

treasury

Department:
Treasury
PROVINCE OF KWAZULU-NATAL

MUNICIPAL FINANCE MANAGEMENT

2019/20
4TH QUARTER REVIEW
Close-out Report

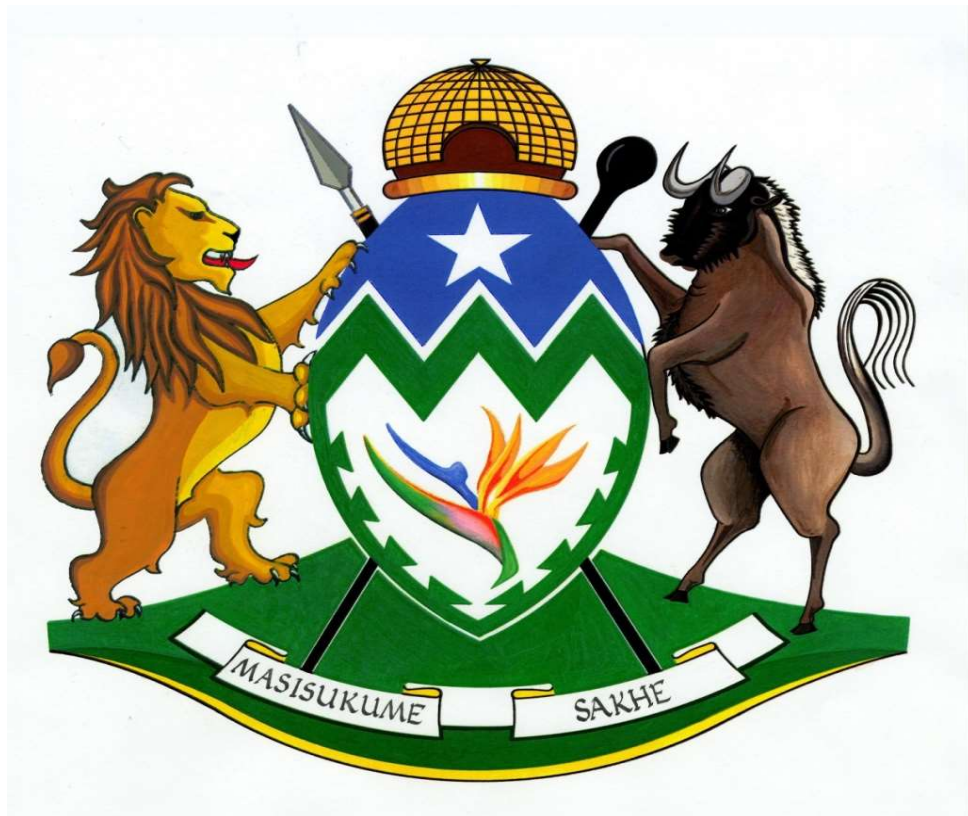
Guardian of the Public Purse
Umqaphi wezimali zomphakathi



