Total Capital Expenditure	354 720	337 303	243 056	72.1	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	2 028	6 296	6 296		The opening Cash/cash equivalents of R6.3 million reflected by the municipality reconciles to the closing Cash and cash equivalent balance as reflected in the 2016/17 audited AFS.
Cash/cash equiv. at the year end:	42 607	69 361	76 282		Cash and cash equivalents comprising of cash and short-term investments, which amounted to R76.3 million at the end of the financial year was higher than the municipality's projected balance of R69.4 million as per the 2017/18 Adjusted Budget. It is also noted that subsequent to the submission of the Section 71 report, as per the supporting Bank reconciliations submitted by the municipality, the total Cash and cash equivalents as at June 2018 amounts to R82.99 million. This suggests that the municipality was conservative in forecasting the 2017/18 closing balance. 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 represents the municipality's financial commitments and as such, needs to be cash-backed, for example, Unspent conditional grants, Retentions, etc.
Net Increase/(Decrease) in cash held	40 578	63 066	69 986		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 250	1 250	100.0%	-	
Expanded Public Works Programme Integrated Grant	1 000	1 000	100.0%	-	
Municipal Infrastructure Grant	196 126	196 126	100.0%	-	

Table 4.9 (u) Trade and other receivables, Trade and other payables and Key ratios - iLembe District Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	273 840		
Debtors as at 30 June 2018	285 896		The municipality's closing Gross debtors have increased in the 2017/18 financial year. Similar to prior periods, this is mainly due to billing of indigents where the outstanding debt has been difficult to collect. Furthermore, there are new areas which the municipality started billing in the second quarter of the 2017/18 financial year.
<u>By age analysis</u>			
0-30 days	20 293	7.1%	
31-60 days	20 766	7.3%	
61-90 days	13 216	4.6%	
>90 days	231 622	81.0%	The municipality experienced challenges in collecting long outstanding debtors as some areas did not have consistent water supply and also some consumers were obtaining court interdicts whenever the municipality were discontinuing the provision of water supply to the consumers. The municipality has indicated that there is a revenue collection turnaround plan in place that is concentrated on the businesses and government departments' customer groups. Residential households also form part of the turn around plan as there are processes in place to ensure that consumers make payments. There is an additional debt collector who is collecting debt on behalf of the municipality. Furthermore, future plans includes increasing the collection rate by enforcing the Credit control and debt collection policy.
Total by age analysis	285 896	100.0%	
<u>By customer group</u>			
Organs of state	19 709	6.9%	
Commercial	4 338	1.5%	
Households	244 875	85.7%	Indigent consumers who do not renew their indigent status are billed after the indigent status lapsed which has resulted in the increase in billing where no payments are received. Several initiatives to reduce long term debt against Households include going out to communities encouraging them to register, however, the turnout has been poor.
Other	16 974	5.9%	
Total by customer group	285 896	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	66 365	78.6%	
31-60 days	16 691	19.8%	The challenge of not being able to pay Creditors on time has been experienced by the municipality over the past two financial years and is linked to liquidity challenges facing the municipality. As per the assessment made by the municipality and according to the plans in place to address liquidity and to fully comply with Section 65(2)(e) of the MFMA, this challenge will only be fully overcome by the 2019/20 financial year.
61-90 days	145	0.2%	
>90 days	1 237	1.5%	
Total by age analysis	84 438	100.0%	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	33.2%	
Contracted services as a % of Total operating expenditure	2% - 5%	8.6%	The reallocation of expenditure to Contracted services due to the mSCOA implementation has resulted in the excessive ratio for Contracted services as a percentage of Total expenditure.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	61.7%	The ratio of 61.7 percent is not a true reflection as the municipality overstated the reporting on some of the Operating revenue items (as discussed under Table 4.9 (s)).
Own funded capital expenditure	-	2.1%	This is an indication that the municipality's Capital expenditure is mainly funded from grants.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	26.1%	The municipality's ratio of 26.1 percent which is higher than the norm reflects a spending on infrastructure and acceleration in service delivery.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	44.7%	Refer to comment on 'Own sources of revenue to total operating revenue' ratio.

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). 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 dominant 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 Local Municipality and Kwa Sani Local Municipality 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 2017/18 financial year, the Municipal Manager and Chief Financial Officer positions were filled in all municipalities within the Harry Gwala District including the district municipality.

All the municipalities in the Harry Gwala District maintained unqualified audit opinions with other matters in the 2016/17 from 2015/16 financial year except for the Harry Gwala District Municipality which has regressed from an unqualified audit opinion in 2015/16 to a qualified audit opinion in 2016/17.

The Harry Gwala District Municipality is experiencing cash flow difficulties and is currently being assisted by National and Provincial Treasury and the Department of Co-operative Governance and Traditional Affairs (CoGTA) to draft a financial recovery plan in an attempt to turn around the negative financial situation of the municipality. Furthermore, the municipality has recently established an Interim Finance Committee to approve only the critical and necessary expenditure to the functioning and day-to-day operations of the municipality.

4.10.1 Overview of the Harry Gwala District Performance

Table 4.10(a) Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Greater Kokstad	317 814	316 595	314 298	99,3
uBuhlebezwe	134 347	153 551	153 411	99,9
uMzimkhulu	188 796	195 981	202 284	103,2
Dr Nkosazana Dlamini Zuma	189 313	164 830	161 747	98,1
Harry Gwala DM	376 993	376 993	370 063	98,2
Total	1 207 263	1 207 950	1 201 802	99,5

Source: NT Igdatabase

Table 4.10(b) Operating Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Greater Kokstad	370 111	366 595	273 854	74,7
uBuhlebezwe	145 084	164 922	130 352	79,0
uMzimkhulu	232 616	241 660	218 633	90,5
Dr Nkosazana Dlamini Zuma	151 131	155 935	131 743	84,5
Harry Gwala DM	387 112	387 112	374 250	96,7
Total	1 286 054	1 316 224	1 128 833	85,8

Source: NT Igdatabase

Table 4.10(c) Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Greater Kokstad	63 705	93 987	63 006	67.0
uBuhlebezwe	83 010	55 820	41 057	73.6
uMzinkhulu	73 012	82 041	66 938	81.6
Dr Nkosazana Dlamini Zuma	79 738	102 695	103 511	100.8
Harry Gwala DM	399 054	399 054	220 868	55.3
Total	698 519	733 598	495 380	67.5

Source: NT Igdatabase

Table 4.10(d) Debtors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	12 665	27.6	(1 428)	(3.1)	1 851	4.0	32 832	71.5	45 920
uBuhlebezwe	(7 863)	-28.3	699	2.5	626	2.3	34 287	123.6	27 749
uMzinkhulu	329	4.3	258	3.4	192	2.5	6 810	89.7	7 590
Dr Nkosazana Dlamini Zuma	2 529	5.1	2 063	4.2	1 763	3.6	43 261	87.2	49 615
Harry Gwala DM	334	0.4	5 363	5.8	3 500	3.8	83 062	90.0	92 260
Total	7 994	3.6	6 955	3.1	7 932	3.6	200 251	89.7	223 133

Source: NT Igdatabase

Table 4.10(e) Debtors by Customer Group (Total)

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	640	1.4	11 918	26.0	24 171	52.6	9 191	20.0	45 920
uBuhlebezwe	7 932	28.6	9 616	34.7	10 199	36.8	2	0.0	27 749
uMzinkhulu	2 508	33.0	1 046	13.8	4 036	53.2	-	-	7 590
Dr Nkosazana Dlamini Zuma	14 091	28.4	20 164	40.6	14 759	29.7	601	1.2	49 615
Harry Gwala DM	4 253	4.6	5 503	6.0	82 504	89.4	-	-	92 260
Total	29 423	13.2	48 247	21.6	135 669	60.8	9 794	4.4	223 133

Source: NT Igdatabase

Table 4.10(f) Creditors Age Analysis (Total)

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	332	49.9	47	7.1	187	28.1	100	15.0	666
uBuhlebezwe	-	-	-	-	-	-	-	-	-
uMzinkhulu	20 754	100	-	-	-	-	-	-	20 754
Dr Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-
Harry Gwala DM	6 133	13.8	25 839	58.2	2 532	5.7	9 906	22.3	44 410
Total	27 220	41.3	25 886	39.3	2 719	4.1	10 006	15.2	65 831

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	101 524	101 524	102 185	100.7	
Service Charges ¹	133 228	135 054	131 091	97.1	The following under and over-generation of revenue were noted on Service charges: - Service charges-electricity - 89.3 percent. The municipality indicated that the projections were based on the inclusion of newly electrified households which are currently purchasing electricity directly from Eskom and not from the municipality. - Service charges-refuse - 151.3 percent and Service charges-other - 125.6 percent. The municipality indicated that the amounts to be written off for Indigents subsidies had not yet been taken into consideration when the Section 71 reports were submitted. Correct revenue generated (which has not exceeded the budget) for Service charges will be reflected in the 2017/18 Annual Financial Statements (AFS).
Transfers recognised - operational	60 673	56 808	59 484	104.7	Transfers recognised-operational reported by the municipality exceeded the allocations as per the Adjustments Budget by 4.7 percent. The municipality indicated that there was an error in reporting which has been rectified in the system to reflect correct information in the 2017/18 AFS.
Other sources of Revenue ²	22 389	23 210	21 537	92.8	Revenue generated from Interest earned-external investments of R9.8 million exceeded the budget of R8 million by 22.1 percent at the end of June 2018 and differs from the investments register submitted by the municipality for the same period which reflects R9.1 million interest earned. It appears that the municipality under-budgeted for this revenue source. It was noted that all remaining Other sources of revenue items reflected under-generation as follows: Interest earned-outstanding debtors - 89.6 percent; Rental of facilities and equipment - 79.3 percent; Licences and permits - 81.9 percent; Other own revenue - 77.5 percent; and Fines - 16.2 percent. The municipality indicated that a number of debtors settled their long outstanding debt and the municipality wrote off the interest which had been charged on those accounts. The municipality indicated that Rental of facilities, Licences and permits and Other own revenue figures reported were understated in the Section 71 reports. At the time of reporting, the municipality was still finalising the figures which have now been corrected. The municipality has not provided reasons for low generation of revenue on Fines.
Total Operating Revenue	317 814	316 595	314 298	99.3	
Operating Expenditure					
Employee related costs	121 033	121 033	96 307	79.6	The municipality indicated that the Director for Corporate services position was only filled in May 2018 and the ITS and Social development Managers positions remained vacant at the end of June 2018 which contributed to the under-expenditure.
Remuneration of councillors	7 429	7 429	6 970	93.8	The municipality referred to the death on one of the councillors as the reason for not spending the Adjustments Budget as projected.
Debt impairment	8 907	8 907	3 935	44.2	The municipality indicated that Debt impairment is calculated and adjusted accordingly at the end of the financial year, in line with the municipality's policy. At the time of submitting the Section 71 reports for the financial year, the full expenditure incurred for the year had not been calculated.
Depreciation and asset impairment	63 138	52 138	13 956	26.8	Similar to Debt impairment, the municipality indicated that Depreciation and asset impairment is calculated and adjusted accordingly at the end of the financial year, in line with the municipality's policy. At the time of submitting the Section 71 reports for the financial year, the full expenditure incurred for the year had not been calculated.
Bulk purchases	94 829	94 829	84 005	88.6	Under-spending noted on Bulk purchases of R10.8 million appears to correlate with the under-generation of R12.6 million noted on Service charges-electricity revenue.
Contracted services	39 502	42 185	35 846	85.0	The municipality adjusted the budget for Contracted services upwards to R47 million in the Adjustments Budget however, it was noted that the municipality incorrectly reported the budget as R42.2 million in the Section 71 reports. The percentage spent is therefore inaccurate. The actual expenditure is 76.2 percent and no reason was provided for the under-expenditure.
Other expenditure items ³	35 272	40 073	32 836	81.9	The Adjustments Budget for Other expenditure was incorrectly reported as R40.1 million in the Section 71 reports instead of R33.2 million as per the Adjustments Budget Table B4 which has resulted in an accurate percentage of budget spent. It appears that there was a budget misallocation between Contracted services and Other expenditure. The actual expenditure is 93 percent and no reason was provided for the under-expenditure.
Total Operating Expenditure	370 111	366 595	273 854	74.7	
Operating surplus/(deficit)	(52 297)	(50 000)	40 443		The unaudited actuals indicate that the municipality had an Operating surplus of R40.4 million at the end of June 2018 however, the surplus is expected to change once Debt impairment and Depreciation and asset impairment have been fully accounted for.

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 material, 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	27 550	33 550	27 187	81.0	The Municipal Infrastructure Grant (MIG) allocation was adjusted upwards by R5 million as per the adjusted DoRA Gazette no. 41519 dated 23 March 2018 however, the municipality did not adjust the amount accordingly in the Section 71 reports. The Adjustments Budget for Transfers recognised-capital should reflect R22.6 million for MIG, R10 million for INEP and R6 million for Disaster Grant. The Adjustments Budget is therefore understated by R5 million which therefore distorts the percentage of budget spent at the end of June 2018. The actual expenditure is 70.5 percent and no reason was provided for the under-expenditure.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	36 155	60 437	35 819	59.3	Electrical projects funded internally were delayed due to technical challenges with Eskom. The majority of payments were made in July 2018 which were not accrued by the municipality.
Total Capital Revenue	63 705	93 987	63 006	67.0	
Capital Expenditure					
Governance and Administration	3 450	7 818	6 329	81.0	
Community and Public Safety	5 545	15 724	4 737	30.1	
Eco. & Environmental Services	32 360	36 955	30 790	83.3	
Trading Services	22 350	33 490	21 151	63.2	
Other	-	-	-	-	
Total Capital Expenditure	63 705	93 987	63 006	67.0	It was noted that figures reported in the Adjustments Budget as per Section 71 per vote differ from figures in the Adjustments Budget B Schedule Table B5 which has distorted the Capital budget performance per vote. Provincial Treasury has noted with concern the poor spending of 67 percent on the Capital budget as reported at the end of June 2018. Poor performance was mainly on capital projects funded from the Provincial grant and Internally generated funds. At the end of the reporting period, the municipality had not yet procured disaster equipment funded by the Department of Co-operative Governance and Traditional Affairs (COGTA). Moreover, electrical projects funded internally were delayed due to technical challenges with Eskom.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	117 543	125 285	125 285		
Cash/cash equiv. at the year end:	95 368	80 129	114 263		The Adjustments Budget amount for Cash and cash equivalents at year end was incorrectly reported as R80.1 million in the Section 71 report instead of R70.1 million as per the Adjustments Budget Table B7. The unaudited actual cash of R114.3 million at year end as per Section 71 reports appears to be understated when compared to the Bank reconciliation and Investments register submitted by the municipality as at 30 June 2018 which reflects R118.5 million. Unspent conditional grants amounting to R7.6 million as per Grants register as at 30 June 2018 therefore appears to be sufficiently cash backed. The following which do not appear to be correct were noted in various categories of cash inflows and outflows reported by the municipality: - Interest earned-external investments and Interest earned-outstanding debtors combined is R13.9 million whilst the cash inflow is R17.5 million; - A cash outflow of R4 million for Transfers and grants was reported at the end of June 2018 which was not budgeted for; and - A cash inflow of R3.8 million for Consumer deposits was reported at the end of June 2018 which was not budgeted for.
Net Increase/(Decrease) in cash held	(22 176)	(45 156)	(11 021)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 800	1 800	100.0%	-	
Expanded Public Works Programme	1 000	1 000	100.0%	-	
Municipal Infrastructure Grant	22 591	22 591	100.0%	-	

Table 4.10 (i) Trade and other receivables, Trade and other payables and Key ratios - Greater Kokstad Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	54 359		
Debtors as at 30 June 2018	45 920		
<u>By age analysis</u>			
0-30 days	12 665	27.6%	
31-60 days	(1 428)	-3.1%	
61-90 days	1 851	4.0%	
>90 days	32 832	71.5%	It was noted that of the R45.9 million reported as outstanding debtors, R32.8 million or 71.5 percent is outstanding for longer than 90 days. The significant portion of outstanding debtors relates to unpaid Property rates by Households. The municipality indicated that a debt collection action plan has been developed and approved by Council to deal with long outstanding debt. Debtors collection rate is at 22 percent at the end of June 2018 which indicates that the municipality is still experiencing challenges with collecting long outstanding debt. Provincial Treasury is concerned that a large amount of outstanding debtors relates to Property rates as the revenue category is significant for the sustainability of the municipality which is not grant dependent.
Total by age analysis	45 920	100.0%	
<u>By customer group</u>			
Organs of state	640	1.4%	
Commercial	11 918	26.0%	
Households	24 171	52.6%	
Other	9 191	20.0%	
Total by customer group	45 920	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	332	49.9%	
31-60 days	47	7.1%	
61-90 days	187	28.1%	
>90 days	100	15.0%	
Total by age analysis	666	100.0%	Creditors outstanding for longer than 30 days is in contravention of Section 65(2)(e) of the MFMA irrespective of the materiality of the outstanding amount. Furthermore, the Creditors total submitted as at 30 June 2018 of R666 382 appears to be significantly understated in comparison with the total for Payables from exchange transactions of R36.3 million as per the audited 2016/17 AFS and suggests that the municipality excluded a number of Payables for exchange transactions when submitting the Creditors return for June 2018.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	37.7%	The ratio appears to be within the norm however, total Operating expenditure is understated due to low expenditure reported on Employee related costs, Debt impairment and Depreciation and asset impairment. The ratio is therefore not a true reflection of the actual performance.
Contracted services as a % of Total operating expenditure	2% - 5%	13.1%	The ratio is above the norm of 5 percent however, total Operating expenditure is understated due to low expenditure reported on Employee related costs, Debt impairment and Depreciation and asset 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	-	81.1%	The ratio of 81.8 percent indicates that the municipality does not depend on grants to fund its Operating expenditure.
Own funded capital expenditure	-	56.9%	The ratio of 56.9 percent indicates that the municipality does not depend on grants to fund its Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	18.7%	The ratio of 18.7 percent is within the acceptable norm however, the ratio is distorted as a result of the understatement of Operating expenditure.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	12.9%	The ratio of 12.9 percent is within the acceptable norm however, the surplus is expected to changes once Debt impairment and Depreciation and asset impairment have been fully accounted for.

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	15 748	14 585	11 608	79.6	The municipality only generated 79.6 percent of the Adjustments Budget of R14.6 million as per the Section 71 report as at 30 June 2018. It was noted that in the months of December 2017 and June 2018 the municipality reported negative figures of R232 000 and R591 000, respectively which does not appear to be correct. The municipality indicated that corrections have been made and billable revenue is currently at 87.4 percent. The 2017/18 Annual Financial Statements (AFS) will reflect the correct amount and OSA returns will be resubmitted.
Service Charges ¹	1 991	1 991	2 038	102.4	Revenue generated at the end of June 2018 for Service charges - refuse exceeded the Adjustments Budget by 2.4 percent. The municipality indicated that new properties from a new development in the municipal area had to be brought into the system and billed after the Adjustments Budget had been approved.
Transfers recognised - operational	99 114	119 579	125 981	105.4	Transfers recognised-operational reported by the municipality exceeded the allocations as per the Adjustments Budget by 5.4 percent. The municipality indicated that there was an error in reporting which has been rectified in the system to reflect correct information in the 2017/18 AFS.
Other sources of Revenue ²	17 495	17 396	13 783	79.2	The following under-generation of revenue were noted under Other sources of revenue: Revenue generated from Interest earned-external investments of R8.3 million or 83.2 percent as at the end of June 2018 differs from the Investments register submitted by the municipality for the same period which reflects R10.7 million interest earned. The municipality indicated that the Section 71 report was incorrect and the amount has been rectified in the system to reflect correctly in the 2017/18 AFS. The municipality indicated that Fines (64.6 percent), Licences and permits (68.9 percent) and Agency services (74.5 percent) were over-budgeted. The municipality attributed the low revenue generation of 58.3 percent for Other own revenue to not being able to fully generate revenue from land sales which had been budgeted at R2 million.
Total Operating Revenue	134 347	153 551	153 411	99.9	
Operating Expenditure					
Employee related costs	67 685	67 622	64 425	95.3	The municipality attributed low spending on Employee related costs to a number of employee resigning. The recruitment process is anticipated to be finalised in the 2018/19 financial year. Moreover, the municipality indicated that they have introduced new measures to control excessive overtime which employees claim on a monthly basis.
Remuneration of councillors	9 855	9 892	9 902	100.1	
Debt impairment	1 900	1 500	-	-	The municipality indicated that Debt impairment is calculated and adjusted accordingly at the end of the financial year, in line with the municipality's policy. At the time of submitting the Section 71 reports for the financial year, the full expenditure incurred for the year had not been calculated.
Depreciation and asset impairment	19 000	19 000	13 372	70.4	The municipality indicated that Depreciation and asset impairment was not fully reported in the Section 71 report as at 30 June 2018 due to challenges that were experienced with the integration of the asset module to the accounting system. The Depreciation and asset impairment expenditure reported by the municipality is therefore understated and will be corrected during the finalisation of the 2017/18 AFS. Furthermore, a negative amount of R16.9 million was reported in June 2018 which does not appear to be correct.
Bulk purchases	-	-	-	-	
Contracted services	6 316	21 272	11 661	54.8	The expenditure reported by the municipality as at 30 June 2018 is understated. The municipality indicated that a number of payments for Contracted services were made in July 2018 which were not accrued for by the municipality.
Other expenditure items ³	40 328	45 636	30 993	67.9	A negative amount of R1.6 million was reported in March 2018 for Other materials does not appear to be correct. The municipality indicated that some payments for Transfers and grants were made in July 2018 which were not accrued for by the municipality. The municipality did not provide the reasons for the under-spending on Other expenditure (63.8 percent).
Total Operating Expenditure	145 084	164 922	130 352	79.0	
Operating surplus/(deficit)	(10 737)	(11 371)	23 058		The unaudited actuals indicate that the municipality had an Operating surplus of R23.1 million at the end of June 2018 however, the surplus is expected to decrease once Debt impairment and Depreciation and asset impairment have been fully accounted for.

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 material, 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	47 834	27 330	28 987	106.1	The unaudited actual for Capital grants reported at the end of June 2018 is overstated due to misallocation of actuals which should have been reported under Internally generated funds. The municipality indicated that the error will be corrected during the finalisation of the 2017/18 AFS.
Public contributions and donations	-	-	1 683	-	An amount of R1.7 million reported under Public contributions and donations was misallocated and should have been reported under Internally generated funds. The municipality will correct the error during the finalisation of the 2017/18 AFS.
Borrowing	-	-	-	-	
Internally generated funds	35 176	28 490	10 388	36.5	The municipality indicated that revamping of the office building which constituted the majority of the Capital expenditure to be funded from Internally generated funds was delayed. Moreover, there was misallocation of the funding as indicated above.
Total Capital Revenue	83 010	55 820	41 057	73.6	
Capital Expenditure					
Governance and Administration	3 785	3 115	1 737	55.8	
Community and Public Safety	17 838	11 240	8 874	78.9	
Eco. & Environmental Services	61 387	41 464	30 447	73.4	
Trading Services	-	-	-	-	
Other	-	-	-	-	
Total Capital Expenditure	83 010	55 820	41 057	73.6	The municipality adjusted the Capital budget downwards from R83 million to R55.8 million during the Adjustments Budget however, only 73.6 percent of the budget was spent. The municipality indicated that delays in purchasing IT related equipment and revamping the office building have resulted in the under-spending noted at the end of June 2018. Moreover, there were payments made in July 2018 which the municipality did not accrue for.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	83 136	118 300	119 294		The Cash and cash equivalents at the beginning of the year of R119.3 million differs from the Cash and cash equivalents as per the 2016/17 AFS which reflects R118.3 million.
Cash/cash equiv. at the year end:	113 284	119 228	141 889		The unaudited actual cash of R141.9 million at year end as per Section 71 report appears to be understated when compared to the Bank reconciliation and Investments register submitted by the municipality as at 30 June 2018 which reflects R134.4 million. Unspent conditional grants amounting to R4.1 million as per Grants register as at 30 June 2018 therefore appears to be sufficiently cash backed. The following which do not appear to be correct were noted in various categories of cash inflows reported by the municipality: - Government - operating was budgeted at R119.6 million whilst the cash inflow is R123.3 million; - Government - capital was budgeted at R27.3 million whilst the cash inflow is R30.2 million; and - Interest was budgeted at R10 million whilst the cash inflow is R12.2 million.
Net Increase/(Decrease) in cash held	30 148	928	22 595		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	0	
Expanded Public Works Programme	1 000	1 000	100.0%	-	
Municipal Infrastructure Grant	27 330	27 330	100.0%	-	

Table 4.10 (I) Trade and other receivables, Trade and other payables and Key ratios - uBuhlebezwe Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	34 685		
Debtors as at 30 June 2018	27 749		Debtors decreased by R6.9 million as compared to 30 June 2017 however, it appears that the municipality did not report Other debtors in 2018 which has resulted in the decrease.
<u>By age analysis</u>			
0-30 days	(7 863)	-28.3%	The municipality attributed the negative figures to payments received in advance for Property rates and other services.
31-60 days	699	2.5%	
61-90 days	626	2.3%	
>90 days	34 287	123.6%	A significant portion of debtors amounting to R34.3 million was reported by the municipality as outstanding for more than 90 days. It appears that the municipality is failing to implement the Credit Control Policy in order to recover long outstanding debt. The municipality indicated that debt collectors have been appointed and various accounts have been handed over to them for recovery however, at the end of June 2018, the strategy does not appear to have produced positive results.
Total by age analysis	27 749	100.0%	
<u>By customer group</u>			
Organs of state	7 932	28.6%	
Commercial	9 616	34.7%	
Households	10 199	36.8%	
Other	2	0.0%	
Total by customer group	27 749	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	-	-	The municipality reported Creditors amounting to R581 233 in the Section 71 return as at 30 June 2018 in the 0-30 days category which appears to be significantly understated in comparison to Trade and other payables of R15.4 million as per 2016/17 AFS and suggests that the municipality excluded a number of Trade and other payables when submitting the return for Creditors at 30 June 2018.
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	57.0%	The ratio may be distorted and might not be the true reflection of the municipality's performance due to low expenditure reported on Depreciation and asset impairment, Contracted services, Transfers and grants and Other expenditure at the end of June 2018. Moreover, Debt impairment was not reported at the end of June 2018.
Contracted services as a % of Total operating expenditure	2% - 5%	8.9%	The ratio appears to be above the norm however, Total operating expenditure is understated due to low expenditure reported on Depreciation and asset impairment, Contracted services, Transfers and grants and Other expenditure at the end of June 2018. Moreover, Debt impairment was not reported at the end of June 2018.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	17.9%	The ratio of 17.9 percent indicates that the municipality is highly reliant on grants to finance its Operating expenditure however, a number of errors were noted in the total Operating revenue and expenditure reported at the end of June 2018 therefore the ratio may be distorted.
Own funded capital expenditure	-	25.3%	The ratio of 25.3 percent indicates that the municipality is highly reliant on grants to finance its Capital expenditure however, a number of projects to be financed internally were delayed and expenditure on Internally generated funds was low therefore the ratio might not be a true reflection of grant dependency.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	24.0%	The ratio of 24 percent is above the acceptable norm however, the ratio is distorted as a result of the understatement of Operating expenditure.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	15.0%	The ratio of 15 percent is within the acceptable norm however, the surplus is expected to decrease once Debt impairment and Depreciation and asset impairment have been fully accounted for.

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	12 142	8 819	11 371	128.9	According to the municipality, the reported Revenue recognised from Property rates of R11.4 million which is 28.9 percent above the Adjusted Budget of R8.8 million is incorrectly inclusive of rebates. The amount recognised in the financial system for 2017/18 is within the budget. The municipality therefore indicated that corrected Section 71 returns will be resubmitted and the Property rates amount will be correctly reflected in the 2017/18 Annual Financial Statements (AFS).
Service Charges ¹	1 681	2 701	2 786	103.2	
Transfers recognised - operational	165 965	166 836	170 024	101.9	
Other sources of Revenue ²	9 009	17 625	18 104	102.7	
Total Operating Revenue	188 796	195 981	202 284	103.2	
Operating Expenditure					
Employee related costs	69 626	79 662	77 350	97.1	
Remuneration of councillors	17 380	14 453	16 666	115.3	The reported Expenditure incurred on Remuneration of councillors of R16.7 million is 15.3 percent above the Adjusted Budget of R14.5 million and 95.9 percent of the Original Budget of R17.4 million therefore, the budget reduction in the 2017/18 Adjustments Budget does not appear to have been justified. The municipality indicated that the reported expenditure as per the Section 71 report is incorrect as the expenditure recognised in the financial system for Remuneration of councillors for 2017/18 is within the budget.
Debt impairment	3 000	3 000	-	-	The municipality has not reported 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	48 384	48 089	48 477	100.8	
Bulk purchases	-	-	-	-	
Contracted services	8 307	47 492	18 214	38.4	The reported expenditure incurred on Contracted services of R18.2 million or 38.4 percent is significantly below the Adjusted Budget of R47.5 million. The municipality indicated that the under-performance was mainly on Repairs and maintenance which was due to non-compliance with SCM regulations by suppliers.
Other expenditure items ³	85 919	48 963	57 927	118.3	The reported over-expenditure of R57.9 million or 118.3 percent is mainly due to the reported over-expenditure on Transfers and grants. The municipality indicated that the reported expenditure on Transfers and grants will be investigated and thereafter the correct amount will be reported in the 2017/18 AFS.
Total Operating Expenditure	232 616	241 660	218 633	90.5	
Operating surplus/(deficit)	(43 820)	(45 679)	(16 349)		

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 material, 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	59 095	59 129	63 579	107.5	The Adjusted Budget of R59.1 million reflected as per the Section 71 reports is understated by R4 million when compared to the 2017/18 Adjusted National and Provincial gazettes allocations of R63.1 million therefore, the reported performance of R63.6 million or 100.7 percent is within the budget.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	13 917	22 912	3 359	14.7	The municipality reported a significant under-performance on Capital revenue from projects that were funded from Internally generated funds of R3.4 million which is 14.7 percent of the Adjusted Budget of R22.9 million and 24.1 percent of the Original Budget of R13.9 million. The municipality indicated that the reported under-performance was due to non-compliance from bidders on the plant and machinery that the municipality anticipated to procure in 2017/18 financial year.
Total Capital Revenue	73 012	82 041	66 938	81.6	
Capital Expenditure					
Governance and Administration	3 752	3 869	1 680	43.4	
Community and Public Safety	500	66	90	137.0	
Eco. & Environmental Services	68 760	58 605	65 168	111.2	
Trading Services	-	19 502	-	-	
Other	-	-	-	-	
Total Capital Expenditure	73 012	82 041	66 938	81.6	
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	117 740	175 498	175 498		
Cash/cash equiv. at the year end:	112 041	151 547	195 557		The unaudited actual cash balance of R195.6 million at year end as per Section 71 report appears to be understated when compared to R208.2 million as per the Bank reconciliation and Investments register as at 30 June 2018. The Unspent grants balance is R44.3 million as per the Grants register therefore, the Net cash is R163.9 million as at 30 June 2018 .
Net Increase/(Decrease) in cash held	(5 699)	(23 951)	20 059		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 900	1 900	100.0%	-	
Expanded Public Works Programme	1 923	1 923	100.0%	-	
Municipal Infrastructure Grant	44 095	38 443	87.2%	5 652	Reported expenditure on the Municipal Infrastructure Grant of R38.4 million is 87.2 percent of the Adjusted allocation of R44.1 million. The municipality indicated that a rollover application will be made for the unspent MIG allocation due to the unforeseen challenges encountered during the construction of Ntlangwini access road where there was water underneath the surface.

Table 4.10 (o) Trade and other receivables, Trade and other payables and Key ratios - uMzimkhulu Local Municipality

	Amount	% of total debt / payables	Comments
R'000			
Debtors			
Debtors as at 30 June 2017	11 330		
Debtors as at 30 June 2018	7 590		Debtors as at 30 June 2018 have decreased by R3.7 million as compared to 30 June 2017 which could be to the municipality not including Other debtors in the Section 71 report.
<u>By age analysis</u>			
0-30 days	329	4.3%	
31-60 days	258	3.4%	
61-90 days	192	2.5%	
>90 days	6 810	89.7%	The majority of the debtors balance (89.7 percent) is outstanding for more than 90 days as at 30 June 2018. The municipality indicated that the Data cleansing exercise is an ongoing process and that legal action will be taken against defaulting consumers in the 2018/19 financial year.
Total by age analysis	7 590	100.0%	
<u>By customer group</u>			
Organs of state	2 508	33.0%	The 33 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.
Commercial	1 046	13.8%	
Households	4 036	53.2%	The households reflects the majority (53.2 percent) of the outstanding debt which appears to be due to the current tight economic situation.
Other	-	-	
Total by customer group	7 590	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	20 754	100.0%	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	20 754	100.0%	The Creditors balance of R20.8 million appears to be understated in comparison to the 2016/17 AFS amount of R57.8 million.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	43.0%	The ratio of 43 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 distorted.
Contracted services as a % of Total operating expenditure	2% - 5%	8.3%	The ratio of 8.3 percent is above the norm. This result may be an indication that many functions in the municipality are outsourced 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 distorted.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	15.9%	The ratio of 15.9 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	-	5.0%	The ratio of 5 percent shows that the municipality is heavily reliant on grants to fund Capital expenditure.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	23.4%	The ratio of 23.4 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 distorted.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-8.1%	The negative 8.1 percent ratio is a result of the municipality reporting an unaudited deficit of R16.3 million for the 2017/18 financial year. The municipality needs to implement measures to address the failure to recover the operational costs for the services that the municipality delivers in order to ensure sustainable service delivery.

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	31 827	31 827	33 292	104.6	
Service Charges ¹	3 681	3 547	2 547	71.8	The municipality generated 71.8 percent of the Adjustments Budget of R3.5 million at the end of June 2018 for Service charges-refuse. The municipality indicated that Council approved to write off low cost housing billed debt. However, it was noted that as per the Section 71 reports, the municipality did not report revenue billed for the months of November 2017 and January 2018. Moreover, the municipality reported a negative amount of R5 000 in December 2017 which does not appear to be correct.
Transfers recognised - operational	113 892	117 607	108 333	92.1	The municipality indicated that a number of Operating grants received from the Provincial Government were not fully spent at the end of June 2018 hence 92.1 percent was recognised under Transfers recognised-operational. Rollover applications should therefore be submitted to the relevant transferring departments.
Other sources of Revenue ²	39 913	11 849	17 574	148.3	The municipality indicated that they under-budgeted for Rental of facilities and equipment (101.1 percent). Interest on investments (101.1 percent) reported by the municipality in the Section 71 report slightly exceeded the budget by 1.1 percent due to additional grants received during the year which generated more interest than anticipated. The municipality indicated that due to the increasing number of unpaid debt, the municipality generated more Interest on outstanding debtors (130.3 percent) as part of the implementation of the Credit control policy. The municipality has increased capacity in the Traffic department which resulted in more Fines (248.5 percent) being issued than it was anticipated during the compilation of the Adjustments Budget. The municipality indicated that Licences and permits (105.4 percent) were under-budgeted. The municipality attributed exceeding the budget for Other own revenue (599.1 percent) by 499.1 percent at the end of June 2018 to an error in reporting. It was also noted that the municipality did not report any revenue on Gains on disposal of PPE against the Adjustments Budget of R343 000.
Total Operating Revenue	189 313	164 830	161 747	98.1	
Operating Expenditure					
Employee related costs	54 928	56 161	50 029	89.1	The municipality attributed low spending on Employee related costs to a number of employees resigning and the recruitment process is anticipated to be finalised in the 2018/19 financial year.
Remuneration of councillors	10 560	10 723	10 755	100.3	
Debt impairment	1 390	1 390	(2 551)	-	The municipality indicated that the negative amount was erroneously reported and the correct amount for Debt impairment will be reflected in the 2017/18 Annual Financial Statements (AFS).
Depreciation and asset impairment	20 344	20 344	20 909	102.8	The expenditure for Depreciation and asset impairment reported by the municipality exceeded the Adjustments Budget by 2.8 percent. The municipality indicated that Depreciation and asset impairment was under-budgeted. The municipality could incur unauthorised expenditure if the reported expenditure is correct.
Bulk purchases	-	-	-	-	
Contracted services	10 834	34 791	21 309	61.2	The municipality increased the budget for Contracted services by R24 million during the Adjustments Budget period however, only 61.2 percent of the budget was spent at the end of June 2018. The municipality indicated that a number of projects initially intended to be outsourced were done internally. It was also noted that a negative amount of R306 000 was reported in the month of December 2017 which does not appear to be correct.
Other expenditure items ³	53 075	32 526	31 292	96.2	The municipality indicated that Finance charges (145.9 percent) were under-budgeted. The municipality indicated that some of the expenditure for Other materials (23.2 percent) was erroneously reported under Other expenditure. Provincial Treasury is however concerned about the low expenditure trend which was also noted in the previous financial year as Other materials are part of the Repairs and maintenance budget for maintenance of the municipality's infrastructure assets. The municipality indicated that more households were added to the list of eligible recipients of Free basic electricity resulting in more expenditure than what the municipality had budgeted for Transfers and grants (130.2 percent).
Total Operating Expenditure	151 131	155 935	131 743	84.5	
Operating surplus/(deficit)	38 182	8 895	30 004		

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 material, 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	41 566	54 066	51 655	95.5	
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	38 172	48 629	51 855	106.6	Electrification projects were funded from both Transfers recognised - capital and Internally generated funds. The municipality misallocated revenue between the revenue sources therefore Internally generated funds appear to have exceeded the budget.
Total Capital Revenue	79 738	102 695	103 511	100.8	
Capital Expenditure					
Governance and Administration	2 416	6 584	1 523	23.1	
Community and Public Safety	3 340	3 410	5 438	159.5	
Eco. & Environmental Services	48 032	66 016	75 577	114.5	
Trading Services	25 950	26 685	20 973	78.6	
Other	-	-	-	-	
Total Capital Expenditure	79 738	102 695	103 511	100.8	The municipality is commended for fully spending the Capital budget at the end of June 2018. The municipality indicated that there were misallocations of expenditure during reporting hence the under and over spending noted in the votes above.
Cash Receipts and Payments					
Cash/cash equiv. at the year begin:	84 186	91 923	91 923		
Cash/cash equiv. at the year end:	69 338	20 317	87 791		The unaudited actual cash of R87.8 million at year end as per the Section 71 report appears to be understated when compared to the Bank reconciliation and Investments register submitted by the municipality as at 30 June 2018 which reflects R88.6 million. The Net cash position at 30 June 2018 as per the Bank reconciliation, Investments register and Unspent grants register amounts to R71.4 million. Unspent conditional grants amounting to R17.2 million as per Grants register as at 30 June 2018 therefore appear to be sufficiently cash backed. The Cash coverage is 8 months which is above the recommended norm of 3 months. The following which do not appear to be correct were reported by the municipality: - Other revenue was budgeted at R3.4 million and R14.4 million cash inflow was reported; - Government - capital was budgeted at R41.6 million and R54.1 million cash inflow was reported;
Net Increase/(Decrease) in cash held	(14 848)	(71 606)	(4 132)		
National Conditional Grant					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	3 800	3 800	100.0%	-	
Expanded Public Works Programme	1 877	1 877	100.0%	-	
Integrated Grant					
Municipal Infrastructure Grant	40 066	40 066	100.0%	-	

Table 4.10 (r) Trade and other receivables, Trade and other payables and Key ratios - Dr Nkosazana Dlamini Zuma Local Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	41 827		
Debtors as at 30 June 2018	49 615		It is noted with concern that Debtors as at 30 June 2018 increased by R7.8 million to R49.6 million in 2017/18 when compared to debtors as at 30 June 2017 amounting to R41.8 million.
<u>By age analysis</u>			
0-30 days	2 529	5.1%	
31-60 days	2 063	4.2%	
61-90 days	1 763	3.6%	
>90 days	43 261	87.2%	Debtors outstanding for longer than 90 days amount to R43.3 million or 87.2 percent. It appears that the municipality is failing to implement the Credit Control Policy in order to recover long outstanding debtors. The significant portion of outstanding debtors relates to unpaid Property rates by Commercial customers and Households. Debtors collection rate is at 5 percent at the end of June 2018 which indicates that the municipality is having serious challenges in collecting long outstanding debtors. Provincial Treasury is concerned that failure to collect what is due to the municipality could affect the cash flow position of the municipality in the future.
Total by age analysis	49 615	100.0%	
<u>By customer group</u>			
Organs of state	14 091	28.4%	
Commercial	20 164	40.6%	
Households	14 759	29.7%	
Other	601	1.2%	
Total by customer group	49 615	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	-	-	
31-60 days	-	-	
61-90 days	-	-	
>90 days	-	-	
Total by age analysis	-	-	Total creditors reported by the municipality under the 0-30 days category amounted to R26.8 million as per Section 71 return however, it was noted that the return was captured incorrectly resulting in the database reading it as a nil return.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	46.1%	The ratio appears to be above the norm however, total Operating expenditure is understated due to low expenditure reported on Employee related costs, Debt impairment and Contracted services. The ratio is therefore not a true reflection of the actual performance.
Contracted services as a % of Total operating expenditure	2% - 5%	16.2%	The ratio appears to be above the norm however, total Operating expenditure is understated due to low expenditure reported on Employee related costs, Debt impairment and Contracted services. The ratio is therefore not a true reflection of the actual performance.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	33.0%	The ratio of 33 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	-	50.1%	The ratio of 50.1 percent indicates that although the municipality can finance some of the capital projects through own sources of revenue, it is still reliant on grant funding.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	44.0%	The ratio of 44 percent is above the acceptable norm however, the ratio may be distorted due to understatement of the Total operating expenditure reported.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	18.5%	The ratio assesses the extent to which the municipality generates operating Surplus. The ratio of 18.5 percent is as a result of the municipality recording an unaudited Surplus of R30 million for the 2017/18 financial year. The ratio could be distorted due to matters raised in the Operating revenue and expenditure sections.

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	55 390	55 390	97 672	176.3	The correct performance based on the Adjustments Budget is 144.9 percent. The over-generation of revenue is attributable to errors noted on the municipality's billing system for Water and Sanitation revenue. The municipality is currently correcting the errors through the processing of journal entries and the correct figures will be reflected in the 2017/18 Annual Financial Statements (AFS).
Transfers recognised - operational	303 218	303 218	242 825	80.1	The correct performance based on the Adjustments Budget is 69.9 percent. The municipality indicated that at the time of the preparation of the grants returns for May and June 2018, the grants performance was incomplete which will be corrected during the finalisation of the Grants register and the 2017/18 AFS.
Other sources of Revenue ²	18 385	18 385	29 566	160.8	The correct performance based on the Adjustments Budget is 113.1 percent. The over-generation of revenue is attributable to errors noted on the municipality's billing system for Interest on outstanding debtors revenue. The municipality is currently correcting the errors through the processing of journal entries and the correct figures will be reflected in the 2017/18 AFS.
Total Operating Revenue	376 993	376 993	370 063	98.2	
Operating Expenditure					
Employee related costs	160 716	160 716	158 416	98.6	The correct performance based on the Adjustments Budget is 97.8 percent.
Remuneration of councillors	8 539	8 539	6 611	77.4	The correct performance based on the Adjustments Budget is 104.3 percent.
Debt impairment	27 843	27 843	(1 483)	-	Debt impairment was not reported on a monthly basis by the municipality for the 2017/18 financial year. This was despite the municipality being advised by Provincial Treasury to report expenditure on a monthly basis as reporting only at the end of the year could result in misstatements or unauthorised expenditure.
Depreciation and asset impairment	34 996	34 996	42 896	122.6	The correct performance based on the Adjustments Budget is 84.7 percent. The municipality indicated that Depreciation and asset impairment was not fully reported in the Section 71 Report as at 30 June 2018 which will be corrected during the finalisation of the 2017/18 AFS. The Depreciation and asset impairment reported by the municipality is therefore understated.
Bulk purchases	13 688	13 688	8 620	63.0	The correct performance based on the Adjustments Budget is 53.1 percent. It was noted that the municipality reported negative R7.2 million in the Section 71 report for June 2018 which resulted in the low performance. The municipality did not provide the explanation of the negative R7.2 million reported in June 2018.
Contracted services	20 298	20 298	22 665	111.7	The correct performance based on the Adjustments Budget is 92.5 percent. The municipality did not provide the reasons for under-performance.
Other expenditure items ³	121 033	121 033	136 525	112.8	The correct performance based on the Adjustments Budget is 84.8 percent. The municipality did not provide the reasons for under-performance.
Total Operating Expenditure	387 112	387 112	374 250	96.7	
Operating surplus/(deficit)	(10 119)	(10 119)	(4 188)		

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 material, 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					
The municipality's 2017/18 Adjustments Budget returns were not uploaded successfully on the database therefore the same figures for the 2017/18 Original Budget are also reflected as the 2017/18 Adjusted Budget figures. As a result, the performance which is based on the Published figures is distorted.					
Transfers recognised - capital	387 544	387 544	218 021	56.3	The correct performance based on the Adjustments Budget is 63.5 percent. The municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries and that the actual amount spent will be correctly presented in the 2017/18 AFS.
Public contributions and donations	-	-	-	-	
Borrowing	-	-	-	-	
Internally generated funds	11 510	11 510	2 847	24.7	The correct performance based on the Adjustments Budget is 35.8 percent. The municipality reported a significant under-performance on Capital revenue from projects that were funded from Internally generated funds of R2.8 million which is 35.8 percent of the Adjustments Budget of R8 million. The municipality indicated that the municipality's worsening cash flow position resulted in limited spending on Internally generated funds.
Total Capital Revenue	399 054	399 054	220 868	55.3	
Capital Expenditure					
The municipality's 2017/18 Adjustments Budget returns were not uploaded successfully on the database therefore the same figures for the 2017/18 Original Budget are also reflected as the 2017/18 Adjusted Budget figures. As a result, the performance which is based on the Published figures is distorted.					
Governance and Administration	5 110	5 110	611	12.0	
Community and Public Safety	-	-	-	-	
Eco. & Environmental Services	500	500	126	25.2	
Trading Services	387 544	387 544	220 131	56.8	
Other	5 900	5 900	-	-	
Total Capital Expenditure	399 054	399 054	220 868	55.3	The correct performance based on the Adjustments Budget is 62.9 percent. The municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries and that the actual amount spent will be correctly presented in the 2017/18 AFS.
Cash Receipts and Payments					
The municipality's 2017/18 Adjustments Budget returns were not uploaded successfully on the database therefore the same figures for the 2017/18 Original Budget are also reflected as the 2017/18 Adjusted Budget figures. As a result, the performance which is based on the Published figures is distorted.					
Cash/cash equiv. at the year begin:	5 000	5 000	24 273		The opening Cash and cash equivalents amount of R24.3 million appears to be understated when compared to the 2016/17 AFS which reflects R43 million.
Cash/cash equiv. at the year end:	8 601	8 601	96 926		The municipality did not submit the Bank reconciliation and Investments register as at 30 June 2018 therefore the Cash/cash equivalents at the year end could not be confirmed.
Net Increase/(Decrease) in cash held	3 601	3 601	72 653		
National Conditional Grant					
The municipality's 2017/18 Adjustments Budget returns were not uploaded successfully on the database therefore the same figures for the 2017/18 Original Budget are also reflected as the 2017/18 Adjusted Budget figures. As a result, the performance which is based on the Published figures is distorted.					
	Total Avail. 2017/18	Unaudited Actual expenditure by munis.	% Spent	Amount Unspent/ (Overspent)	
Financial Management Grant	1 250	1 250	100.0%	(0)	
Expanded Public Works Programme	1 718	1 718	100.0%	-	
Municipal Infrastructure Grant	204 545	169 684	83.0%	34 861	The municipality indicated that based on the recently finalised figures, the expenditure on Municipal Infrastructure Grant as at 30 June 2018 is 95 percent expenditure which will be reflected on the 2017/18 AFS.

Table 4.10 (u) Trade and other receivables, Trade and other payables and Key ratios - Harry Gwala District Municipality

R'000	Amount	% of total debt / payables	Comments
Debtors			
Debtors as at 30 June 2017	206 498		
Debtors as at 30 June 2018	92 260		Debtors have decreased from R206.5 million in the 2016/17 AFS to R92.3 million in June 2018 which is an indication that the municipality did not report all the other categories of debtors in the 2018 Section 71 returns.
<u>By age analysis</u>			
0-30 days	334	0.4%	
31-60 days	5 363	5.8%	
61-90 days	3 500	3.8%	
>90 days	83 062	90.0%	Debtors outstanding for longer than 90 days amount to R83.1 million or 90 percent of Total debtors. It appears that the municipality is failing to implement the Credit control policy in order to recover long outstanding debtors.
Total by age analysis	92 260	100.0%	
<u>By customer group</u>			
Organs of state	4 253	4.6%	
Commercial	5 503	6.0%	
Households	82 504	89.4%	The portion of total outstanding debtors that relates to Household is 89.4 percent which appears to be significant. The municipality indicated that the huge 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 unemployment rate.
Other	-	-	
Total by customer group	92 260	100.0%	
Creditors			
<u>By age analysis</u>			
0-30 days	6 133	13.8%	
31-60 days	25 839	58.2%	
61-90 days	2 532	5.7%	
>90 days	9 906	22.3%	
Total by age analysis	44 410	100.0%	The Creditors balance of R44.4 million appears to be significantly understated in relation to the 2016/17 AFS which reflects total Trade and other payables balance of R136 million. Furthermore, of the Creditors balance reported 86.2 percent or R38.3 million has been outstanding for more than 30 days in contravention of Section 65(2)(e) of the MFMA.
Key Ratios			
	Norm/	% Actual	
<u>Expenditure management</u>			
Remuneration as a % of Total operating expenditure	25% - 40%	44.1%	Remuneration as a percentage of total Operating expenditure is 44.1 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.
Contracted services as a % of Total operating expenditure	2% - 5%	6.1%	Contracted services as a percentage of total Operating expenditure amounts to 6.1 percent which is in excess of the norm of 2 to 5 percent which indicates that the municipality is outsourcing functions higher than the norm to consultants. 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.
<u>Grant dependency</u>			
Own sources of revenue to total operating revenue	-	34.4%	The ratio of 34.4 percent indicates that the municipality is largely dependent on grants to fund Operating expenditure. However, the Service charges revenue is overstated and Transfers recognised - operational is not reported in full therefore the ratio is distorted.
Own funded capital expenditure	-	1.3%	The ratio of 1.3 percent indicates that the municipality is dependent on grants to fund Capital expenditure. However, the municipality indicated that the reported amounts are subject to change due to accruals and other financial year end entries therefore the ratio is distorted.
<u>Asset Management</u>			
Capital Expenditure to Total expenditure	10% - 20%	37.1%	The ratio of 37.1 percent is above the norm, however, the 2017/18 AFS is still being finalised therefore the current ratio is not a true reflection of the municipality's performance.
<u>Efficiency</u>			
Net operating surplus margin	= or > 0%	-1.1%	The negative 1.1 percent ratio is a result of the municipality reporting an unaudited deficit of R4.2 million for the 2017/18 financial year. However, the ratio might change as the municipality is still finalising the 2017/18 AFS.

Chapter 5: MFMA Implementation

5.1 2017/18 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 scenarios for which municipalities would need to adjust their annual budget.

To ensure compliance with the requirements of the MFMA and the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury issued Circular TC/RM 6 of 2017/18 dated 20 December 2017 to all delegated municipalities providing guidance on the following:

- Preparation of the 2017/18 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 2017/18 Adjustments Budget process;
- The 2017/18 adjusted allocations;
- Separation of tabling dates for the Mid-Year budget and performance assessment report and the Adjustments Budget;
- Submission of the 2017/18 Mid-Year budget and performance assessment report and the 2017/18 Adjustments Budget; and
- Publication of the 2017/18 Mid-Year budget and performance assessment report and the 2017/18 Adjustments Budget.

Subsequently in January 2018, Provincial Treasury provided municipalities with a checklist in order to assist the municipalities in the preparation of their MFMA Section 72 Mid-Year budget and performance assessment reports as well as their Adjustments Budget.

Where areas of non-compliance were noted, as discussed in the following paragraphs, Provincial Treasury issued relevant non-compliance letters to the affected municipalities.

5.1.2 Process for the submission, tabling and assessment of the 2017/18 Mid-Year Budget and Performance Assessment Reports

Submission of the 2017/18 Mid-Year Budget and Performance Assessment Reports

As at 25 January 2018, 49 of the 51 delegated municipalities submitted their 2017/18 Mid-Year budget and performance assessment reports to Provincial Treasury. The Nquthu Local Municipality and the uMkhanyakude District Municipality were the only two municipalities that did not submit their 2017/18 Mid-Year budget and performance assessments reports to Provincial Treasury by 25 January 2018 thereby contravening Section 72(1)(b)(iii) of the MFMA.

Subsequent to Provincial Treasury issuing the non-compliance letters dated 26 January 2018, the Nquthu Local Municipality and uMkhanyakude District Municipality subsequently submitted their 2017/18 Mid-Year budget and performance assessment reports to Provincial Treasury on 30 January 2018 and 31 January 2018 respectively.

It was further noted that the Dannhauser Local Municipality's 2017/18 Mid-Year budget and performance assessment report submitted to Provincial Treasury was not in the prescribed format as the municipality did not include the required tables and supporting documentation in terms of Regulation 33 of the MBRR.

Alignment of the 2017/18 Mid-Year Budget and Performance Assessments Report figures to the figures reflected in the MFMA Section 71 reports (Returns)

The Provincial Treasury Circular, amongst others, emphasised on the importance of ensuring the perfect alignment between the figures reflected in the MFMA Section 71 Reports (Returns) for the first six months of the financial year 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 (Returns) for the first six months of the financial year submitted by the municipalities shown in Table 5.1 below were not fully aligned to the MFMA Section 72 Mid-Year budget and performance assessment reports submitted to the Mayor, National Treasury and Provincial Treasury.

Table 5.1: List of the municipalities with figures in their 2017/18 Mid-Year Budget and Performance Assessments Reports which do 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	12	uMgungundlovu DM	23	AbaQulusi
2	uMzombe	13	Okhahlamba	24	Nongoma
3	uMuziwabantu	14	iNkosi Langalibalele	25	Ulundi
4	Ray Nkonyeni	15	Alfred Duma	26	uMfolozi
5	Ugu DM	16	uThukela DM	27	Mthonjaneni
6	uMshwathi	17	eNdumeni	28	Nkandla
7	uMngeni	18	uMsinga	29	Ndwedwe
8	Mpofana	19	uMvoti	30	Greater Kokstad
9	iMpendle	20	eMadlangeni	31	uBuhlebezwe
10	Mkhambathini	21	Amajuba DM	32	Dr. Nkosazana Dlamini Zuma
11	Richmond	22	eDumbe		

Source: KZN Provincial Treasury

Tabling of the 2017/18 Mid-Year Budget and Performance Assessment Reports

With the exception of the eNdumeni Local Municipality, all delegated municipalities had tabled their 2017/18 Mid-Year budget and performance assessments to Council by 31 January 2018 as required by Section 54(1)(f) of the MFMA.

The 2017/18 Mid-Year budget and performance assessment report for the eNdumeni Local Municipality was subsequently tabled to Council on 20 February 2018.

Uploading of the 2017/18 Mid-Year Budget and Performance Assessment Reports to the municipal websites

The 14 municipalities shown in Table 5.2 did not upload their 2017/18 Mid-Year budget and performance assessment reports on their municipal websites within five working days of 25 January

2018 thereby contravening Regulation 34(1) of the MBRR read together with Section 75(2) of the MFMA.

Table 5.2: List of the municipalities which did not upload their Tabled 2017/18 Mid-Year Budget and Performance Assessments Reports onto their websites within five working days of 25 January 2018

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMshwathi	6	Richmond	11	Nongoma
2	uMngeni	7	iNkosi Langalibalele	12	Ulundi
3	Mpofana	8	Nquthu	13	Mthonjaneni
4	Impendle	9	eDumbe	14	Nkandla
5	Mkhambathini	10	AbaQulusi		

Source: KZN Provincial Treasury

Tabling of the 2017/18 Mid-Year Budget and Performance Assessment Report together with the 2017/18 Adjustments Budget

As per Provincial Treasury Circular TC/RM 6 of 2017/18, municipalities were requested not to table their 2017/18 Mid-Year budget and performance assessment reports together with their 2017/18 Adjustments Budgets. This request would allow Provincial Treasury to have sufficient time to assess the Mid-Year budget and performance assessment reports with a view of Provincial Treasury providing comments on the Mid-Year reports which would influence the 2017/18 Adjustments Budgets.

Despite this request, the uMzombe Local Municipality tabled their 2017/18 Mid-Year budget and performance assessment report together with their 2017/18 Adjustments Budget. Therefore, Provincial Treasury was unable to conduct an assessment for the municipality.

Engagements on the 2017/18 Mid-Year Budget and Performance Assessments Reports

In line with the monitoring and oversight roles in terms of Section 5 of the MFMA, Provincial Treasury conducted bilateral engagements with the delegated municipalities on their 2017/18 Mid-Year budget and performance assessment reports. The aim of the engagements were to assess and review the progress made on the implementation of the 2017/18 Budgets as well as to influence the 2017/18 Adjustments Budget process.

In order to improve on the quality of the bilateral engagements with municipalities, Provincial Treasury's Supply Chain Management (SCM) Unit was invited to participate at the engagements. Due to the large number of municipalities in the province, it was not feasible to conduct joint engagements with all municipalities, but rather to select those to be visited for the joint engagements. The seven municipalities shown in Table 5.3 were selected for joint engagements on their 2017/18 Mid-Year budget and performance assessment reports in order to assess their SCM compliance at Mid-Year. The five of the seven municipalities which were jointly engaged with the SCM Unit were, the eMadlangeni Local Municipality, the uMkhanyakude District Municipality, the Ndwedwe Local Municipality, the Jozini Local Municipality and the Amajuba District Municipality. Provincial Treasury's Municipal Budget sub-programme could not engage the two remaining municipalities jointly with the SCM Unit due to the unavailability of the relevant municipal officials and numerous changes to the engagement dates.

Table 5.3: Municipalities selected for joint engagements on their 2017/18 Mid-Year Budget and Performance Assessment Reports

No	Name of municipality	No	Name of municipality
1	Mkhambathini	5	uMkhanyakude DM
2	Mpofana	6	Ndwedwe
3	eMadlangeni	7	Jozini
4	Amajuba DM		

Source: KZN Provincial Treasury

The following key focus areas on the agenda for the engagements were, amongst others:

- The actual mid-year results for the 2017/18 financial year;
- Cash flow position and projections for the 2017/18 financial year;
- Performance and spending of all National and Provincial conditional grants and progress made in achieving the grant conditions for the 2017/18 financial year;
- The preparation of the 2017/18 Adjustments Budget and inputs thereto;
- Progress made on the preparation of the 2017/18 revised Procurement plan;
- Progress made on the preparation of the 2018/19 Procurement plan;
- Progress made in achieving the milestones and timelines specified in the Approved 2017/18 Budget; IDP and Schedule of key deadlines; and
- Progress made with regards to municipal Standard Chart of Accounts (mSCOA) implementation.

In total, engagements on the 2017/18 Mid-Year budget and performance assessment reports were conducted with 42 municipalities including the five municipalities where joint engagements with the SCM Unit were held. Table 5.4 shows the 42 municipalities which were engaged on their 2017/18 Mid-Year budget and performance assessment reports.

Table 5.4: List of the 42 Municipalities which were engaged on their 2017/18 Mid-Year Budget and Performance Assessments

No	Name of municipality	Date of Engagement	No	Name of municipality	Date of Engagement	No	Name of municipality	Date of Engagement
1	uMdoni	06-Feb-18	15	Newcastle	12-Feb-18	29	uMfolozi	01-Feb-18
2	Ray Nkonyeni	09-Feb-18	16	eMadlangeni	06-Feb-18	30	uMlalazi	08-Feb-18
3	Ugu DM	16-Feb-18	17	Dannhauser	16-Feb-18	31	Mthonjaneni	09-Feb-18
4	uMngeni	16-Feb-18	18	Amajuba DM	14-Feb-18	32	Nkandla	06-Feb-18
5	iMpindle	14-Feb-18	19	uPhongolo	09-Feb-18	33	King Cetshwayo DM	05-Feb-18
6	Richmond	14-Feb-18	20	AbaQulusi	15-Feb-18	34	Mandeni	12-Feb-18
7	uMgungundlovu DM	12-Feb-18	21	Nongoma	15-Feb-18	35	Ndwedwe	02-Feb-18
8	Okhahlamba	19-Feb-18	22	Ulundi	06-Feb-18	36	Maphumulo	12-Feb-18
9	iNkosi Langalibalele	21-Feb-18	23	Zululand DM	08-Feb-18	37	iLembe DM	09-Feb-18
10	Alfred Duma	12-Feb-18	24	uMhlabuyalingana	15-Feb-18	38	Greater Kokstad	13-Feb-18
11	uThukela DM	16-Feb-18	25	Jozini	14-Feb-18	39	uBuhlebezwe	08-Feb-18
12	eNdumeni	08-Feb-18	26	Mtubatuba	19-Feb-18	40	uMzimkhulu	14-Feb-18
13	uMsinga	09-Feb-18	27	Big Five Hlabisa	15-Feb-18	41	Dr. Nkosazana Dlamini Zuma	15-Feb-18
14	uMvoti	13-Feb-18	28	uMkhanyakude DM	15-Feb-18	42	Harry Gwala DM	15-Feb-18

Source: KZN Provincial Treasury

The remaining nine municipalities were not engaged due to the following:

- Tabling their 2017/18 Mid-Year budget and performance assessment report together with their 2017/18 Adjustments Budget; and/or

- Unavailability of municipal officials on the proposed engagements dates, despite Provincial Treasury providing them with alternative dates.

5.1.3 Process for the submission, tabling and assessment of the 2017/18 Adjustments Budget

When an annual budget has been adjusted, a municipality is required to table their 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 2017/18 Adjustments Budget

As at 28 February 2018, 50 of the 51 delegated municipalities tabled their 2017/18 Adjustments Budgets in Council.

The Jozini Local Municipality applied for an extension to the legislated tabling date of 28 February 2018 as the meeting for the Council on 28 February 2018 could not quorate. The meeting was therefore postponed to 01 March 2018 where the 2017/18 Adjustments Budget was subsequently tabled and approved in Council.

Submission of the 2017/18 Adjustments Budget

The Nquthu and iNkosi Langalibalele Local Municipalities are the only municipalities that submitted their 2017/18 Adjustments Budget after the legislated deadline of 10 working days after tabling in Council. Non-compliance letters were sent to these municipalities accordingly.

Assessment of the 2017/18 Adjustments Budget

The Tabled Adjustments Budgets for the 13 municipalities shown in Table 5.5 were assessed by Provincial Treasury to be Unfunded.

Table 5.5: Unfunded 2017/18 Adjustments Budgets

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	Ugu DM	6	uMvoti	11	Mthonjaneni
2	Mpofana	7	Amajuba DM	12	Nkandla
3	uMgungundlovu DM	8	eDumbe	13	Harry Gwala DM
4	iNkosi Langalibalele	9	Ulundi		
5	uThukela DM	10	Zululand DM		

Source: KZN Provincial Treasury

Provincial Treasury could not determine the funding position of the five municipalities shown in Table 5.6 due to the poor population of Cash flow Tables B7 and B8.

Table 5.6: Funding position of the 2017/18 Adjustments Budget could not be established

No	Name of municipality	No	Name of municipality
1	uMsinga	4	uMkhanyakude DM
2	eMadlangeni	5	AbaQulusi
3	uMfolozi		

Source: KZN Provincial Treasury

5.2 2018/19 Budget Evaluation Process

5.2.1 Annual Budget Process

The annual municipal budget cycle is shown in Figure 24 while Figure 25 illustrates timeframes in the Budget Process Cycle. The cycle starts in July when municipalities prepare their budget time schedules outlining key deadlines which sets out the key actions 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 24

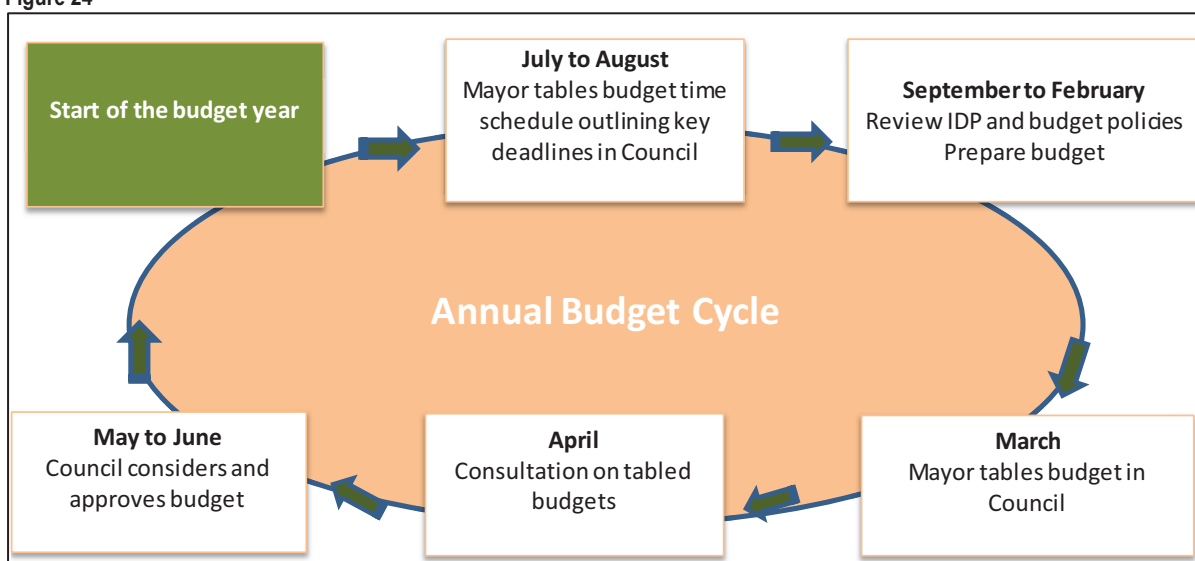


Figure 25

		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Preparation Phase	Mayor tables Budget Timetable												
	Mayor reviews IDP and previous Annual Report												
	Review financial policies, e.g. rates, tariffs etc.												
	Refine Tabled Budget before adoption by Council												
Tabling of Budget	Opex and Capex Budget tabled in Council												
	Stakeholders consultation process												
Approving Budget	Finalise and approve financial policies contracts												
	Council approved Budget and IDP revisions												
	Council publishes new tariff structures												
	Approved Budget made public and posted on website concluded												
Reporting	IDP Report to MEC: Local Government												
	Submission of Tabled Budget to Provincial/National Treasury												
	Submission of Approval Budget to Provincial/National Treasury												

In this regard, 45 of the 51 delegated municipalities timeously tabled their *Time schedules outlining key deadlines* by 31 August 2017 as per Section 21(1)(b) of the MFMA. Table 5.7 shows the municipalities which did not table their *Time schedule outlining key deadlines* by the prescribed deadline of 31 August 2017. The MEC for Finance sent non-compliance letters to the Mayors of these municipalities.

Table 5.7: Municipalities which tabled their 2018/19 Time schedules outlining key deadlines after 31 August 2017

No	Name of municipality	No	Name of municipality
1	iNkosi Langalibalele	4	eDumbe
2	eNdumeni	5	Jozini
3	uPhongolo	6	uMfolozi

Source: KZN Provincial Treasury

All six municipalities above 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 18 municipalities as listed in Table 5.8 below. The issues identified were communicated to the municipalities in writing.

Table 5.8: Municipalities where gaps were identified in their 2018/19 Time schedules outlining key deadlines

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMdoni	7	uMngeni	13	Nquthu
2	uMzambe	8	Mpofana	14	uMsinga
3	uMuzwabantu	9	iMpindle	15	uMvoti
4	Ray Nkonyeni	10	Richmond	16	uMzinyathi DM
5	Ugu DM	11	uMgungundlovu DM	17	Newcastle
6	uMshwathi	12	eNdumeni	18	eMadlangeni

Source: KZN Provincial Treasury

5.2.2 Budget preparation

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 a 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 of the tariff increase applications by municipalities, NERSA together with Provincial Treasury conducted workshops on 05 and 07 September 2017 in Pietermaritzburg and Richards Bay, respectively. The purpose of the workshops was mainly to highlight the correct process of completing and submitting the relevant application forms as well as meeting the deadlines for the various processes. The workshops were conducted for all delegated and non-delegated municipalities which are licensed to supply electricity. Eighty three (83) municipal officials from 25 municipalities attended the workshop.

Furthermore, Provincial Treasury provided technical support to a number of delegated municipalities with a view of ensuring, amongst others:

- That the correct Version 6.2 of the prescribed A1 Schedule was used in the preparation of their 2018/19 Medium Term Revenue & Expenditure Framework (MTREF) budget;
- That the Annual Budget returns were correctly captured and reconciled to the Council Approved Budget;
- That the 2018/19 MTREF budgets incorporated the requirements of the latest budget circulars, namely, MFMA Circulars No. 89 and 91; and
- That the application forms for the increase of electricity tariffs which are lodged with NERSA were completed.

On-site technical support for the preparation of the 2018/19 Budget was provided to the five municipalities shown in Table 5.9 at their request:

Table 5.9: On-site technical support to municipalities on the 2018/19 budget preparation process

No	Name of municipality	No	Name of municipality
1	Ray Nkonyeni	4	Mthonjaneni
2	Alfred Duma	5	Nkandla
3	uMlalazi		

Source: KZN Provincial Treasury

To further guide all 51 delegated municipalities with the preparation of their 2018/19 budgets and to monitor compliance with the MBRR, Provincial Treasury (PT) issued Circular PT/MF 08 of 2017/18 dated 26 February 2018 (Preparation, submission and publication of the 2018/19 MTREF) to the municipalities. The circular covered the following areas relating to the Budget preparation process:

- Preparation of the 2018/19 MTREF municipal budgets;
- Format requirements for the 2018/19 MTREF municipal budgets;
- Funding position of the 2018/19 MTREF municipal budgets;
- Technical assistance on the 2018/19 MTREF draft budgets;
- Assessment of the 2018/19 draft budget and engagement with municipalities;
- Submission of the 2018/19 MTREF municipal budgets;
- Publication of the 2018/19 MTREF municipal budgets;
- 2018/19 MTREF municipal budget verification process;
- Functioning of the Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- Provincial Treasury and National Treasury transfers to municipalities; and
- Further matters for consideration in the 2018/19 MTREF municipal budget process.

The PT 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 2018/19 MTREF budgets.

5.2.3 2018/19 Tabled Budget Evaluations

Tabling of the 2018/19 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.*

All the 51 delegated municipalities tabled their 2018/19 Budgets in Council by 31 March 2018 in line with Section 16(2) of the MFMA.

Submission of the 2018/19 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. The MFMA Budget Circular No. 89 set the dates for the submission of the electronic copies as 03 April 2018 and the printed copies as 06 April 2018. However, four municipalities did not submit their electronic copies and six municipalities did not submit their printed copies within the deadlines as per the Circular. All these municipalities received non-compliance letters in this regard as shown in Table 5.10 below.

Table 5.10 Municipalities that did not submit electronic or printed copies of their 2018/19 Tabled Budgets timely

No	Municipalities that did not submit electronic copies	No	Municipalities that did not submit printed copies
1	Nquthu	1	uMshwathi
2	Ugu DM	2	Ugu DM
3	Mkhambathini	3	Nquthu
4	uMshwathi	4	Ulundi
		5	Mkhambathini
		6	Jozini

Source: KZN Provincial Treasury

Outcomes of the 2018/19 Tabled Budget Assessments/ Evaluations

Upon the receipt of the 2018/19 Tabled 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 6.2 of the A1 Schedule;
- The information provided in the main budget Tables (A1 to A10) and supporting Tables (SA1-SA38) reconcile to the electronic budget returns submitted to lgdatabase@treasury.gov.za; and
- The information is sufficient to enable the assessments of the Tabled Budgets.

Provincial Treasury established that the 2018/19 Tabled Budgets for all delegated municipalities were in the correct format of Version 6.2 of the A1 Schedule 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 23 Tabled Budgets were funded, 16 were unfunded while the funding position could not be established for the remaining 12 municipalities.

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 2018/19 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.

5.2.4 High Level Assessment of 2018/19 Approved Budgets

Approval and submission of the 2018/19 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 uMuziwabantu and eNdumeni Local Municipalities and the uMkhanyakude District Municipality, all the delegated municipalities tabled their 2018/19 MTREF Budgets for consideration at least 30 days before the start of the budget year. The three municipalities applied for an extension of that deadline in terms of Section 27(2) of the MFMA. Approval was granted to all three municipalities and they all subsequently approved their budgets as per the extended deadlines requested from the MEC for Finance as shown in the table below.

Table 5.11: Municipalities that applied for an extension to the deadline in terms of Section 24(1) of the MFMA

No	Name of Municipality	Date of Approval of Final Budget
1	uMuziwabantu	05-Jun-18
2	eNdumeni	05-Jun-18
3	uMkhanyakude DM	06-Jun-18

Source: KZN Provincial Treasury

Section 24(3) of the MFMA read together with Regulation 20 of the MBRR requires the Accounting Officer to submit the electronic and printed versions of the Approved Budget to National Treasury and Provincial Treasury within 10 working days after tabling in Council. Two non-compliance letters were issued to the municipalities that did not submit electronic and/or printed copies of their budgets as shown in the table below.

Table 5.12: Municipalities that did not submit electronic or printed copies of their 2018/19 Approved Budgets timely

No	Municipalities that did not submit electronic copies	No	Municipalities that did not submit printed copies
1	Nquthu	1	iNkosi Langalibalele
		2	Nquthu

Source: KZN Provincial Treasury

Outcomes of the 2018/19 Approved Budget Assessments/ Evaluations

Provincial Treasury conducted a high level assessment of the 2018/19 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 2018/19 Approved Budgets. Municipalities with unfunded budgets and those municipalities whose funding positions could not be determined, were requested to re-table and approve a funded budget before the start of the financial year (by 30 June 2018), where possible. In other cases, the municipalities were reminded to table funded 2018/19 Adjustments Budgets in terms of Section 28 of the MFMA, failing which the MEC for Finance in the province would report the errant municipalities to National Treasury to consider the stopping of their Equitable share transfers in terms of Section 38 of the MFMA. These municipalities 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.

The Ugu District Municipality re-tabled their budget before the start of the financial year as requested. Despite the assistance of Provincial Treasury, the municipality re-tabled and approved an unfunded budget before the start of the financial year.

5.2.5 Summary of 2018/19 Budget Process

A summary of the outcome on the 2018/19 municipal budget assessment process and the funding position of the Approved Budgets is shown in Table 5.13:

Table 5.13: Summary of the outcomes on the 2018/19 Budget Assessment Process

	No. of Budgets	Name of municipality
2018/19 Tabled Budgets		
Budgets tabled late (after 31 March 2018)	0	
Budgets received (electronic and printed copies)	51	
Budgets Assessed	51	
Budgets Tabled in correct formats	51	
Funded Budgets	23	
Unfunded Budgets	16	
Undetermined Funding Position	12	
2018/19 Approved Budgets		
Budgets not considered for Approval by 31 May 2018	3	uMuziwabantu, eNdumeni, uMkanyakude DM
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	13	
Undetermined Funding Position	3	

Source: KZN Provincial Treasury

Table 5.14 shows the funding positions of the 2018/19 Tabled and Approved Budgets of all delegated municipalities. The table shows that initially there were only 23 Tabled Budgets which were funded, 16 were unfunded while the funding position for 12 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 5.14 shows that 35 of the Approved Budgets were funded, 13 were unfunded while the funding position of only 3 municipalities could not be determined.

Table 5.14: Funding Position of 2018/19 Tabled and Approved Budgets as per Provincial Treasury's assessments

No.	Name of Municipality	2018/19 Tabled Budget	2018/19 Approved Budget
1	uMdoni	Funded	Funded
2	uMzambe	Funded	Funded
3	uMuziwabantu	Funded	Funded
4	Ray Nkonyeni	Funded	Funded
5	Ugu DM	Undetermined	Unfunded
6	uMshwathi	Funded	Funded
7	uMngeni	Funded	Funded
8	Mpofana	Unfunded	Unfunded
9	iMpindle	Unfunded	Funded
10	Mkhambathini	Funded	Funded
11	Richmond	Undetermined	Funded
12	uMgungundlovu DM	Unfunded	Unfunded
13	Okhahlamba	Funded	Funded
14	iNkosi Langalibalele	Unfunded	Unfunded
15	Alfred Duma	Funded	Funded
16	uThukela DM	Unfunded	Unfunded
17	eNdumeni	Funded	Funded
18	Nquthu	Undetermined	Undetermined
19	uMsinga	Undetermined	Undetermined
20	uMvoti	Unfunded	Undetermined
21	uMzinyathi DM	Undetermined	Funded
22	New castle	Unfunded	Unfunded
23	eMadlangeni	Unfunded	Funded
24	Dannhauser	Funded	Unfunded
25	Amajuba DM	Unfunded	Unfunded
26	eDumbe	Unfunded	Unfunded
27	uPhongolo	Funded	Funded
28	AbaQulusi	Unfunded	Unfunded
29	Nongoma	Undetermined	Funded
30	Ulundi	Unfunded	Unfunded
31	Zululand	Undetermined	Funded
32	uMhlabayalingana	Funded	Funded
33	Jozini	Undetermined	Funded
34	Mtubatuba	Undetermined	Funded
35	Big Five Hlabisa	Undetermined	Funded
36	uMkhanyakude	Undetermined	Funded
37	uMfolozi	Unfunded	Funded
38	uMlalazi	Funded	Funded
39	Mthonjaneni	Unfunded	Unfunded
40	Nkandla	Funded	Funded
41	King Cetshwayo DM	Funded	Funded
42	Mandeni	Undetermined	Funded
43	KwaDukuza	Funded	Funded
44	Ndwedwe	Unfunded	Funded
45	Maphumulo	Funded	Funded
46	iLembe DM	Funded	Funded
47	Greater Kokstad	Funded	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

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. 3 of 2017 (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 2017/18 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.

During the 2017/18 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 04 of 2018/19 issued on 20 August 2018.

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 the 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 2017/18 financial year was due on 31 October 2017.

As at 31 July 2018, the 15 municipalities shown in Table 5.15 below had still not submitted their 2017/18 MFMA Implementation Plans.

Table 5.15: List of municipalities that did not submit their MFMA implementation plan for the 2017/18 financial year

Non-Compliant Municipalities	Non-Compliant Municipalities	Non-Compliant Municipalities
Amajuba DM	Nongoma	Nquthu
Dannhauser	Maphumulo	AbaQulusi
Harry Gwala DM	Ndwedwe	eDumbe
uMsinga	uMkhanyakude DM	uMshwathi
uMfolozi	Zululand DM	uPhongolo

Source: Local Government Database

5.3.2 2017/18 Budget Returns (Appendix B) and 2016/17 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 5.16 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 31 July 2018.

Table 5.16: List of municipalities that have not submitted the Appendix B Budget Returns Forms and Annual Returns as at 31 July 2018

Name of Return	Period	Non-Compliant Municipalities
Grant and Subsidies Given	2017/18	uMsinga, Ulundi
Grant and Subsidies Received	2017/18	uMsinga, Ulundi
IDP to Budget	2017/18	uMsinga, Ulundi
Age Creditors Audited	2016/17	uMsinga, eDumbe
Age Debtors Audited	2016/17	eDumbe
Capital Acquisition Audited	2016/17	eDumbe
Financial Perform Audited	2016/17	eDumbe
Asset Management Audited	2016/17	Ugu DM, eDumbe

Source: Local Government Database

5.3.3 2017/18 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 31 July 2018, the monthly returns shown in Table 5.17 had not been submitted to the local government database.