treasury

Department:
Treasury
PROVINCE OF KWAZULU-NATAL

PROVINCE OF KWAZULU-NATAL



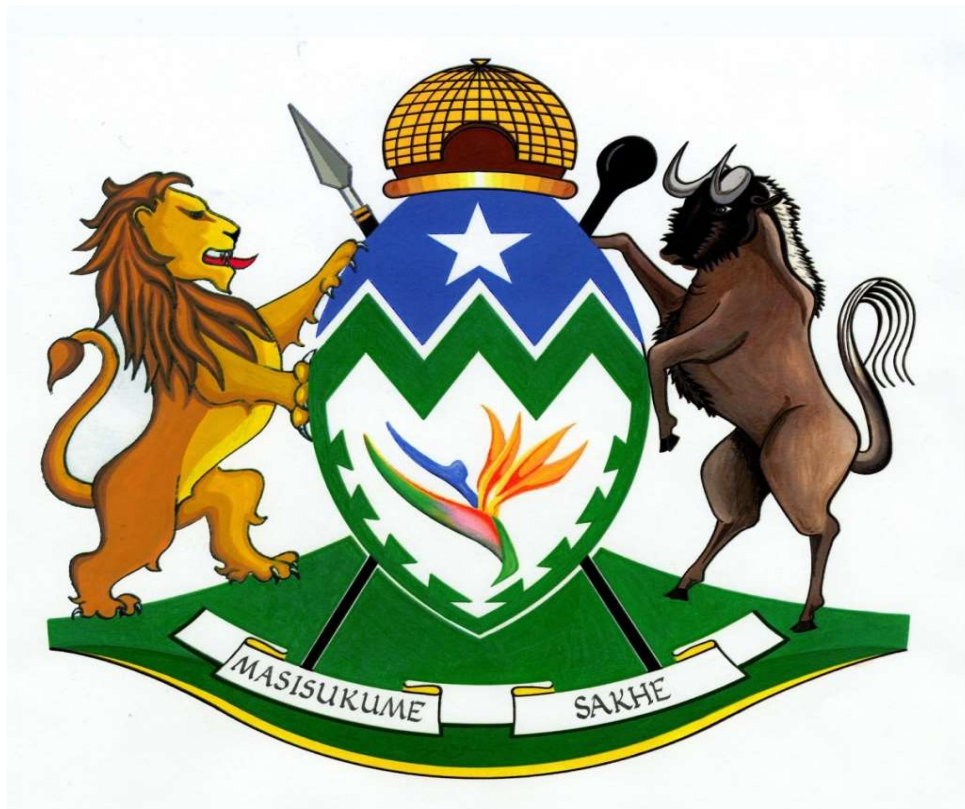
MUNICIPAL FINANCE MANAGEMENT 4th QUARTER REVIEW 2019/20 CLOSE-OUT REPORT



treasury

Department:
Treasury
PROVINCE OF KWAZULU-NATAL

PROVINCE OF KWAZULU-NATAL



ISBN: - 1-920041-54-0

KwaZulu-Natal Provincial Treasury, Municipal Finance Management 2019/20 Close-out Report

‘Be the Centre of Excellence in Fiscal and Financial Management in the Country’

Contact Details:

Municipal Finance Management
Provincial Treasury
Treasury House (NBS Building)
145 Chief Albert Luthuli Street
Pietermaritzburg, 3201

P O Box 3613
Pietermaritzburg, 3200

Tel: 033 – 897 4321
Fax: 033 – 342 4662

E-mail: mfma@kzntreasury.gov.za
www.kzntreasury.gov.za

© 2020 KwaZulu-Natal Provincial Treasury
All rights reserved

Contents

Data Source and Reliability	i
Methodology and Approach	i
List of Appendices	ii
Chapter 1: Introduction	1
Chapter 2: Socio-economic Profile of KwaZulu-Natal Districts	3
Chapter 3: Provincial Overview of Budget Performance	30
3.1: Operating Revenue	32
3.2: Operating Expenditure	35
3.3: Repairs and Maintenance	39
3.4: Capital Revenue (Source of Finance) and Expenditure	40
3.5: Debtors	48
3.6: Creditors	51
3.7: Bulk Resources	53
3.8: National Conditional Grants	59
3.9: Unspent Conditional Grants	66
3.10: Cash Flow Position – 2018/19	71
3.11: COVID-19 Pandemic Expenditure	79
Chapter 4: Performance Analysis against budget per municipality	83
4.1: Ugu District	83
4.2: uMgungundlovu District	90
4.3: uThukela District	99
4.4: uMzinyathi District	105
4.5: Amajuba District	112
4.6: Zululand District	118
4.7: uMkhanyakude District	125
4.8: King Cetshwayo District	132
4.9: iLembe District	139
4.10: Harry Gwala District	146

Chapter 5:	MFMA Implementation	154
	5.1: 2019/20 Mid-Year Budget and Performance Assessment Reports and Adjustments Budget	154
	5.2: 2020/21 Budget Evaluation Process	165
	5.3: Non-Compliance with the Division of Revenue Act and Municipal Finance Management Act Reporting Requirements	177
	5.4: Implementation of the Municipal Regulations on Standard Chart of Accounts	181
Chapter 6:	Municipal Support and Oversight	194
	6.1: Municipal Support Program (MSP)	194
	6.2: Municipal Supply Chain Management	195
	6.3: Banking	199
	6.4: Provincial Internal Audit - Risk and Advisory Services	202
	6.5: Norms and Standards	209
	6.6: Municipal Accounting and Reporting	210
	6.7: Municipal Public Private Partnerships	220
	6.8: Infrastructure Management	223
	6.9: Intergovernmental Relations (IGR)	223
Chapter 7:	Conclusion	225
Appendices		232
References		251

Data Source and Reliability

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. KwaZulu-Natal (KZN) Provincial Treasury hereby disclaims any and all responsibility for any loss, injury, damages, or expense directly or indirectly arising out of or relating to the use or reliance on this publication or the material contained therein. This publication has been prepared for the KZN Legislature. Provincial Treasury does not accept responsibility to any other party to whom it may be shown, or who on their own volition, may decide to rely on it. This report has been compiled based on information provided by the municipalities in the form of Annual Financial Statements, Budgets and preliminary information from the National Treasury Local Government Database. The information provided, accounting records or financial statements of the municipalities have not been audited and accordingly, KZN Provincial Treasury can express no assurances thereon. This publication is in compliance with, amongst others, Section 71(7) of the Municipal Finance Management Act, No. 56 of 2003 (MFMA), and is not to be used for any other purpose.

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

This publication may not be copied in whole or in part without the written consent of KZN Provincial Treasury.

© 2020 KwaZulu-Natal Provincial Treasury

All rights reserved.

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. At the time of publishing the fourth quarter information by the National Treasury, some municipalities did not submit all the required monthly MFMA Section 71 performance data strings. This has distorted the review of the budget performance as at the end of the fourth quarter for the respective municipalities, the district totals and the aggregated provincial totals for 2019/20.

In instances where reference has been made to the 2019/20 pre-audited Annual Financial Statements (AFS), it is probable that there will be material adjustments to the pre-audited 2019/20 AFS.

List of Appendices

Appendix 1: Operating Revenue - 2019/20

Appendix 2: Operating Expenditure - 2019/20

Appendix 3: Repairs and Maintenance - 2019/20

Appendix 4: Capital Revenue (Source of finance) - 2019/20

Appendix 5: Capital Expenditure - 2019/20

Appendix 6: Debtors Age Analysis (Total) - 2019/20

Appendix 7: Debtors by Customer Group (Total) - 2019/20

Appendix 8: Creditors Age Analysis (Total) - 2019/20

Appendix 9: Creditors per Category (Total) - 2019/20

Appendix 10: National Conditional Grants - 2019/20

Appendix 11: Approved Rollovers 2018/19

Appendix 12: Unspent National Conditional Grants - 2017/18

Appendix 13: Unspent National Conditional Grants - 2018/19

Appendix 14: Stopping of funds in terms of Section 19 of the 2019 Division of Revenue Act (DoRA)

Appendix 15: Unspent National Conditional Grants 2014/15 – 2018/19

Appendix 16: Grants reprioritised as a result of the Covid-19 pandemic

Appendix 17: Total COVID-19 expenditure per expenditure category and per district

Appendix 18: Total COVID-19 expenditure per funding sources and per district

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.* Provincial Treasury is also mandated to monitor the compliance of municipalities as per Sections 5(4)(a)(i) and 5(4)(a)(iii) of the MFMA.

In compliance with the above legislated mandate, I, as the Member of the Executive Committee (MEC) for Finance, hereby submit to the Provincial Legislature, a consolidated statement of the 4th Quarter Close-out Report for the 2019/20 financial year.

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

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

The report provides the reader with a balanced overview of the state of the budget performance of municipalities for the 2019/20 financial year while identifying amongst others, areas of financial weaknesses and risks which must be addressed in order to improve the financial position of municipalities. The assessments of the budget performance of municipalities could also serve as an early warning signal for the identification of municipalities facing financial challenges.

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

The report is structured in the following format: -

- Chapter 1 presents the introduction to the report;
- Chapter 2 presents an analysis on the socio-economic outlook of the districts in the KwaZulu-Natal Province;
- Chapter 3 provides an overview of the 2019/20 Budget performance of all municipalities, aggregated at a district level to provide a provincial perspective. The chapter also includes the sale of Bulk Resources of Water and Electricity by the Water Boards and Eskom respectively, the level of spending on Conditional grants and finally, the status of municipal Cash Flow positions for the 2018/19 financial year (based on the audited Annual Financial Statements (AFS)) and the expenditure incurred due to the COVID-19 pandemic;
- Chapter 4 provides an overview of each district with respect to the basic services provided by municipalities in the district, employment status of the Accounting Officer (Municipal Manager) and Chief Financial Officer, 2018/19 audit opinions, as well as a budget performance analysis per municipality in each district;
- Chapter 5 highlights the processes of the 2019/20 Mid-Year Budget and Performance Assessments Reports, Adjustments Budgets as well as the 2020/21 Budget Evaluations, followed by the status of Non-compliance with the MFMA, MBRR and the Division of Revenue Act (DoRA) reporting requirements and Implementation of the Municipal Regulations on Standard Chart of Accounts;