Table 5.17: List of municipalities that did not submit the monthly returns

Name of Return	Period	Non-Compliant Municipalities
Age Debtors	July 2017	uMvoti, Nongoma
	August 2017	Nongoma
	October 2017	Dannhauser, uMvoti
	November 2017	uMvoti
	December 2017	uMvoti
	January 2018	Dannhauser, uMvoti
	February 2018	Dannhauser, uMvoti, AbaQulusi, Nongoma
	March 2018	uMvoti
	April 2018	uMvoti, Nongoma
	May 2018	uMvoti, Nongoma
	June 2018	Ugu DM
Financial Position	July 2017	Harry Gwala DM
	August 2017	Harry Gwala DM
	September 2017	Harry Gwala DM
	October 2017	Harry Gwala DM
	November 2017	Harry Gwala DM
	December 2017	Harry Gwala DM
	January 2018	Harry Gwala DM, uMvoti
	February 2018	Harry Gwala DM, uMvoti
	March 2018	Harry Gwala DM, uMvoti
	April 2018	Harry Gwala DM, uMsinga, uMvoti
	May 2018	Harry Gwala DM, uMsinga, uMvoti
	June 2018	Harry Gwala DM, Ugu DM, uMsinga, uMvoti, uThukela DM, Nongoma
Financial Performance	June 2018	Amajuba DM, Ndwedwe
Capital Acquisitions Actuals	June 2018	Ugu DM, Ndwedwe
Cash Flow Actuals	April 2018	uMvoti, Ndwedwe
	May 2018	Ndwedwe
	June 2018	Ugu DM, Ulundi, Ndwedwe
Repair and Maintenance Expenditure	March 2018	uMvoti, Ulundi
	April 2018	eMadlangeni, uMvoti
	May 2018	uMvoti
	June 2018	uMvoti, Ulundi

Source: Local Government Database

5.3.4 2017/18 Quarterly Returns

Section D: 2017/18 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 5.18 shows the list of municipalities that did not submit the required quarterly returns for 2017/18 as at 31 July 2018.

It should be noted that Table 5.18 also includes municipalities that do not have municipal entities, however were still required to submit a MFMA Municipal Entity return with nil information.

Table 5.18: List of municipalities that did not submit the different quarterly returns for the 2017/18 financial year

Quarter	Borrowings Monitoring	MFMA Long Term Contracts	MFMA Municipal Entity	MFMA Implementation Priorities	Investment Monitoring
Quarter 1		uThukela DM AbaQulusi Nongoma	Nongoma	Nongoma	
Quarter 2		uThukela DM AbaQulusi Nongoma	Jozini Nongoma	Nongoma	
Quarter 3	uMsinga	eMadlangeni Mtubatuba uMsinga uThukela DM AbaQulusi Nongoma	uMsinga Nongoma AbaQulusi	uMsinga Nongoma	uMsinga
Quarter 4	uMuziwabantu Nongoma uPhongolo Ndwedwe	Dannhauser Ugu DM Jozini Mtubatuba Big Five Hlabisa Nquthu uMvoti uThukela DM AbaQulusi Nongoma Ndwedwe uMsinga	Dannhauser Jozini Mtubatuba Big Five Hlabisa uMsinga Nquthu uMvoti uThukela DM AbaQulusi Nongoma Ndwedwe Maphumulo	uMsinga uThukela DM uPhongolo Zululand DM Ndwedwe Nongoma	Nongoma uPhongolo Ndwedwe

Source: Local Government Database

5.3.5 2017/18 Conditional Grants Returns

In terms of Section 12(2) (b) of the 2017 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 2017 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 2017/18 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 31 July 2018, the conditional grant returns shown in Table 5.19 had not been submitted to the Local Government Database.

Table 5.19: List of municipalities that did not submit the monthly conditional grants returns for the 2017/18 financial year

Name of Return	Period	Non-Compliant Municipalities
Finance Management Grant	July 2017	AbaQulusi
	December 2018	AbaQulusi
	February 2018	AbaQulusi
	March 2018	AbaQulusi
Expanded Public Works Programme Grant	June 2018	uMvoti

Source: Local Government Database

5.3.6 2017/18 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:

- Statement of Operating and Capital Expenditure (MFMA Section 71 Verification);
- Conditional Grants Actual Transfers and Expenditure Schedule (Grant Verification);
- Borrowing Monitoring Schedule; and
- Investment Monitoring Schedule.

As at 02 August 2018, the signed Quarter 4 verifications shown in Table 5.20 had not been submitted to the Local Government Database.

Table 5.20: List of municipalities that did not submit their Quarter 4 signed verifications to National Treasury by 02 August 2018

Section 71	Conditional Grants	Borrowing Monitoring	Investment Monitoring
New castle	iNkosi Langalibalele	uMzinyathi DM	iNkosi Langalibalele
Dannhauser	New castle	Inkosi Langalibalele	New castle
uPhongolo	Dannhauser	New castle	Dannhauser
uMfolozi	uPhongolo	Dannhauser	uPhongolo
Ndwedwe	uMfolozi	uPhongolo	Zululand DM
Ugu DM	Ndwedwe	uMfolozi	Ndwedwe
Richmond	Ugu DM	Ndwedwe	Jozini
Nquthu	Richmond	Ugu DM	Nkandla
uMvoti	Nquthu		Mthonjaneni
uMzinyathi DM	uMvoti		uMzinyathi DM
	uMzinyathi DM		uMvoti
	Mandeni		uMsinga
	uMngeni		Nquthu
			Ugu DM

Source: KZN Provincial Treasury

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 31 July 2018, the 12 municipalities shown in Table 5.21 had not placed the majority of the required documents on their websites.

Table 5.21: List of municipalities that did not place majority of the required documents on their websites

Non-Compliant Municipalities	Non-Compliant Municipalities	Non-Compliant Municipalities
Ugu DM	uMuziwabantu	iNkosi Langalibalele
Jozini	Dannhauser	uMfolozi
Zululand DM	Nquthu	Ray Nkonyeni
uMkhanyakude DM	eDumbe	Nkandla

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 2017 DoRA, the grant may be utilised for amongst others, the establishment of a Budget and Treasury Office with positions filled by appropriately qualified personnel and appointment of a minimum of five interns over a multi-year period.

As at 31 July 2018, the 14 municipalities shown in Table 5.22 have not appointed five interns.

Table 5.22: List of municipalities that did not appoint five interns

Non-Compliant Municipalities	Non-Compliant Municipalities
uMdoni	uMzinyathi DM
uMzombe	New castle
uMuziwabantu	Mtubatuba
Ugu DM	Mthonjaneni
uMgungundlovu DM	Maphumulo
eNdumeni	Dr.Nkosazana Dlamini Zuma
uMvoti	uBuhlebezwe

Source: KZN Provincial Treasury

5.3.9 2017/18 MFMA Competency Level Return (S1 and S2)

Regulation 14(1) of the Municipal Regulations on Minimum Competency Levels (MRMCL) states that *the Municipal Manager of a municipality and chief executive officer of a municipal entity must monitor, and take any necessary steps to ensure, compliance with the prescribed minimum competency levels for financial officials and supply chain management officials within the timeframes set out in regulation 15.*

Regulation 14(2) of the MRMCL further states that such information must be reported to National Treasury and the relevant Provincial Treasury by 30 January and 30 July of each year.

As at 31 July 2018, the four municipalities shown in Table 5.23 had not submitted the relevant return pertaining to the minimum competency levels for the first half of the 2017/18 financial year, which was due on 30 January 2018.

Table 5.23: List of municipalities that have not submitted the minimum competency levels return for the first half of 2017/18 financial year (S1)

Non-Compliant Municipalities	Non-Compliant Municipalities
uMsinga	Maphumulo
eDumbe	uMshwathi

Source: Local Government Database

As at 31 July 2018, the 22 municipalities shown in Table 5.24 had not submitted the relevant return pertaining to the minimum competency levels for the second half of the 2017/18 financial year, which was due on 30 July 2018.

Table 5.24: List of municipalities that have not submitted the minimum competency levels return for the second half of the 2017/18 financial year (S2)

Non-Compliant Municipalities	Non-Compliant Municipalities	Non-Compliant Municipalities
Amajuba DM	eNdumeni	Mpofana
New castle	Nquthu	uMngeni
uBuhlebezwe	uMvoti	uMshwathi
Ray Nkonyeni	Alfred Duma	uMfolozi
uMkhanyakude DM	uThukela DM	Maphumulo
Nongoma	eDumbe	uMlalazi
Ulundi	uPhongolo	
Zululand DM	Ndwedwe	

Source: Local Government Database

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 2017/18 municipal financial year by means of providing on-site support and engagements. The support included various activities to enable municipalities to start transacting and to continue business as usual.

5.4.1 On-site Assessments

MFMA Circular No. 86, issued by National Treasury on 08 March 2017, indicated that in order for a municipality or municipal entity to be regarded as mSCOA compliant on 01 July 2017, it must be able to transact across the seven segments of the mSCOA framework.

In addition, the municipality's core financial system and its sub-systems (including that of its municipal entities) must seamlessly integrate. This means that there must be no manual intervention in processing account balances between the sub-systems and the municipality's core financial system.

National Treasury further required that priority be given to the following sub-systems/modules for transacting and integration:

- Debtors (including cash management, billing and receipting);
- Payroll;
- Asset management (including inventory management);
- Supply chain management (issue requisitions and orders, including payment of creditors); and
- Reporting (to be able to extract and submit to National Treasury).

All municipalities were further required to accommodate seamless integration into the core financial system between the:

- Integrated Development Plan (IDP);
- Service Delivery and Budget Implementation Plan (SDBIP); and
- Budget facilities.

Provincial Treasury conducted on-site municipal system assessments during the period June 2017 to September 2017 at all 54 municipalities in the province. The assessments included the integration of the municipal entity data within the parent municipality's financial systems.

The intention of the assessments was as follows:

- Determine whether the municipality's system can transact against the seven segments;
- Determine whether the minimum modules are in place and are functional;
- Establish if users have the knowledge to utilise the system from a transactional environment perspective;
- Assess the level of integration that is in place for sub-systems; and

- Determine the municipality’s progress in complying with MFMA Circular No. 80 requirements, specifically, the 102 mSCOA Regulation requirements for systems specifications.

No municipality or municipal entity has met the full requirements of the mSCOA Regulations as at the date of this reporting. However, significant effort has been made by the municipalities and entities in transacting in accordance with the Regulation requirements and system specifications. National Treasury has further indicated that this position is the same across the country, and therefore, no municipality or municipal entity can indicate that they have fully complied with the mSCOA Regulations.

It had been noted that the uPhongolo Local Municipality, the Nquthu Local Municipality and the Amajuba District Municipality have not transacted in accordance with the mSCOA Regulations due to the system service provider only planning to go live with the mSCOA system in July 2018 on Version 6.2 of the mSCOA chart.

The Msunduzi Local Municipality is currently transacting in terms of Version 5.4 of the mSCOA chart and via the BI tool, was able to convert the Version 5.4 data to Version 6.1 for mSCOA reporting purposes. This tool was only made available in March 2018. The municipality is currently attempting to address challenges within the current reporting environment and has also engaged National Treasury for assistance.

5.4.2 A Schedule validation of the Council’s Adopted Budget to the mSCOA Budget data submission for the 2017/18 financial year

MFMA Circular No. 86 further required municipalities to submit to National and Provincial Treasury, in printed and electronic form, immediately after the annual budget is tabled to Council. This included the electronic mSCOA budget data submission.

Provincial Treasury conducted a verification of the alignment of the approved budget to the mSCOA budget data submission for all municipalities. The verification of the data indicated that all budgets as approved by Council did not agree to the mSCOA budget data submissions. The discrepancies were due to the following:

- The preparation of the budget in terms of the previous method adopted by the municipality, and then unpacking this budget, subsequent to approval, into the mSCOA segments;
- Incorrect application of the mSCOA segments during the budget process; and
- Items not adequately budgeted for in Council approved budget but identified during the compilation of the mSCOA aligned budget.

In light of the challenges experienced by the municipalities, Provincial Treasury held a workshop on 25 July 2017 to assist municipalities with the correction and re-submission of the mSCOA budget data submissions. The workshop was attended by 134 delegates from various municipalities. Municipalities that were not in attendance included:

Table 5.25: Municipalities that did not attend mSCOA workshop held on 25 July 2017

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMgungundlovu DM	3	eThekweni Metro	5	Harry Gwala DM
2	Jozini	4	Big Five Hlabisa		

Source: KZN Provincial Treasury

Provincial Treasury further assisted municipalities on an individual basis with addressing these errors. National Treasury further required municipalities to correct these errors by 29 September 2017 and where not possible, municipalities were required to communicate these reasons to National Treasury.

These mSCOA data submissions would therefore, require correction in the Adjustments Budget for the 2017/18 financial year.

Twenty three (23) municipalities had attempted to correct the mSCOA budget data submissions, however, due to the extent of the errors, municipalities opted to correct their errors during the Adjustments Budget process.

All municipalities in the province successfully submitted their 2017/18 Adopted Budgets mSCOA budget data, however, the submitted mSCOA budget data for nine municipalities contained segment errors. This represented 83.3 percent of municipalities that submitted with no errors.

Table 5.26: Submission of the Adopted 2017/18 that contained Segment Validation Errors

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	AbaQulusi	4	eThekweni Metro	7	uMlalazi
2	iLembe DM	5	KwaDukuza	8	uMzimkhulu
3	Msunduzi	6	Ray Nkonyeni	9	uMzinyathi DM

Source: KZN Provincial Treasury

5.4.3 Integrated Development Plan (IDP) alignment of the IDP project details data strings (PRTA and PROR) submission to the financial mSCOA Budget for the financial year 2017/18

To improve alignment and accountability within the reporting cycle of municipalities, in terms of MFMA Circular No. 86, municipalities were further required to submit the project details for the adopted budget. This file demonstrates the alignment from the IDP to the financial budget as tabled in Council and will ensure proper performance reporting.

Table 5.27: Submission of the PROR 2018 that contained Segment Validation Errors

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	AbaQulusi	7	KwaDukuza	13	Richmond
2	eNdumeni	8	uMsinga	14	uBuhlebezwe
3	Greater Kokstad	9	Msunduzi	15	uMdoni
4	iLembe DM	10	New castle	16	uMlalazi
5	uThukela DM	11	uMzinyathi DM	17	uMuziwabantu
6	iNkosi Langalibalele	12	Ray Nkonyeni		

Source: KZN Provincial Treasury

Only the eThekweni Metro did not have the functionality to extract the PROR file for submission and did not submit the required file.

5.4.4 Reporting in terms of Section 71 of the MFMA

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 for the municipality, which includes the electronic monthly mSCOA transactional information submissions.

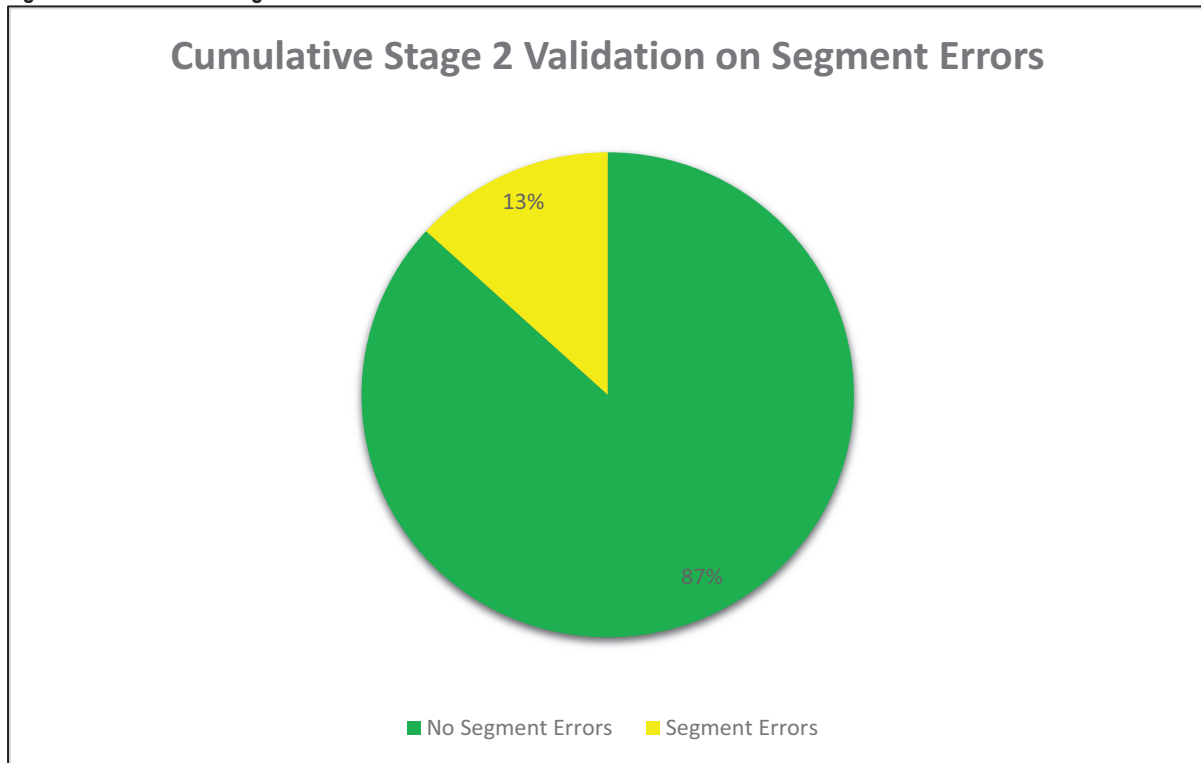
Stage 1: Validation for the monthly mSCOA data strings (txt files)

Stage 1 validation ensures that the txt file submitted is in the correct format. Month 12 has been excluded as it falls outside the reporting period of 30 June 2018. All municipalities in the province submitted their 11 months mSCOA data strings successfully, except for the txt file for Month 11 of the Dr. Nkosazana Dlamini Zuma Local Municipality which was submitted with errors.

Stage 2: Segment Validation of the successfully submitted monthly mSCOA data strings (txt. files)

Subsequent to the receipt of the monthly mSCOA transactional data files in the correct format, National Treasury Local Government Portal conducted a segment validation of the data file to ensure that the municipality has applied the correct segments in their transactional information, based on predetermined rules. Provincial Treasury had engaged municipalities on these errors and provided guidance to them in understanding these errors and what was required to clear these errors. The portal reviews the segment validation errors cumulative to ensure that municipalities have addressed errors in subsequent periods.

Figure 26: Status of the segment validation



The segment validation consist of the following errors:

- Trial balance is not in balance;
- The sum of charges and recoveries do not add to zero;
- The capital projects cannot be linked to item expenditure;
- Default projects may not have item expenditure, item assets, non-current receivables and default items;
- Operational projects not valid against asset acquisitions;
- Cost of free basic services and revenue cost of free basic services can only have certain revenue and asset items;
- Item remuneration to councillors not linked to function: Mayor and Council;
- Bulk purchases (Electricity and Water) can only be linked to function Electricity or function Water respectively;
- Inventory water consumed not linked to function water;

- Default region is invalid;
- Default costing and default expenditure not valid; and
- Default costing and default revenue not valid.

Municipalities that contain cumulative errors in the M01 to M11 data are listed in Table 5.28 below.

Table 5.28: Cumulative Segment Validation Errors

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	iNkosi Langalibalele	4	uBuhlebezwe	7	Zululand DM
2	KwaDukuza	5	uMdoni		
3	New castle	6	uMngeni		

Source: KZN Provincial Treasury

Stage 3: Reconciliation of mSCOA data string to the MFMA Section 71 report

Ideally, the figures as per the MFMA Section 71 returns and the mSCOA data strings should be perfectly aligned, however, the differences noted in the aforementioned reports. Municipalities are therefore required to investigate the variances and ensure that they are rectified to ensure accurate reporting on all reporting platforms.

Tables 5.29 to Table 5.32 show a comparison of figures reflected on the National Treasury database as at 04 August 2018 from the MFMA Section 71 returns and the mSCOA data strings.

Table 5.29 Differences on reported Operating revenue figures (MFMA Section 71 vs mSCOA)

R'000	MFMA Section 71	mSCOA	Difference
eThekweni	32,405,050	31,806,143	598,907
Ugu	1,980,080	2,359,221	(379,141)
uMgungundlovu	5,972,384	5,191,365	781,019
uThukela	2,145,932	1,927,476	218,457
uMzinyathi	1,229,587	1,192,552	37,035
Amajuba	2,060,515	1,824,064	236,451
Zululand ¹	1,584,554	1,515,761	68,792
uMkhanyakude	1,030,454	1,051,573	(21,119)
King Cetshwayo	4,107,093	4,128,454	(21,361)
iLembe ¹	2,969,545	2,294,154	675,391
Harry Gwala	1,201,802	1,074,759	127,042
Total	56,686,995	54,365,522	2,321,473

Source: NT Igdatabase

¹ Figures obtained from the live NT Igdatabase on 15 August 2018.

Table 5.30 Differences on reported Operating expenditure figures (MFMA Section 71 vs mSCOA)

R'000	MFMA Section 71	mSCOA	Difference
eThekwini	30,347,704	28,854,825	1,492,879
Ugu	1,776,709	1,869,451	(92,742)
uMgungundlovu	5,705,494	4,944,283	761,210
uThukela	1,744,506	1,734,752	9,754
uMzinyathi	1,157,120	952,622	204,497
Amajuba	2,401,829	1,920,223	481,606
Zululand ¹	1,695,135	1,440,704	254,432
uMkhanyakude	981,552	901,258	80,294
King Cetshwayo	4,237,700	4,063,591	174,109
iLembe ¹	2,362,971	2,156,465	206,506
Harry Gwala	1,128,833	1,545,779	(416,946)
Total	53,539,553	50,383,953	3,155,601

Source: NT Igdatabase

¹ Figures obtained from the live NT Igdatabase on 15 August 2018.**Table 5.31 Differences on reported Operating surplus/(deficit) figures (MFMA Section 71 vs mSCOA)**

R'000	MFMA Section 71	mSCOA	Difference
eThekwini	2,057,345	2,951,317	(893,972)
Ugu	203,371	489,770	(286,399)
uMgungundlovu	266,890	247,082	19,808
uThukela	401,427	192,724	208,703
uMzinyathi	72,468	239,930	(167,462)
Amajuba	(341,313)	(96,159)	(245,155)
Zululand ¹	(110,582)	75,057	(185,639)
uMkhanyakude	48,903	150,315	(101,413)
King Cetshwayo	(130,608)	64,863	(195,471)
iLembe ¹	606,574	137,689	468,885
Harry Gwala	72,969	(471,020)	543,988
Total	3,147,442	3,981,570	(834,128)

Source: NT Igdatabase

¹ Figures obtained from the live NT Igdatabase on 15 August 2018.

Table 5.32 Differences on reported Capital expenditure figures (MFMA Section 71 vs mSCOA)

R'000	MFMA Section 71	mSCOA	Difference
eThekwini	4,362,884	3,789,976	572,908
Ugu	489,958	923,877	(433,920)
uMgungundlovu	843,420	2,246,723	(1,403,302)
uThukela	550,330	787,792	(237,463)
uMzinyathi	459,430	329,813	129,618
Amajuba	308,765	315,134	(6,369)
Zululand ¹	551,080	1,558,622	(1,007,542)
uMkhanyakude	466,096	3,457,441	(2,991,344)
King Cetshwayo	791,976	809,455	(17,479)
iLembe ¹	492,629	1,259,213	(766,584)
Harry Gwala	495,380	451,939	43,441
Total	9,811,948	15,929,985	(6,118,037)

Source: NT Igdatabase

¹ Figures obtained from the live NT Igdatabase on 15 August 2018.

Provincial Treasury will continue providing monthly feedback on variances noted between the MFMA Section 71 reports and the mSCOA data strings to the delegated municipalities. It should however be noted that some of the accuracy problems result from ongoing system problems which municipalities are currently trying to resolve with their relevant financial system vendors.

5.4.5 B Schedule Validation of the Council Adopted Adjustments Budget to the mSCOA Budget Data Submission 2017/18 financial year

Municipalities were expected to address the shortfalls of the alignment between the mSCOA data strings and the Council 2017/18 Adopted Budget during the Adjustments Budget process in February 2018. Further to this, municipalities must have identified transactions where there was no budget associated with the data strings or based on their budget performance. This was done in light of preventing unauthorised expenditure at year end. The submission of Adjustments Budgets for the 2017/18 financial year would go through the following validation processes:

- Stage 1 – The file format is in the correct structure;
- Stage 2 – The municipality has used the segments appropriately; and
- Stage 3 – The B Schedule submitted to council agrees to the mSCOA data string that was uploaded on the LG Portal.

Stage 1: Successful submission

All municipalities' files were in the correct format.

Stage 2: Segment Validation on Adjustments Budget

Further to the stage 1 validation, the successful submission, the LG Portal then validates the use of the segments. The eThekwini Metro, the uMzinga Local Municipality and the uThukela District Municipality submissions contained segment validation errors. This represented 5.6 percent of municipalities that used the segment validation incorrectly.

Stage 3: B Schedule reconciliation of mSCOA data string to the Council Approved 2017/18 Adjustments Budget

Stage 3 validation of comparison of the Council approved data string to the 2017/18 Adjustments Budget mSCOA data string was undertaken. This technically can only be completed for the municipalities that submitted the file in the correct structure and the mSCOA data string was free of validation errors to note that the mSCOA data string for Adjustments Budget was not perfectly aligned to the Council approved Adjustments Budget.

Municipalities were requested to review this alignment and ensure that there is no unauthorised expenditure when preparing the AFS for the 2017/18 financial year.

5.4.6 A Schedule Validation of the Council Adopted Budget to the mSCOA Budget data submission for 2018/19 financial year

In terms of MFMA Circular No. 91 issued on 07 March 2018, Section 24(3) of the MFMA, read together with Regulation 20(1) of the Municipal Budget and Reporting Regulations, requires that the approved annual budget must be submitted to both National Treasury and the relevant Provincial Treasury within ten working days after the Council has approved the annual budget. If the Council only approves the annual budget on 30 June 2018, the final date for such a submission is Friday, 13 July 2018, otherwise an earlier date applies.

Further to this, paragraph 7.4 of MFMA Circular No. 91 highlights that: *Municipalities must upload the mSCOA data strings for the tabled (TABB) and adopted (ORGB) budget to the upload portal. The budget data strings must be accompanied by the IDP project details data strings (PRTA and PROR). The deadlines for submission of the MBRR documents are also applicable to the mSCOA data strings.*

Table 5.33 shows the mSCOA data string submission of the 2018/19 Adopted Budget as at 30 June 2018.

Table 5.33: mSCOA data string submission of the 2018/19 Adopted Budget as at 30 June 2018

No	Name of Municipality	Within 10 Days of Council Approval	Submission	No	Name of Municipality	Within 10 Days of Council Approval	Submission
1	Amajuba DM	No	Successful	28	Mkhambathini	Yes	Successful
2	Dannhauser	No	Successful	29	Msunduzi	No	Successful
3	eMadlangeni	Yes	Successful	30	iMpindle	Yes	Successful
4	New castle	Yes	Successful	31	Mpofana	No	Successful
5	Harry Gwala DM	No	Successful	32	uMngeni	Yes	Successful
6	Dr. Nkosazana Dlamini Zuma	Yes	Successful	33	uMshwathi	Yes	Successful
7	uMzimkhulu	No	Successful	34	uMkhanyakude DM	No	Successful
8	uBuhlebezwe	No	Successful	35	Big Five Hlabisa	Yes	Successful
9	Greater Kokstad	No	Successful	36	Mtubatuba	*Yes	Successful
10	iLembe DM	No	Successful	37	Jozini	Yes	Successful
11	Maphumulo	Yes	Successful	38	uMhlabayalingana	*Yes	Successful
12	Ndwedwe	No	Successful	39	uMzinyathi DM	No	Successful
13	KwaDukuza	Yes	Successful	40	uMvoti	Yes	Successful
14	Mandeni	Yes	Successful	41	uMsinga	Yes	Successful
15	King Cetshwayo DM	No	Successful	42	Nquthu	No	Successful
16	Nkandla	Yes	Successful	43	eNdumeni	No	Successful
17	Mthonjaneni	Yes	Successful	44	uThukela DM	No	Successful
18	uMlalazi	Yes	Successful	45	Alfred Duma	No	Successful
19	uMhlathuze	No	Successful	46	iNkosi Langalibalele	No	Outstanding
20	uMfolozi	*Yes	Successful	47	Okhahlamba	Yes	Successful
21	Ugu DM	No	Successful	48	Zululand DM	No	Successful
22	Ray Nkonyeni	No	Successful	49	Ulundi	*Yes	Successful
23	uMuziwabantu	No	Successful	50	Nongoma	*Yes	Successful
24	uMzumbhe	Yes	Successful	51	AbaQulusi	No	Successful
25	uMdoni	No	Successful	52	uPhongolo	No	Successful
26	uMgungundlovu DM	Yes	Successful	53	eDumbe	No	Successful
27	Richmond	No	Successful	54	eThekwini Metro	No	Successful

Source: KZN Provincial Treasury

Yes mSCOA data string submitted within 10 days after council approval

*Yes mSCOA data string submitted prior to council approval

No mSCOA data string has not been submitted within 10 days of council approval/ mSCOA data string has not been submitted

As at 30 June 2018, there were 53 (98.1 percent) municipalities that have successfully submitted their mSCOA data string for their Adopted Budgets for the 2018/19 financial year. The iNkosi Langalibalele Local Municipality did not submit their mSCOA data strings even though Council approved the budget on 30 May 2018. There were five municipalities that submitted data strings prior to Council approval of the Adopted Budget.

Furthermore, 29 (53.7 percent) municipalities did not comply with the submission requirements of MFMA Circular No. 91 regarding the mSCOA data strings, which states that: *mSCOA data strings must be submitted within the 10 work days of Council approval*. There were various reasons supporting the delay in submission of the data strings. Majority of this, is as a result of the change from Version 6.1 to Version 6.2 of the mSCOA chart. In addition, due to some of the validation rules being embedded within the systems for the first time, municipalities were unable to extract data strings if the budget was not in balance.

Further to the first stage validation, on successful submission of the mSCOA data string, the LG portal thereafter validates the use of the segments (Stage 2).

Table 5.34: Status of the segment validations for the 2018/19 Adopted Budgets

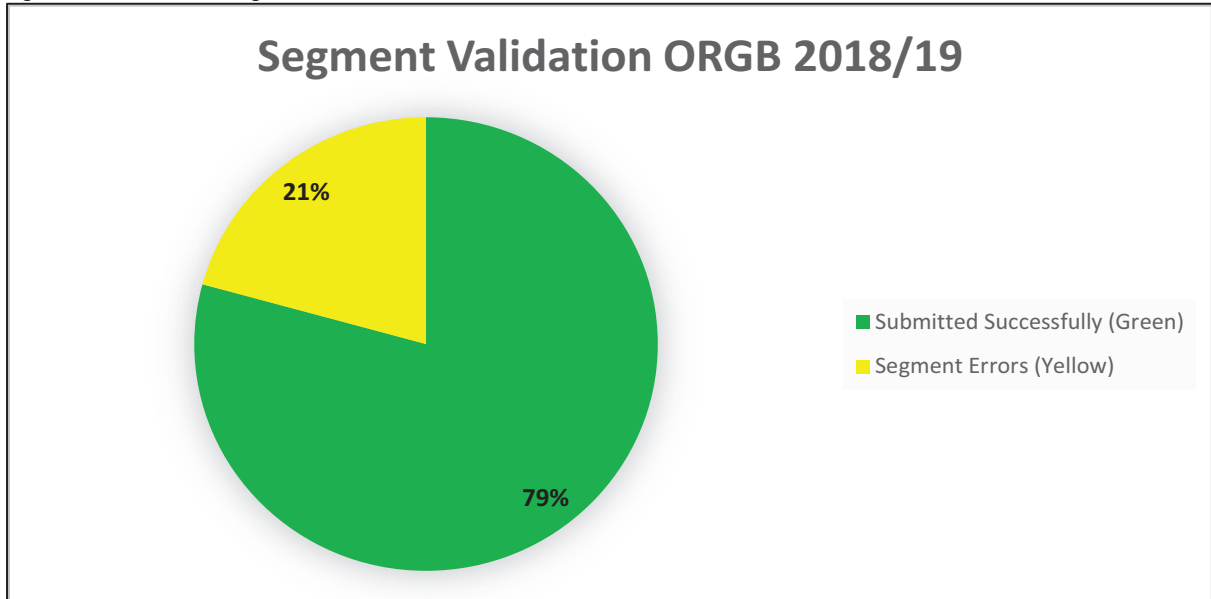
No	Name of Municipality	Date of Submission	Segment Validation	No	Name of Municipality	Date of Submission	Segment Validation
1	Amajuba DM	26/06/2018	Green	28	Mkhambathini	01/06/2018	Green
2	Dannhauser	18/06/2018	Green	29	Msunduzi	26/06/2018	Green
3	eMadlangeni	06/06/2018	Green	30	iMpendle	01/06/2018	Green
4	New castle	08/06/2018	Green	31	Mpofana	20/06/2018	Green
5	Harry Gwala DM	20/06/2018	Green	32	uMngeni	30/05/2018	Green
6	Dr. Nkosazana Dlamini Zuma	02/06/2018	Green	33	uMshwathi	31/05/2018	Green
7	uMzimkhulu	15/06/2018	Green	34	uMkhanyakude DM	29/06/2018	Green
8	uBuhlebezwe	18/06/2018	Green	35	Big Five Hlabisa	09/06/2018	Green
9	Greater Kokstad	30/06/2018	Yellow	36	Mtubatuba	24/05/2018	Green
10	iLembe DM	29/06/2018	Green	37	Jozini	06/06/2018	Green
11	Maphumulo	12/06/2018	Yellow	38	uMhlabayalingana	23/05/2018	Green
12	Ndwedwe	18/06/2018	Green	39	uMzinyathi DM	13/06/2018	Green
13	KwaDukuza	12/06/2018	Green	40	uMvoti	04/06/2018	Green
14	Mandeni	01/06/2018	Yellow	41	uMsinga	12/06/2018	Green
15	King Cetshwayo DM	22/06/2018	Green	42	Nquthu	03/07/2018	Yellow
16	Nkandla	06/06/2018	Green	43	eNdumeni	29/06/2018	Green
17	Mthonjaneni	31/05/2018	Yellow	44	uThukela DM	06/06/2018	Green
18	uMlalazi	07/06/2018	Green	45	Alfred Duma	28/06/2018	Yellow
19	uMhlathuze	18/06/2018	Green	46	Okhahlamba	12/06/2018	Green
20	uMfolozi	25/05/2018	Green	47	Zululand DM	22/06/2018	Green
21	Ugu DM	04/07/2018	Green	48	Ulundi	23/05/2018	Green
22	Ray Nkonyeni	20/06/2018	Green	49	Nongoma	24/05/2018	Green
23	uMuziwabantu	03/07/2018	Green	50	AbaQulusi	02/07/2018	Green
24	uMzumbhe	01/06/2018	Green	51	uPhongolo	27/06/2018	Yellow
25	uMdoni	22/06/2018	Green	52	eDumbe	26/06/2018	Green
26	uMgungundlovu DM	08/06/2018	Yellow	53	eThekwini Metro	28/06/2018	Yellow
27	Richmond	20/06/2018	Green				

Source: KZN Provincial Treasury

- mSCOA data string has been submitted successfully and contains no segment validation errors
- mSCOA data string has been submitted successfully however, there are segment validation errors

Municipalities continued to have segment validation errors. This was in respect of the use of a combination of segments. For example, Project capital could not be paired with Item expenditure. Project capital could only be paired with Item assets. Without the validation rules in place, the system will continue to allow these errors. Municipalities that submitted successfully continued to stage 2 of the validation to determine if segments were used appropriately. Of the 53 municipalities that submitted, there were 11 municipalities where the mSCOA data strings contained segment errors while 42 municipalities' data strings had no errors.

Figure 27: Status of the segment validation for ORGB 2018/19



Stage 3: Segment validation

It is important to note that due to segment errors and misclassification of budget items, there were variances between the Approved Budget and the mSCOA data string. Municipalities were tasked to correct this prior to approval of the Adopted Budget for the 2018/19 financial year. Should this not be corrected, the municipality has the ability to correct this via the virement process (MFMA Circulars No. 51 and 89) and/or the Adjustments Budget process as per Section 28(2) of the MFMA.

Table 5.35 shows the status of the reconciliation of the mSCOA data string and the 2018/19 Adopted A Schedules.

Table 5.35: Status of reconciliation of the mSCOA data string and the 2018/19 Adopted A Schedules

No	Name of Municipality	Reconciliation of Council approved Budget to mSCOA data string	Differences Noted	No	Name of Municipality	Reconciliation of Council approved Budget to mSCOA data string	Differences Noted
1	Amajuba DM	*Yes	*Yes	28	Mkhambathini	Yes	Yes
2	Dannhauser	*Yes	*Yes	29	Msunduzi	Yes	Yes
3	eMadlangeni	Yes	Yes	30	iMpendle	Yes	Yes
4	New castle	Yes	Yes	31	Mpofana	*Yes	*Yes
5	Harry Gwala DM	Yes	Yes	32	uMngeni	Yes	Yes
6	Dr. Nkosazana Dlamini Zuma	Yes	Yes	33	uMshwathi	Yes	Yes
7	uMzimkhulu	Yes	Yes	34	uMkhanyakude DM	Yes	Yes
8	uBuhlebezwe	Yes	Yes	35	Big Five Hlabisa	*Yes	*Yes
9	Greater Kokstad	Yes	Yes	36	Mtubatuba	*Yes	*Yes
10	iLembe DM	Yes	Yes	37	Jozini	*Yes	*Yes
11	Maphumulo	Yes	Yes	38	uMhlabayalingana	Yes	Yes
12	Ndwedwe	Yes	Yes	39	uMzinyathi DM	Yes	Yes
13	KwaDukuza	Yes	Yes	40	uMvoti	Yes	Yes
14	Mandeni	Yes	Yes	41	uMsinga	Yes	Yes
15	King Cetshwayo DM	Yes	Yes	42	Nquthu	Yes	Yes
16	Nkandla	Yes	Yes	43	eNdumeni	Yes	Yes
17	Mthonjaneni	Yes	Yes	44	uThukela DM	Yes	Yes
18	uMlalazi	Yes	Yes	45	Alfred Duma	Yes	Yes
19	uMhlathuze	Yes	Yes	46	iNkosi Langalibalele	Yes	Yes
20	uMfolozi	Yes	Yes	47	Okhahlamba	Yes	Yes
21	Ugu DM	Yes	Yes	48	Zululand DM	*Yes	*Yes
22	Ray Nkonyeni	Yes	Yes	49	Ulundi	Yes	Yes
23	uMuziwabantu	Yes	Yes	50	Nongoma	Yes	Yes
24	uMzumbe	Yes	Yes	51	AbaQulusi	Yes	Yes
25	uMdoni	Yes	Yes	52	uPhongolo	*Yes	*Yes
26	uMgungundlovu DM	Yes	Yes	53	eDumbe	Yes	Yes
27	Richmond	Yes	Yes	54	eThekwini Metro	Yes	Yes

Source: KZN Provincial Treasury

Yes Completed prior to 30 June 2018

*Yes Completed after 30 June but before 10 July 2018

5.4.7 Provincial Treasury support to municipalities and entities

KwaZulu-Natal Provincial Treasury has actively engaged municipalities and municipal entities through various forums, training workshops, one on one sessions and district engagements. A summary of the support provided during the 2017/18 financial year is indicated below:

KwaZulu-Natal Provincial forums and other platforms that were used to address municipalities

- **KZN Provincial mSCOA forum - 25 July 2017**

Guidance was provided in terms of the following areas of mSCOA implementation:

- Review findings from the analysis of the mSCOA budget data files;

- Requirements for aligning the budget to the IDP;
 - Guidance on the process for correction of the error/differences identified;
 - Review of budget related policies and alignment to mSCOA;
 - IT security requirements in implementation of systems and data protection;
 - Review of business processes to incorporate mSCOA requirements;
 - Statutory reporting requirements of mSCOA data information;
 - Weaknesses identified during onsite system assessments; and
 - Understanding the period use for the AFS submissions and correction of errors (period 13, 14 and 15).
- **KZN Provincial mSCOA forum - 23 October 2017**
 The workshop aimed at providing input into Version 6.2 of the mSCOA chart that was issued on 08 December 2017 with MFMA Circular No. 89: Municipal Budget Circular for 2018/2019. The deadline for comments and input into the chart was 25 October 2017. The following areas were covered during the workshop:
 - Each of the mandatory six segments were reviewed;
 - Each segment was discussed for challenges and changes that may be required in Version 6.2 of the mSCOA Chart; and
 - Each change was then logged onto the Frequently asked questions to which National Treasury would then address.
- **KZN Provincial mSCOA forum - 07 February 2018**
 The workshop was aimed at addressing the following:
 - Status of the province;
 - The monthly statutory reporting requirements for mSCOA;
 - The Adjustment Budget and the process; and
 - Validation errors and the process for correction during Adjustments Budget.
- **Presentation at Advancement of Black Accountants of Southern Africa (ABASA) workshop - 07 September 2017**
 Panel member on the transformation of information technology in the public sector.
- **Presentation at KZN Internal Audit Conference - 18 October 2017**
 Presented on adding value to the mSCOA implementation process.
- **Presentation at COGTA PMS Technical Advisory Committee - 29 November 2017**
 Presented on the impact of mSCOA on Performance management.
- **Municipal district engagements - between 05 March 2018 and 23 March 2018**
 Version 6.2 of the MSCOA chart, virements and the changes to validations rules on the portal.
- **Training of the IDP Managers through COGTA IDP and Performance forum - 20 April 2018**
 This included the linking of the Integrated development place to the mSCOA classification framework.