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

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

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

1. Introduction

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

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

2. Socio-Economic Review of KwaZulu-Natal

2.1 Demographic profile

2.1.1 Total population

The world population increased from 7.6 billion in 2018 to approximately 7.7 billion in 2019. This is, however, expected to increase by 28.6 percent to 9.9 billion in 2050 (Population Reference Bureau, 2019). Less developed countries constitute approximately 83.5 percent of the world population where Asia and Africa are the most populous regions. Approximately 60 percent of the world's population resides in Asia, with both China and India comprising 36.3 percent of the world population. An estimated 17 percent of the global population is in Africa followed by America and Europe, which have the lowest population among the regions at 13.1 percent and 9.7 percent, respectively (Population Reference Bureau, 2019).

As per the Population Reference Bureau (2019), South Africa's (SA's) population comprises 0.8 percent of the world population. SA is a diverse country consisting of wide cultural diversity, languages and religious beliefs. The 2020 Mid-year Population Estimates report by Statistics South Africa (Stats SA) reveals that the country's population is approximately 59.6 million which indicates an increase of 15.1 percent from 51.8 million recorded in 2011. The KZN Province is home to an estimated 11.5 million people, which translates to 19.3 percent of the total South African population. Consequently, KZN is the second most populous province after Gauteng, which has an estimated 15.5 million people, constituting 26.0 percent of the national population (Stats SA, 2020).

Table 2.1 illustrates the population size of the province and its districts (including the eThekweni Metro), percentage share of the KZN population by region (the eThekweni Metro and the ten districts in KZN), area in square kilometres (km²) and the population density. As expected, the eThekweni Metro is the most populous of all the regions in the province with approximately 4 million people, which is 34.6 percent of the total population in KZN. The main contributing factor to this phenomenon is rural-urban migration. People migrate from other districts with the hope of finding jobs in the central economic hub of the province

and also improve their education since most of the higher education institutions are located around the eThekweni Metro.

Table 2.1 Population size, area in square kilometres and population density in 2019

	Population size	% Share of KZN population	Area in square KMs	% Share of KZN area	Population density
eThekweni	3 987 578	34.6	2 556	2.7	1560.1
Ugu	754 918	6.5	4 791	5.1	157.6
uMgungundlovu	1 145 163	9.9	9 602	10.2	119.3
uThukela	724 209	6.3	11 134	11.8	65.0
uMzinyathi	568 248	4.9	8 652	9.2	65.7
Amajuba	556 549	4.8	7 102	7.5	78.4
Zululand	867 973	7.5	14 799	15.7	58.7
uMkhanyakude	696 193	6.0	13 855	14.7	50.2
King Cetshwayo	982 669	8.5	8 213	8.7	119.6
iLembe	678 018	5.9	3 269	3.5	207.4
Harry Gwala	505 190	4.4	10 386	11.0	48.6
KwaZulu-Natal	11 531 628	100	94 361	100	122.2

Source: IHS Markit, 2019 & Stats SA, 2020

It is, therefore, not surprising that the eThekweni Metro had the highest population density of 1560.1 per km² in 2019, given the size of the population in the metro. The uMgungundlovu District was the second most populous region in the province with approximately 1.1 million, which translates to 9.9 percent of the KZN population in 2019. The Harry Gwala District was the least populated region with 505 190 people, and as a result, the district had the least population density of 48.6 per km² in 2019.

Migration patterns within the province play a vital role in the variation of the population size in the regions. Although there had been an increase in the size of the population in KZN, an analysis of the period from 2011 to 2016, reveals that inter-provincial migration had negatively affected KZN. The out-migration exceeded the in-migration by an estimated 70 880 people over the period 2011 to 2016 and is expected to exceed by another 88 163 people between 2016 to 2021 as shown in 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) Province suffered the highest loss with 507 950 people migrating out of the province for the period 2011 to 2016, resulting in negative net-migration of 326 841 as per Table 2.2. The majority of the South African population migrate to Gauteng (GP) and the Western Cape (WC) provinces, most probably in search of better job opportunities.