- **Munsoft user group forum – 06 June 2018**

To discuss the progress of municipalities and have solutions to common issues. Provincial Treasury presented findings on submissions of municipalities and other specific issues that have been raised by the municipalities.

- **Training at Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO) KwaZulu-Natal - 13 June 2018**

Preparation of AFS using the mSCOA general ledger and trial balance.

On-site Assessments

- **On-site system assessments - July 2017 to January 2018**

Conducted on-site system assessments at municipalities in terms of system functionality and whether the municipal transactions are in accordance with mSCOA.

- **Engagements with vendors and municipalities**

Engagements were held in July 2017, September 2017, December 2017 and February 2018: The purpose of these engagements was to discuss:

- Specific implementation challenges and mSCOA progress for municipalities as well as provide solutions to the challenges;
- Specific vendors that had little progress with the system implementation and problematic municipalities; and
- The manner in which Adjustments Budget process would be implemented and how municipalities need to correct errors within the 2017/18 Adopted Budget.

- **Requested training from municipalities**

- **Training at uMzinyathi District Municipality - 25 October 2017:** Understanding mSCOA and impact on internal audit.
- **Training of Finance portfolio – Ndwedwe Local Municipality - 15 May 2018:** Role of councillors and status of the municipality.
- **Training at KwaDukuza Local Municipality - 12 February 2018:** Understanding mSCOA and impact on internal audit.
- **mSCOA Basics at eMadlangeni Local Municipality - 28 June 2018:**
 - mSCOA understanding of legislation;
 - mSCOA understanding of the Framework;
 - The comparison of the old general ledger to the new mSCOA chart;
 - Budgeting in MSCOA;
 - Business processes and impact of mSCOA; and
 - MFMA Circular No. 80 Systems and Processes.

- **Councillor Training**

- **Councillor Training at uMdoni Local Municipality - 17 November 2017:** Councillor training on understanding mSCOA and role of councilors.
- **Councillor Training at Alfred Duma Local Municipality - 29 June 2018:** Role of councillors and status of the municipality.

- **Engagement with key stakeholders within local government**
 - **Training of the IDP Managers through COGTA IDP and Performance forum - 20 April 2018:** This included the linking of the integrated development place to the mSCOA classification framework.
 - **Presentation to Operation Clean Audit Committee - 16 March 2018 and 18 May 2018:** Presented on status of the province, challenges being experienced and reporting capability.
 - **Training of the Auditor General (SA) - KwaZulu-Natal - 14 and 15 May 2018:**
 - mSCOA understanding of legislation;
 - mSCOA understanding of the Framework;
 - The comparison of the old general ledger to the new mSCOA chart;
 - Budgeting in MSCOA;
 - Business Processes and impact of mSCOA; and
 - MFMA Circular No. 80 Systems and Processes.

Provincial Treasury will continue to support municipalities, with one resource being allocated per two districts in order to provide hands on support as required. All mSCOA team members have assisted the various municipalities in terms of addressing queries with the Version 6.1 and Version 6.2 of the mSCOA chart and provided assistance with budgeting and clearing of validation errors on the data files. Provincial Treasury has further assisted in reviewing mSCOA audit files, opening balances and general ledgers, where information has been made available.

5.4.8 Way forward

Provincial Treasury will continue to engage with the municipalities in addressing the outstanding issues via monthly site visits, frequent communication via email and telephonic assistance as well as the various platforms such as mSCOA 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 requirements and free from errors;
- Assist municipalities with corrections required for submission of the Adjustments Budget submission;
- Review of the general ledger and working papers with regards to implementation of mSCOA in readiness for year-end;
- Review of the municipal data transactions to ensure the improved quality of the transactional data; and
- Provision of guidance to municipalities on system implementation issues and governance matters.

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 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.

In consideration of the importance of the annual budget, municipalities are therefore required to establish Budget Steering Committee (BSC) in terms of Regulation 4 of the MBRR to assist the mayors of municipalities to discharge their obligations.

Regulation 4 of the MBRR reads:

- (1) *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.*
- (2) *The steering committee must consist of at least the following persons:*
 - (a) *the councillor responsible for finance matters;*
 - (b) *the Municipal Manager;*
 - (c) *the Chief Finance Officer;*
 - (d) *the senior managers responsible for at least the three largest votes in the municipality;*
 - (e) *the manager responsible for budgeting;*
 - (f) *the manager responsible for planning; and*
 - (g) *any technical experts on infrastructure.*

The BSC's role is to provide technical assistance to the Mayor in discharging his or her responsibilities as set out in Section 53 of the MFMA. These responsibilities, amongst others, include:

- providing political guidance to the Integrated Development Plan (IDP) and budget processes and the priorities that must guide the preparation of the budget;
- ensuring the budget gets approved before 01 July;
- ensuring that a Service Delivery and Budget Implementation Plan (SDBIP) is produced; and
- ensuring that senior managers' annual performance contracts are signed, submitted to council and made public timely.

The prescribed membership of the committee emphasises the technical nature and role of the committee. It includes all senior managers within the municipality that need to be involved in the budget processes and IDP to ensure that they are aligned and relate directly to the service responsibilities of the municipality. The members of the committee will also ultimately be accountable for the implementation of the IDP and budget, through the SDBIP and their annual performance agreements. The councillor responsible for financial matters is a member of the committee to represent the Mayor and provide political guidance. The committee should ideally be chaired by the Municipal Manager, or alternatively the Chief Financial Officer. The BSC is not a committee of Council or a sub-committee of the Mayor's executive committee. Council may decide to establish a separate Council committee to exercise oversight of the IDP and budget and the Mayor may decide to establish a separate sub-committee of the executive committee to provide political guidance to the IDP and budget processes. These committees would need to work closely with the BSC.

The Municipal Budget sub-programme is currently undertaking a review regarding the establishment and functioning of the BSCs in the province for the 51 delegated municipalities.

Provincial Treasury in its attempt to determine the functionality of municipalities' BSC committees, compiled and sent a questionnaire to all the delegated municipalities in the province. The purpose of the questionnaire was to determine the status of the BSC's of the delegated municipalities in the province.

As at 10 August 2018, 49 of the 51 delegated municipalities had completed and submitted the questionnaires to Provincial Treasury. The remaining two municipalities' questionnaires namely; the Mpofana Local Municipality and the Harry Gwala District Municipality were still outstanding. Table 5.36 shows the municipalities with established BSC in place.

Table 5.36: Municipalities with an established BSC in place

No.	Municipalities	No.	Municipalities	No.	Municipalities
1	uMdoni	16	eNdumeni	30	Nongoma
2	uMzumbhe	17	uMsinga	31	Zululand DM
3	uMuziwabantu	18	uMvoti	32	uMhlabuyalingana
4	Ugu DM	19	uMzinyanathi DM	33	Jozini
5	iMpindle	20	New castle	34	Mtubatuba
6	Mkhambathini	21	eMadlangeni	35	Big Five Hlabisa
7	Richmond	22	Dannhauser	36	uMkhanyakude DM
8	uMgungundlovu DM	23	Amajuba DM	37	uMfolozi
9	Okhahlamba	24	eDumbe	38	uMlalazi
10	iNkosi Langalibalele	25	uPhongolo	39	Mthonjaneni
11	uThukela DM	26	AbaQulusi	40	Nkandla
12	King Cetshwayo DM	27	Mandeni	41	KwaDukuza
13	Ndwedwe	28	Maphumulo	42	iLembe DM
14	Greater Kokstad	29	uBuhlebezwe	43	uMzimkhulu
15	Dr. Nkosazana Dlamini Zuma				

Source: KZN municipalities

Of the 49 municipalities who responded to Provincial Treasury's questionnaire, the following was established from the information received:

- Forty three (43) municipalities shown in the Table 5.36 above have indicated that they have an established BSC in place; and
- Six municipalities, namely; the Ray Nkonyeni, uMshwathi, uMngeni, Alfred Duma, Nquthu and Ulundi Local Municipalities have indicated that they have alternative committees which serves as their BSC.

The results above are positive 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 to in order to make a meaningful impact at the municipality.

The next phase of this project is to assess the BSCs at the delegated municipalities to determine if the composition is in terms of Regulation 4 of the MBRR, if the BSC has been approved by Council and is fully functional.

5.6 Financial Management Capability Maturity Model

National Treasury identified a need for municipalities and their entities to implement and maintain sound and effective financial management practices for their long-term sustainability and improvement in their service delivery. To support local government in their financial management, National Treasury developed diagnostic tools targeting various components of financial management in municipalities. The Financial Management Capability Maturity Model (FMCMM) is one of the tools which was designed 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.

The FMCMM is an assessment tool that comprises 21 key financial management modules and addresses multiple disciplines. Each module contains a number of questions which assists with the identification of risks and mitigation measures for the identified risks, assigns officials responsible for specific tasks and provides timelines for the completion thereof. The outcome of the assessment guides municipalities in developing procedures, processes, systems and improving compliance with the legal framework. Scores are attributed to responses to questions which provide the municipality with a rating of its financial maturity, both within a particular module and an overall basis. The different maturity levels can be described as (1) start-up, (2) developmental and (3) control levels of maturity. An assessment score of 1 = no, 2 = partial and 3 = yes. These are averaged to provide overall scores. During 2015, National Treasury rolled out these assessment tools by undertaking assessments of municipalities and their entities. The outcome of this exercise resulted in a holistic picture providing information on the capability, maturity and financial sustainability of the municipality and their entity. Municipalities and their entities were thereafter issued with their municipal report on the FMCMM assessment by National Treasury.

In terms of the FMCMM reports issued by National Treasury, a municipality should develop an FMCMM implementation plan which addresses the corrective measures to be undertaken in respect of the identified risks 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 Provincial Treasury.

Following the issuing of the FMCMM reports to municipalities and their entities by National Treasury, Provincial Treasury has on a regular basis requested copies of the approved FMCMM implementation plans from municipalities and their entities with little success. The 10 delegated municipalities shown in Table 5.37 have submitted copies of their FMCMM implementation plans to Provincial Treasury as at 03 August 2018, while the copies of the FMCMM implementation plans for the remaining 41 delegated municipalities and their related entities were outstanding.

Table 5.37: Municipalities that have submitted copies of their FMCMM Implementation Plans to Provincial Treasury as at 16 August 2018

No	Name of Municipality	No	Name of Municipality
1	uMdoni	6	uMlalazi
2	uMzumbhe	7	iLembe DM
3	Richmond	8	uBuhlebezwe
4	eNdumeni	9	uMzimkhulu
5	Okhahlamba	10	Greater Kokstad

Source: KZN 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 an FMCMM implementation plan and report on the aforementioned plan to Council, National and Provincial Treasuries by not later than 28 September 2018.

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 technical support to delegated municipalities. The main objective of the program is to identify the root cause of financial challenges experienced by municipalities, support the municipalities where their financial sustainability is threatened and implement support initiatives that will assist municipalities to improve their financial health.

The MSP is committed to supporting its municipalities and identifying ways to improve service delivery. The program also places emphasis on capacity building to ensure improvements effected are sustainable.

6.1.1 Support Provided to Municipalities

The main concern relating to municipal financial management is the high staff turnover and the competency of officials appointed. It is for this reason that the MSP focuses on providing capacity building initiatives. The result is a solid foundation on which municipalities can base their internal policies and procedures thereby ensuring sound financial management and sustainability.

Municipalities were selected based on the extent of support required and the municipality's unreserved acceptance of the support offered. Successful implementation of support initiatives hinges on commitment by the leadership and staff at the municipalities in embracing the improvements introduced and implementing the processes effectively.

The Value Added Tax (VAT) Review initiative was implemented at seven municipalities in the 2017/18 financial year. The initiative is intended to address the shortcomings relating to the management of VAT. The filing of VAT returns by municipalities and the processes associated with this function have often been outsourced to service providers which resulted in external resources preparing and filing the VAT returns on behalf of the municipality at a considerable cost thereto. In addition, the municipal officials have not necessarily been trained in the tasks involved and could be unaware of the best practices to follow in fulfilling these responsibilities. The VAT Review initiative aims to capacitate municipalities to undertake the function on their own.

The Pay As You Earn (PAYE) Review was implemented at 10 municipalities in the 2017/18 financial year. The initiative 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, timely submission of PAYE returns thus preventing fruitless and wasteful expenditure in the form of interest and penalties as well as to capacitate municipal officials. The review assessed a five year period.

The MSP also launched the "Guide to Grant Management" in the 2017/18 financial year. The guide presents 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 and reporting, cash management, compliance as well as document management. The publication is being rolled out with intensive training to three pilot municipalities who volunteered to be part of the pilot project. Customised training was provided to two of the three municipalities. The pilot is planned to be completed during the 2018/19 financial year.

In keeping with Provincial Treasury's mandate to assist and support municipalities in strengthening and building their financial management capacity, an initiative was undertaken by the Municipal Accounting and Reporting Sub-programme to provide on-site financial management support to identified municipalities within the province. The aim of the initiative is to build and strengthen financial management capacity through the implementation of sustainable financial management.

Ten (10) municipalities were provided with financial management support and assisted with the preparation of the 2016/17 Annual Financial Statements (AFS). An additional nine municipalities were assisted with the review of the 2016/17 AFS prepared by them.

Seven municipalities are currently being assisted with the preparation of their 2017/18 AFS which includes two municipalities that were supported in the prior year to ensure continued improvement.

Table 6.1: Municipalities supported during the 2017/18 financial year

No	Municipality	VAT Review	PAYE Review	Grant Management	Financial Management Support	AFS Reviews
1	Alfred Duma	✓	✓		✓	✓
2	Amajuba DM		✓	✓	✓	✓
3	Big Five Hlabisa		✓		✓	✓
4	Dr Nkosazana Dlamini Zuma		✓		✓	✓
5	eDumbe					✓
6	Greater Kokstad	✓	✓			
7	iMpendle				✓	✓
8	iNkosi Langalibalele	✓	✓		✓	
9	Jozini		✓			✓
10	King Cetshwayo DM			✓		
11	Maphumulo		✓		✓	✓
12	Mkhambathini				✓	✓
13	Mpořana		✓		✓	✓
14	Mthorjaneni	✓	✓			
15	Ndwedwe	✓			✓	✓
16	Okhahlamba					✓
17	Ray Nkonyeni					✓
18	Richmond					✓
19	uMdoni	✓	✓			✓
20	uMhlabuyalingana					✓
21	uMshwathi	✓	✓			
22	uMsinga	✓				
23	uMzambe	✓				
24	uPhongolo					✓
25	uThukela DM					✓

Source: KZN Provincial Treasury

Note: ✓ indicates that support was withdrawn at the municipality.

6.1.2 Other Support

The MSP also engaged with other sub-programmes within Provincial Treasury to support municipalities with challenges that they are specifically skilled to assist with. These included initiatives to support municipalities on mSCOA, supply chain management and infrastructure 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 2017/18 financial year included the lack of policy and implementation thereof, inadequate segregation of duties, poor skills capacity and contract and supplier management by municipalities.

Interventions at the Big Five Hlabisa and AbaQulusi Local Municipalities were undertaken by the KZN Provincial SCM Unit. The interventions were in the form of direct assistance by managing the procurement processes as well as instituting reforms in these institutions. SCM compliance assessments were conducted at all delegated 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 94 appeals throughout the province in the 2017/18 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 the municipalities in KZN excluding the 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 the municipalities are exposed to.

The final phase of the Contract management project is the development of a contract management framework and procedure manual. The SCM Unit continued to provide continuous monitoring and support and issued Provincial Circular No. 1 of 2017/2018: Implementation of the KZN Provincial Contract Management System which required municipalities, on a bi-annual basis, to submit their respective expenditure reports and contract registers to the Provincial Treasury SCM Unit for analysis. This enabled the SCM Unit to identify gaps and shortcomings in Contract management and assist the municipalities to develop the necessary framework to address the findings and monitor the implementation of action plans by the municipalities to address the findings. A comprehensive report and action plan was 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 the 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 via Regulation 32 of the Municipal Finance Supply Chain Management Regulations led to large amounts of irregular expenditure being

incurred by municipalities. To overcome this, Circulars 1 and 1A of 2016/2017 were issued, which required all municipalities in the province to submit an application for the use of a contract via 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 2017/18 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 implementation of SCM Regulation 22, 33 and 36 of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA);
- 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 2017/18 financial year, training was conducted at the 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	Amajuba DM	6	Nkandla	11	uMvoti
2	Dr. Nkosazana Dlamini Zuma	7	Nongoma	12	uMzimkhulu
3	eDumbe	8	uMdoni	13	uMzumbe
4	eMadlangeni	9	uMgungundlovu DM	14	uMuziwabantu
5	iMpendle	10	uMshwathi	15	Zululand 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 Ray Nkonyeni 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 the municipalities based on request. This occurs within the 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 the municipalities which were given direct operational assistance.

Table 6.3: Operational assistance provided to the following municipalities

No	Name of Municipality	Support Description
1	AbaQulusi	Intervention
2	Big Five Hlabisa	Intervention
3	eNdumeni	Routine compliance assessment
4	iMpendle	Follow up assessments
5	King Cetshwayo DM	Ad-hoc
6	KwaDukuza	Ad-hoc
7	Mtubatuba	Ad-hoc
8	Ndwedwe	Ad-hoc
9	Nquthu	Routine compliance assessment
10	Richmond	Routine compliance assessment
11	Ugu DM	Routine compliance assessment
12	uMdoni	Support in the evaluation of a bulk water scheme bid
13	uMkhanyakude DM	Ad-hoc
14	uMvoti	Site visit to provide SCM support on a variety of SCM issuers
15	uMzinyathi DM	Progress continuous assessment

Source: KZN Provincial Treasury

During the course of the 2017/18 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 the 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	AbaQulusi	12	KwaDukuza	23	Richmond
2	Alfred Duma	13	Mandeni	24	Ulundi
3	Amajuba DM	14	Msinga	25	uMfolozi
4	Big Five Hlabisa	15	Msunduzi	26	uMgungundlovu DM
5	Dannhauser	16	Mthonjaneni	27	uMhlbuyalingana
6	eDumbe	17	Ndwedwe	28	uMlalazi
7	eNdumeni	18	New castle	29	uMzimkhulu
8	Greater Kokstad	19	Nkandla	30	uMuziwanabantu
9	Harry Gwala DM	20	Nongoma	31	uMzumbhe
10	Jozini	21	Okhahlamba	32	uPhongolo
11	King Cetshwayo DM	22	Ray Nkonyeni	33	Zululand DM

Source: KZN Provincial Treasury

6.2.6 Implementation of Contract Management System

The SCM Unit has now implemented Contract management at municipalities within the province. 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 the 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	17	Mandeni	33	uMfolozi
2	Alfred Duma	18	Maphumulo	34	uMgungundlovu DM
3	Amajuba DM	19	Mkhambathini	35	uMhlabyalingana
4	Big Five Hlabisa	20	Mpofana	36	uMkhanyakude DM
5	uMhlathuze	21	Mthonjaneni	37	uMlalazi
6	Dannhauser	22	Mtubatuba	38	uMngeni
7	Dr. Nkosazana Dlamini Zuma	23	New castle	39	uMshwathi
8	eDumbe	24	Nkandla	40	uMuziwabantu
9	eMadlangeni	25	Nongoma	41	uMvoti
10	Greater Kokstad	26	Nquthu	42	uMzinyathi DM
11	Harry Gwala DM	27	Okhahlamba	43	uMzumbe
12	iLembe	28	Ray Nkonyeni	44	uPhongolo
13	iMpendle	29	Richmond	45	uThukela DM
14	iNkosi Langalibalele	30	uBuhlebezwe	46	Zululand DM
15	Jozini	31	Ugu DM		
16	KwaDukuza	32	Ulundi		

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 of the 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 and 2 of the 2017/18 financial year, all the municipalities within the province fully complied with the requirements of submitting the quarterly withdrawal reports. Table 6.6 shows the municipalities that have not submitted withdrawal reports for Quarter 3 and Table 6.7 shows the

municipalities that have not submitted withdrawal reports for Quarter 4 in respect of the 2017/18 financial year.

Table 6.6: Municipalities that have Outstanding Withdrawal Reports for Quarter 3 of 2017/18

No	Municipality	No	Municipality	No	Municipality
1	Ndwedwe	2	uMshwathi	3	Mkhambathini

Source: KZN Provincial Treasury

Table 6.7: Municipalities that have Outstanding Withdrawal Reports for Quarter 4 of 2017/18

No	Municipality	No	Municipality	No	Municipality	No	Municipality
1	uMzumbe	10	Okhahlamba	19	Amajuba DM	28	Mthonjaneni
2	uMuziwabantu	11	iNkosi Langalibalele	20	uPhongolo	29	Nkandla
3	uMshwathi	12	uThukela DM	21	AbaQulusi	30	KwaDukuza
4	uMngeni	13	eNdumeni	22	Nongoma	31	Ndwedwe
5	Mpofana	14	Nquthu	23	Zululand DM	32	iLembe DM
6	iMpendle	15	uMvoti	24	Jozini	33	uMzimkhulu
7	Msunduzi	16	uMzinyathi DM	25	Mtubatuba		
8	Mkhambathini	17	New castle	26	uMfolozi		
9	uMgungundlovu DM	18	Dannhauser	27	uMlalazi		

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:

- within 90 days after opening a bank account, the details of such new bank account; and
- annually, before the start of the financial year, the name of each bank where the municipality/ municipal entity holds an account.

Progress / Outcome

Provincial Treasury monitors changes to primary bank accounts of municipalities in KZN. During the 2017/18 financial year, changes were made on some municipality primary bank accounts. Table 6.8 shows the municipalities that have made changes to the “NAME” of their primary bank accounts during the 2017/18 financial year.

Table 6.8: Municipalities that have made changes to the “NAME” of their primary bank accounts

No	Old Name of Municipality Primary Bank Account	New Name of Municipality Primary Bank Account
1	uBuhlebezwe Municipality	uBuhlebezwe Local Municipality

Source: KZN Provincial Treasury

Table 6.9 shows the municipalities that have opened new primary bank accounts during the 2017/18 financial year.

Table 6.9: Municipalities that have opened new primary bank accounts

No	New Primary Bank Account opened for Municipalities	No	New Primary Bank Account opened for Municipalities
1	Ray Nkonyeni	3	Newcastle
2	Mandeni		

Source: KZN Provincial Treasury

A request in terms of Sections 9(b), 86(1)(b) and 86(2) of the MFMA was sent to all municipalities during May 2017 requiring the Accounting Officer to submit a schedule of **all** bank accounts held by the municipality and of those held by any municipal entities. Subsequent similar requests were sent to all municipalities in August 2017, September 2017 and February 2018. A total of 16 municipalities did not comply with these requests as shown in Table 6.10.

Table 6.10: Municipalities that have not complied with the request

No	Municipality	No	Municipality	No	Municipality	No	Municipality
1	uMshwathi	5	Mkhambathini	9	uPhongolo	13	Greater Kokstad
2	uMngeni	6	eNdumeni	10	uMfolozi	14	uBuhlebezwe
3	Mpofana	7	uMsinga	11	Nkandla	15	uMzimkhulu
4	iMpindle	8	uMvoti	12	Harry Gwala DM	16	Dr. Nkosazana Dlamini Zuma

Source: KZN Provincial Treasury

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.

These 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 2017/18 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 by issuing a circular dated 18 April 2018 in this regard. No municipality reported any impending overdrafts during the 2017/18 financial year.

6.4 Internal Audit – 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 2018 with regards to risk management and internal audit services to municipalities and municipal entities within KwaZulu-Natal.

6.4.2 Background

The Provincial Internal Audit Services (PIAS) did not provide any risk management and internal audit support to municipalities during the 2017/18 financial year due to the decision taken by the leadership of KZN Treasury. However, Risk Management and Internal Audit support to municipalities was restored by the leadership of KZN Treasury effectively from 01 April 2018.

6.4.3 Control assessment workshops

In the quarter under review, risk and control assessment workshops were conducted at the following municipalities and municipal entities and final reports were issued to them.

Table 6.11: List of the municipalities and municipal entities provided with Risk and control assessment workshops

No	Name of Municipality	No	Name of Municipality	No	Name of Municipal entity
1	Mtubatuba	3	uMlalazi	5	Enterprise iLembe
2	uMzimkhulu	4	uMhlabuyalingana		

Source: KZN Provincial Treasury

Weaknesses observed

The following observations were noted from the municipalities visited during the period under review:

Risk and Control Assessment

- Municipalities continue to treat the risk management activity as a mere compliance issue and as a result, it is not imbedded within municipal processes;
- Silo mentality in dealing with risk management issues is also contributing to the poor maturity of risk management;
- Most municipalities are sending junior officials to the risk and control workshops which creates a challenge as junior officials do not want and/or do not have authority to commit in terms of identifying risks and action plans to be implemented; and
- Actions plans identified by junior officials are easily disregarded by heads of departments. This leads to repeat findings year in and year out.

6.4.4 Training and awareness

The following training was conducted during the quarter under review (April 2018 – June 2018)

- The Ulundi Local Municipality Audit Committee Induction; and
- The iLembe Risk Champion Training.

Audit Committee Induction

Not all audit committee members attended the induction. This could result in the audit committee not being effective in executing its functions.

Risk Management Training

Lack of understanding of basic concepts of risk management was observed during the one training provided to the risk champions. The issue might create challenges for the municipality as it strives to embed risk management within the municipality.

6.4.5 Way Forward

The risk management and internal audit support was restored by the leadership of KZN Treasury on 01 April 2018. A plan has been developed and approved and it is anticipated that the plan will respond to the weaknesses identified at selected municipalities.

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 them to suit the operational circumstances of each 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 the municipalities or municipal entities are extensively engaged when the exercise is undertaken.

The Unit endeavours 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 in order to facilitate decision making and flexible administrative processes that allows senior management to focus on strategic matters. The Unit continued to provide ongoing 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. Workshops were also provided in order to ensure that role players, including councillors and board of directors, possess a fair amount of understanding of the concept and purpose of delegations.

6.5.4 Support undertaken during the 2017/18 Financial Year

The Norms and Standards Unit was engaged in numerous assignments that emanated from the annual plan and ad-hoc requests from municipalities.

Municipalities supported in the area of Policy Assistance during the 2017/18 financial year

Specific focus was dedicated to ensure proper alignment between new and/or revised processes and policies. Delegation frameworks were also revised as a result of changes within the finance departments

of municipalities concerned. Table 6.12 reflects the municipalities that were supported on finance related policies.

6.12: Draft policies that resulted from the support provided during the 2017/18 financial year

No	Name of Municipality	Quarter	Critical Policies Reviewed	Other Policies Reviewed	Developed Policies
1	AbaQulusi	Quarter 1	Budget policy Investment policy Indigent policy Tariffs policy	Virement policy Petty cash policy Funds and reserves policy Subsistence and travelling allowance policy	
2	iLembe DM	Quarter 1	Credit control policy Budget policy Investment policy Indigent policy Tariffs policy	Virement policy Petty cash policy Infrastructure and capital planning policy Long term financial planning policy	Subsistence and travel allowance policy Funds and reserves policy
3	Mubatuba	Quarter 3	Budget policy Credit control policy Investment policy Tariffs policy		

Source: KZN Provincial Treasury

Municipalities supported in the area of System of Delegations during the 2017/18 financial year

The municipalities shown in Table 6.13 below were supported as part of the annual review schedule therefore the support was incorporated in the Unit's annual plan. The Amajuba District Municipality was visited and the Maphumulo Local Municipality was re-visited as a result of a special request from the Chief Financial Officers of these municipalities. The AbaQulusi and Greater Kokstad Local Municipalities were supported as a result of the annual survey that was conducted.

The development of financial delegations frameworks for municipalities were initiated nationally by National Treasury in response to the Presidential outcome 12 which relates to enhancing administrative efficiency in municipalities.

Table 6.13 Municipalities supported in the area of System of delegations during the 2017/18 financial year

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	AbaQulusi	3	Greater Kokstad	4	Maphumulo
2	Amajuba 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. A specific focus will be on supporting municipal entities with specific reference to monitoring compliance with financial management provisions as stipulated in the MFMA and approved policies and procedures.

6.6 Municipal Accounting and Reporting Sub-programme

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 onsite support to identified municipalities within the province during the 2017/18 financial year. The fundamental objective of this program is to improve financial management practice by building the required skills and capacity to enable effective financial management practice and therefore improve the audit opinions received by the municipalities.

The onsite support intervention strategy conducted by the programme entails 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 AFS;
- Preparation of AFS and supporting reconciliations and schedules, as required;
- Assistance in the preparation and review of the audit working paper files and addressing all financial management audit queries;
- Training and development of municipal officials in terms of financial management, including the preparation of the AFS;
- Monitor and implement compliance with the MFMA, and other relevant local government legislation;
- Provision of financial management support in areas of budgeting, income, expenditure and SCM;
- Provide support with the alignment and compliance of Municipal Standard Chart of Accounts (mSCOA) requirements for financial management transactions;
- Attendance at audit steering committee meetings, providing guidance and support during the audit process until the issue of the final audit report; and
- Attendance at management meetings that relate to financial management within the municipality.

Audit outcomes of municipalities supported in the Municipal Finance Management – Municipal Accounting and Reporting Sub-programme for the 2016/17 financial year

The success of the implementation of the financial management municipal onsite support to the selected municipalities is reflected in Table 6.14 below:

Table 6.14: Audit Outcomes

No	Name of Municipality	2016/17 Audit Opinion	2015/16 Audit Opinion
1	Alfred Duma ²	Qualified	-
	Emnambithi/Ladysmith ¹	-	Clean
	Indaka ¹	-	Unqualified
2	Amajuba DM	Qualified	Qualified
3	Big Five Hlabisa ²	Qualified	-
	Big Five False Bay ¹	-	Qualified
	Hlabisa ¹	-	Unqualified
4	Dr Nkosazana Dlamini Zuma ²	Unqualified	-
	Ingwe ¹	-	Unqualified
	Kwa Sani ¹	-	Unqualified
5	iMpendle	Unqualified	Unqualified
6	iNkosi Langalibalele ³	Disclaimer	-
	uMtshezi ¹	-	Disclaimer
	Imbabazane ¹	-	Unqualified
7	Maphumulo	Unqualified	Unqualified
8	Mkhambathini	Unqualified	Unqualified
9	Mpofana	Qualified	Disclaimer
10	Ndwedwe	Unqualified	Unqualified

Source: KZN Provincial Treasury

¹ Audit opinion of old municipality prior to the merge effected in August 2016.

² Audit opinion of new municipality after the merge effected in August 2016.

³ Audit opinion of new municipality after the merge effected in August 2016. support was withdrawn at the municipality.

From the audit results presented in Table 6.14 above, it must be noted that the success of the intervention by the Sub-programme resulted in the audit outcomes being maintained from the prior year for the following municipalities:

- The Mpofana Local Municipality improved from a **Disclaimer Audit Opinion** in the 2015/16 financial year to a **Qualified Audit Opinion** in the 2016/17 financial year;
- The Amajuba District Municipality maintained the **Qualified Audit Opinion** in the 2016/17 financial year from the previous financial year;
- The three new municipalities; the Alfred Duma, Big Five Hlabisa and Dr. Nkosazana Dlamini Zuma Local Municipalities; established in August 2016 as a result of the revised demarcation resulted in two **Qualified Audit Opinions** and one **Unqualified Audit Opinion**, respectively;
- All other municipalities maintained **Unqualified Audit Opinions** in the 2016/17 financial year from the previous financial year;
- Additional support was provided to the Ndwedwe and Mkhambathini Local Municipalities, due to capacity constraints experienced by the municipalities. During the AFS review support at identified municipalities, Provincial Treasury considered the need to support the Impendle Local Municipality by means of full time onsite support due to the extent of the AFS review matters.
- The onsite financial management support by Provincial Treasury to the Inkosi Langalibalele Local Municipality had to be terminated in August 2017 due to the safety of the resources being compromised.

Municipalities supported in the Municipal Finance Management – Municipal Accounting and Reporting Sub-programme for the 2017/18 financial year

The Sub-programme continued to be implemented during the 2017/18 financial year, as municipalities were gearing towards the preparation of the AFS.

Provincial Treasury performed an assessment of the financial management matters for the municipalities that will require assistance from the Sub-programme during the next financial year. The assessment indicated that there were 11 municipalities that received qualifications, two (2) that received disclaimers, two (2) that received adverse, 33 unqualified and six (6) clean audit opinions. A review of the audit report findings indicated that material losses and material impairments received the most comment in the main audit report. Compliance matters reported centered around expenditure management, procurement and contract management, AFS, irregular and fruitless and wasteful expenditure.

Provincial Treasury completed an assessment of audit opinions received by municipalities for the 2016/17 financial year and identified municipalities for support, as per Table 6.15 below.

Table 6.15: List of the municipalities identified for support under the Financial Management Municipal Support Programme

No	Name of Municipality	2016/17 Audit Opinion	Extent of support
1	Harry Gwala DM	Qualified	Full time Support
2	uThukela DM	Qualified	Full time Support
3	Umzinyathi DM	Adverse	Full time Support
4	Msinga	Qualified	Three weeks on site support
5	iMpendle	Unqualified	Full time Support
6	Big Five Hlabisa	Qualified	Full time Support
7	eMadlangeni	Unqualified	Full time Support
8	Richmond	Unqualified	Full time Support

In addition to the support based on audit opinions, it was considered necessary that Provincial Treasury continue support provided to the iMpendle Local Municipality to assist with the accounting policy change from the revaluation model to the cost model for certain assets and to the Big Five Hlabisa Local Municipality to provide continued support and skills. Support was provided to the Msinga Local Municipality for three weeks to assist in the development of a year-end action plan.

The support program commenced in June 2018 and it is anticipated to be concluded in November 2018.

Requests for financial statements preparation support was received from the eMadlangeni and Richmond Local Municipalities due to capacity constraints experienced by the municipalities. Assistance was rolled out to the municipalities from July 2018 and August 2018, respectively, and will continue until November 2018.

The Amajuba District Municipality requested specific assistance with Unspent conditional grants related to the withholding of funds by National Treasury. Provincial Treasury engaged with the Auditor-General and National Treasury to perform an agreed upon procedures audit to review the unspent balances disclosed for the 2016/17 financial year, showing the adjustments and the correct year end unspent balances. The result was that National Treasury repaid R7.7 million to the Amajuba District Municipality.

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 Sub-programme 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 in order for effective skills transfer to take place, particularly in the preparation of the AFS and dealing with audit queries;
- The resignation of key officials, for example; the Chief Financial Officers, during key periods resulting in municipal officials acting in positions for long periods without filling the vacancies.
- Significant reliance is placed on Provincial Treasury support, consultants or interns to perform the work of municipal officials without adequate commitment from officials within the municipalities;
- The complexity of the accounting treatment for the municipalities affected by the demarcation process was not clearly understood and implemented;
- The implementation of mSCOA has reduced the capacity available at the municipalities to undertake financial management responsibilities;
- Documentation, specifically with regards to payment vouchers and historical financial management transactions could not be made available to the Provincial Treasury support teams.
- Inadequate skills on credit control and debt management, including basic financial accounting and document management systems in most instances;
- Lack of systems to address audit queries and recommendations, both internal and external auditing;
- Inadequate asset management processes within the municipality which impacts on the maintenance of the asset register and reporting thereof, which is in most cases, done only at year end;
- Poor controls over routine accounting processes: reconciliations incorrect/incomplete/lack of supporting schedules;
- Occurrence of irregular, fruitless and wasteful expenditure resulting from non-compliance with legislation and supply chain processes and wasteful expenditure which could have been avoided;
- Little or no action taken in investigating or condoning the unauthorised, irregular, fruitless and wasteful expenditure;
- Lack of evidence based reporting and preparation of audit working paper files; and
- Availability of municipal financial management officials to address identified challenges.

The significant challenges identified during the AFS review were as follows:

- The AFS review was significantly delayed due to the AFS still being prepared, with majority of the reviews taking place in the last week of August;
- The AFS were incomplete at the time of review, particularly asset information and supporting documentation for the AFS, including working papers;
- Audit working paper files were still in the process of being compiled; and
- The intention was to transfer skill to internal audit officials at these municipalities. In many instances, internal audit officials were not appointed or not available to undertake the review with the Provincial Treasury team.

Action steps to address identified challenges

To address the challenges identified above, the Sub-programme has as its focus, areas of audit risk that are aimed at the following objectives:

- Mitigation of audit qualifications by focusing on the basic accounting and routine monthly reconciliation processes through onsite oversight support and quality assurance;

- Identify inadequate financial management risk areas and implement appropriate mitigating strategies;
- Robust consultative forums through effective collaboration with all relevant stakeholders internal to Provincial Treasury (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 developing municipal officials in effective accounting processes and reconciliations, including the preparation of the AFS and supporting documentation.

6.6.2 Asset Management Improvement Program

In response to the continuing challenges faced by municipalities and the resulting impact on the audit outcomes, particularly as it relates to asset management, Provincial Treasury continued to provide hands on assistance to municipalities whom require asset management support. The support provided included the performance of conditional assessments and impairment assessments by engineers, compilation of the asset register, assistance with addressing audit queries related to assets, preparing journals and making corrections to the asset register. Table 6.16: below shows the municipalities that have been supported on Asset Management:

Table 6.16: List of the municipalities that were supported on Asset Management

No	Name of Municipality	2016/17 Audit Opinion	2015/16 Audit Opinion	Extent of support
1	iNkosi Langalibalele	Disclaimer	Umtshezi was previously disclaimed and Imbabazane was unqualified	Support was withdrawn at this municipality
2	Alfred Duma	Qualified	Emnambathini was previously clean and Indaka was unqualified	Onsite guidance to the municipal team preparing the asset register including assistance with audit queries and updating of the asset register post audit.
3	Mpofana	Qualified	Disclaimer	Intensive asset management support including preparation of the asset register and engineering assessments
4	iMpendle	Unqualified	Unqualified	Technical advise and assistance provided with the change in accounting policy related to investment properties and updating of the asset management policy

Source: KZN Provincial Treasury

Due to the safety of resources at the Inkosi Langalibalele Local Municipality being compromised, onsite asset management support by Provincial Treasury had to be terminated in August 2017.

The significant challenge experienced during the implementation of the asset management support, amongst others, is the following:

- The asset management activities related to the physical verification, condition assessments, impairments, depreciation calculations, additions, disposals and assets under construction transfers all occur at year end and are not executed throughout the year;
- Lack of documentation to support assets identified during the verification process for the first time; and
- Lack of capacity or skills of officials responsible for asset management.