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

Provinces	2011-2016			2016-2021		
	Out-migrants	In-migrants	Net-migration	Out-migrants	In-migrants	Net-migration
Eastern Cape	507 950	181 109	-326 841	514 888	191 931	-322 957
Free State	159 474	128 179	-31 295	164 185	134 256	-29 929
Gauteng	502 137	1 528 589	1 026 451	572 765	1 553 162	980 398
KwaZulu-Natal	351 546	280 666	-70 880	375 583	287 420	-88 163
Limpopo	445 838	270 970	-174 868	467 693	278 581	-189 112
Mpumalanga	202 928	270 665	67 736	220 302	281 336	61 034
Northern Cape	72 380	83 008	10 628	76 954	88 507	11 554
North West	188 087	305 900	117 813	205 723	318 604	112 881
Western Cape	161 291	458 892	297 601	178 013	468 568	290 555

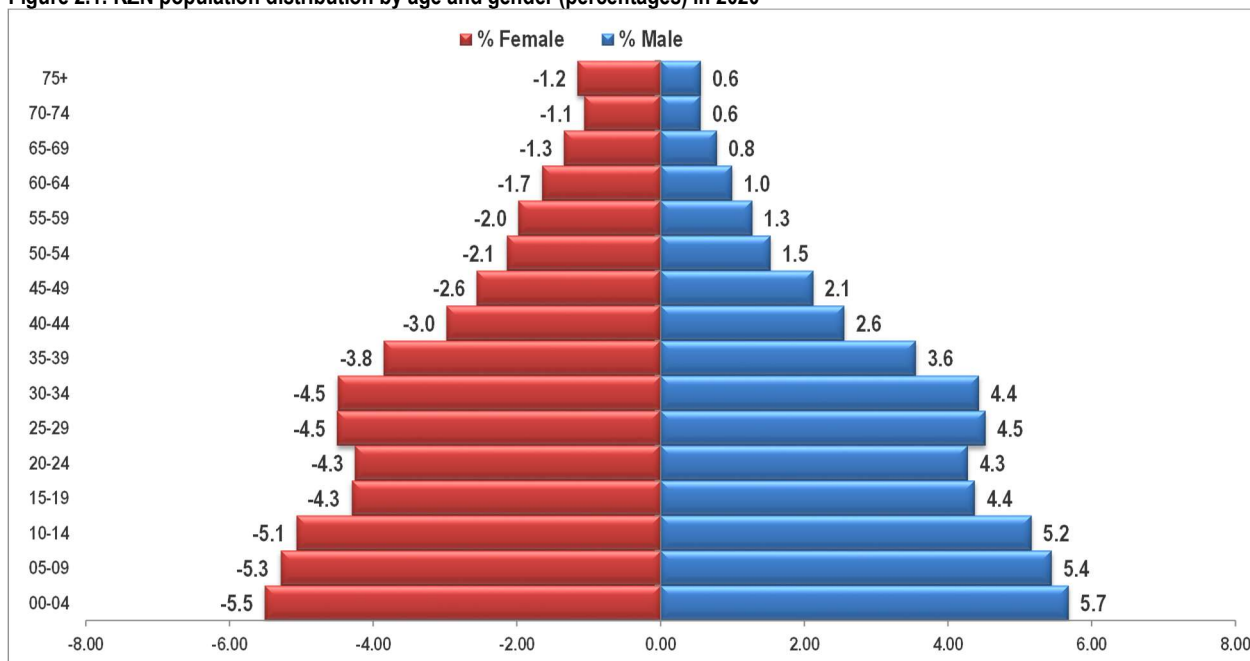
Source: Stats SA, 2020

2.1.2 Population distribution by age and gender

Figure 2.1 shows the population distribution for KZN by age and gender in 2020. The population pyramid indicates that the largest population in 2020 ranges between the age group of 00-04 to 30-34, which is approximately 67.3 percent of the total KZN population. Approximately 32.2 percent of this group are

children between 00 and 14, and 35.2 percent represents the working-age population, particularly the youth (15-34). The diagram further reveals that the proportional size of the male population decreased at a faster pace compared to their female counterparts which could be attributed to factors such as migration patterns and higher mortality amongst males due to risky social behaviour.