Action steps to provide continued assistance

Continued assistance and support for the municipalities will be assessed, including the need for asset management training, particularly aimed at infrastructure officials focused on performing conditional assessments and physical verification requirements.

Assistance was provided from National Treasury in the form of a resource from the Municipal Finance Improvement Programme (MFIP III) – Asset Management that will assist with a baseline assessment and action plan to strengthen asset management in the province. The extent and focus of the support was discussed with the municipal support team at the Provincial Treasury offices, the activities were identified and a Support plan was approved by the Head of Department.

The resource analysed all the audit reports and the management reports for the 2015/16 and 2016/17 financial years to gain an understanding of the asset management issues facing the province. The MFIP Asset Advisor visited five municipalities to create a baseline assessment report from where he selected 15 municipalities where assistance in terms of the MFIP III – Asset Management Programme will be focused for the 2018/19 financial year. A draft Asset Management Guideline encompassing a policy and procedure manual has been developed and requires review prior to being implemented in the province.

A total of 13 municipalities have been selected for inclusion in the asset management programme as indicated in table 6.17 below. Inception meetings to roll out the MFIP Asset Management programme have been held at the 13 municipalities and actions plans were prepared for implementation. The aim is to address weaknesses identified with the establishment of an asset management steering committee, capacitation of the asset management unit within the municipalities and assistance with the development of policies and procedures. The municipalities will also be assisted by the MFIP Advisor with technical support and advice for the finalisation of the asset register for the AFS 2017/18 submission.

Table 6.17: List of the municipalities to be supported on Asset Management

No	Name of the municipality	Area where support was provided
1	Alfred Duma	Inception meeting held, action plan accepted by the Municipal Manager, baseline assessment performed, task team meeting held. Support has been redirected from the MFIP Asset Advisor to the resident MFIP Financial Advisor.
2	Abaqulusi	Inception meeting held, action plan accepted by the Municipal Manager, baseline assessment performed.
3	Ulundi	Inception meeting held, baseline assessment performed.
4	uThukela	Inception meeting held, baseline assessment performed, task team meeting held.
5	Richmond	Inception meeting held, baseline assessment performed, action plan accepted by the Municipal Manager.
6	Jozini	Inception meeting held, baseline assessment performed, action plan accepted by the Municipal Manager.
7	Umkhanyakude	Inception meeting held, baseline assessment performed.
8	Msinga	Inception meeting held, baseline assessment performed.
9	Mpofana	Inception meeting held, baseline assessment performed, action plan accepted by the Municipal Manager.
10	uPhongolo	Inception meeting held, baseline assessment performed.
11	Harry Gwala	Inception meeting held, baseline assessment performed, action plan accepted by the Municipal Manager.
12	Impendle	Inception meeting held, baseline assessment performed.
13	Umzinyathi	Inception meeting held, baseline assessment performed.

6.6.3 Conclusion

In order to sustain the improved audit 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 the Municipal Accounting and Reporting Sub-programme during the 2017/18 financial year, has provided municipalities with the necessary skills and expertise to continue their quest for sound financial management and an improvement in the audit outcomes in the forthcoming financial year.

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 (MFMA, Municipal Systems Act (MSA) and Municipal PPP Regulations, April 2005).

Provincial Treasury assisted the following municipalities with projects registered with National Treasury as PPP's:

- The KwaDukuza Local Municipality;
- The City of uMhlatuze Local Municipality; and
- The iLembe District Municipality.

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. 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.

iLembe District Municipality – Information and Communication Technology (“ICT”) infrastructure/Broadband project

The iLembe District Municipality (“Municipality”) is one of the 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, have 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. Thus, this will entail building Information and Communication Technology (“ICT”) infrastructure which will include both broadband and public Wi-Fi capabilities within the iLembe District.

The Municipality has regarded the above undertaking as critical and urgent since it lacks a specialised ICT infrastructure and consequently has an impact on service delivery. Therefore, the Municipality has attempted to relieve the above mentioned challenge by exploring the feasibility of procuring the ICT/Broadband infrastructure through a PPP in terms of the Municipal PPP Regulations and the MFMA.

The municipality has applied for project development funding from the Development Bank of South Africa (DBSA) and a project preparation specialist was assigned by DBSA to assist in the funding application.

City of the uMhlathuze Local Municipality – Waste Water and Associated By-Product Reuse.

The City of 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 City of the uMhlathuze Local Municipality has undertaken preparatory work in the form of water resource studies and master planning documents that resulted in the City of the uMhlathuze Local Municipality recognising the importance of securing an adequate water supply in order to underpin its planned growth. The preparatory work undertaken by the City of the uMhlathuze Local Municipality 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 city within the next few years.

The impact of the prevailing acute drought which, is affecting the City of the uMhlathuze and many other areas in South Africa, has brought the need to urgently respond to this water challenge into sharp relief. Whilst the long-term water supply solution for the city 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 City of the uMhlathuze Local Municipality has correctly prioritised the treatment and reuse of waste water. This source of water is readily available and in meaningful quantities. By planning and executing waste water reuse project(s) as a near term priority, the City of 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, the City of uMhlathuze Local Municipality appointed a transaction advisor to conduct a comprehensive feasibility study in accordance with Section 120 of the MFMA, the Municipal PPP Regulations and the Municipal PPP Guidelines of 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 comprehensive feasibility study was concluded and submitted to the City of the uMhlathuze Local Municipality. Subsequently, the city initiated a mandatory 60 day public participation process in terms Section 120(6)(b) of the MFMA and Section 78 notice of the MSA. The 60 day public participation period was concluded and the feasibility study was submitted to National Treasury for Treasury Views and Recommendations: I (TVR: I).

The identified site for the proposed works belongs to Mondi, to this end, the City of the uMhlathuze Local Municipality resolved to acquire the land from Mondi. The project team engaged with Mondi regarding the identified site and Mondi agreed to make a portion of land available to be purchased. The conveyancers were appointed and the purchase price was paid.

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 municipality's technical and finance departments have recently come on board, in a project management capacity. The biggest concern still remains that the management of the project is still reactive rather than proactive and has led to the project being mainly self-monitored.

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 so that contractors can participate in major projects that occur within the district, such as the Siza Water concession. The PPP Unit and Enterprise iLembe proposed that the concessionaire makes use of the contractors being developed by the municipality in performance of its contractual obligations.

Change in Shareholding

Sembcorp Industries, the main shareholder of the concession is exiting its operations in South Africa, and as such, are selling its stake in the concession. The concession agreement maintains that the municipality's Council should give prior approval before any shares are transferred to any person who will have controlling interests in the concession. The sale of shares is being processed from the side of the concessionaire, pending approval from the Council. The PPP Unit is of the opinion that the concessionaire should have informed the necessary stakeholders of its intention to sell its shareholding. That would have afforded the stakeholders the time to negotiate with interested BEE partners, who would have wanted to partake in the concession.

Profit Sharing

According to the Second Supplementary Agreement of the Concession Contract, *“if the historical returns (as measured using the methodology used in the Base Case Financial Model) achieved by the concessionaire are in excess of the real returns of 15 percent, as a result of increased tariffs, additions of new areas, and such other changes to the assumptions used to project the shareholder's return, then the amount of such excess shall be equally shared between the concessionaire and the Council”*. The municipality wants to have a share of up to 26 percent of the concessionaire's profit although the requirements of the contract are not met. The concessionaire claimed to be willing to accept the municipality's request. The PPP Unit feels that this might create a contingency and a violation of the concession contract. On the positive side, the concessionaire has been performing well over the years and achieving substantial profits.

The Five Year Plan

On five year intervals, the concessionaire undertakes a five-year plan that details works 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*

five-year period". The current five-year period ends in December 2019. Due to past experiences, the PPP Unit has recommended that the five year planning process commence at an earlier date and be completed and finalised at least six months before the end of the current five year plan.

6.8 Infrastructure Management

6.8.1 The Infrastructure Support Team "Crack Team"

The provision of infrastructure is integral in the realisation of government's goal to provide basic services to all South Africans. However, under-performance on Capital expenditure (within the full value change of delivery) by municipalities delays the delivery of basic infrastructure services and exacerbates the current infrastructure backlogs.

The Infrastructure Support Team ("Crack Team") was established in 2011 by the Provincial Executive to assist departments and municipalities in delivering cost effective and efficient infrastructure in the province. The three year contract commenced in April 2015 with a panel of 23 built environment professional companies which includes engineers (from various disciplines), town planners, architects, project managers and quantity surveyors.

The objective 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 6.18 shows a list of municipalities where members of the "Crack Team" have been deployed:

Table 6.18: Municipalities which were supported by the "Crack Team"

No	Name of Municipality	Areas where support was provided
1	Greater Kokstad	Support with assessment of roads and buildings, providing remedial action plans and cost estimates.
2	Ray Nkonyeni	Support on development of spatial development plans.
3	Mpofana	Provide infrastructure asset management support in compiling the asset register.
4	Richmond	Provide infrastructure asset management support in compiling the asset register.
5	iNkosi Langalibalele	Provide infrastructure asset management support in compiling the asset register.

Source KZN Provincial Treasury

The deployment of the team provides the municipalities with the necessary expertise to tackle infrastructure related projects at various stages of the project cycle thus increasing the 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 seeks to improve internal capacity at municipalities by augmenting the required skills, thereby improving spending on capital projects/infrastructure.

Provincial Treasury expects to have achieved the following outcomes for the abovementioned municipalities:

- Improved infrastructure spending;
- Improved planning, coordinating and implementation of infrastructure projects;
- Customer satisfaction;
- Effective and efficient systems in the delivery of projects;
- Adequate water and electricity supply;
- Value for money on project delivery;
- Community and environment sustainability; and

- Leadership and employee development.

6.9 Intergovernmental Relations

Background

The Intergovernmental Relations (IGR) Unit coordinated the Municipal Finance Management Programme (MFMP) on behalf of the 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 programme targets Municipal Managers and officials to assist them in complying with Section 83 of the MFMA by creating an opportunity to upgrade their financial competency levels.

Minimum Competency Regulations

Sections 83, 107 and 119 of the MFMA requires that the Accounting Officer, senior managers, the Chief Financial Officer and other finance and SCM officials of municipalities and municipal entities meet the prescribed financial management competency levels. The Municipal Regulations on Minimum Competency Levels were promulgated in 2007 to give effect to the aforementioned sections of the MFMA.

Tables 6.19 to 21 show the compliance with the Municipal Regulations on Minimum Competency Levels as at 10 September 2018 in KZN, South Africa as a whole and per province as per National Treasury.

Table 6.19: Compliance with Municipal Regulations on Minimum Competency Levels in 54 KZN Municipalities as per National Treasury - 10 September 2018

Position	Total municipalities	Total officials appointed	Appointed officials who meet minimum competency requirements	Percentage Appointed officials who meet minimum competency requirements
				%
Accounting Officers	54	38	20	53
Chief Financial Officers	54	43	14	33
Senior Manager	54	116	32	28
Head of Supply Chain Management unit	54	11	3	27
Supply Chain Management Manager	54	32	16	50
Middle Manager	54	401	165	41
Other Official	54	778	323	42
Total	54	1 419	573	40

Source: National Treasury

Table 6.20: Compliance with Municipal Regulations on Minimum Competency Levels Nationally as per National Treasury - 10 September 2018

Position	Total officials appointed	Appointed officials who meet minimum competency requirements	Percentage Appointed officials who meet minimum competency requirements
			%
Accounting Officers	201	102	51
Chief Financial Officers	219	83	38
Senior Manager	1 028	407	40
Head of Supply Chain Management unit	93	44	47
Supply Chain Management Manager	224	121	54
Middle Manager	2 773	1 218	44
Other Official	4 094	2 035	50
Total	8 632	4 010	46

Source: National Treasury

Table 6.21: Compliance with Municipal Regulations on Minimum Competency Levels per Province as per National Treasury per Province - 10 September 2018

Provinces within South Africa	Total officials appointed	Appointed officials who meet minimum competency requirements	Percentage Appointed officials who meet minimum competency requirements
			%
Eastern Cape	903	396	44
Free State	745	349	47
Gauteng	1 531	969	63
KwaZulu-Natal	1 419	573	40
Limpopo	832	333	40
Mpumalanga	886	347	39
Northern Cape	560	181	32
North West	695	208	30
Western Cape	1 061	654	62
South Africa	8 632	4 010	46

Source: National Treasury

Table 6.19 shows that KZN has a total of 1 419 municipal officials appointed of which, only 573 (40 percent) meet the minimum competency requirements. This is below the national compliance of 46 percent as shown in Table 6.20. Table 6.21 shows that KZN is ranked at number five (5) in the country in terms of compliance behind the Gauteng (63 percent), Western Cape (62 percent), Free State (47 percent) and Eastern Cape (44 percent) Provinces.

It is concerning to note that municipalities in KZN have 38 appointed Accounting Officers of which, only 20 (53 percent) meet the minimum competency requirements. On a positive note, the level of compliance for the Accounting Officers is above the national compliance of 51 percent. As per Section 62(1) of the MFMA, the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality and should take reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically. This is an important function therefore it is crucial that municipalities appoint Accounting Officers who are competent and are able to fulfill their responsibilities.

Similarly, there are 43 Chief Financial Officers in municipalities within KZN of which, only 14 (33 percent) meet the minimum competency requirements which is below the national compliance level of 38 percent. As per Section 81(1) of the MFMA, the Chief Financial Officer is administratively in charge of the budget and treasury office which entails the performance of budgeting, accounting, analysis, financial reporting, cash management and debt management amongst other tasks. Again, this is a significant responsibility and therefore competent individuals are required.

SCM is an integral part of financial management therefore it is concerning to note that municipalities in KwaZulu-Natal have 32 SCM managers of which, only 16 (50 percent) meet the minimum competency requirements. This is below the national compliance of 54 percent. It is crucial the municipalities in KZN appoint SCM officials with the requisite skills and/or train existing officials to ensure that SCM policies are implemented, monitored and that municipalities receive value for money.

The province's poor level of compliance with the Municipal Regulations on Minimum Competency Levels is especially concerning since municipalities should have been working towards ensuring that employed officials meet the minimum competency requirements as the regulations were promulgated in 2007. In the last 10 years, the municipalities in the province and country excluding the Gauteng and Western Cape Provinces, have not managed to achieve a compliance level of at least 50 percent.

The municipalities in the province are urged to ensure that officials are trained and/or employ officials who are competent to even remotely have a chance to better manage their affairs.

The Municipal Finance Management Internship Programme

The Municipal Finance Management Internship Programme (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 for the newly appointed interns in the province. The MFMA induction programme was implemented as part of a comprehensive public finance management capacity development strategy. The overarching goal of this non-accredited two-day MFMA induction course was to provide finance interns and new (one year or less) officials within the budget and treasury office of the municipality with a broad overview and understanding of public sector ethics, including the municipal service delivery mandate, as well as the municipal finance environment and the MFMA reforms. The induction together with the MFMA DVD learning served as a stepping stone in order to create an increased in-depth learning and professionalisation of municipal finance management. The attendance was as follows:

Table 6.22: Summary of attendance for 2017/18 MFMA Municipal interns' induction

Date / Venue	Municipality	Day 1	Day 2	Municipality	Day 1	Day 2	Municipality	Day 1	Day 2	
19-20 Oct 2017	uMkhanyakude DM	8	8	Zululand DM	0	0	King Cetshwayo DM	13	13	
	uMkhanyakude District	Big Five Hlabisa	14	14	uPhongolo	0	0	Nkandla	0	0
		Jozini	0	0	eDumbe	0	0	Mthonjaneni	0	0
		Mtubatuba	0	0	Ulundi	0	0	uMfolozi	0	0
		uMhlabuyalingana	4	4	Nongoma	7	7	uMlalazi	0	0
					AbaQulusi	0	0	uMhlathuze	9	9
TOTAL	26	26		7	7		22	22		
26 -27 Oct 2017	uMgungundlovu DM	8	6	Harry Gwala DM	0	0				
	uMgungundlovu District	Mkhambathini	0	0	Greater Kokstad	5	6			
		Msunduzi	13	12	uBuhlebezwe	8	8			
		uMngeni	5	1	uMzimkhulu	2	2			
		Mpofana	7	7	Dr. Nkosazana Dlamini Zuma	9	13			
		iMpendle	0	0	uMhlathuze	7	7			
		uMshwathi	0	0						
		Richmond	0	0						
		TOTAL	33	26		31	36			
14-15 Nov 2017	eThekweni Metro	16	17	Ugu DM	0	0	iLembe DM	2	2	
	eThekweni Metro			uMdoni	2	2	Mandeni	0	0	
				uMzumbe	0	0	KwaDukuza	9	9	
				uMuziwabantu	0	0	Ndwedwe	4	4	
				Ray Nkonyeni	6	4	Maphumulo	7	7	
		TOTAL	16	17		8	6		22	22
30 Nov - 01 Dec 2017	Amajuba DM	5	5	uMzinyathi DM	0	0	uThukela DM	12	9	
	uThukela District	Danhauser	2	2	Endumeni	5	5	Alfred Duma	1	0
		eMadlangeni	0	0	uMsinga	0	0	iNkosi Langalibalele	0	0
		New castle	0	0	Nquthu	5	5	Okhahlamba	12	14
					uMvoti	0	1			
		TOTAL	7	7		10	11		25	23
GRAND TOTAL 214										

Source: KZN Provincial Treasury

Table 6.22 indicates that 30 municipalities out of 54 municipalities (including the non-delegated municipalities), represented by 214 interns attended the intern induction workshops. The statistics show that these workshops were only attended by 55.6 percent of the interns. Due to this poor attendance, the Head of Department of KZN Provincial Treasury approved a “mop-up” workshop to accommodate the municipalities that could not attend at the respective venues last year.

Chapter 7: Conclusion

Provincial Treasury is mandated to monitor the compliance of municipalities as per Sections 5(4)(a)(i) and 5(4)(a)(iii) of the Municipal Finance Management Act, No. 56 of 2003 (MFMA). The aim of this report was thus not only to report on the compliance of municipalities with regards to the MFMA, but also to provide a report on the budget performance of the municipalities within the province in terms of Section 71(7) of the MFMA. It is against this background that the consolidated Municipal Finance 4th Quarter Review Close-out Report as at 30 June 2018 was prepared. The report provided a holistic view of the level of compliance with the MFMA as well as on the financial state of affairs of the 51 delegated municipalities in the province. 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.

The socio-economic review in Chapter 2 highlighted the current socio-economic status of the KwaZulu-Natal (KZN) Province with a focus on the demographics, economic performance, the labour markets, international trade, travel and tourism, development, social grants, education, household infrastructure and crime in the province. Through 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 the municipalities within KZN for the 2017/18 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) database. The credibility of the information submitted by the municipalities remains a significant concern. 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 concerning to note that the Accounting Officers and Chief Financial Officers (CFOs) continue to sign and submit MFMA Section 71 reports to National Treasury via the NT Igdatabase that are incomplete and/or inaccurate. This may suggest that reporting to National Treasury is for compliance purposes only and little or no effort is 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, 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 financial records are always a true reflection of the actual performance of the municipality. These crucial process must not be deferred to year end.

Despite the concerns noted above, a significant portion of the report comprises of the analysis of the performance per municipality and per district within the province for the 2017/18 financial year. Operating revenue of R56.7 billion or 97.8 percent was generated against the Adjusted Budget of R57.9 billion for the 2017/18 financial year resulting in a revenue shortfall of R1.3 billion or 2.2 percent for the province. Municipalities are not able to fulfil their mandate without fully generating revenue that was budgeted for. Operating expenditure of R53.5 billion or 90.8 percent was incurred against the Adjusted Budget of R59 billion resulting in under-expenditure of R5.4 billion or 9.2 percent. This is however not a true reflection of the expenditure incurred in the province as 29 municipalities did not report on *Debt impairment* and 11 municipalities did not report on *Depreciation and asset impairment*. An overview of the Capital source of funding indicates that municipalities in the province are primarily reliant on grants to fund their Capital expenditure as *Transfers recognised-capital* contributed 76.1 percent or R7.5 billion to the total Capital

source of funding of R9.8 billion generated as at the end of the 2017/18 financial year. Capital expenditure of R9.8 billion or 66.6 percent was incurred against the Adjusted Budget of R14.7 billion resulting in under-expenditure of R4.9 billion. 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.

Outstanding municipal debt still remains a challenge. A substantial increase of R3.6 billion or 22.7 percent was noted the 2016/17 financial year of R16.2 billion to R19.8 billion in the 2017/18 financial year. Of the total Debt, the Customer group with the most substantial balance was Households (R13 billion or 65.5 percent). Poor collection rates and the year-on-year increase in outstanding debt is an indication that municipalities have a challenge in the collection of outstanding debt. It is therefore imperative that the political and administrative leadership takes 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 they provide to the communities they serve. Municipalities should be able to recoup the maintenance costs of their revenue generating assets from the consumers. Local government will not be able to succeed in its mandate to deliver basic services to communities if a culture of non-payment continues.

The total debt owed by municipalities within the province was R6.4 billion as at the end of the 2017/18 financial year and represents an increase of R1.4 billion or 28.9 percent from the previous financial year. Despite the increase of R1.4 billion, the reported Creditors amount appears to be understated as six municipalities did not report on Creditors in their MFMA Section 71 reports and most municipalities did not account for year-end accruals.

Provincial Treasury will continue to monitor municipalities through the In-Year-Monitoring (IYM) process to ensure that municipalities improve their reporting going forward.

Municipalities reported spending of R6.6 billion or 91.8 percent against the total amount transferred to the municipalities of R7.2 billion as per the 2017 Division of Revenue Act (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. Provincial Treasury has therefore taken the lead and developed a guide 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.

Municipalities in the province reported a closing *Cash and cash equivalents* balance of R9.6 billion as per the MFMA Section 71 report for the 2017/18 financial year however, the unaudited 2017/18 AFS reflects a total of R11 billion. This is another example of the credibility concerns regarding the MFMA Section 71 reports.

Chapter 5 provided an overview of the key municipal processes during the 2017/18 municipal financial year which includes the 2017/18 Mid-Year budget and performance, the 2017/18 Adjustments Budget and the 2018/19 Budget process. The non-compliance with the 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) are also discussed in Chapter 5.

The common challenges faced by municipalities with regards to the Mid-Year budget and performance assessments reports is a lack of correlation between the MFMA Section 71 reports and the Mid-Year budget and performance assessment reports (MFMA Section 72 reports). Ideally, these two reports should reconcile as the related processes are expected to be seamless. The adjustments effected during the adjustments budget process are often inaccurate which results in Adjustments Budgets that are misstated due to the discrepancies in the MFMA Section 71 and 72 reports as municipal officials are often not sure

of which report reflects the accurate performance. As such, the adjustments effected on the Adjustments Budget would be incorrect if it was based on the incorrect report. As part of our responsibilities as per Section 5 of the MFMA, Provincial Treasury will continue to support all municipalities across the province in a bid to ensure that the quality of Mid-Year budget and performance assessments reports as well as Adjustments Budgets improve.

Provincial Treasury, as part of its responsibilities in terms of Section 5 of the MFMA, assessed the Tabled Budgets of all 51 of the delegated municipalities during April and May 2018 and it was found that only 23 Tabled Budgets were funded, 16 were unfunded while the funding position could not be established for the remaining 12 municipalities. The majority of the municipalities still experience difficulty with cash flow budgeting despite support being provided by Provincial Treasury and as a result, most 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 positions and the overall presentation of the municipal budgets, Provincial Treasury continued to support the delegated municipalities through the 2018/19 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 that could be taken to improve the funding position of the municipalities. Provincial Treasury also conducted high level assessments of the 2018/19 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 2018/19 Approved Budgets. Emanating from the assessments, it was found that 35 of the 51 delegated municipalities approved funded budgets, 13 municipalities approved budgets that were assessed to be unfunded and the funding position of three (3) municipalities could not be determined. This is a vast improvement from the initial assessments of the Tabled Budgets. In terms of Circular 89 of the MFMA, municipalities that tabled and approved unfunded budgets for the 2018/19 financial year, should have tabled plans at the municipal Council on how and by when the budget would improve from an unfunded to a funded position. It is concerning to note that as at 17 September 2018, none of the municipalities that approved budgets that were assessed to be unfunded tabled plans at the municipal Council on how and by when the budget would improve from an unfunded to a funded position.

Provincial Treasury noted with concern that some municipalities did not fully comply with numerous reporting prescripts of the DoRA and MFMA during the 2017/18 financial year despite the respective legislations being applicable for a number of years and Provincial Treasury providing ongoing technical support on the related reporting requirements of the legislations to the municipalities. 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 serious 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 fully capacitated with officials equipped with requisite qualifications, skills and experience.

Being the first financial year of municipalities and municipal entities transacting in compliance with the mSCOA Regulations, 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.

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.

National Treasury issued municipalities with the FMCMM assessment reports which highlighted amongst others, potential weaknesses at the municipalities in areas of financial management. Municipalities are required to develop and approve in Council, implementation action plans to address those weaknesses. Chapter 5 highlights that only 10 municipalities have submitted their FMCMM implementation plans to Provincial Treasury.

Apart from Municipal Finance, Provincial Treasury has a number of business units such as the Supply Chain Management, Banking, Internal Audit, Norms and Standards, Public Private Partnerships, Infrastructure and Intergovernmental Relations units that assist the municipalities within the province and Chapter 6 details the support that was provided during the 2017/18 financial year. These business units will continue to support municipalities for the 2018/19 financial year.

Provincial Treasury in its oversight role has allocated substantial resources in terms of human capital across the various business units of the department during the 2017/18 financial year to assist municipalities in achieving full compliance with the MFMA as well as improving credibility of figures for budgeting and reporting purposes. It is hoped that the 2017/18 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 the municipalities to be vigilant with regard to early identification of financial problems that would threaten their liquidity and 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.

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Appendix 1: Impact of Adjustments to the National Treasury MFMA Section 71 Published Results - 2017/18

Operating Revenue per source and per district as at the end of Quarter 4- 2017/18: Published Results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail						
					Property rates	Service charges			Transfers recognised	Other own revenue	Other revenue ²
						Electricity	Water revenue	Other ¹			
Zululand	1 858 816	1 719 278	10 247 365	596.0	1 934 988	4 938 152	362 986	1 045 094	774 249	40 085	1 151 812
AbaQulusi	484 681	484 681	9 031 939	1 863.5	1 803 283	4 866 403	344 141	973 437	(93 921)	35 710	1 102 887
iLembe	2 576 432	2 564 089	13 796 619	538.1	448 513	686 574	267 523	145 652	3 190 772	344 426	8 713 159
Ndwedwe	143 057	143 057	102 466	71.6	3 706	-	-	-	92 617	33	6 111
iLembe DM	645 833	654 459	12 071 920	1 844.6	-	-	267 523	70 275	2 810 728	288 563	8 634 830
Total	58 805 827	57 937 682	76 176 882	131.5	13 212 677	22 496 588	6 146 934	4 203 505	16 179 641	1 043 806	12 893 730

Source: NT Igdatabase

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

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

Operating Revenue per source and per district as at the end of Quarter 4- 2017/18: Changes made by municipalities to Section 71 submissions and their effect on district results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail						
					Property rates	Service charges			Transfers recognised	Other own revenue	Other revenue ²
						Electricity	Water revenue	Other ¹			
Zululand	-	-	(8 662 812)	(503.9)	(1 744 697)	(4 753 638)	(309 939)	(928 782)	108 921	(9 002)	(1 025 675)
AbaQulusi	-	-	(8 662 812)	(1 787.3)	(1 744 697)	(4 753 638)	(309 939)	(928 782)	108 921	(9 002)	(1 025 675)
iLembe	-	-	(10 827 074)	(422.3)	-	-	1 177	(21 133)	(2 334 249)	(43 914)	(8 428 956)
Ndwedwe	-	-	-	-	-	-	-	-	-	-	-
iLembe DM	-	-	(10 827 074)	(1 654.4)	-	-	1 177	(21 133)	(2 334 249)	(43 914)	(8 428 956)
Total	-	-	(19 489 886)	(33.6)	(1 744 697)	(4 753 638)	(308 762)	(949 915)	(2 225 328)	(52 916)	(9 454 631)

Source: NT Igdatabase

Operating Revenue per source and per district as at the end of Quarter 4- 2017/18: Corrected Results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail						
					Property rates	Service charges			Transfers recognised	Other own revenue	Other revenue ²
						Electricity	Water revenue	Other ¹			
Zululand	1 858 816	1 719 278	1 584 554	92.2	190 291	184 514	53 047	116 312	883 170	31 083	126 137
AbaQulusi ³	484 681	484 681	369 127	76.2	58 586	112 765	34 202	44 655	15 000	26 708	77 211
iLembe	2 576 432	2 564 089	2 969 545	115.8	448 513	686 574	268 700	124 519	856 524	300 512	284 203
Ndwedwe	143 057	143 057	102 466	71.6	3 706	-	-	-	92 617	33	6 111
iLembe DM ³	645 833	654 459	1 244 846	190.2	-	-	268 700	49 142	476 479	244 650	205 874
Total	58 805 827	57 937 682	56 686 995	97.8	11 467 980	17 742 951	5 838 172	3 253 590	13 954 314	990 891	3 439 099

Source: Provincial Treasury

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

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

3 Figures obtained from the live NT Igdatabase on 15 August 2018.

Operating Expenditure per item and per district as at the end of Quarter 4- 2017/18: Published Results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail								
					Employee related	Remun. of councillors	Debt impairment	Depreciation and asset	Finance charges	Bulk purchases	Contracted services	Other expenditure	Other ¹
Zululand	1 915 994	2 083 552	16 516 820	792.7	5 437 163	892 701	(110 830)	427 099	7 382	6 658 386	1 115 876	1 800 139	288 904
AbaQulusi	592 775	592 775	15 255 333	2 573.5	4 953 926	841 929	(124 744)	322 690	-	6 465 269	908 823	1 661 062	226 378
iLembe	2 573 368	2 562 609	2 303 272	89.9	676 212	67 077	67 561	127 685	31 377	612 088	304 946	269 379	146 947
Ndwedwe	142 557	142 557	130 830	91.8	36 442	11 004	-	4 520	29	-	55 546	21 877	1 412
iLembe DM	641 947	653 000	628 241	96.2	206 246	9 110	44 232	42 210	7 985	86 741	66 956	78 474	86 286
Total	58 688 407	58 974 570	68 301 539	115.8	21 404 871	1 549 140	464 074	4 732 115	968 245	21 788 322	8 676 820	6 256 926	2 461 027

Source: NT Igdatabase

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

Operating Expenditure per item and per district as at the end of Quarter 4- 2017/18: Changes made by municipalities to Section 71 submissions and their effect on district results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail								
					Employee related	Remun. of councillors	Debt impairment	Depreciation and asset	Finance charges	Bulk purchases	Contracted services	Other expenditure	Other ¹
Zululand	-	-	(14 821 685)	(711.4)	(4 886 487)	(841 929)	-	-	-	(6 416 541)	(874 983)	(1 606 620)	(195 125)
AbaQulusi	-	-	(14 821 685)	(2 500.4)	(4 886 487)	(841 929)	-	-	-	(6 416 541)	(874 983)	(1 606 620)	(195 125)
iLembe	-	-	59 699	2.3	12 855	201	-	34 109	-	-	(7 973)	22 040	(1 534)
Ndwedwe	-	-	-	-	-	-	-	-	-	-	-	-	-
iLembe DM	-	-	59 699	9.1	12 855	201	-	34 109	-	-	(7 973)	22 040	(1 534)
Total	-	-	(14 761 986)	(25.0)	(4 873 631)	(841 728)	-	34 109	-	(6 416 541)	(882 956)	(1 584 580)	(196 659)

Source: NT Igdatabase

Operating Expenditure per item and per district as at the end of Quarter 4- 2017/18: Corrected Results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail								
					Employee related	Remun. of councillors	Debt impairment	Depreciation and asset	Finance charges	Bulk purchases	Contracted services	Other expenditure	Other ¹
Zululand	1 915 994	2 083 552	1 695 135	81.4	550 676	50 772	(110 830)	427 099	7 382	241 845	240 893	193 519	93 779
AbaQulusi ²	592 775	592 775	433 648	73.2	67 440	-	(124 744)	322 690	-	48 728	33 840	54 442	31 253
iLembe	2 573 368	2 562 609	2 362 971	92.2	689 067	67 278	67 561	161 794	31 377	612 088	296 973	291 419	145 413
Ndwedwe	142 557	142 557	130 830	91.8	36 442	11 004	-	4 520	29	-	55 546	21 877	1 412
iLembe DM ²	641 947	653 000	687 940	105.4	219 101	9 311	44 232	76 319	7 985	86 741	58 983	100 514	84 752
Total	58 688 407	58 974 570	53 539 553	90.8	16 531 240	707 412	464 074	4 766 224	968 245	15 371 781	7 793 864	4 672 347	2 264 368

Source: Provincial Treasury

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

2 Figures obtained from the live NT Igdatabase on 15 August 2018.

Appendix 1: Impact of Adjustments to the National Treasury MFMA Section 71 Published Results - 2017/18

Capital Revenue per item and per district as at the end of Quarter 4 - 2017/18: Published Results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail			
					Transfers recognised - capital ¹	Borrowing	Internally generated funds	Public contr. and donations
Zululand	693 611	708 268	7 499 917	1 058.9	7 491 675	-	8 242	-
AbaQulusi	-	-	6 965 475	-	6 965 475	-	-	-
iLembe	776 171	744 962	904 844	121.5	763 025	0	140 361	1 458
Ndwedwe	108 395	108 395	443 314	409.0	443 314	-	-	-
iLembe DM	354 720	337 303	243 056	72.1	237 999	-	5 058	-
Total	14 570 998	14 708 241	17 173 000	116.8	14 832 544	208 217	2 123 845	8 394

Source: NT Igdatabase

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

Capital Revenue per item and per district as at the end of Quarter 4 - 2017/18: Changes made by municipalities to Section 71 submissions and their effect on district results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail			
					Transfers recognised - capital ¹	Borrowing	Internally generated funds	Public contr. and donations
Zululand	-	22 318	(6 948 837)	(983.5)	(6 948 837)	-	-	-
AbaQulusi	-	22 318	(6 948 837)	74.6	(6 948 837)	-	-	-
iLembe	-	-	(412 215)	(55.3)	(415 492)	-	3 277	-
Ndwedwe	-	-	(412 215)	(380.3)	(415 492)	-	3 277	-
iLembe DM	-	-	-	0.0	-	-	-	-
Total	-	22 318	(7 361 052)	(50.1)	(7 364 329)	-	3 277	-

Source: NT Igdatabase

Capital Revenue per item and per district as at the end of Quarter 4 - 2017/18: Corrected Results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail			
					Transfers recognised - capital ¹	Borrowing	Internally generated funds	Public contr. and donations
Zululand	693 611	730 586	551 080	75.4	542 838	-	8 242	-
AbaQulusi ²	-	22 318	16 638	74.6	16 638	-	-	-
iLembe	776 171	744 962	492 629	66.1	347 533	0	143 639	1 458
Ndwedwe ³	108 395	108 395	31 098	28.7	27 821	-	3 277	-
iLembe DM ⁴	354 720	337 303	243 056	72.1	237 999	-	5 058	-
Total	14 570 998	14 730 559	9 811 948	66.6	7 468 215	208 217	2 127 122	8 394

Source: NT Igdatabase

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

² Figures obtained from the live NT Igdatabase on 15 August 2018.

³ Figures obtained from the live NT Igdatabase on 27 August 2018

Capital Expenditure per item and per district as at the end of Quarter 4 - 2017/18: Published Results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail									
					Governance and Admin. ¹	Community and Public Safety			Economic and Environmental		Trading Services			Other
						Housing	Health	Other ²	Road Transport	Other ³	Electricity	Water and Waste Water Mgt.	Waste Mgt.	
Zululand	693 611	708 268	7 499 917	1 058.9	7 551	-	-	7 036 795	108 035	6 305	(375)	341 607	-	-
AbaQulusi	-	-	6 965 475	-	476	-	-	7 022 552	106	566	(58 225)	1	-	-
iLembe	776 171	744 962	904 844	121.5	34 183	-	-	551 885	1 388	22 210	238 458	586	-	-
Ndwedwe	108 395	108 395	443 314	409.0	4 349	-	-	438 225	22	717	-	-	-	-
iLembe DM	354 720	337 303	243 056	72.1	4 344	-	-	-	254	-	238 458	-	-	-
Total	14 570 998	14 708 241	17 173 000	116.8	661 184	904 713	12 476	7 555 410	2 503 602	629 667	1 140 000	3 579 271	144 449	42 228

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.

Capital Expenditure per item and per district as at the end of Quarter 4 - 2017/18: Changes made by municipalities to Section 71 submissions and their effect on district results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail									
					Governance and Admin. ¹	Community and Public Safety			Economic and Environmental		Trading Services			Other
						Housing	Health	Other ²	Road Transport	Other ³	Electricity	Water and Waste Water Mgt.	Waste Mgt.	
Zululand	-	22 318	(6 948 837)	(983.5)	(476)	-	-	(7 022 552)	15 811	(566)	58 947	(1)	-	-
AbaQulusi	-	22 318	(6 948 837)	74.6	(476)	-	-	(7 022 552)	15 811	(566)	58 947	(1)	-	-
iLembe	-	-	(412 215)	(55.3)	(2 147)	-	-	-	(411 008)	940	-	-	-	-
Ndwedwe	-	-	(412 215)	(380.3)	(2 147)	-	-	-	(411 008)	940	-	-	-	-
iLembe DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	22 318	(7 361 052)	(50.1)	(2 623)	-	-	(7 022 552)	(395 197)	375	58 947	(1)	-	-

Capital Expenditure per item and per district as at the end of Quarter 4 - 2017/18: Corrected Results

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail									
					Governance and Admin. ¹	Community and Public Safety			Economic and Environmental		Trading Services			Other
						Housing	Health	Other ²	Road Transport	Other ³	Electricity	Water and Waste Water Mgt.	Waste Mgt.	
Zululand	693 611	730 586	551 080	75.4	7 075	-	-	14 242	123 845	5 739	58 572	341 607	-	-
AbaQulusi ⁴	-	22 318	16 638	74.6	-	-	-	15 916	-	-	722	-	-	-
iLembe	776 171	744 962	492 629	66.1	32 035	-	-	56 135	140 876	2 328	22 210	238 458	586	-
Ndwedwe ⁵	108 395	108 395	31 098	28.7	2 202	-	-	-	27 216	963	717	-	-	-
iLembe DM ⁴	354 720	337 303	243 056	72.1	4 344	-	-	-	-	254	-	238 458	-	-
Total	14 570 998	14 730 559	9 811 948	66.6	658 561	904 713	12 476	532 858	2 108 404	630 041	1 198 946	3 579 270	144 449	42 228

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.

⁴ Figures obtained from the live NT Igdatabase on 15 August 2018.