Figure 2.1: KZN population distribution by age and gender (percentages) in 2020



Source: Stats SA, 2020

The KZN total dependent population is estimated at 4.3 million people, while working-age population is estimated at 7.2 million people. The outcome of these estimates is a high dependency ratio of 60.4¹. The dependency ratio is an age-population ratio of those workers that are typically not in the labour force. It is one of the critical factors that can impede economic growth and development of the country. The implications of a higher dependency ratio could bring pressure on government finances which will lead to higher tax rates on a declining working-age population and in turn could create disincentives to work and reduce disposable income.

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

2.2 Economic performance

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

¹ South African dependency ratio = (number of people under 15 years) + (number of people aged 65 and over) / (number of people between 15 and 64) x 100 = ((3 708 861 + 631 598 / 7 191 173)) X 100 = 60.4 percent

2.2.1 Global economic review and outlook

The rapid spread of the coronavirus (COVID-19) pandemic has delivered a global economic shock of an immense scale, with many economies projected to report substantial contractions. The alarming speed of COVID-19 necessitated stringent lockdown regulations to curb the spread of the virus which resulted in large disruptions of economic activity across the globe. Nevertheless, in many advanced economies, the pace of new infections and hospital intensive care occupancy rates have declined due to lockdowns and social distancing. As correctly pointed out by the International Monetary Fund (IMF, 2020), the pandemic highlights the urgent need for health and economic policy action which includes global cooperation to cushion its consequences, protect vulnerable populations, and improve countries' capacity to prevent and cope with similar events in the future.

Following the devastating rapid spread of the virus, the global economic growth is projected to contract by 4.9 percent in 2020, when compared to 2.9 percent estimated in 2019 according to the IMF as per Table 2.3. Consumption growth, in particular, has been revised downwards for most economies reflecting a larger than anticipated disruption to domestic activity. Investment spending is also expected to be subdued as firms defer capital expenditure amid high uncertainty. Policy support partially offsets the deterioration in private domestic demand. The uncertainty in the global outlook is to a large extent due to the length of the pandemic required lockdowns and voluntary social distancing which will affect spending and displaced workers' ability to secure employment, possibly in different sectors; amongst others (IMF, 2020).

Table 2.3: World economic estimates and projections (percentage), 2017 to 2021

	World economic review and outlook									
	IMF					World Bank				
	2017	2018	2019	2020f	2021f	2017	2018	2019	2020f	2021f
World	3.7	3.6	2.9	-4.9	5.4	3.1	3.0	2.4	-5.2	4.2
Advanced Economies	2.4	2.2	1.7	-8.0	4.8	2.3	2.1	1.6	-7.0	3.9
United States of America	2.3	2.9	2.3	-8.0	4.5	2.2	2.9	2.3	-6.1	4.0
Euro Area	2.4	1.9	1.3	-10.2	6.0	2.4	1.8	1.2	-9.1	4.5
Japan	1.7	0.8	0.7	-5.8	2.4	1.9	0.9	0.7	-6.1	2.5
Emerging countries	4.7	4.5	3.7	-3.0	5.9	4.5	4.3	3.5	-2.5	4.6
Russia	1.5	2.3	1.3	-6.6	4.1	1.6	2.3	1.3	-6.0	2.7
China	6.9	6.6	6.1	1.0	8.2	6.8	6.6	6.1	1.0	6.9
India	6.7	6.8	4.2	-4.5	6.0	7.2	7.2	4.2	-3.2	3.1
Brazil	1.0	1.1	1.1	-9.1	3.6	1.1	1.1	1.1	-8.0	2.2
Sub-Saharan Africa	2.8	3.1	3.1	-3.2	3.4	2.6	2.5	2.2	-2.8	3.1
Nigeria	0.8	1.9	2.2	-5.4	2.6	0.8	1.9	2.2	-3.2	1.7
South Africa	1.3	0.8	0.2	-8.0	3.5	1.4	0.8	0.2	-7.1	2.9

Source: IMF, 2020 and the World Bank, 2020

f=forecast

In stark contrast to the moderate 1.7 percent recorded in 2019, the Gross Domestic Product (GDP) growth in advanced economies is projected at -8 percent in 2020 thus reflecting a deeper hit to economic activity as per the IMF. The advanced economies are, however, projected to gain momentum and grow by 4.8 percent in 2021. The United States (US) is among the hardest hit economies, with a projected downturn of about -8 percent in 2020. The country is nevertheless expected to recover to 4.5 percent in 2021.