⁵ Figures obtained from the live NT Igdatabase on 27 August 2018

Appendix 1: Impact of Adjustments to the National Treasury MFMA Section 71 Published Results - 2017/18

Debtor Age Analysis per district (Total) as at the end of Quarter 4 - 2017/18: Published Results

R000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Zululand	30 908	6.7	12 518	2.7	10 198	2.2	404 932	88.3	458 556
AbaQulusi	19 317	12.1	5 922	3.7	4 962	3.1	129 751	81.1	159 953
iLembe	60 561	10.1	45 880	7.6	21 788	3.6	473 692	78.7	601 920
Ndwedwe	796	5.3	1	-	332	2.2	13 769	92.4	14 898
iLembe DM	20 293	7.1	20 766	7.3	13 216	4.6	231 622	81.0	285 896
Total	2 913 782	14.7	1 157 798	5.8	658 675	3.3	15 093 760	76.1	19 824 015

Source: NT Publication

Debtor Age Analysis per district (Total) as at the end of Quarter 4 - 2017/18: Corrected Results

R000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Zululand	30 908	6.7	12 518	2.7	10 198	2.2	404 932	88.3	458 556
AbaQulusi	19 317	12.1	5 922	3.7	4 962	3.1	129 751	81.1	159 953
iLembe	60 561	10.1	45 880	7.6	21 788	3.6	473 692	78.7	601 920
Ndwedwe	796	5.3	1	-	332	2.2	13 769	92.4	14 898
iLembe DM	20 293	7.1	20 766	7.3	13 216	4.6	231 622	81.0	285 896
Total	2 913 782	14.7	1 157 798	5.8	658 675	3.3	15 093 760	76.1	19 824 015

Source: NT Publication

Adjustments affected	-	-	-	-	-	-	-	-	-
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Debtors by Customer Group (Total) as at the end of Quarter 4 - 2017/18: Published Results

R000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Zululand	60 963	13.3	72 758	15.9	310 922	67.8	13 912	3.0	458 556
AbaQulusi	6 714	4.2	41 340	25.8	102 719	64.2	9 180	5.7	159 953
iLembe	45 600	7.6	113 656	18.9	391 949	65.1	50 714	8.4	601 920
Ndwedwe	3 760	25.2	7 930	53.2	2 311	15.5	897	6.0	14 898
iLembe DM	19 709	6.9	4 338	1.5	244 875	85.7	16 974	5.9	285 896
Total	1 535 440	7.7	4 113 915	20.8	12 984 777	65.5	1 189 883	6.0	19 824 015

Source: NT Publication

Debtors by Customer Group (Total) as at the end of Quarter 4 - 2017/18: Corrected Results

R000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Zululand	60 963	13.3	72 758	15.9	310 922	67.8	13 912	3.0	458 556
AbaQulusi	6 714	4.2	41 340	25.8	102 719	64.2	9 180	5.7	159 953
iLembe	45 600	7.6	113 656	18.9	391 949	65.1	50 714	8.4	601 920
Ndwedwe	3 760	25.2	7 930	53.2	2 311	15.5	897	6.0	14 898
iLembe DM	19 709	6.9	4 338	1.5	244 875	85.7	16 974	5.9	285 896
Total	1 535 440	7.7	4 113 915	20.8	12 984 777	65.5	1 189 883	6.0	19 824 015

Source: NT Publication

Adjustments affected	-	-	-	-	-	-	-	-	-
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Creditor Age Analysis per district (Total) as at the end of Quarter 4 - 2017/18: Published Results

R000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Zululand	50 839	31.3	162	0.1	909	0.6	110 449	68.0	162 358
AbaQulusi	28 249	100.0	-	-	-	-	-	-	28 249
iLembe	264 655	91.5	17 904	6.2	1 727	0.6	4 990	1.7	289 276
Ndwedwe	(4 902)	130.1	16	(0.4)	18	(0.5)	1 100	(29.2)	(3 769)
iLembe DM	66 365	78.6	16 691	19.8	145	0.2	1 237	1.5	84 438
Total	5 142 801	80.1	138 889	2.2	86 113	1.3	1 050 417	16.4	6 418 220

Source: NT Publication

Creditor Age Analysis per district (Total) as at the end of Quarter 4 - 2017/18: Corrected Results

R000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Zululand	50 839	31.3	162	0.1	909	0.6	110 449	68.0	162 358
AbaQulusi	28 249	100.0	-	-	-	-	-	-	28 249
iLembe	264 655	91.5	17 904	6.2	1 727	0.6	4 990	1.7	289 276
Ndwedwe	(4 902)	130.1	16	(0.4)	18	(0.5)	1 100	(29.2)	(3 769)
iLembe DM	66 365	78.6	16 691	19.8	145	0.2	1 237	1.5	84 438
Total	5 142 801	80.1	138 889	2.2	86 113	1.3	1 050 417	16.4	6 418 220

Source: NT Publication

Adjustments affected	-	-	-	-	-	-	-	-	-
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Appendix 2: Operating Revenue - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail																
					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	33 384 656	32 767 708	32 405 050	98.9	7 772 140	-	11 863 906	3 414 476	956 953	637 927	316 881	819 946	556 931	369 443	-	110 710	37 123	11 785	5 226 524	306 046	4 258
B KZN212 uMdoni	267 549	347 238	260 695	75.1	89 865	-	-	-	-	3 958	2 175	5 988	1 363	-	-	300	8 273	-	132 592	16 180	-
B KZN213 uMzuzumbane	148 387	148 387	143 080	96.4	5 550	-	-	-	-	-	35	165	6 407	2 090	-	-	31	85	127 665	1 050	2
B KZN214 uMuziwabantu	151 105	162 106	187 696	115.8	29 395	2 047	13 933	-	-	1 872	14 223	41	9 621	-	-	284	370	2 566	140 564	(27 219)	-
B KZN216 Ray Nkonyeni	830 018	830 018	813 030	98.0	295 655	55	105 945	-	-	45 577	240	2 715	2 963	5 215	-	6 365	5 023	3 565	232 375	107 337	-
C DC21 Ugu DM	912 678	912 678	575 579	63.1	(7)	-	-	420 798	94 067	-	1 805	(257)	-	7 989	-	0	52	-	50 269	754	77
Total: Ugu Municipalities	2 309 736	2 400 426	1 980 080	82.5	420 457	2 102	119 879	420 798	94 067	51 407	18 478	8 652	20 385	15 295	-	6 949	13 749	6 217	683 465	98 102	79
B KZN221 uMshwathi	139 911	139 911	152 752	109.2	40 359	-	-	-	-	2 151	-	679	1 479	9 733	-	26	-	2 754	95 274	296	-
B KZN222 uMngeni	428 406	362 219	336 389	92.9	176 700	8 599	65 702	-	-	6 717	-	708	1 861	-	-	2 889	3 635	-	65 481	4 096	-
B KZN223 Mpofana	136 720	133 002	133 607	100.5	12 084	2 843	56 085	-	-	3 104	-	1 520	100	3 109	-	4 212	2 734	-	47 056	761	-
B KZN224 iMpendle	42 913	43 628	70 600	161.8	(437)	-	-	-	-	-	47	12	36 486	350	-	(3)	64	-	30 940	3 142	-
B KZN225 Msunduzi	4 937 882	4 797 399	4 447 642	92.7	868 224	45 817	1 910 157	566 637	142 906	50 408	46 356	27 094	35 971	116 315	-	3 028	700	-	526 773	77 040	30 216
B KZN226 Mkhambathini	86 903	86 903	79 909	92.0	14 002	-	-	-	-	331	83	766	2 474	238	-	19	6 385	-	43 328	12 282	2
B KZN227 Richmond	94 563	100 670	107 685	107.0	14 600	-	-	-	-	754	-	1 271	2 118	115	-	1 691	(401)	-	87 630	(94)	-
C DC22 uMgungundlovu DM	724 030	691 061	643 800	93.2	-	-	156 125	20 543	-	-	-	72	2 759	30 072	-	-	-	-	428 489	7 740	-
Total: uMgungundlovu Municipalities	6 591 329	6 354 794	5 972 384	94.0	1 125 530	57 260	2 031 944	722 762	163 449	63 465	46 486	32 122	83 247	159 933	-	11 863	13 116	2 754	1 322 971	105 263	30 217
B KZN235 Okhahlamba	171 041	172 788	234 270	135.6	29 797	6 623	-	-	-	2 420	(0)	179	3 575	-	(1 742)	2 521	3 953	-	186 068	876	-
B KZN237 iNkosi Langalibalele	528 359	532 253	501 425	94.2	93 841	12 495	166 762	-	-	7 327	57 658	218	-	-	-	494	3 411	-	155 418	3 801	-
B KZN238 Alfred Duma	751 762	787 827	772 056	98.0	186 067	1 708	307 159	-	-	29 564	(249)	3 150	14 456	4 647	-	28 317	5 148	-	189 993	2 095	-
C DC23 uThukela DM	688 650	618 806	638 181	103.1	-	-	223 960	26 676	-	-	-	4 620	63 648	-	-	-	-	-	314 886	4 391	-
Total: uThukela Municipalities	2 139 812	2 111 674	2 145 932	101.6	309 705	20 827	473 921	223 960	26 676	39 311	57 409	3 547	22 651	68 296	(1 742)	31 332	12 513	-	846 365	11 163	-
B KZN241 eNdameni	288 573	296 188	294 670	99.5	74 888	8 081	107 665	-	-	21 765	-	1 385	3 276	-	-	643	4 007	-	71 091	1 868	-
B KZN242 Nguthu	170 978	170 978	180 927	105.8	18 631	1 167	11 911	-	-	962	-	362	15 247	643	-	645	878	-	129 096	1 387	-
B KZN244 uMsinga	156 002	180 539	106 046	58.7	15 569	-	-	-	-	79	-	425	3 549	-	-	-	-	-	85 691	735	-
B KZN245 uMvoti	160 443	310 379	269 526	86.8	37 490	-	66 211	-	-	7 109	727	1 805	3 023	4 244	-	56	3 297	(0)	138 275	7 287	-
C DC24 uMzinyathi DM	402 265	371 253	378 417	101.9	-	-	41 922	9 706	-	-	-	407	16 989	14 117	-	-	-	-	294 182	630	466
Total: uMzinyathi Municipalities	1 178 261	1 329 338	1 229 587	92.5	146 578	9 249	185 786	41 922	9 706	29 914	727	4 384	42 084	19 003	-	1 344	8 182	(0)	718 334	11 907	466
B KZN252 Newcastle	1 742 062	1 697 829	1 626 259	95.8	252 934	-	649 843	156 568	90 849	65 141	-	7 815	4 826	11 595	-	6 103	10	-	365 726	14 848	-
B KZN253 eMadlangeni	77 066	71 610	82 497	115.2	16 767	-	12 564	-	-	1 396	-	1 047	958	747	-	304	856	-	46 892	967	-
B KZN254 Dannhauser	121 600	121 600	104 138	85.6	16 605	-	-	-	-	695	-	94	3 615	-	-	114	361	23 326	57 161	2 166	-
C DC25 Amajuba DM	181 005	179 971	247 621	137.6	-	-	19 433	4 561	-	-	-	226	4 008	3 771	-	-	-	-	200 140	15 481	-
Total: Amajuba Municipalities	2 121 733	2 071 011	2 060 515	99.5	286 306	-	662 407	176 000	95 411	67 232	-	9 181	13 407	16 114	-	6 521	1 227	23 326	669 920	33 463	-
B KZN261 eDumbe	112 644	112 644	76 926	68.3	16 476	4 064	10 155	-	-	2 887	2 079	1 610	-	347	-	684	2 973	-	36 663	(1 014)	-
B KZN262 uPhongolo	208 735	210 300	249 881	118.8	35 014	1	35 917	-	-	10 086	-	717	1 352	8 741	-	62	1 369	517	154 320	1 784	-
B KZN263 Abaqulusi	484 681	484 681	369 127	76.2	58 586	-	112 765	34 202	8 399	11 866	24 391	18 231	4 107	12 166	-	1 298	41 410	-	15 000	26 708	-
B KZN265 Nongoma	177 963	161 765	180 270	111.4	21 417	-	-	-	-	-	1 823	193	919	329	-	2 677	861	-	151 433	619	-
B KZN266 Ulundi	320 866	321 708	279 723	86.9	58 799	-	25 677	-	-	5 729	41 215	1 357	5 713	12	-	4 559	269	1 658	133 961	774	-
C DC26 Zululand DM	553 927	428 181	428 626	100.1	-	-	18 845	7 838	-	-	-	145	7 668	101	-	25	-	-	391 792	2 212	-
Total: Zululand Municipalities	1 858 816	1 719 278	1 684 554	92.2	190 291	4 064	184 514	53 047	16 237	30 567	69 508	22 253	19 759	21 697	-	9 305	46 883	2 175	883 170	31 083	-
B KZN271 uMhlabuyalingana	175 199	175 199	172 632	98.5	19 821	-	-	-	-	298	-	-	4 859	-	-	1 652	3 689	1	142 088	224	-
B KZN272 Jozini	197 321	196 444	175 654	89.4	27 586	-	-	-	-	-	3 812	37	471	19 131	-	126	1 227	-	122 813	451	-
B KZN275 Mtubatuba	202 799	201 284	209 362	104.0	30 633	-	-	-	15 961	5 552	1 638	144	1 112	4 588	-	65	1 746	(0)	145 879	2 043	-
B KZN276 Big Five Hlabisa	133 184	139 111	102 576	73.7	17 207	-	-	-	-	1 817	-	195	676	222	-	-	1 892	(9)	80 465	111	-
C DC27 uMkhanyakude DM	398 456	368 573	370 229	100.4	-	(179)	6 294	20 592	706	-	2 342	42	6 936	-	-	-	-	-	333 432	64	(1)
Total: uMkhanyakude Municipalities	1 106 960	1 080 612	1 030 454	95.4	95 246	(179)	6 294	20 592	16 668	7 667	7 793	418	9 196	28 801	-	1 844	8 554	(9)	824 677	2 893	(1)
B KZN281 uMfolozi	136 377	138 008	136 629	99.0	13 947	-	-	-	-	465	-	65	-	565	-	159	65	-	119 449	1 307	608
B KZN282 uMhlatuze	2 895 441	2 815 155	2 772 147	98.5	441 411	-	1 326 647	378 711	92 777	98 097	-	6 775	63 300	103	-	6 429	3 775	6 356	312 485	30 096	5 186
B KZN284 uMlalazi	341 541	343 496	358 732	104.4	46 732	2 663	66 481	-	-	11 957	-	1 659	4 229	286	-	43 520	34	3 105	175 830	2 234	0
B KZN285 Mthonjaneni	144 513	147 299	91 835	62.3	7 866	363	27 656	-	-	1 316	-	140	360	223	-	4 004	851	-	47 912	1 143	-
B KZN286 Nkandla	130 883	127 884	51 076	39.9	4 800	118	1 592	-	-	-	9 84										

Appendix 3: Operating Expenditure - 2017/18

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	Other Materials	Contracted services	Transfers and grants	Other expenditure	Loss on disposal of PPE		
A	KZN2000	eThekweni	32 697 271	32 255 532	30 347 704	94.1	9 285 743	118 564	134 558	2 227 623	696 519	10 202 148	1 083 296	4 461 696	397 178	1 739 738	642
B	KZN212	uMdoni	266 829	287 812	229 121	79.6	83 153	13 946	-	26 545	314	-	-	33 996	5 523	65 645	-
B	KZN213	uMzumbhe	193 456	193 456	141 862	73.3	46 614	15 352	-	14 118	40	-	17	13 967	3 337	46 525	1 892
B	KZN214	uMuziwabantu	161 345	168 730	140 795	83.4	55 973	8 111	-	-	-	30 968	1 357	3 243	2 613	38 529	-
B	KZN216	Ray Nkonyeni	928 646	928 646	524 376	56.5	208 577	15 900	2 163	4 970	203	81 245	8 784	74 816	6 016	121 703	-
C	DC21	Ugu DM	913 431	913 431	740 555	81.1	305 416	8 315	-	0	6 992	5 468	4 006	270 653	10 561	108 922	20 220
Total: Ugu Municipalities			2 463 708	2 492 076	1 776 709	71.3	699 733	61 624	2 163	45 634	7 548	117 681	14 165	396 676	28 051	381 323	22 112
B	KZN221	uMshwathi	138 411	138 411	135 942	98.2	64 425	10 210	-	12 711	-	-	-	26 848	-	21 747	-
B	KZN222	uMngeni	428 244	362 191	349 465	96.5	97 005	9 200	-	30 741	3 729	103 747	-	23 993	2 173	78 877	-
B	KZN223	Mpofana	154 886	155 967	126 322	81.0	36 750	2 750	-	-	-	46 523	-	14 590	-	25 709	-
B	KZN224	iMpendle	54 105	55 266	43 460	78.6	24 553	2 396	-	1 230	148	-	-	6 387	918	7 799	30
B	KZN225	Msunduzi	4 904 829	4 754 810	4 161 164	87.5	1 014 449	45 020	876	433 194	60 950	1 742 225	67 704	545 335	49 610	160 685	41 115
B	KZN226	Mkhambathini	86 761	86 761	65 046	75.0	30 489	4 425	-	31	-	-	860	17 921	-	11 320	-
B	KZN227	Richmond	104 547	119 402	72 054	60.3	37 572	4 253	-	-	4	-	22	17 530	674	11 999	-
C	DC22	uMgungundlovu DM	738 351	774 511	752 041	97.1	218 759	10 178	78 998	36 257	23 652	121 333	-	199 653	-	63 210	-
Total: uMgungundlovu Municipalities			6 610 134	6 447 319	5 705 494	88.5	1 524 002	88 432	79 874	514 165	88 482	2 013 828	68 587	852 257	53 375	381 347	41 144
B	KZN235	Okhahlamba	170 405	176 936	182 578	103.2	65 791	10 183	11 371	19 356	1 273	-	1 317	40 368	776	31 773	370
B	KZN237	iNkosi Langalibalele	490 231	512 679	400 749	78.2	168 907	14 473	-	-	7 875	107 332	11 066	38 894	-	52 202	-
B	KZN238	Alfred Duma	774 619	916 692	639 492	69.8	267 696	24 351	-	9 676	1 779	182 640	6 392	75 717	6 903	64 338	-
C	DC23	uThukela DM	599 410	621 957	521 686	83.9	250 539	7 284	-	70 030	349	3 081	28 696	46 087	37 556	78 064	-
Total: uThukela Municipalities			2 034 666	2 228 264	1 744 506	78.3	752 932	56 290	11 371	99 062	11 276	293 053	47 472	201 066	45 236	226 377	370
B	KZN241	eNdameni	298 224	307 995	256 398	83.2	103 440	4 414	4 132	2 747	103 271	70 602	467	21 029	4 496	44 800	0
B	KZN242	Nquthu	159 554	159 554	113 436	71.1	43 275	10 885	-	-	-	15 967	-	7 913	5 650	29 741	5
B	KZN244	uMsinga	211 528	217 127	156 392	72.0	38 604	1 675	-	-	-	-	16 620	92 167	-	7 325	-
B	KZN245	uMvoti	346 152	297 415	261 255	87.8	99 009	9 609	(0)	24 443	59	44 667	-	40 834	-	42 634	-
C	DC24	uMzinyathi DM	366 295	375 008	369 638	98.6	107 320	4 766	55 831	134 149	723	6 719	1 705	2 302	-	56 123	-
Total: uMzinyathi Municipalities			1 381 753	1 357 098	1 157 120	85.3	391 649	31 349	59 963	161 338	1 054	137 956	18 792	164 246	10 146	180 622	5
B	KZN252	Newcastle	1 816 269	2 109 909	2 097 674	99.4	538 871	21 527	137 597	452 759	35 355	530 968	6 673	53 171	-	320 751	-
B	KZN253	eMadlangeni	77 026	74 000	62 238	84.1	31 530	3 193	-	-	64	11 501	1 117	7 418	-	7 413	-
B	KZN254	Dannhauser	117 442	117 442	66 345	56.5	17 847	11 069	-	1 592	(139)	(149)	109	17 749	(185)	18 453	-
C	DC25	Amajuba DM	208 879	218 318	175 571	80.4	73 590	4 718	3 902	28 253	14	14 928	-	19 086	-	31 079	-
Total: Amajuba Municipalities			2 219 617	2 519 670	2 401 829	95.3	661 838	40 507	141 499	482 605	35 295	557 248	7 900	97 425	(185)	377 697	-
B	KZN261	eDumbe	117 912	117 912	56 883	48.2	22 620	3 318	-	24	551	17 114	-	9 652	-	3 604	-
B	KZN262	uPhongolo	218 296	227 628	207 844	91.3	73 321	8 498	13 914	11 841	820	25 121	4 742	26 316	-	43 273	-
B	KZN263	AbaQulusi	592 775	592 775	433 648	73.2	67 440	-	(124 744)	322 690	-	48 728	29 858	33 840	1 395	54 442	-
B	KZN265	Nongoma	157 252	156 434	158 996	101.6	93 976	13 815	-	50	0	-	-	23 698	-	27 321	137
B	KZN266	Ulundi	291 854	388 843	288 565	74.2	110 829	13 336	-	36 329	6 011	58 911	-	37 469	795	24 876	8
C	DC26	Zululand DM	537 905	599 960	549 198	91.5	182 490	11 805	-	56 165	-	91 972	56 834	109 919	10	40 003	-
Total: Zululand Municipalities			1 915 994	2 083 552	1 695 135	81.4	550 676	50 772	(110 830)	427 099	7 382	241 845	91 433	240 893	2 200	193 519	145
B	KZN271	uMhlabyalingana	175 093	175 093	154 013	88.0	57 893	12 216	218	16 638	136	-	-	43 255	1 379	22 304	(27)
B	KZN272	Jozini	198 405	209 874	177 892	84.8	69 932	10 130	3 082	-	68	-	475	44 955	13 483	35 070	698
B	KZN275	Mtubatuba	192 404	199 933	207 515	103.8	73 617	17 705	38	15 882	4 073	1	752	47 469	2 091	45 670	218
B	KZN276	Big Five Hlabisa	132 983	138 824	123 861	89.2	68 854	7 502	(25)	3 168	1 121	-	3 805	22 502	2 897	14 036	-
C	DC27	uMkhanyakude DM	398 456	413 073	318 270	77.0	141 153	7 207	-	-	1 086	75 946	-	53 108	-	41 432	(1 663)
Total: uMkhanyakude Municipalities			1 097 342	1 136 796	981 552	86.3	411 450	54 760	3 313	35 688	6 485	75 946	5 031	211 289	19 850	158 513	(773)
B	KZN281	uMfolozi	120 000	133 078	111 719	84.0	46 914	9 687	17	-	325	-	-	31 125	1 310	22 342	-
B	KZN282	uMhlathuze	2 882 744	2 878 250	2 780 457	96.6	698 406	29 345	26 502	376 757	73 639	926 970	77 706	271 502	10 700	288 930	-
B	KZN284	uMlalazi	384 840	389 302	351 579	90.3	107 288	20 134	44 442	22 870	501	46 636	9 204	66 345	3 320	30 841	-
B	KZN285	Mthonjaneni	121 935	125 805	114 938	91.4	42 649	8 176	-	9 001	-	17 967	2 966	9 682	823	23 541	133
B	KZN286	Nkandla	122 788	151 006	93 167	61.7	33 510	7 814	-	1 484	-	6 851	278	21 860	629	20 742	-
C	DC28	King Cetshwayo DM	776 195	897 989	785 840	87.5	188 855	11 778	3 740	61 495	6 432	28 938	29 548	361 135	4 947	88 973	-
Total: King Cetshwayo Municipalities			4 408 501	4 575 431	4 237 700	92.6	1 117 623	86 933	74 702	471 606	80 897	1 027 361	119 702	761 648	21 728	475 367	133
B	KZN291	Mandeni	218 704	224 507	208 715	93.0	75 347	11 841	8 797	12 477	-	19 977	4 764	24 502	10 073	40 959	(22)
B	KZN292	KwaDukuza	1 453 584	1 425 968	1 228 405	86.1	327 834	27 031	14 532	60 393	23 103	505 370	28 994	147 026	728	93 394	-
B	KZN293	Ndwedwe	142 557	142 557	130 830	91.8	36 442	11 004	-	4 520	29	-	-	55 546	1 433	21 877	(21)
B	KZN294	Maphumulo	116 576	116 576	107 082	91.9	30 343	8 091	-	8 085	260	-	-	10 916	14 712	34 675	-
C	DC29	iLembe DM	641 947	653 000	687 940	105.4	219 101	9 311	44 232	76 319	7 985	86 741	56 783	58 983	27 969	100 514	-
Total: iLembe Municipalities			2 573 368	2 562 609	2 362 971	92.2	689 067	67 278	67 561	161 794	31 377	612 088	90 541	296 973	54 915	291 419	(43)
B	KZN433	Greater Kokstad	370 111	366 595													

Appendix 4: Capital Revenue (Source of finance) - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated/Received	Detail								
					Transfers recognised - capital				Other sources of finance				
					National Govt.	Provincial Govt.	District Municipality	Other transfers and grants	Borrowing	Internally generated funds	Public contr. and donations		
A	KZN2000	eThekweni	7 340 084	7 335 632	4 362 884	59.5	2 412 193	576 419	-	11 595	-	1 362 677	-
B	KZN212	uMdoni	74 070	75 446	59 849	79.3	31 699	26 984	-	-	-	145	1 022
B	KZN213	uMzumbi	79 081	79 081	42 332	53.5	42 332	-	-	-	-	-	-
B	KZN214	uMuziwabantu	79 112	71 492	42 649	59.7	29 628	12 508	-	-	-	513	-
B	KZN216	Ray Nkonyeni	132 788	132 788	125 385	94.4	43 077	66 096	-	-	-	15 413	799
C	DC21	Ugu DM	362 325	362 325	219 742	60.6	207 684	-	-	-	-	12 058	-
Total: Ugu Municipalities			727 376	721 132	489 957	67.9	354 420	105 588	-	-	-	28 129	1 821
B	KZN221	uMshwathi	40 516	40 516	36 012	88.9	34 665	-	-	-	-	1 347	-
B	KZN222	uMngeni	30 407	49 206	38 861	79.0	23 379	12 659	-	-	-	2 823	-
B	KZN223	Mpofana	12 164	15 164	12 386	81.7	12 386	-	-	-	-	-	-
B	KZN224	iMpendle	18 364	17 719	15 141	85.5	11 892	3 250	-	-	-	-	-
B	KZN225	Msunduzi	698 424	762 591	584 184	76.6	336 517	23 136	-	-	88 896	135 635	-
B	KZN226	Mkhambathini	22 985	129 248	20 401	15.8	20 401	-	-	-	-	-	-
B	KZN227	Richmond	21 005	22 679	17 777	78.4	16 638	370	-	-	-	756	13
C	DC22	uMgungundlovu DM	201 044	201 044	118 657	59.0	118 282	-	-	-	-	375	-
Total: uMgungundlovu Municipalities			1 044 909	1 238 167	843 420	68.1	574 159	39 415	-	-	88 896	140 936	13
B	KZN235	Okhahlamba	75 906	87 858	85 337	97.1	44 069	16 295	-	-	20 000	4 974	-
B	KZN237	iNkosi Langalibalele	53 876	56 576	42 036	74.3	34 940	-	-	-	-	6 913	183
B	KZN238	Alfred Duma	89 638	102 953	82 005	79.7	68 747	-	-	-	-	11 460	1 799
C	DC23	uThukela DM	371 539	368 089	340 951	92.6	340 951	-	-	-	-	-	-
Total: uThukela Municipalities			590 959	615 476	550 330	89.4	488 707	16 295	-	-	20 000	23 346	1 982
B	KZN241	eNdameni	126 726	36 070	39 368	109.1	30 640	-	-	-	-	8 727	-
B	KZN242	Nquthu	103 029	103 029	63 278	61.4	55 628	1 657	-	-	-	5 993	-
B	KZN244	uMsinga	72 022	37 800	27 751	73.4	27 751	-	-	-	-	-	-
B	KZN245	uMvoti	76 546	76 546	44 640	58.3	32 163	4 567	-	-	-	7 910	-
C	DC24	uMzinyathi DM	372 432	373 223	284 394	76.2	279 925	-	-	-	-	4 468	-
Total: uMzinyathi Municipalities			750 754	626 667	459 430	73.3	426 108	6 223	-	-	-	27 099	-
B	KZN252	Newcastle	252 778	232 863	179 893	77.3	133 909	8 926	-	15 646	-	21 412	(0)
B	KZN253	eMadlangeni	19 744	22 153	18 338	82.8	17 742	597	-	-	-	-	-
B	KZN254	Dannhauser	63 248	63 248	25 968	41.1	24 627	-	-	-	-	1 341	-
C	DC25	Amajuba DM	120 067	125 265	84 565	67.5	81 175	3 229	-	-	-	161	-
Total: Amajuba Municipalities			455 837	443 529	308 765	69.6	257 452	12 752	-	15 646	-	22 914	(0)
B	KZN261	eDumbe	41 765	41 765	52 275	125.2	52 275	-	-	-	-	-	-
B	KZN262	uPhongolo	64 335	85 996	39 815	46.3	34 464	4 122	-	-	-	1 229	-
B	KZN263	AbaQulusi	-	22 318	16 638	74.6	16 638	-	-	-	-	-	-
B	KZN265	Nongoma	64 089	63 709	56 880	89.3	54 852	-	-	-	-	2 028	-
B	KZN266	Ulundi	57 570	57 388	37 734	65.8	37 734	-	-	-	-	-	-
C	DC26	Zululand DM	465 852	459 410	347 738	75.7	342 753	-	-	-	-	4 985	-
Total: Zululand Municipalities			693 611	730 586	551 080	75.4	538 716	4 122	-	-	-	8 242	-
B	KZN271	uMhlabuyalingana	60 587	69 785	68 374	98.0	63 057	-	-	-	-	5 317	-
B	KZN272	Jozini	64 176	64 229	35 399	55.1	35 009	-	-	-	-	390	-
B	KZN275	Mtubatuba	55 870	58 545	46 530	79.5	37 168	8 711	-	-	-	651	-
B	KZN276	Big Five Hlabisa	21 664	21 664	22 142	102.2	22 142	-	-	-	-	-	-
C	DC27	uMkhanyakude DM	257 965	293 966	293 652	99.9	293 652	-	-	-	-	-	-
Total: uMkhanyakude Municipalities			460 261	508 188	466 096	91.7	451 027	8 711	-	-	-	6 358	-
B	KZN281	uMfolozi	60 000	60 000	28 306	47.2	26 243	-	-	-	-	2 063	-
B	KZN282	uMhlathuze	521 255	570 505	468 601	82.1	135 270	340	-	-	99 321	232 232	1 438
B	KZN284	uMlalazi	50 448	50 448	46 046	91.3	46 046	-	-	-	-	-	-
B	KZN285	Mthonjaneni	39 683	49 423	41 387	83.7	30 361	-	-	-	-	11 027	-
B	KZN286	Nkandla	33 714	27 714	22 344	80.6	20 047	2 297	-	-	-	-	-
C	DC28	King Cetshwayo DM	327 418	274 533	185 291	67.5	171 099	-	-	-	-	14 193	-
Total: King Cetshwayo Municipalities			1 032 518	1 032 623	791 976	76.7	429 066	2 637	-	-	99 321	259 514	1 438
B	KZN291	Mandeni	57 721	51 721	41 007	79.3	38 473	-	-	-	-	2 263	271
B	KZN292	KwaDukuza	230 844	217 762	139 036	63.8	10 125	191	-	7 889	0	120 830	0
B	KZN293	Ndwedwe	108 395	108 395	31 098	28.7	27 821	-	-	-	-	3 277	-
B	KZN294	Maphumulo	24 491	29 780	38 431	129.0	21 459	3 575	-	-	-	12 210	1 187
C	DC29	iLembe DM	354 720	337 303	243 056	72.1	237 260	-	-	739	-	5 058	-
Total: iLembe Municipalities			776 171	744 962	492 629	66.1	335 139	3 766	-	8 628	0	143 639	1 458
B	KZN433	Greater Kokstad	63 705	93 987	63 006	67.0	27 053	134	-	-	-	35 819	-
B	KZN434	uBuhlebezwe	83 010	55 820	41 057	73.6	27 330	1 657	-	-	-	10 388	1 683
B	KZN435	uMzimkhulu	73 012	82 041	66 938	81.6	58 750	4 829	-	-	-	3 359	-
B	KZN436	Dr. Nkosazana Dlamini Zuma	79 738	102 695	103 511	100.8	51 655	-	-	-	-	51 855	-
C	DC43	Harry Gwala DM	399 054	399 054	220 868	55.3	218 021	-	-	-	-	2 847	-
Total: Harry Gwala Municipalities			698 519	733 598	495 380	67.5	382 810	6 620	-	-	-	104 267	1 683
Total			14 570 998	14 730 559	9 811 948	66.6	6 649 797	782 548	-	35 869	208 217	2 127 122	8 394

Source: NT Igdatabase

Appendix 5: Capital Expenditure - 2017/18

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail																	
					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	7 340 084	7 335 632	4 362 884	59.5	19 374	237 314	464	138 600	12 103	37 449	884 050	12 476	231 181	976 591	-	782 307	387 123	519 037	98 549	26 267
B	KZN212	uMdoni	74 070	75 446	59 849	79.3	-	535	2 063	942	696	18	-	-	1 835	34 759	-	-	-	19 001	-	-
B	KZN213	uMzumbi	79 081	79 081	42 332	53.5	-	379	2 389	6 818	-	-	-	-	-	32 746	-	-	-	-	-	-
B	KZN214	uMuziwabantu	79 112	71 492	42 649	59.7	861	851	2 230	455	(35)	-	-	-	4 041	21 730	-	(222)	-	-	12 739	-
B	KZN216	Ray Nkonyeni	132 788	132 788	125 385	94.4	113 667	71	337	211	602	-	13	-	5 086	77	-	1 247	-	2 994	1 079	-
C	DC21	Ugu DM	362 325	362 325	219 742	60.6	-	-	12 058	-	-	-	-	-	-	-	-	-	182 387	25 296	-	-
Total: Ugu Municipalities			727 376	721 132	489 958	67.9	114 527	1 836	19 076	8 427	1 263	18	13	-	10 962	89 311	-	1 025	182 387	47 292	13 819	-
B	KZN221	uMshwathi	40 516	40 516	36 012	88.9	1 347	512	-	10 296	9 490	-	-	-	-	14 368	-	-	-	-	-	-
B	KZN222	uMngeni	30 407	49 206	38 861	79.0	134	127	0	2 966	-	-	-	-	12 748	18 672	-	4 215	-	3 762	(3 762)	-
B	KZN223	Mpofana	12 164	15 164	12 386	81.7	-	-	-	-	-	-	-	-	-	12 386	-	-	-	-	-	-
B	KZN224	iMpendle	18 364	17 719	15 141	85.5	-	47	-	-	3 250	-	-	-	673	11 172	-	-	-	-	-	-
B	KZN225	Msunduzi	698 424	762 591	584 184	76.6	999	28 783	3 136	10 801	29 669	8 393	20 585	-	52 631	213 997	313	105 106	59 610	25 570	24 279	311
B	KZN226	Mkhambathini	22 985	129 248	20 401	15.8	207	16	96	14 590	-	-	-	-	2 481	3 011	-	-	-	-	-	-
B	KZN227	Richmond	21 005	22 679	17 777	78.4	30	29	-	4 859	-	-	-	-	465	12 394	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	201 044	201 044	118 657	59.0	-	-	375	-	-	-	-	-	-	-	-	-	118 282	-	-	-
Total: uMgungundlovu Municipalities			1 044 909	1 238 167	843 420	68.1	2 717	29 514	3 607	43 511	42 408	8 393	20 585	-	68 998	286 000	313	109 320	177 892	29 332	20 517	311
B	KZN235	Okhahlamba	75 906	87 858	85 337	97.1	42	439	-	-	-	93	-	-	84 763	-	-	-	-	-	-	-
B	KZN237	iNkosi Langalibalele	53 876	56 576	42 036	74.3	106	35	65	1 004	-	-	-	-	34 727	-	6 099	-	-	-	-	-
B	KZN238	Alfred Duma	89 638	102 953	82 005	79.7	127	-	7 069	2 513	230	-	-	-	18 975	30 287	-	22 774	-	-	30	-
C	DC23	uThukela DM	371 539	368 089	340 951	92.6	-	-	-	-	-	-	-	-	-	-	-	-	340 951	-	-	-
Total: uThukela Municipalities			590 959	615 476	550 330	89.4	275	475	7 134	3 517	230	93	-	-	103 738	65 014	-	28 872	340 951	-	30	-
B	KZN241	eNdumeni	126 726	36 070	39 368	109.1	9	189	455	646	-	345	-	-	2 463	23 887	-	11 303	-	-	70	-
B	KZN242	Nquthu	103 029	103 029	63 278	61.4	-	593	212	9 589	-	1 765	-	-	-	21 364	-	29 754	-	-	-	-
B	KZN244	uMsinga	72 022	37 800	27 751	73.4	-	2 514	-	10 528	-	14 710	-	-	-	-	-	-	-	-	-	-
B	KZN245	uMvoti	76 546	76 546	44 640	58.3	3 042	345	250	3 127	-	-	-	-	4 741	33 135	-	-	-	-	-	-
C	DC24	uMzinyathi DM	372 432	373 223	284 394	76.2	-	4 072	-	219	-	-	-	-	-	-	-	-	253 754	26 348	-	-
Total: uMzinyathi Municipalities			750 754	626 667	459 430	73.3	3 050	7 713	918	24 110	-	16 821	-	-	7 204	78 386	-	41 058	253 754	26 348	70	-
B	KZN252	Newcastle	252 778	232 863	179 893	77.3	-	-	1 955	8 048	766	99	543	-	20 512	26 337	-	1 499	104 489	-	(0)	15 646
B	KZN253	eMadlangeni	19 744	22 153	18 338	82.8	-	-	-	-	-	-	-	-	-	6 338	-	12 000	-	-	-	-
B	KZN254	Dannhauser	63 248	63 248	25 968	41.1	54	-	80	104	-	8	-	-	24 988	-	-	-	-	-	735	-
C	DC25	Amajuba DM	120 067	125 265	84 565	67.5	-	135	26	-	-	3 229	-	-	-	-	-	-	81 175	-	-	-
Total: Amajuba Municipalities			455 837	443 529	308 765	69.6	54	135	2 062	8 152	766	3 335	543	-	45 500	32 675	-	13 499	185 664	-	735	15 646
B	KZN261	eDumbe	41 765	41 765	52 275	125.2	-	-	-	-	-	-	-	-	-	21 784	-	30 492	-	-	-	-
B	KZN262	uPhongolo	64 335	85 996	39 815	46.3	764	47	461	7 183	2 984	-	-	-	4 030	16 500	-	7 847	-	-	-	-
B	KZN263	AbaQulusi	-	22 318	16 638	74.6	-	-	-	-	-	-	-	-	-	15 916	-	722	-	-	-	-
B	KZN265	Nongoma	64 089	63 709	56 880	89.3	7	982	560	-	-	479	-	-	-	54 852	-	-	-	-	-	-
B	KZN266	Ulundi	57 570	57 388	37 734	65.8	-	-	-	3 430	-	-	-	-	-	14 794	-	19 510	-	-	-	-
C	DC26	Zululand DM	465 852	459 410	347 738	75.7	-	707	3 548	167	-	-	-	-	1 710	-	-	-	341 607	-	-	-
Total: Zululand Municipalities			693 611	730 586	551 080	75.4	771	1 736	4 568	10 779	2 984	479	-	-	5 739	123 845	-	58 572	341 607	-	-	-
B	KZN271	uMhlabyalingana	60 587	69 785	68 374	98.0	18	290	61	22 857	4 802	285	-	-	3 591	7 770	-	28 626	75	-	-	-
B	KZN272	Jozini	64 176	64 229	35 399	55.1	-	-	223	-	-	133	-	-	6 228	26 794	-	1 988	-	-	34	-
B	KZN275	Mtubatuba	55 870	58 545	46 530	79.5	159	-	377	-	-	-	-	-	-	45 890	-	-	-	-	103	-
B	KZN276	Big Five Hlabisa	21 664	21 664	22 142	102.2	-	-	-	-	-	-	-	-	22 142	-	-	-	-	-	-	-
C	DC27	uMkhanyakude DM	257 965	293 966	293 652	99.9	-	-	-	-	-	-	-	-	-	-	-	-	244 279	49 373	-	-
Total: uMkhanyakude Municipalities			460 261	508 188	466 096	91.7	177	290	661	22 857	4 802	419	-	-	31 961	80 454	-	30 613	244 354	49 373	137	-
B	KZN281	uMfolozi	60 000	60 000	28 306	47.2	57	12 493	597	15 160	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN282	uMhlatuze	521 255	570 505	468 601	82.1	73	505	127 795	25 320	10 186	7 150	-	-	15 249	65 683	701	54 280	77 422	77 175	7 060	-
B	KZN284	uMlalazi	50 448	50 448	46 046	91.3	539	600	2 443	1 692	4 191	208	-	-	225	34 530	-	1 121	-	278	219	-
B	KZN285	Mthonjaneni	39 683	49 423	41 387	83.7	7 249	219	150	935	-	-	-	-	-	16 480	-	16 354	-	-	-	-
B	KZN286	Nkandla	33 714	27 714	22 344	80.6	-	-	-	-	-	-	-	-	22 344	-	-	-	-	-	-	-
C	DC28	King Cetshwayo DM	327 418	274 533	185 291	67.5	1 890	342	1 245	750	-	-	-	-	-	-	49	-	180 692	-	320	3
Total: King Cetshwayo Municipalities			1 032 518	1 032 623	791 976	76.7	9 808	14 160	132 230	43 856	14 377	7 358	-	-	37 819	116 693	750	71 755	258 114	77 454	7 599	3
B	KZN291	Mandeni	57 721	51 721	41 007	79.3	2 747	22	136	283	1 522	141	-	-	1 022	28 472	-	6 663	-	-	-	-
B	KZN292	KwaDukuza	230 844	217 762	139 036	63.8	-	21 333	-	29 295	11 776	357	-	-	-	60 859	-	14 830	-	-	586	-
B	KZN293	Ndwedwe	108 395	108 395																		

Appendix 6: Cash Flow - 2017/18

R'000	Cash and cash equivalents at the beginning of the year	Property rates, penalties and collection charges	Service charges	Other revenue	Government - operating	Government - capital	Interest	Dividends	Suppliers and employees	Finance charges	Transfers and grants	Investing Activities - Receipts	Investing Activities - Payments	Financing Activities - Receipts	Financing Activities - Payments	Net increase/(decrease) in cash held	Cash and cash equivalents at the end of the year	
A	KZN2000 eThekweni	6 296 972	7 272 140	17 190 150	1 655 053	5 202 254	2 904 782	635 408	-	(27 469 792)	(696 008)	(397 178)	(975 203)	(4 362 883)	(125 636)	(774 928)	58 159	6 355 131
B	KZN212 uMdoni	11 748	57 095	4 951	64 929	71 915	52 457	5 642	-	(208 157)	(318)	(71 688)	(16 407)	(58 947)	15 000	-	(83 529)	(71 781)
B	KZN213 uMzumbane	158 888	17 473	29	1 385	135 859	26 348	12 483	-	(124 524)	(32)	(9 683)	28 003	(46 988)	3	-	40 355	199 243
B	KZN214 uMuziwabantu	-	12 549	23 063	115 778	165 370	27 781	10 864	-	(305 044)	-	-	-	(34 859)	-	-	9 146	9 146
B	KZN216 Ray Nkonyeni	87 142	310 019	119 444	74 787	175 457	3	6 696	-	(584 952)	(203)	60 883	-	(97 659)	94	-	64 570	151 711
C	DC21 Ugu DM	179 487	-	173 954	790	337 300	268 720	5 691	-	(854 590)	(5 118)	(671)	263 156	(238 808)	3 896	(3 972)	(49 652)	129 835
	Total: Ugu Municipalities	437 264	397 136	321 441	257 669	885 900	375 308	41 376	-	(2 077 266)	(5 671)	(27 515)	274 752	(477 260)	18 993	(3 972)	(19 110)	418 154
B	KZN221 uMshwathi	879	52 112	-	9 328	95 274	39 016	-	-	(263 705)	-	-	113 400	(43 556)	-	(1 549)	320	1 200
B	KZN222 uMngeni	15 353	188 205	88 632	30 657	65 481	36 829	1 808	-	(377 880)	(2 743)	-	-	(35 599)	-	(2 978)	(3 587)	11 766
B	KZN223 Mpofana	497	7 755	37 895	15 444	37 825	12 164	150	-	(127 956)	-	-	-	(11 128)	-	-	(27 850)	(27 354)
B	KZN224 iMpendle	2 886	3 737	5	47 335	45 617	20 753	306	-	(78 231)	(178)	(23 289)	-	(13 406)	-	(683)	1 968	4 854
B	KZN225 Msunduzi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN226 Mkhambathini	52 816	12 787	411	17 398	57 876	16 285	3 296	-	(83 410)	-	-	-	(17 484)	-	-	7 159	59 975
B	KZN227 Richmond	32 099	16 147	-	3 781	1 266	96 203	2 279	-	(148 414)	(4)	(2 073)	-	(18 913)	-	(35)	(49 762)	(17 662)
C	DC22 uMgungundlovu DM	178 511	-	117 496	170 994	182 643	330 707	36 754	-	(822 128)	(42)	-	-	(184 859)	-	(522)	(168 955)	9 556
	Total: uMgungundlovu Municipalities	283 042	280 744	244 439	294 937	485 982	551 958	44 593	-	(1 901 723)	(2 965)	(25 362)	113 400	(320 944)	-	(5 766)	(240 707)	42 335
B	KZN235 Okhahlamba	31 377	24 072	-	21 847	125 168	51 242	2 662	-	(166 516)	(63)	(911)	-	(59 294)	-	-	(1 793)	29 584
B	KZN237 iNkosi Langalibalele	(20 469)	74 554	198 758	29 446	157 190	42 365	-	-	(437 683)	(8 037)	-	-	(35 028)	-	-	21 564	1 095
B	KZN238 Alfred Duma	23 823	188 009	306 760	38 730	189 993	(3)	19 103	-	(600 730)	(1 779)	-	-	(47 052)	(13 899)	(510)	71 721	95 544
C	DC23 uThukela DM	5 998	-	103 487	5 364	315 322	347 391	10 646	-	(495 109)	-	(37 556)	-	(319 287)	1 297	-	(68 445)	(62 447)
	Total: uThukela Municipalities	40 729	286 634	609 005	95 388	787 673	440 995	32 412	-	(1 700 037)	(9 880)	(45 370)	-	(460 661)	(12 602)	(510)	23 047	63 776
B	KZN241 eNdameni	53 374	78 167	123 273	9 129	63 975	30 702	3 276	-	(271 991)	(271)	(4 804)	-	(39 368)	-	-	(7 911)	45 462
B	KZN242 Nquthu	246 559	16 142	11 182	4 985	89 625	61 691	17 540	-	(107 310)	-	(2 347)	-	(58 523)	-	-	32 985	279 544
B	KZN244 uMsinga	36 761	4 399	-	4 736	103 613	67 032	648	-	(187 594)	-	-	7 947	(37 049)	-	-	(36 268)	492
B	KZN245 uMvoti	-	13 286	37 316	2 286	35 016	52 760	535	-	(108 352)	-	(363)	(29 289)	(23 267)	36	-	(20 036)	(20 036)
C	DC24 uMzinyathi DM	68 851	-	31 105	1 036	275 662	317 221	21 831	-	(259 677)	(87)	-	466	(305 137)	-	(669)	81 751	150 602
	Total: uMzinyathi Municipalities	405 544	111 994	202 877	22 173	567 891	529 406	43 830	-	(934 925)	(358)	(7 514)	(20 876)	(463 344)	36	(669)	50 521	456 065
B	KZN252 Newcastle	40 012	253 489	752 689	35 067	355 938	209 308	16 112	(0)	(1 449 027)	(35 355)	-	-	(179 893)	-	(47 889)	(89 562)	(49 550)
B	KZN253 eMahlangueni	14 828	14 335	12 717	2 637	23 748	19 423	1 071	-	(66 076)	(41)	-	-	(15 078)	-	(33)	(7 298)	7 530
B	KZN254 Dannhauser	-	15 298	332	25 694	78 831	22 081	3 495	-	(97 400)	(867)	-	(4 535)	(34 709)	5 846	-	14 066	14 066
C	DC25 Amajuba DM	20 981	-	16 275	21 701	141 554	113 917	3 197	-	(187 272)	(388)	-	-	(78 944)	-	(767)	29 274	50 255
	Total: Amajuba Municipalities	75 821	283 122	782 014	85 100	600 071	364 729	23 874	(0)	(1 799 775)	(36 651)	(4 535)	(308 625)	5 846	(48 689)	(53 520)	22 301	-
B	KZN261 eDumbe	14	13 847	14 078	35 487	44 831	40 426	244	467	(104 040)	(61)	-	-	(45 928)	-	-	(2 868)	(2 868)
B	KZN262 uPhongolo	1 604	36 164	46 651	11 017	117 008	51 509	2 970	-	(305 036)	(1 219)	-	95 691	(36 901)	-	(2 301)	15 552	17 156
B	KZN263 Abaqulusi	13 622	70 873	199 132	23 302	117 554	49 307	38 841	-	(441 972)	-	-	-	(66 212)	-	-	(9 176)	4 446
B	KZN265 Nongoma	3 643	16 426	-	4 720	131 847	58 378	1 560	-	(161 127)	-	-	8 668	(62 114)	-	-	(1 642)	2 002
B	KZN266 Ulundi	-	45 374	77 345	8 108	178 782	57 388	5 735	-	(211 515)	(5 994)	(794)	-	-	-	-	154 428	154 428
C	DC26 Zululand DM	-	-	15 440	54 364	297 801	361 905	7 554	-	(522 188)	-	(1 323)	-	(339 857)	-	-	(126 303)	(126 303)
	Total: Zululand Municipalities	18 883	182 684	352 646	136 998	887 822	618 912	56 905	467	(1 745 878)	(7 274)	(4 336)	104 358	(551 012)	5 846	(48 689)	29 992	48 875
B	KZN271 uMhlabyalingana	18 261	16 050	242	17 245	142 086	60 481	763	-	(181 969)	-	-	-	(38 893)	-	-	16 005	34 266
B	KZN272 Jozini	54 357	13 026	1 792	14 079	142 161	55 950	4 329	-	(225 244)	-	-	-	(46 144)	-	-	(40 050)	14 307
B	KZN275 Mtubatuba	7 575	23 954	3 689	2 458	140 480	57 915	1 482	-	(171 742)	-	(586)	-	(53 001)	-	-	4 648	12 224
B	KZN276 Big Five Hlabisa	1 922	12 597	111	12 112	113 859	21 664	764	-	(129 970)	(586)	(14 458)	339	(20 097)	-	-	(3 664)	(1 743)
C	DC27 uMkhanyakude DM	34 626	-	14 546	147 550	346 057	241 910	748	-	(445 986)	-	-	1 663	(262 028)	29	(743)	43 747	78 373
	Total: uMkhanyakude Municipalities	116 740	65 628	20 380	193 444	884 643	437 920	8 086	-	(1 154 910)	(586)	(15 045)	2 002	(420 162)	29	(743)	20 686	137 427
B	KZN281 uMfolozi	1 614	11 858	6	13 143	112 439	45 623	397	-	(133 793)	-	-	586	(50 417)	-	(1 224)	(1 381)	233
B	KZN282 uMhlathuze	701 690	400 686	1 731 357	157 592	257 266	167 209	66 039	-	(2 322 701)	(64 947)	(10 449)	5 007	(513 078)	10 075	(126 816)	(242 761)	458 929
B	KZN284 uMlalazi	86 123	42 814	56 745	263 288	97 982	-	-	-	(369 248)	-	-	-	(40 066)	-	-	48 932	135 055
B	KZN285 Mthonjaneni	20 282	5 375	19 040	5 269	79 371	32 278	522	-	(119 240)	-	(1 460)	-	(46 051)	-	-	(24 896)	(4 614)
B	KZN286 Nkandla	807	20 028	10 580	10 142	98 801	23 170	814	-	(166 126)	-	-	22 364	-	-	-	19 774	20 581
C	DC28 King Cetshwayo DM	172 524	-	109 552	1 625 829	304 995	306 645	32 623	-	(2 126 367)	(6 432)	-	-	(368 902)	-	(11 416)	(133 473)	39 052
	Total: King Cetshwayo Municipalities	983 039	480 761	1 927 281	2 075 264	950 854	574 925	100 395	-	(5 237 473)	(71 379)	(14 495)	27 958	(1 018 513)	10 075	(139 456)	(333 804)	649 235
B	KZN291 Mandeni	15 204	28 962	16 483	1 585	138 308	49 754	3 505	45	(187 114)	-	(10 262)	18 411	(30 804)	(1 447)	(733)	26 694	41 898
B	KZN292 KwaDukuza	270 209	390 233	701 888	81 259	143 761	76 574	39 772	-	(1 152 117)	(23 103)	(19)	9 471	(139 036)	1 176	(8 684)	121 174	391 383
B	KZN293 Ndwedwe	111 731	8 537	-	17 030	178 236	38 275	5 385	-	(79 656)	-	-	904	(102 310)	-	-	66 402	178 132
B	KZN294 Maphumulo	31 947	9 999	-	6 340	93 668	9 646	3 229	-	(95 753)	(229)	(11 610)	13 000	(37 346)	-	(2 254)	(11 310)	20 637

Appendix 7 - Debtors Age Analysis (Total) - 2017/18

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	1 666 676	16.1	812 639	7.9	418 902		4.0	7 453 166	72.0	10 351 383	-	-
B	KZN212	uMdoni	2 867	4.2	2 302	3.4	1 538	2.2	61 660	90.2	68 367	-	-	-	-
B	KZN213	uMzumbane	(2)	-0.0	-	-	-	15 718	100.0	15 716	-	-	-	-	-
B	KZN214	uMuziwabantu	3 323	16.2	1 917	9.3	1 102	5.4	14 178	69.1	20 521	-	-	-	-
B	KZN216	Ray Nkonyeni	48 396	18.3	21 985	8.3	34 467	13.1	158 924	60.3	263 772	-	-	-	-
C	DC21	Ugu DM	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Ugu Municipalities			54 583	14.8	26 204	7.1	37 107	10.1	250 481	68.0	368 375	-	-	-	-
B	KZN221	uMshwathi	4 388	4.1	2 876	2.7	2 039	1.9	98 425	91.4	107 729	-	-	-	-
B	KZN222	uMngeni	9 987	9.0	3 923	3.5	3 278	3.0	93 516	84.5	110 703	-	-	-	-
B	KZN223	Mpofana	4 735	4.8	2 488	2.5	2 304	2.3	89 087	90.3	98 614	-	-	-	-
B	KZN224	iMpendle	43	0.5	142	1.6	131	1.4	8 760	96.5	9 076	-	-	-	-
B	KZN225	Msunduzi	479 814	18.8	90 902	3.6	19 026	0.7	1 969 135	77.0	2 558 877	-	-	944 652	36.9
B	KZN226	Mkhambathini	3 023	12.3	560	2.3	481	2.0	20 422	83.4	24 486	-	-	-	-
B	KZN227	Richmond	2 156	10.3	669	3.2	1 163	5.6	16 900	80.9	20 888	-	-	2 049	9.8
C	DC22	uMgungundlovu DM	32 527	6.6	41	0.0	11 564	2.3	449 363	91.1	493 495	-	-	-	-
Total: uMgungundlovu Municipalities			536 673	15.7	101 600	3.0	39 987	1.2	2 745 608	80.2	3 423 868	-	-	946 701	27.7
B	KZN235	Okhahlamba	4 493	8.5	(46)	-0.1	1 568	3.0	46 994	88.7	53 010	-	-	-	-
B	KZN237	iNkosi Langalibalele	29 544	12.6	14 419	6.2	9 151	3.9	181 130	77.3	234 244	-	-	-	-
B	KZN238	Alfred Duma	44 614	12.8	13 869	4.0	10 471	3.0	278 951	80.2	347 906	64	0.0	-	-
C	DC23	uThukela DM	11	0.0	45 581	5.6	20 550	2.5	747 672	91.9	813 813	-	-	-	-
Total: uThukela Municipalities			78 662	5.4	73 823	5.1	41 740	2.9	1 254 747	86.6	1 448 973	64	0.0	-	-
B	KZN241	eNdameni	9 095	10.2	2 433	2.7	1 738	1.9	76 259	85.2	89 526	-	-	-	-
B	KZN242	Nquthu	1 280	3.7	347	1.0	1 104	3.2	32 085	92.2	34 816	-	-	-	-
B	KZN244	uMsinga	1 005	100.0	-	-	-	-	-	1 005	-	-	-	-	-
B	KZN245	uMvoti	16 414	25.1	(174)	-0.3	2 226	3.4	46 938	71.8	65 404	-	-	-	-
C	DC24	uMzinyathi DM	12 973	5.3	7 683	3.1	7 130	2.9	216 789	88.6	244 575	-	-	(720)	-0.3
Total: uMzinyathi Municipalities			40 767	9.4	10 290	2.4	12 198	2.8	372 071	85.5	435 326	-	-	(720)	-0.2
B	KZN252	Newcastle	128 411	10.9	29 709	2.5	27 486	2.3	997 005	84.3	1 182 611	5 823	0.5	-	-
B	KZN253	eMadlangeni	2 756	7.7	(21)	-0.1	865	2.4	32 403	90.0	36 002	-	-	-	-
B	KZN254	Dannhauser	916	1.7	770	1.4	711	1.3	53 086	95.7	55 484	-	-	-	-
C	DC25	Amajuba DM	4 631	7.6	3 855	6.3	2 161	3.5	50 609	82.6	61 255	-	-	-	-
Total: Amajuba Municipalities			136 713	10.2	34 312	2.6	31 223	2.3	1 133 103	84.9	1 335 352	5 823	0.4	-	-
B	KZN261	eDumbe	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN262	uPhongolo	7 299	4.5	3 633	2.2	2 793	1.7	149 114	91.6	162 839	-	-	-	-
B	KZN263	AbaQulusi	19 317	12.1	5 922	3.7	4 962	3.1	129 751	81.1	159 953	-	-	-	-
B	KZN265	Nongoma	441	1.1	195	0.5	807	2.0	39 577	96.5	41 020	-	-	-	-
B	KZN266	Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC26	Zululand DM	3 851	4.1	2 767	2.9	1 635	1.7	86 490	91.3	94 743	-	-	-	-
Total: Zululand Municipalities			30 908	6.7	12 518	2.7	10 198	2.2	404 932	88.3	458 556	-	-	-	-
B	KZN271	uMhlabyalingana	372	0.8	904	1.9	822	1.8	44 835	95.5	46 933	-	-	-	-
B	KZN272	Jozini	2 431	1.5	2 969	1.8	3 402	2.1	152 693	94.5	161 496	-	-	-	-
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	624	1.8	440	1.3	602	1.8	32 375	95.1	34 040	-	-	-	-
C	DC27	uMkhanyakude DM	2 908	1.5	2 195	1.1	1 368	0.7	186 191	96.6	192 663	-	-	-	-
Total: uMkhanyakude Municipalities			12 933	2.4	6 439	1.2	8 610	1.6	515 153	94.8	543 135	-	-	-	-
B	KZN281	uMfolozi	1 202	14.9	580	7.2	607	7.5	5 703	70.5	8 093	-	-	-	-
B	KZN282	uMhlathuze	273 713	54.0	20 113	4.0	22 527	4.4	190 650	37.6	507 002	179	0.0	-	-
B	KZN284	uMlalazi	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN285	Mthonjaneni	2 663	10.6	1 642	6.5	954	3.8	19 974	79.2	25 233	-	-	-	-
B	KZN286	Nkandla	1 154	4.8	646	2.7	578	2.4	21 862	90.2	24 239	-	-	-	-
C	DC28	King Cetshwayo DM	8 578	12.4	4 159	6.0	4 324	6.2	52 364	75.4	69 425	-	-	34 644	49.9
Total: King Cetshwayo Municipalities			287 310	45.3	27 139	4.3	28 990	4.6	290 554	45.8	633 993	179	0.0	34 644	5.5
B	KZN291	Mandeni	(1 669)	-1.0	7 311	4.4	33	0.0	160 788	96.6	166 463	-	-	-	-
B	KZN292	KwaDukuza	40 694	37.8	17 810	16.5	8 012	7.4	41 197	38.2	107 713	-	-	-	-
B	KZN293	Ndwedwe	796	5.3	1	0.0	332	2.2	13 769	92.4	14 898	-	-	-	-
B	KZN294	Maphumulo	448	1.7	(8)	-0.0	195	0.7	26 316	97.6	26 950	-	-	-	-
C	DC29	iLembe DM	20 293	7.1	20 766	7.3	13 216	4.6	231 622	81.0	285 896	-	-	-	-
Total: iLembe Municipalities			60 561	10.1	45 880	7.6	21 788	3.6	473 692	78.7	601 920	-	-	-	-
B	KZN433	Greater Kokstad	12 665	27.6	(1 428)	-3.1	1 851	4.0	32 832	71.5	45 920	-	-	-	-
B	KZN434	uBuhlebezwe	(7 863)	-28.3	699	2.5	626	2.3	34 287	123.6	27 749	-	-	-	-
B	KZN435	uMzimkhulu	329	4.3	258	3.4	192	2.5	6 810	89.7	7 590	(10 295)	-135.6	-	-
B	KZN436	Dr. Nkosazana Dlamini Zuma	2 529	5.1	2 063	4.2	1 763	3.6	43 261	87.2	49 615	-	-	-	-
C	DC43	Harry Gwala DM	334	0.4	5 363	5.8	3 500	3.8	83 062	90.0	92 260	-	-	-	-
Total: Harry Gwala Municipalities			7 994	3.6	6 955	3.1	7 932	3.6	200 251	89.7	223 133	(10 295)	-4.6	-	-
Total			2 913 782	14.7	1 157 798	5.8	658 675	3.3	15 093 760	76.1	19 824 015	(4 229)	-0.0	5 744 332	29.0

Source: NT Igdatabase

Appendix 8: Debtors by Customer Group (Total) - 2017/18

R'000	Organs of State						Commercial						Household						Other						Total	
	Age category (Days)						Age category (Days)						Age category (Days)						Age category (Days)							
	0 - 30	30 - 60	60 - 90	Over 90	Total	%	0 - 30	30 - 60	60 - 90	Over 90	Total	%	0 - 30	30 - 60	60 - 90	Over 90	Total	%	0 - 30	30 - 60	60 - 90	Over 90	Total	%		
A KZN2000 eThekweni	120 042	48 620	18 399	414 891	601 953	5.8	732 070	318 637	195 990	1 418 510	2 665 208	25.7	824 710	437 864	198 491	5 480 338	6 941 403	67.1	(10 147)	7 517	6 022	139 427	142 819	1.4	10 351 383	
B KZN212 uMdoni	(63)	58	58	23 225	23 279	34.1	355	598	232	4 608	5 793	8.5	(2 225)	2 212	1 299	30 747	32 033	46.9	4 800	(566)	(52)	3 080	7 262	10.6	68 367	
B KZN213 uMzumbi	-	-	-	9 750	9 750	62.0	(2)	-	-	3 256	3 254	20.7	-	-	-	-	-	-	-	-	-	2 712	2 712	17.3	15 716	
B KZN214 uMuziwabantu	501	206	171	4 332	5 211	25.4	1 116	747	213	2 779	4 856	23.7	1 538	815	576	6 012	8 940	43.6	167	148	142	1 056	1 514	7.4	20 521	
B KZN216 Ray Nkonyeni	1 563	14 939	197	2 981	19 680	7.5	14 199	12 825	1 844	16 007	44 875	17.0	28 174	27 157	7 725	127 092	190 148	72.1	4 459	(32 936)	24 702	12 844	9 068	3.4	263 772	
C DC21 Ugu DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total: Ugu Municipalities	2 002	15 203	426	40 288	57 920	15.7	15 669	14 170	2 289	26 651	58 778	16.0	27 487	30 185	9 600	163 851	231 122	62.7	9 426	(33 354)	24 792	19 692	20 556	5.6	368 375	
B KZN221 uMshwathi	1 484	1 186	731	44 253	47 654	44.2	1 567	852	640	18 645	21 704	20.1	1 337	838	668	35 527	38 371	35.6	-	-	-	-	-	-	107 729	
B KZN222 uMngeni	628	182	149	7 044	8 002	7.2	747	79	74	1 348	2 248	2.0	8 091	3 219	2 663	69 690	83 662	75.6	522	443	392	15 434	16 791	15.2	110 703	
B KZN223 Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 304	89 087	98 614	100.0	98 614	
B KZN224 iMpandze	90	36	27	5 359	5 512	60.7	25	21	19	577	643	7.1	32	22	20	277	350	3.9	(104)	63	65	2 547	2 571	28.3	9 076	
B KZN225 Msunduzi	43 515	11 120	106	128 242	182 982	7.2	225 720	29 305	18 579	188 490	462 093	18.1	194 220	49 123	(350)	1 514 562	1 757 554	68.7	16 360	1 355	692	137 841	156 247	6.1	2 558 877	
B KZN226 Mkhambathini	(179)	30	28	750	629	2.6	2 861	263	209	6 539	9 871	40.3	200	111	88	2 654	3 053	12.5	141	156	156	10 480	10 932	44.6	24 486	
B KZN227 Richmond	62	80	409	5 183	5 735	27.5	171	78	83	1 322	1 654	7.0	1 058	307	431	6 584	8 361	40.0	865	203	240	3 830	5 138	24.6	20 888	
C DC22 uMgungundlovu DM	3 984	(25)	445	6 476	10 880	2.2	147	-	-	147	147	0.0	17 483	(120)	7 486	301 055	325 905	66.0	10 912	186	3 633	141 832	156 564	31.7	493 495	
Total: uMgungundlovu Municipalities	49 584	12 609	1 895	197 307	261 394	7.6	231 238	30 598	19 604	216 922	498 361	14.6	222 421	53 500	11 006	1 930 329	2 217 256	64.8	33 431	4 893	7 482	401 051	446 857	13.1	3 423 868	
B KZN235 Okhahlamba	995	(0)	466	16 927	18 388	34.7	15	-	7	214	236	0.4	963	(27)	279	13 366	14 582	27.5	2 520	(19)	816	16 487	19 804	37.4	53 010	
B KZN237 iNkosi Langalibalele	4 249	3 891	3 569	114 974	126 684	54.1	892	817	862	452	3 023	1.3	5 558	2 254	1 517	44 033	53 361	22.8	18 845	7 457	3 204	21 671	51 177	21.8	234 244	
B KZN238 Alfred Duma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10 471	278 951	347 906	100.0	347 906	
C DC23 uThukela DM	-	5 688	5 637	20 508	31 832	3.9	-	10 837	2 875	35 405	49 117	6.0	-	29 035	12 028	690 725	731 788	89.9	11	21	10	1 034	1 076	0.1	813 813	
Total: uThukela Municipalities	5 244	9 679	9 672	152 409	176 904	12.2	906	11 654	3 743	36 072	52 375	3.6	6 522	31 261	13 824	748 124	799 731	55.2	65 990	21 328	14 501	318 143	419 962	28.0	1 448 973	
B KZN241 eNdameni	614	83	63	2 663	3 423	3.8	4 116	496	206	5 068	9 887	11.0	4 120	1 747	1 396	66 644	73 906	82.6	245	107	72	1 885	2 309	6.8	89 526	
B KZN242 Nquthu	285	144	706	23 499	24 634	70.8	755	57	107	2 300	3 218	9.2	106	75	185	4 189	4 555	13.1	134	71	107	2 097	2 409	2.9	34 816	
B KZN244 uMsinga	107	-	-	107	107	10.6	294	-	-	-	294	29.2	605	-	-	-	605	60.2	-	-	-	-	-	-	1 005	
B KZN245 uMhlofi	1 473	1	171	4 249	5 893	9.0	4 850	3	486	8 319	13 658	20.9	4 286	11	1 278	32 622	38 198	58.4	5 806	(189)	291	1 747	7 655	11.7	65 404	
C DC24 uMzinyathi DM	5 900	1 455	1 001	16 080	24 437	10.0	608	906	942	13 061	15 517	6.3	6 466	5 322	5 186	187 648	204 622	83.7	-	-	-	-	-	-	244 575	
Total: uMzinyathi Municipalities	8 378	1 684	1 941	46 491	58 494	13.4	10 623	1 462	1 741	28 748	42 873	8.3	15 582	7 154	8 046	291 104	321 886	73.9	6 184	(11)	470	5 729	12 373	2.8	435 326	
B KZN252 Newcastle	(5 943)	609	573	39 013	34 252	2.9	56 690	2 231	2 163	62 434	123 518	10.4	72 244	26 707	24 596	884 963	1 008 510	85.3	5 420	162	153	10 595	16 331	1.4	1 182 611	
B KZN253 eMaLlangeni	1 052	-	310	10 727	12 089	33.6	395	(0)	91	1 516	2 001	5.6	523	(16)	116	4 829	5 453	15.1	786	(6)	348	15 331	16 459	45.7	36 002	
B KZN254 Dannhauser	244	244	147	10 714	10 714	19.3	261	147	124	7 985	8 517	15.4	289	296	279	29 130	29 993	54.1	123	83	83	5 971	6 259	11.3	55 484	
C DC25 Amajuba DM	1 394	1 239	222	2 796	5 650	9.2	278	336	176	1 767	2 557	4.2	2 958	2 281	1 763	46 046	53 048	86.6	-	-	-	-	-	-	61 255	
Total: Amajuba Municipalities	(3 253)	2 092	1 330	62 536	62 705	4.7	57 624	2 713	2 554	73 702	136 593	10.2	76 014	29 268	26 755	964 968	1 097 005	82.2	6 329	239	585	31 897	39 049	2.9	1 335 352	
B KZN261 eDumbe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B KZN262 uPhongolo	1 244	919	803	19 075	22 041	13.5	3 361	860	521	3 457	8 199	5.0	2 038	1 389	1 090	112 705	117 221	72.0	655	466	380	13 877	15 379	9.4	162 839	
B KZN263 AbaQulusi	2 624	105	269	3 716	6 714	4.2	8 557	2 200	1 191	29 392	41 340	25.8	7 830	3 476	3 326	88 086	102 719	64.2	305	141	176	8 557	9 180	5.7	159 953	
B KZN265 Nongoma	972	888	965	19 617	22 442	54.7	(401)	(626)	(167)	21 073	19 879	48.5	(112)	(15)	16	9 934	9 823	23.9	(17)	(52)	(7)	(11 047)	(11 124)	-27.1	41 020	
B KZN266 Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
C DC26 Zululand DM	1 789	523	356	7 098	9 766	10.3	495	301	228	2 317	3 341	3.5	1 529	1 885	962	76 782	81 159	85.7	38	58	89	293	478	0.5	94 743	
Total: Zululand Municipalities	6 629	2 435	2 393	49 506	60 963	13.3	12 012	2 735	1 772	56 239	72 758	15.9	11 286	6 734	5 395	287 507	310 922	67.8	981	613	638	11 680	13 912	3.0	458 556	
B KZN271 uMhlaluyalingana	(250)	377	376	28 897	29 399	62.6	621	525	443	15 924	17 513	37.3	-	-	-	-	-	-	-	2	2	3	15	21	0.0	46 933
B KZN272 Jozini	1 026	1 005	1 609	83 732	87 372	54.1	1 173	1 081	932	26 552	29 738	18.4	232	883	861	42 406	44 382	27.5	-	-	0	4	4	0.0	161 496	
B KZN275 Mtubatuba	393	(5)	90	9 612	10 090	9.3	1 946	(1)	794	15 797	18 536	17.2	4 103	(58)	1 769	70 444	76 257	70.6	156	(5)	(236)	3 206</				

Appendix 9: Creditors Age Analysis (Total) - 2017/18

R'000	0 - 30 Days		30 - 60 Days		60 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
A KZN2000 eThekwini	2 610 451	77.9	29 024	0.9	51 183	1.5	662 041	19.7	3 352 698
B KZN212 uMdoni	410	11.2	716	19.5	1 096	29.9	1 445	39.4	3 668
B KZN213 uMzumbhe	(16 008)	98.8	51	-0.3	45	-0.3	(287)	1.8	(16 199)
B KZN214 uMuzwabantu	-	-	-	-	-	-	-	-	-
B KZN216 Ray Nkonyeni	48 508	100.0	-	-	-	-	-	-	48 508
C DC21 Ugu DM	11 535	93.1	140	1.1	-	-	710	5.7	12 385
Total: Ugu Municipalities	44 446	91.9	907	1.9	1 141	2.4	1 868	3.9	48 363
B KZN221 uMshwathi	1 675	100.0	-	-	-	-	-	-	1 675
B KZN222 uMngeni	-	-	-	-	-	-	-	-	-
B KZN223 Mpofana	8 560	21.1	6 120	15.1	5 977	14.8	19 847	49.0	40 504
B KZN224 iMpendle	-	-	-	-	-	-	-	-	-
B KZN225 Msunduzi	800 080	95.2	15 603	1.9	2 275	0.3	22 634	2.7	840 593
B KZN226 Mkhambathini	3 363	100.0	(0)	-0.0	-	-	0	0.0	3 363
B KZN227 Richmond	-	-	-	-	-	-	-	-	-
C DC22 uMgungundlovu DM	72 611	98.2	455	0.6	393	0.5	481	0.7	73 940
Total: uMgungundlovu Municipalities	886 289	92.3	22 178	2.3	8 645	0.9	42 963	4.5	960 075
B KZN235 Okhahlamba	6 362	100.0	-	-	-	-	-	-	6 362
B KZN237 iNkosi Langalibalele	87 891	82.3	252	0.2	441	0.4	18 252	17.1	106 836
B KZN238 Alfred Duma	53 539	100.0	-	-	-	-	-	-	53 539
C DC23 uThukela DM	83 988	78.4	5 787	5.4	5 980	5.6	11 381	10.6	107 136
Total: uThukela Municipalities	231 780	84.6	6 039	2.2	6 421	2.3	29 633	10.8	273 872
B KZN241 eNdameni	25 866	100.0	-	-	-	-	-	-	25 866
B KZN242 Nquthu	235	41.4	147	25.9	19	3.3	167	29.4	568
B KZN244 uMsinga	899	100.0	-	-	-	-	-	-	899
B KZN245 uMvoti	17 945	99.4	-	-	-	-	111	0.6	18 056
C DC24 uMzinyathi DM	47 931	55.9	694	0.8	31	0.0	37 039	43.2	85 695
Total: uMzinyathi Municipalities	92 876	70.9	841	0.6	50	0.0	37 316	28.5	131 083
B KZN252 Newcastle	199 900	89.1	7 837	3.5	4 205	1.9	12 474	5.6	224 416
B KZN253 eMadlangeni	2 586	97.3	71	2.7	-	-	0	0.0	2 657
B KZN254 Dannhauser	1 533	95.6	-	-	-	-	70	4.4	1 603
C DC25 Amajuba DM	8 965	13.3	10 196	15.1	2 980	4.4	45 476	67.3	67 618
Total: Amajuba Municipalities	212 984	71.9	18 103	6.1	7 185	2.4	58 020	19.6	296 293
B KZN261 eDumbe	6 499	21.6	470	1.6	899	3.0	22 285	73.9	30 153
B KZN262 uPhongolo	9 058	97.5	139	1.5	10	0.1	83	0.9	9 290
B KZN263 AbaQulusi	28 249	100.0	-	-	-	-	-	-	28 249
B KZN265 Nongoma	3 478	98.8	71	2.0	-	-	(29)	-0.8	3 520
B KZN266 Ulundi	1 084	1.2	(518)	-0.6	-	-	88 110	99.4	88 676
C DC26 Zululand DM	2 470	100.0	-	-	-	-	-	-	2 470
Total: Zululand Municipalities	50 839	31.3	162	0.1	909	0.6	110 449	68.0	162 358
B KZN271 uMhlabyalingana	(1 558)	208.8	(1 014)	135.9	1 499	-200.9	327	-43.9	(746)
B KZN272 Jozini	33	6.6	6	1.2	0	0.0	465	92.2	505
B KZN275 Mtubatuba	2 589	22.4	3 418	29.6	483	4.2	5 068	43.8	11 559
B KZN276 Big Five Hlabisa	621	19.5	2 121	66.7	(936)	-29.5	1 373	43.2	3 179
C DC27 uMkhanyakude DM	4 429	6.7	(106)	-0.2	58	0.1	61 858	93.4	66 239
Total: uMkhanyakude Municipalities	6 115	7.6	4 426	5.5	1 103	1.4	69 091	85.6	80 735
B KZN281 uMfolozi	7 292	79.2	1 310	14.2	100	1.1	504	5.5	9 206
B KZN282 uMhlathuze	619 403	100.0	-	-	-	-	-	-	619 403
B KZN284 uMlalazi	71 950	100.0	-	-	-	-	-	-	71 950
B KZN285 Mthonjaneni	3 526	88.1	196	4.9	7	0.2	273	6.8	4 003
B KZN286 Nkandla	(7 761)	80.6	(1 104)	11.5	(135)	1.4	(634)	6.6	(9 634)
C DC28 King Cetshwayo DM	20 736	33.1	13 017	20.8	5 058	8.1	23 898	38.1	62 708
Total: King Cetshwayo Municipalities	715 146	94.4	13 419	1.8	5 030	0.7	24 041	3.2	757 635
B KZN291 Mandeni	2 515	96.6	89	3.4	1	0.0	-	-	2 605
B KZN292 KwaDukuza	199 981	98.3	303	0.1	1 446	0.7	1 746	0.9	203 476
B KZN293 Ndwedwe	(4 902)	130.1	16	-0.4	18	-0.5	1 100	-29.2	(3 769)
B KZN294 Maphumulo	697	27.6	805	31.9	118	4.7	906	35.9	2 526
C DC29 iLembe DM	66 365	78.6	16 691	19.8	145	0.2	1 237	1.5	84 438
Total: iLembe Municipalities	264 655	91.5	17 904	6.2	1 727	0.6	4 990	1.7	289 276
B KZN433 Greater Kokstad	332	49.9	47	7.1	187	28.1	100	15.0	666
B KZN434 uBuhlebezwe	-	-	-	-	-	-	-	-	-
B KZN435 uMzimkhulu	20 754	100.0	-	-	-	-	-	-	20 754
B KZN436 Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-
C DC43 Harry Gwala DM	6 133	13.8	25 839	58.2	2 532	5.7	9 906	22.3	44 410
Total: Harry Gwala Municipalities	27 220	41.3	25 886	39.3	2 719	4.1	10 006	15.2	65 831
Total	5 142 801	80.1	138 889	2.2	86 113	1.3	1 050 417	16.4	6 418 220