In the Euro Area, output is projected to also suffer a negative growth rate of 10.2 percent in 2020 compared to the positive 1.3 percent in the preceding year as per the IMF. All major member countries in this economic bloc are forecast to rebound to 4.5 percent in 2021, reflecting waning pandemic related drag and the eventual effects of accommodative fiscal and monetary policies (World Bank, 2020). Over the same period, according to the IMF, the economic activity in Japan is expected to contract by 5.8 percent in 2020, before gaining momentum and registering a projected 2.4 percent in 2021.

Overall, as per the IMF, the economic growth in the group of the Emerging Market and Developing Economies (EMDEs) is forecast to decline markedly from 3.7 percent in 2019 to -3 percent in 2020, before recovering to 5.9 percent in 2021. For the first time, all regions are projected to experience negative growth in 2020. There are, however, substantial differences across economies within EMDEs, reflecting the evolution of the pandemic and the effectiveness of containment strategies as well as variation in economic structure. Typical examples of these differences depend on the severity of the affected sectors, such as tourism and oil; reliance on external financial flows, including remittances; and pre-crisis growth trends (World Bank, 2020).

In Russia, as per the IMF, output growth is expected to drop sharply to -6.6 percent in 2020, down from 1.3 percent in 2019. According to the World Bank (2020), this could be attributed to the adverse spill-overs from the slowdown in energy exporters. The headwinds in Russia and the Gulf Cooperation Council (GCC) economies are also cited as affecting reduced within-region flows of trade, remittances, foreign direct investment, and official grants have also harmed economic performance in this country. Economic activity in Russia is, however, projected to grow at 4.1 percent in 2021 as per the IMF. China is the only country expected to report a positive growth rate of 1 percent in 2020. As indicated by the World Bank (2020), this is the lowest growth China has registered in more than four decades as it falls far less than 6.1 percent estimated in 2019. The country's projection is dependent on the assumption that the outbreak remains under control and economic activity recovers. Nevertheless, China's GDP is expected to expand to 8.2 percent in 2021 as per the IMF.

India's economy is forecast to contract by 4.5 percent in 2020 following a prolonged lockdown and slower recovery according to the IMF. A similar trend is also expected in Brazil with a forecast of severe negative GDP growth of 9.1 percent, compared to a moderate 1.1 percent estimated in 2019 as per the IMF. The country is however expected to rebound to 3.6 percent in 2021.

Before the pandemic, 72 million people across 35 countries in Sub-Saharan Africa were already in food crisis, with many millions on the verge of falling into acute food insecurity (World Bank, 2020). The IMF (2020) expects Real GDP in Sub-Saharan Africa to contract by -3.2 percent in 2020, the lowest level of growth on record. The sharp contraction largely reflects the fall-out from the spread of COVID-19 and lower than expected commodity prices (World Bank, 2020). This lacklustre growth is, however, expected to recover moderately to 3.4 percent in 2021 according to the IMF as shown in Table 2.3. According to the IMF (2020), the volatile and high oil prices have supported the outlook for Angola, Nigeria and other oil-exporting countries in the region.

2.2.2 South African economic review outlook

Data from Stats SA (2020) shows that SA posted a third straight quarter of economic decline from October 2019 to the end of March 2020. This was after the country recorded an impressive revised growth rate of 3.3 percent in the second quarter of 2019. The downturn was primarily due to the continued stagnation in commodity prices. However, from the beginning of 2020, the economy of SA was severely affected by the impact of the COVID-19 pandemic. It is precisely due to this pandemic that the country's economy is expected to contract by more than 7 percent in 2020. This is a steep drop when compared to the marginal growth rate of 0.2 percent estimated in 2019.

Stats SA (2020) further shows that the first quarter of 2020 recorded the second deepest decline of -2 percent in GDP, since the advent of democracy in 1994. The two main industries that contributed to the substantial contraction towards the national GDP were mining and the manufacturing at -1.7 percent and -1.1 percent, respectively. On the other hand, finance, real estate and business services at 0.8 percent and agriculture with 0.5 percent were the major sectors that recorded a marginal increase in economic activity in the first quarter of 2020.