Source: NT Igdatabase

Appendix 10: National Conditional Grants - 2017/18

R000	Financial Management Grant						Municipal Infrastructure Grant						Integrated National Electrification Programme (municipal) Grant						Expanded Public Works Programme Integrated Grant (municipality)									
	DoRA Total Avail. (Inc. Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		DoRA Total Avail. (Inc. Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		DoRA Total Avail. (Inc. Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		DoRA Total Avail. (Inc. Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	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	1 050	1 050	1 050	1 050	100	-	-	-	-	-	35 000	35 000	35 000	29 753	85	35 000	100	66 792	66 792	66 792	46 307	69	66 792	100				
B KZN212 uMdoni	4 245	4 245	4 245	3 354	79	4 245	100	3 161	31 161	24 250	78	35 124	113	8 000	8 000	8 000	7 069	88	8 000	100	1 000	1 000	1 000	254	25	1 000	100	
B KZN213 uMzumbane	1 900	1 900	1 900	1 900	100	1 900	100	34 624	34 624	34 624	100	34 624	100	10 000	10 000	10 000	6 119	61	10 000	100	1 291	1 291	1 291	986	76	1 291	100	
B KZN214 uMuziwabantu	1 900	1 900	1 900	720	38	1 900	100	28 685	28 685	28 684	100	28 684	100	4 000	4 000	4 000	3 320	83	2 219	56	1 006	1 006	1 006	1 006	100	1 006	100	
B KZN216 Ray Nkonyeni	3 600	3 600	3 600	3 600	100	3 423	95	62 615	62 615	62 615	100	31 996	51	14 000	14 000	14 000	10 009	72	9 304	67	3 306	3 306	3 306	3 247	98	3 306	100	
C DC21 Ugu DM	1 795	1 795	1 795	1 793	100	1 795	100	245 479	245 479	245 479	100	245 479	100	-	-	-	-	-	-	-	1 956	1 956	1 956	1 924	98	1 956	100	
Total: Ugu Municipalities	13 440	13 440	13 440	11 367	85	13 263	99	402 564	402 564	402 564	395 652	98	375 907	93	36 000	36 000	36 000	26 517	74	29 523	82	8 559	8 559	8 559	7 417	87	8 559	100
B KZN221 uMshwathi	1 900	1 900	1 900	1 897	100	1 900	100	39 016	39 016	39 016	100	39 016	100	3 000	3 000	3 000	-	-	4 044	135	2 065	2 065	2 065	1 773	86	2 065	100	
B KZN222 uMngeni	1 700	1 700	1 700	1 677	99	1 700	100	23 379	23 379	23 379	100	23 379	100	5 000	5 000	5 000	5 000	100	5 000	100	1 000	1 000	1 000	966	97	1 000	100	
B KZN223 uMfolozi	1 900	1 900	1 900	1 911	101	1 911	101	12 164	13 664	12 164	100	12 164	100	5 000	5 000	5 000	-	-	5 000	100	1 000	1 000	1 000	1 000	100	1 000	100	
B KZN224 uMpendle	1 900	1 900	1 900	1 875	99	1 900	100	11 845	11 845	11 845	100	10 345	87	-	-	-	-	-	-	-	1 460	1 460	1 460	1 247	85	1 460	100	
B KZN225 uMsunduzi	1 700	1 700	1 700	1 700	100	1 700	100	201 139	201 139	201 139	100	194 273	91	-	-	-	-	-	-	-	8 022	8 022	8 022	419	5	8 022	100	
B KZN226 uMkhambathini	1 900	1 900	1 900	1 900	100	2 056	108	16 285	16 285	16 285	100	15 337	94	8 000	8 000	8 000	7 560	95	9 028	113	1 089	1 089	1 089	611	56	1 089	111	
B KZN227 uMkhambathini	1 900	1 900	1 900	1 898	100	1 898	100	25 354	25 354	25 354	100	23 231	92	8 000	8 000	8 000	2 918	37	8 000	100	1 443	1 443	1 443	486	34	1 443	100	
C DC22 uMgungundlovu DM	1 250	1 250	1 250	1 250	100	1 250	100	96 021	96 021	96 021	100	96 021	100	-	-	-	-	-	-	-	1 428	1 428	1 428	1 428	100	1 428	100	
Total: uMgungundlovu Municipalities	14 150	14 150	14 150	14 099	100	14 315	101	425 203	426 703	425 203	387 633	91	415 889	98	29 000	29 000	29 000	15 478	53	31 072	107	17 507	17 507	17 507	7 930	45	17 507	101
B KZN235 uMhlabuyalingana	1 900	1 900	1 900	1 343	71	1 900	100	33 742	33 742	33 742	100	33 742	100	13 000	13 000	13 000	13 000	100	13 000	100	3 911	3 911	3 911	3 491	89	3 911	100	
B KZN237 uMkhosini Langalibalele	3 600	3 600	3 600	3 250	90	3 600	100	38 276	38 276	38 276	100	43 110	113	15 000	15 000	15 000	1 089	7	1 130	8	5 133	5 133	5 133	4 719	92	5 133	100	
B KZN238 uMkhosini Langalibalele	3 600	3 600	3 600	1 700	47	3 600	100	62 749	62 749	62 749	100	70 306	112	15 000	15 000	15 000	15 000	100	15 000	100	3 347	3 347	3 347	3 154	94	3 347	100	
C DC23 uThukela DM	1 795	1 795	1 795	1 795	100	1 794	100	187 304	187 304	187 304	100	187 304	100	-	-	-	-	-	-	-	3 724	3 724	3 724	3 256	87	3 724	107	
Total: uThukela Municipalities	10 895	10 895	10 895	8 088	74	10 894	100	322 071	322 071	322 071	319 991	99	334 462	104	43 000	43 000	43 000	29 089	68	29 130	68	16 115	16 115	16 115	14 620	91	16 377	102
B KZN241 uMhlabuyalingana	1 700	1 700	1 700	1 700	100	1 700	100	21 702	21 702	21 702	100	21 702	100	9 000	9 000	9 000	9 000	100	8 902	99	1 218	1 218	1 218	1 062	87	1 218	100	
B KZN242 uMthuthu	1 900	1 900	1 900	1 611	85	1 900	100	42 691	42 691	42 691	100	38 900	91	24 000	24 000	24 000	24 000	100	24 000	100	1 003	1 003	1 003	907	70	1 025	102	
B KZN244 uMzinga	1 900	1 900	1 900	1 900	100	1 730	91	38 032	38 032	38 032	100	40 910	108	29 000	29 000	29 000	23 568	81	48 207	166	4 775	4 775	4 775	3 347	70	4 775	100	
B KZN245 uMvoti	1 800	1 800	1 800	1 800	100	1 805	100	27 634	27 634	27 634	100	28 060	102	15 000	15 000	15 000	14 656	98	16 173	108	1 007	1 007	1 007	992	99	2 326	231	
C DC24 uMzinyathi DM	1 250	1 250	1 250	1 109	89	1 250	100	178 941	178 941	178 941	100	178 941	100	-	-	-	-	-	-	-	2 444	2 444	2 444	2 444	100	2 444	100	
Total: uMzinyathi Municipalities	8 550	8 550	8 550	8 120	95	7 902	92	309 000	309 000	309 000	305 208	99	298 029	96	77 000	77 000	77 000	71 224	93	97 282	126	10 447	10 447	10 447	8 752	84	11 788	113
B KZN252 Newcastle	1 700	1 700	1 700	1 700	100	1 700	100	114 604	114 604	114 604	100	93 619	82	9 000	9 000	9 000	8 508	95	8 619	96	4 166	4 166	4 166	4 166	100	4 166	100	
B KZN253 uMhlabuyalingana	1 900	1 900	1 900	1 889	99	1 900	100	6 423	6 423	6 110	95	6 423	100	12 000	12 000	12 000	-	-	12 000	100	1 000	1 000	1 000	1 000	100	1 000	100	
B KZN254 uMhlabuyalingana	1 900	1 900	1 900	1 910	101	1 910	101	22 081	22 081	22 081	100	22 293	101	-	-	-	-	-	-	-	1 000	1 000	1 000	437	44	1 000	100	
C DC25 uMhlabuyalingana DM	1 500	1 500	1 500	1 500	100	1 500	100	41 717	41 717	41 717	100	41 717	100	-	-	-	-	-	-	-	1 789	1 789	1 789	1 347	75	1 789	100	
Total: uMhlabuyalingana Municipalities	7 000	7 000	7 000	6 989	100	7 010	100	184 825	184 825	184 825	184 512	100	164 053	89	21 000	21 000	21 000	8 508	41	20 619	98	7 955	7 955	7 955	6 950	87	7 955	100
B KZN261 uMhlabuyalingana	1 900	1 900	1 900	1 900	100	1 900	100	18 292	18 292	18 292	100	17 827	98	24 000	24 000	24 000	9 098	38	23 991	100	1 389	1 389	1 389	1 244	90	1 326	96	
B KZN262 uMhlabuyalingana	1 900	1 900	1 900	1 900	100	1 900	100	33 741	33 741	33 741	100	33 741	100	9 000	9 000	9 000	6 442	72	9 001	100	4 678	4 678	4 678	4 678	100	4 678	100	
B KZN263 uMhlabuyalingana	1 700	1 700	1 700	1 700	100	1 700	100	35 440	35 440	35 440	100	31 266	88	15 000	15 000	15 000	7 869	53	-	-	1 505	1 505	1 505	1 062	71	2 097	139	
B KZN265 uMhlabuyalingana	1 900	1 900	1 900	1 869	98	1 869	100	43 378	43 378	43 378	100	43 378	100	15 000	15 000	15 000	15 000	100	14 164	94	1 039	1 039	1 039	1 038	100	1 037	100	
B KZN266 uMhlabuyalingana	1 800	1 800	1 800	1 800	100	2 653	147	31 388	31 388	31 387	100	31 440	100	26 000	26 000	26 000	18 000	69	18 953	73	2 995	2 995	2 995	2 838	95	3 440	115	
C DC26 uMhlabuyalingana DM	1 250	1 250	1 250	1 161	93																							

Appendix 11: MFMA Section 71 vs mSCOA reporting - 2017/18

R'000	Section 71 Operating Revenue	mSCOA Operating Revenue	Difference	Section 71 Operating Expenditure	mSCOA Operating Expenditure	Difference	Section 71 Operating Surplus/(Deficit)	mSCOA Operating Surplus/(Deficit)	Difference	Section 71 Capital Expenditure	mSCOA Capital Expenditure	Difference	
A	KZN2000 eThekweni	32 405 050	31 806 143	598 907	30 347 704	28 854 825	1 492 879	2 057 345	2 951 317	(893 972)	4 362 884	3 789 976	572 908
B	KZN212 uMdoni	260 695	205 656	55 039	229 121	228 029	1 092	31 574	(22 374)	53 948	59 849	45 531	14 319
B	KZN213 uMzombe	143 080	144 847	(1 768)	141 862	123 016	18 846	1 218	21 831	(20 613)	42 332	330 762	(288 431)
B	KZN214 uMuziwabantu	187 696	333 558	(145 862)	140 795	119 701	21 094	46 900	213 857	(166 956)	42 649	35 806	6 843
B	KZN216 Ray Nkonyeni	813 030	919 210	(106 180)	524 376	711 336	(186 960)	288 654	207 874	80 780	125 385	258 745	(133 360)
C	DC21 Ugu DM	575 579	755 950	(180 371)	740 555	687 368	53 187	(164 976)	68 582	(233 558)	219 742	253 033	(33 291)
	Total: Ugu Municipalities	1 980 080	2 359 221	(379 141)	1 776 709	1 869 451	(92 742)	203 371	489 770	(286 399)	489 958	923 877	(433 920)
B	KZN221 uMshwathi	152 752	148 978	3 774	135 942	125 372	10 570	16 810	23 606	(6 796)	36 012	277 843	(241 831)
B	KZN222 uMngeni	336 389	311 505	24 884	349 465	315 374	34 092	(13 077)	(3 869)	(9 208)	38 861	38 861	(0)
B	KZN223 Mpofana	133 607	40 174	93 433	126 322	48 296	78 026	7 285	(8 121)	15 407	12 386	6 287	6 100
B	KZN224 iMpendle	70 600	40 625	29 975	43 460	40 935	2 526	27 140	(310)	27 450	15 141	12 058	3 084
B	KZN225 Msunduzi	4 447 642	4 336 279	111 362	4 161 164	3 839 690	321 474	286 478	496 589	(210 112)	584 184	404 370	179 815
B	KZN226 Mkhambathini	79 909	94 743	(14 834)	65 046	70 623	(5 577)	14 863	24 120	(9 257)	20 401	139 467	(119 067)
B	KZN227 Richmond	107 685	113 725	(6 040)	72 054	79 557	(7 503)	35 632	34 168	1 464	17 777	16 370	1 407
C	DC22 uMgungundlovu DM	643 800	105 336	538 464	752 041	424 437	327 603	(108 241)	(319 101)	210 860	118 657	1 351 467	(1 232 810)
	Total: uMgungundlovu Municipalities	5 972 384	5 191 365	781 019	5 705 494	4 944 283	761 210	266 890	247 082	19 808	843 420	2 246 723	(1 403 302)
B	KZN235 Okhahlamba	234 270	170 921	63 349	182 578	165 234	17 344	51 692	5 688	46 004	85 337	393 467	(308 129)
B	KZN237 iNkosi Langalibalele	501 425	493 018	8 407	400 749	402 558	(1 808)	100 676	90 460	10 216	42 036	48 788	(6 752)
B	KZN238 Alfred Duma	772 056	772 287	(231)	639 492	639 623	(131)	132 564	132 664	(100)	82 005	80 948	1 057
C	DC23 uThukela DM	638 181	491 249	146 932	521 686	527 337	(5 651)	116 495	(36 088)	152 583	340 951	264 590	76 361
	Total: uThukela Municipalities	2 145 932	1 927 476	218 457	1 744 506	1 734 752	9 754	401 427	192 724	208 703	550 330	787 792	(237 463)
B	KZN241 eNdameni	294 670	292 786	1 884	256 398	246 086	10 312	38 272	46 700	(8 427)	39 368	18 479	20 888
B	KZN242 Nquthu	180 927	167 503	13 425	113 436	108 167	5 269	67 491	59 336	8 155	63 278	32 803	30 475
B	KZN244 uMsinga	106 046	129 529	(23 483)	156 392	137 657	18 735	(50 346)	(8 128)	(42 218)	27 751	46 413	(18 661)
B	KZN245 uMvoti	269 526	236 124	33 401	261 255	194 568	66 687	8 271	41 557	(33 286)	44 640	36 643	7 997
C	DC24 uMzinyathi DM	378 417	366 610	11 808	369 638	266 144	103 494	8 779	100 466	(91 687)	284 394	195 474	88 919
	Total: uMzinyathi Municipalities	1 229 587	1 192 552	37 035	1 157 120	952 622	204 497	72 468	239 930	(167 462)	459 430	329 813	129 618
B	KZN252 Newcastle	1 626 259	1 349 401	276 858	2 097 674	1 596 200	501 475	(471 415)	(246 798)	(224 617)	179 893	34 431	145 462
B	KZN253 eMadlangeni	82 497	82 515	(18)	62 238	62 384	(147)	20 259	20 131	128	18 338	169 271	(150 933)
B	KZN254 Dannhauser	104 138	114 395	(10 257)	66 345	66 495	(150)	37 793	47 900	(10 107)	25 968	41 899	(15 930)
C	DC25 Amajuba DM	247 621	277 752	(30 131)	175 571	195 143	(19 572)	72 050	82 609	(10 559)	84 565	69 532	15 033
	Total: Amajuba Municipalities	2 060 515	1 824 064	236 451	2 401 829	1 920 223	481 606	(341 313)	(96 159)	(245 155)	308 765	315 134	(6 369)
B	KZN261 eDumbe	76 926	108 784	(31 858)	56 883	61 384	(4 500)	20 042	47 400	(27 358)	52 275	343 031	(290 755)
B	KZN262 uPhongolo	249 881	55 893	193 988	207 844	9 478	198 366	42 037	46 415	(4 378)	39 815	32 328	7 487
B	KZN263 Abaqulusi	369 127	473 208	(104 081)	433 647	389 586	44 062	(64 521)	83 622	(148 142)	16 638	7 160	9 478
B	KZN265 Nongoma	180 270	160 847	19 423	158 996	150 504	8 492	21 274	10 343	10 931	56 880	391 884	(335 004)
B	KZN266 Ulundi	279 723	287 011	(7 288)	288 565	272 809	15 756	(8 842)	14 202	(23 044)	37 734	432 627	(394 893)
C	DC26 Zululand DM	428 626	430 018	(1 392)	549 198	556 942	(7 744)	(120 572)	(126 924)	6 352	347 738	351 594	(3 856)
	Total: Zululand Municipalities	1 584 554	1 515 761	68 792	1 695 135	1 440 704	254 432	(110 582)	75 057	(185 639)	551 080	1 558 622	(1 007 542)
B	KZN271 uMhlabyalingana	172 632	162 773	9 859	154 013	134 865	19 149	18 619	27 909	(9 290)	68 374	356 826	(288 452)
B	KZN272 Jozini	175 654	196 819	(21 165)	177 892	178 761	(868)	(2 238)	18 058	(20 297)	35 399	353 410	(318 010)
B	KZN275 Mtubatuba	209 362	196 447	12 915	207 515	183 815	23 700	1 847	12 632	(10 785)	46 530	388 752	(342 222)
B	KZN276 Big Five Hlabisa	102 576	67 587	34 989	123 861	84 412	39 448	(21 284)	(16 825)	(4 459)	22 142	296 934	(274 793)
C	DC27 uMkhanyakude DM	370 229	427 947	(57 717)	318 270	319 405	(1 135)	51 959	108 542	(56 583)	293 652	2 061 519	(1 767 868)
	Total: uMkhanyakude Municipalities	1 030 454	1 051 573	(21 119)	981 552	901 258	80 294	48 903	150 315	(101 413)	466 096	3 457 441	(2 991 344)
B	KZN281 uMfolozi	136 629	150 636	(14 007)	111 719	88 894	22 825	24 909	61 742	(36 832)	28 306	107 910	(79 603)
B	KZN282 uMhlathuze	2 772 147	2 771 774	373	2 780 457	2 766 987	13 470	(8 309)	4 787	(13 097)	468 601	468 662	(61)
B	KZN284 uMlalazi	358 732	334 354	24 378	351 579	283 005	68 574	7 153	51 349	(44 196)	46 046	29 544	16 502
B	KZN285 Mthonjaneni	91 835	78 081	13 754	114 938	64 840	50 098	(23 104)	13 241	(36 344)	41 387	9 733	31 654
B	KZN286 Nkandla	51 076	96 935	(45 859)	93 167	74 024	19 143	(42 091)	22 911	(65 001)	22 344	8 315	14 029
C	DC28 King Cetshwayo DM	696 674	696 674	0	785 840	785 840	(0)	(89 166)	(89 166)	0	185 291	185 291	-
	Total: King Cetshwayo Municipalities	4 107 093	4 128 454	(21 361)	4 237 700	4 063 591	174 109	(130 608)	64 863	(195 471)	791 976	809 455	(17 479)
B	KZN291 Mandeni	111 532	109 102	2 431	208 715	197 984	10 731	(97 183)	(88 882)	(8 301)	41 007	418 321	(377 314)
B	KZN292 KwaDukuza	1 397 925	1 408 557	(10 632)	1 228 405	1 228 405	(0)	169 520	180 152	(10 632)	139 036	122 589	16 446
B	KZN293 Ndwedwe	102 466	113 654	(11 188)	130 830	138 276	(7 446)	(28 364)	(24 622)	(3 741)	31 098	274 561	(243 462)
B	KZN294 Maphumulo	112 776	98 204	14 572	107 082	92 288	14 794	5 694	5 916	(222)	38 431	189 313	(150 881)
C	DC29 iLembe DM	1 244 846	564 638	680 208	687 940	499 512	188 427	556 906	65 125	491 781	243 056	254 429	(11 372)
	Total: iLembe Municipalities	2 969 545	2 294 154	675 391	2 362 971	2 156 465	206 506	606 574	137 689	468 885	492 629	1 259 213	(766 584)
B	KZN433 Greater Kokstad	314 298	290 163	24 134	273 854	269 130	4 724	40 443	21 033	19 410	63 006	74 393	(11 387)
B	KZN434 uBuhlebezwe	153 411	127 170	26 241	130 352	88 008	42 345	23 058	39 163	(16 104)	41 057	29 454	11 604
B	KZN435 uMzimkhulu	202 284	187 606	14 678	218 633	211 203	7 430	(16 349)	(23 597)	7 248	66 938	80 523	(13 585)
B	KZN436 Dr. Nkosazana Dlamini Zuma	161 747	152 100	9 646	131 743	101 767	29 976	30 004	50 334	(20 330)	103 511	46 737	56 773
C	DC43 Harry Gwala DM	370 063	317 720	52 343	374 250	875 672	(501 421)	(4 188)	(557 952)	553 764	220 868	220 832	36
	Total: Harry Gwala Municipalities	1 201 802	1 074 759	127 042	1 128 833	1 545 779	(416 946)	72 969	(471 020)	543 988	495 380	451 939	43 441
	Total	56 686 995	54 365 522	2 321 473	53 539 553	50 383 953	3 155 601	3 147 442	3 981 570	(834 128)	9 811 		

Appendix 13: Breakdown of Unspent National Conditional Grants - 2015/16

R000	Municipal Infrastructure Grant (MIG)	Infrastructure Skills Development Grant (ISDG)	Municipal Systems Improvement Grant (MSIG)	Financial Mgmt Grant (FMG)	Neighbourhood Development Partnership Grant (NDPG)	Municipal human Settlements Capacity Grant (MHSCG)	Water Services Operating Subsidy Grant (WSOS)	Integrated National Electrification Programme (INEP)	Public Transport Infrastructure Grant (PTIG)	Public Transport Network Operations Grant (PTNOG)	Rural Households Infrastructure Grant (RHIG)	Rural Roads Asset Management Grant (RRAMS)	Energy Efficiency Demand Side Management (EDSM)	Municipal Water Infrastructure Grant (MWIG)	Municipal Disaster Grant (MDG)	Municipal Disaster Recovery Grant (MDRG)	Expanded Public Works Programme (EPWP)	Total Amount Unspent 2015-16
A	KZN2000 eThekweni	-	-	-	261	-	-	-	-	-	-	-	5 286	-	-	-	-	5 547
B	KZN211 Vulamehlo	-	671	-	-	-	-	-	-	-	-	-	-	-	-	2 974	-	3 645
B	KZN212 Umdoni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN213 Umzumbi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN214 uMkuzwabantu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN215 Estropeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN216 Hibiscus Coast	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC21 Ugu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	8 398	-	-	-	8 398
	Total: Ugu Municipalities	-	671	-	-	-	-	-	-	-	-	-	8 398	-	2 974	-	-	12 643
B	KZN221 uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN222 uMngeni	6 400	-	-	-	-	-	3 282	-	-	-	-	-	-	-	-	-	9 682
B	KZN223 Mpolana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN224 Impende	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN225 Mauduzi	1 100	-	4	-	29 748	-	551	165 200	-	-	-	-	-	-	-	-	196 603
B	KZN226 Mkhambathini	-	-	-	-	-	-	1 433	-	-	-	-	-	-	-	-	-	1 433
B	KZN227 Richmond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC22 uMgungundlovu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total: uMgungundlovu Municipalities	7 500	-	4	-	29 748	-	5 266	165 200	-	-	-	-	-	-	-	-	207 718
B	KZN232 Ennambithi-Ladysmith	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN233 Indaka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN234 Umshazi	-	-	-	-	-	-	1 633	-	-	-	-	-	-	-	-	110	1 743
B	KZN235 Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN236 Imbabazane	-	-	-	-	-	-	6 636	-	-	-	-	-	-	-	-	-	6 636
C	DC23 Uthukela District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total: Uthukela Municipalities	-	-	-	-	-	-	8 269	-	-	-	-	-	-	-	-	-	110
B	KZN241 Endumeni	-	-	-	-	-	-	7 497	-	-	-	-	-	-	-	-	-	7 497
B	KZN242 Nguthu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN244 Manga	-	-	-	-	-	-	19 396	-	-	-	-	-	-	-	-	-	19 396
B	KZN245 Umvoti	-	-	-	-	-	-	-	-	-	-	-	-	-	120	-	-	120
C	DC24 Umzinyathi District Municipality	-	-	-	-	-	-	3 650	-	-	-	-	-	-	-	-	-	3 672
	Total: Umzinyathi Municipalities	-	-	-	-	-	-	3 650	26 893	-	-	-	-	-	120	-	22	30 685
B	KZN252 Newcastle	-	678	-	-	-	-	-	-	-	-	-	-	-	-	-	-	678
B	KZN253 Emma-dangeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN254 Darnisauser	-	-	-	-	-	-	449	-	-	-	-	-	-	-	-	20	469
C	DC25 Amajuba District Municipality	-	-	-	-	-	-	-	-	-	-	-	8 650	-	-	-	-	8 650
	Total: Amajuba Municipalities	-	678	-	-	-	-	449	-	-	-	-	8 650	-	-	-	20	9 797
B	KZN261 eDumbe	-	270	-	-	-	-	-	-	-	-	-	-	-	-	-	422	692
B	KZN262 uPhongolo	2 471	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 471
B	KZN263 Abaqulusi	-	-	-	-	-	-	911	-	-	-	-	-	-	-	-	83	994
B	KZN265 Nongoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN266 Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC26 Zululand District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total: Zululand Municipalities	2 471	270	-	-	-	-	911	-	-	-	-	-	-	-	-	-	505
B	KZN271 Umhlabuyalingana	1 337	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 337
B	KZN272 Jozini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN273 The Big 5 False Bay	5 034	-	401	-	-	-	-	-	-	-	-	-	-	-	-	-	5 435
B	KZN274 Hlabisa	3 000	-	308	45	-	-	338	-	-	-	-	-	-	-	-	283	3 974
B	KZN275 Mthubaba	-	-	-	-	-	-	-	-	-	-	-	914	-	-	-	-	914
C	DC27 Umkhanyakude District Municipality	-	-	-	-	-	1 900	-	-	-	8	2 500	-	-	-	-	1 324	5 732
	Total: Umkhanyakude Municipalities	9 371	-	709	45	-	1 900	338	-	-	8	2 500	914	-	-	-	1 607	17 392
B	KZN281 uMfolozi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN282 uMhlathuze	-	104	-	-	-	1 100	8 100	-	-	-	-	-	9 300	-	-	6	18 610
B	KZN283 Ntambanana	1 100	-	13	8	-	-	-	-	-	-	-	-	-	-	-	-	1 121
B	KZN284 Umfolozi	1 300	-	-	-	-	-	4 300	-	-	-	-	-	-	-	-	404	6 004
B	KZN285 Mthorpaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN286 Nkanda	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC28 uThungulu District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total: uThungulu Municipalities	2 400	104	13	8	-	1 100	12 400	-	-	-	-	9 300	-	-	-	410	25 735
B	KZN291 Mandeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN292 KwaDukuza	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN293 Ndwedwe	-	-	-	886	-	-	-	-	-	-	-	-	-	-	-	-	886
B	KZN294 Maphumulo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC29 iLembe District Municipality	-	-	-	-	-	-	-	-	-	-	105	-	-	-	-	-	105
	Total: iLembe Municipalities	-	-	-	-	-	-	-	-	-	-	105	-	-	-	-	-	991
B	KZN431 Ingwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN432 Kwa Sani	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN433 Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	2 831	-	-	-	-	2 831
B	KZN434 Ubulhebezwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN435 Umzimkhulu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC43 Harry Gwala District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total: Harry Gwala Municipalities	-	-	-	-	-	-	-	-	-	-	-	2 831	-	-	-	-	2 831
Total	21 742	104	2 345	53	30 895	-	6 650	54 526	165 200	-	8	2 605	9 031	26 348	120	2 974	2 074	325 276

Source: National Treasury

Appendix 14: Breakdown of Unspent National Conditional Grants - 2016/17

R000	Municipal Infrastructure Grant (MIG)	Infrastructure Skills Development Grant (ISDG)	Municipal Systems Improvement Grant (MSIG)	Financial Mgmt Grant (FMG)	Neighbourhood Development Partnership Grant (NDPG)	Municipal human Settlements Capacity Grant (MHSCG)	Water Services Operating Subsidy Grant (WSOS)	Integrated National Electrification Programme (INEP)	Public Transport Infrastructure Grant (PTIG)	Regional Bulk Infrastructure Grant (RHIG)	Rural Households Infrastructure Grant (RHIG)	Rural Roads Asset Management Grant (RRAMS)	Energy Efficiency Demand Side Management (EEDSM)	Water Services Infrastructure Grant (WSIG)	Municipal Disaster Grant (MDG)	Municipal Disaster Recovery Grant (MDRG)	Expanded Public Works Programme (EPWP)	Total Amount Unspent 2016-17
A	KZN2000 eThekweni	5 300			28 200													33 500
B	KZN212 uMdoni																	475
B	KZN213 uMzumba																	3 900
B	KZN214 uMzwabantu																	-
B	KZN216 Ray Nkonyeni																	-
C	DC21 Ugu DM																	-
	Total: Ugu Municipalities																	4 375
B	KZN221 uMshwathi																	-
B	KZN222 uMngeni																	-
B	KZN223 Mpolana																	-
B	KZN224 iMpendle																	-
B	KZN225 Maunduzi																	-
B	KZN226 Mhambathini					20 200		3 900									2 900	27 000
B	KZN227 Richmond							33									13	46
C	DC22 uMgungundlovu DM	36 900																36 900
	Total: uMgungundlovu Municipalities	36 900				20 200		3 933									2 913	63 946
B	KZN235 Okhahlamba																	-
B	KZN237 iNkosi Langalibalele	3 300							2 500									6 800
B	KZN238 Alfred Duma																1 100	238
C	DC23 uThukela DM									67 100								67 100
	Total: Uthukela Municipalities	3 300							2 500	67 100							1 296	74 238
B	KZN241 eNdameni																	-
B	KZN242 Nguthu																	132
B	KZN244 uMlingo	3 900							39									3 900
B	KZN245 uMfoti																	-
C	DC24 uMzimyathi DM									29 500				6 600				36 647
	Total: Umzimyathi Municipalities	3 900							39	29 500			547	6 600			39	40 279
B	KZN252 Newcastle																	709
B	KZN253 eMadlangeni								5 300									5 300
B	KZN254 Dannhauser																	-
C	DC25 Amajuba DM																	-
	Total: Amajuba Municipalities								5 300									6 009
B	KZN261 eDumbe	977																1 356
B	KZN262 uPhongolo	493																493
B	KZN263 AbaQulusi																	-
B	KZN265 Nongoma																	-
B	KZN266 Ulundi																	-
C	DC26 Zululand DM																	-
	Total: Zululand Municipalities	1 470							54									1 849
B	KZN271 uMhlabuyalingana																	-
B	KZN272 Jozini	2 600							6 800									9 400
B	KZN275 Mthabatha																	-
B	KZN276 Big Five Habisa								19								159	178
C	DC27 uMkhanyakude DM	15 400																15 400
	Total: Umkhanyakude Municipalities	16 000							6 819								159	24 978
B	KZN281 uMfolozi																	-
B	KZN282 uMhlatuze	2 600																2 600
B	KZN284 uMlalazi																	-
B	KZN285 Mthonjaneni																	-
B	KZN286 Nkandla																	-
C	DC28 King Cetshwayo DM																	-
	Total: King Cetshwayo Municipalities	2 600																2 600
B	KZN291 Maseru																	4 800
B	KZN292 KwaDukuza																	-
B	KZN293 Nsawade																	-
B	KZN294 Maphumulo																25	25
C	DC29 iLembe DM																	-
	Total: iLembe Municipalities																	25
B	KZN433 Greater Kokstad																	-
B	KZN434 uBuhlebezwe																	-
B	KZN435 uMzimkhulu																	-
B	KZN436 Dr. Nkomo Dlamini Zuma								2 200									2 200
C	DC43 Harry Gwala DM									26 900				15 300				42 200
	Total: Harry Gwala Municipalities								2 200	26 900				15 300				44 400
Total	63 170	7 900		421	53 909			20 846		123 500		547		21 900		4 375	4 432	300 999

Source: National Treasury

Appendix 15: Unspent National Conditional Grants - 2012/13 to 2016/17

R'000		Unspent Conditional Grants for 2012/13	Unspent Conditional Grants for 2013/14	Unspent Conditional Grants for 2014/15	Unspent Conditional Grants for 2015/16	Unspent Conditional Grants for 2016/17	Total
A	KZN2000 eThekwini	317 434	7 351	537 406	5 547	33 500	901 238
B	KZN211 Vulamehlo	4 956	648	4 764	3 645	-	14 013
B	KZN212 uMdoni	-	-	-	-	475	475
B	KZN213 uMzumbe	-	-	-	-	3 900	3 900
B	KZN214 uMuziwabantu	-	-	6 490	-	-	6 490
B	KZN215 Eziqoleni	-	830	-	-	-	830
B	KZN216 Hibiscus Coast	1 604	3 871	8 350	-	-	13 825
B	KZN216 Ray Nkonyeni	-	-	-	-	-	-
C	DC21 Ugu DM	2 837	2 940	8 931	8 398	-	23 106
	Total: Ugu Municipalities	9 397	8 289	28 535	12 043	4 375	62 639
B	KZN221 uMshwathi	-	-	-	-	-	-
B	KZN222 uMngeni	-	996	-	9 682	-	10 678
B	KZN223 Mpofana	162	1 700	-	-	-	1 862
B	KZN224 iMpendle	-	-	-	-	-	-
B	KZN225 Msunduzi	52 386	77 545	39 904	196 603	27 000	393 438
B	KZN226 Mkhambathini	8 662	-	1 758	1 433	46	11 899
B	KZN227 Richmond	-	-	-	-	-	-
C	DC22 uMgungundlovu DM	1 223	-	5 894	-	36 900	44 017
	Total: uMgungundlovu Municipalities	62 433	80 241	47 556	207 718	63 946	461 894
B	KZN232 Emnambithi/Ladysmith	-	-	122	-	-	122
B	KZN233 Indaka	1 968	10 789	2 665	-	-	15 422
B	KZN234 Umtshezi	8 508	4 600	-	1 743	-	14 851
B	KZN235 Okhahlamba	-	-	-	-	-	-
B	KZN236 Imbabazane	-	3 189	-	6 636	-	9 825
B	KZN237 iNkosi Langalibalele	-	-	-	-	6 900	6 900
B	KZN238 Alfred Duma	-	-	-	-	238	238
C	DC23 Uthukela DM	7 045	-	742	-	67 100	74 887
	Total: Uthukela Municipalities	17 521	18 578	3 529	8 379	74 238	122 245
B	KZN241 eNdumeni	-	-	-	7 497	-	7 497
B	KZN242 Nquthu	3 799	-	1 361	-	132	5 292
B	KZN244 uMsinga	3 791	2 200	3 876	19 396	3 500	32 763
B	KZN245 uMvoti	-	646	4 941	120	-	5 707
C	DC24 uMzinyathi DM	1 000	6 370	-	3 672	36 647	47 689
	Total: Umzinyathi Municipalities	8 590	9 216	10 178	30 685	40 279	98 948
B	KZN252 Newcastle	9 000	-	21 066	678	709	31 453
B	KZN253 eMadlangeni	2 303	696	-	-	5 300	8 299
B	KZN254 Dannhauser	-	146	-	469	-	615
C	DC25 Amajuba DM	5 000	7 231	401	8 650	-	21 282
	Total: Amajuba Municipalities	16 303	8 073	21 467	9 797	6 009	61 649
B	KZN261 eDumbe	-	4 600	506	692	1 356	7 154
B	KZN262 uPhongolo	-	-	-	2 471	493	2 964
B	KZN263 Abaqulusi	149	-	447	994	-	1 590
B	KZN265 Nongoma	259	7 973	4 341	-	-	12 573
B	KZN266 Ulundi	-	1 267	-	-	-	1 267
C	DC26 Zululand DM	-	-	-	-	-	-
	Total: Zululand Municipalities	408	13 840	5 294	4 157	1 849	25 548
B	KZN271 Umhlabuyalingana	-	-	-	1 337	-	1 337
B	KZN272 Jozini	1 615	559	559	-	9 400	12 133
B	KZN273 The Big 5 False Bay	-	1 400	145	5 435	-	6 980
B	KZN274 Hlabisa	-	239	137	3 974	-	4 350
B	KZN275 Mtubatuba	4 110	-	-	914	-	5 024
B	KZN276 Big 5 Hlabisa	-	-	-	-	178	178
C	DC27 uMkhanyakude DM	1 082	1 600	2 115	5 732	15 400	25 929
	Total: Umkhanyakude Municipalities	6 807	3 798	2 956	17 392	24 978	55 931
B	KZN281 uMfolozi	8 160	113	-	-	-	8 273
B	KZN282 uMhlathuze	-	-	7 731	18 610	2 600	28 941
B	KZN283 Ntambanana	-	-	-	1 121	-	1 121
B	KZN284 uMlalazi	-	-	3 625	6 004	-	9 629
B	KZN285 Mthonjaneni	-	-	-	-	-	-
B	KZN286 Nkandla	2 833	98	204	-	-	3 135
C	DC28 King Cetshwayo DM	-	127	32 433	-	-	32 560
	Total: uThungulu Municipalities	10 993	338	43 993	25 735	2 600	83 659
B	KZN291 Mandeni	-	-	6 546	-	4 800	11 346
B	KZN292 KwaDukuza	8 604	7 126	3 585	-	-	19 315
B	KZN293 Ndwedwe	-	51	30 980	886	-	31 917
B	KZN294 Maphumulo	640	-	4 270	-	25	4 935
C	DC29 iLembe DM	-	-	3 266	105	-	3 371
	Total: Ilembe Municipalities	9 244	7 177	48 647	991	4 825	70 884
B	KZN431 Ingwe	-	-	12 531	-	-	12 531
B	KZN432 Kwa Sani	463	-	-	-	-	463
B	KZN433 Greater Kokstad	-	-	1 324	2 831	-	4 155
B	KZN434 Ubuhlebezwe	412	-	-	-	-	412
B	KZN435 Umzimkhulu	-	-	612	-	-	612
B	KZN436 Dr. Nkosazana Dlamini Zuma	-	-	-	-	2 200	2 200
C	DC43 Harry Gwala DM	2 500	-	2 634	-	42 200	47 334
	Total: Harry Gwala Municipalities	3 375	-	17 101	2 831	44 400	67 707
Total		462 505	156 901	766 662	325 275	300 999	2 012 342

Source: National Treasury

Appendix 16: Stopping of funds in terms of Section 19 of the 2017 Division of Revenue Act (DoRA)

R'000	Municipal Infrastructure Grant (MIG)	Energy Efficiency Demand Side Management Grant (EEDSM)	Neighbourhood Development Partnership Grant (NDPG)	Rural Bulk Infrastructure Grant (RBIG)	Total
A	KZN2000 eThekwini	-	-	-	-
B	KZN212 uMdoni	-	-	-	-
B	KZN213 uMzumbe	-	-	-	-
B	KZN214 uMuziwabantu	-	-	-	-
B	KZN216 Ray Nkonyeni	-	-	-	-
C	DC21 Ugu DM	-	-	-	-
Total: Ugu Municipalities					
B	KZN221 uMshwathi	-	-	-	-
B	KZN222 uMngeni	-	-	-	-
B	KZN223 Mpofana	-	6 000	-	6 000
B	KZN224 iMpendle	-	-	-	-
B	KZN225 Msunduzi	-	-	1 904	1 904
B	KZN226 Mkhambathini	-	-	-	-
B	KZN227 Richmond	-	-	-	-
C	DC22 uMgungundlovu DM	7 747	-	-	7 747
Total: uMgungundlovu Municipalities					
		7 747	6 000	1 904	15 651
B	KZN235 Okhahlamba	-	-	-	-
B	KZN237 iNkosi Langalibalele	-	-	-	-
B	KZN238 Alfred Duma	-	-	-	-
C	DC23 uThukela DM	-	-	-	-
Total: Uthukela Municipalities					
B	KZN241 eNdumeni	-	-	-	-
B	KZN242 Nquthu	-	-	-	-
B	KZN244 uMsinga	-	-	-	-
B	KZN245 uMvoti	2 635	-	-	2 635
C	DC24 uMzinyathi DM	13 000	-	-	13 000
Total: Umzinyathi Municipalities					
		15 635	-	-	15 635
B	KZN252 Newcastle	-	-	15 233	15 233
B	KZN253 eMadlangeni	3 000	-	-	3 000
B	KZN254 Dannhauser	-	-	-	-
C	DC25 Amajuba DM	-	6 000	-	6 000
Total: Amajuba Municipalities					
		3 000	6 000	15 233	24 233
B	KZN261 eDumbe	-	-	-	-
B	KZN262 uPhongolo	-	-	-	-
B	KZN263 AbaQulusi	2 300	-	-	2 300
B	KZN265 Nongoma	-	-	-	-
B	KZN266 Ulundi	-	-	-	-
C	DC26 Zululand DM	-	-	30 552	30 552
Total: Zululand Municipalities					
		2 300	-	30 552	32 852
B	KZN271 uMhlabuyalingana	-	-	-	-
B	KZN272 Jozini	-	-	-	-
B	KZN275 Mtubatuba	-	-	-	-
B	KZN276 Big Five Hlabisa	-	-	-	-
C	DC27 uMkhanyakude DM	-	-	-	-
Total: Umkhanyakude Municipalities					
B	KZN281 uMfolozi	-	-	-	-
B	KZN282 uMhlathuze	-	-	-	-
B	KZN284 uMlalazi	-	-	-	-
B	KZN285 Mthonjaneni	-	-	-	-
B	KZN286 Nkandla	-	-	-	-
C	DC28 King Cetshwayo DM	-	-	-	-
Total: King Cetshwayo Municipalities					
B	KZN291 Mandeni	-	-	-	-
B	KZN292 KwaDukuza	-	-	-	-
B	KZN293 Ndwedwe	13 000	-	-	13 000
B	KZN294 Maphumulo	-	-	-	-
C	DC29 iLembe DM	-	-	-	-
Total: Ilembe Municipalities					
		13 000	-	-	13 000
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	41 682	12 000	17 137	30 552	101 371

Source: National Treasury. Government Gazette No. 41394 & 41519

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