Nevertheless, the technical recession from quarter three of 2019 to the end of the first quarter of 2020 has not been as deep as the global financial crisis in 2009². The steep decline in SA's GDP is exacerbated by the on-going stringent lockdown regulations that started towards the end of March 2020. Despite the gloomy

² Real gross domestic product contracted by 6.1 percent in the first quarter of 2009.

outlook for 2020 by the World Bank (2020), IMF (2020) and the Organisation for Economic Co-operation and Development (OECD, 2020), the country's economy is expected to rebound and expand by more than 3 percent in 2021 according to the IMF as per Table 2.3.

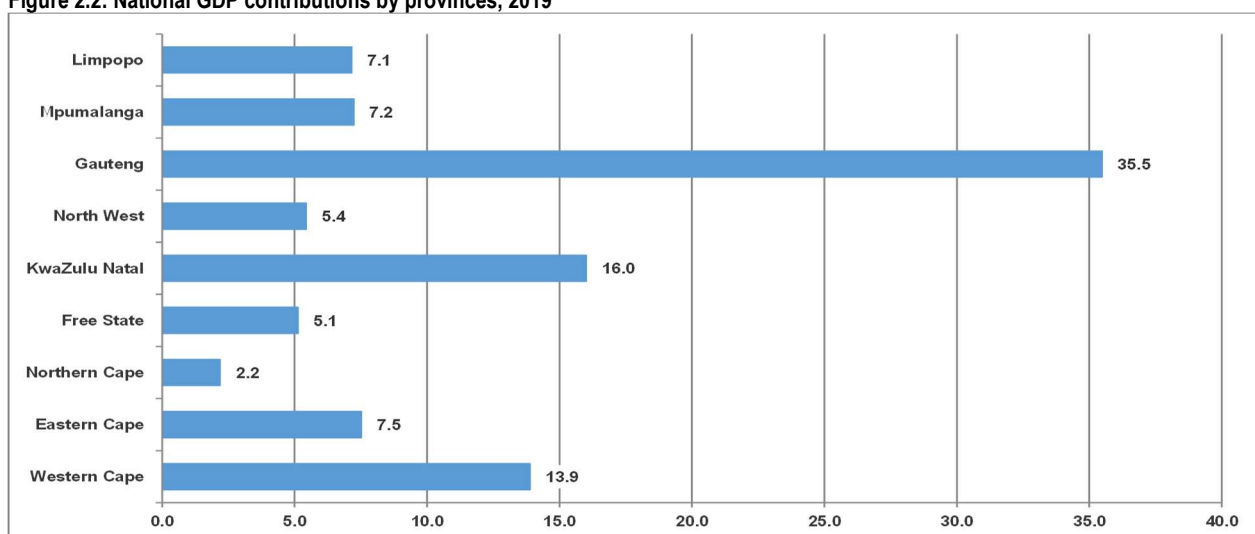
As illustrated by the World Economic Forum (WEF, 2019), SA's pre-COVID-19 economy was marked by declining international competitiveness, which dropped from 47 in 2016 to 60 out of 141 countries in 2019. The Business Confidence Index (BCI) had been below the 50 points mark since 2009 and the index dropped further to merely 5 points in the second quarter of 2020. The lowest record was 12 index points recorded during the third quarter of 1985 and the fourth quarter of 1977.³ Section 2.3 of this chapter also shows that the unemployment rate is also rising at a rapid rate, particularly amongst the youth.

The unprecedented prolonged lockdown has also hurt the Gross Fixed Capital Formation (GFCF) which dropped by 20.5 percent in the first three months of 2020. The main contributors to the decrease were machinery and other equipment, transport equipment and other assets. Weak imports of machinery and other equipment and transport equipment contributed to the decline in GFCF (Stats SA, 2020). The pandemic has therefore pushed SA deeper into an economic depression, with more people losing jobs-and public debt that is also rising at an unprecedented rate. Another concern relates to the Economic Survey of SA report by the OECD (2020) which projects that government deficit will reach 15 percent of GDP in 2020. The organisation is further concerned that public debt has been increasing from around 28 percent in 2008 to a projected figure of over 80 percent of GDP by the end of 2020. Therefore, in the absence of fiscal consolidation, the debt level will exceed 100 percent of GDP in 2022, raising sustainability risks in a context of low growth and high government borrowing rates.

2.2.3 KwaZulu-Natal economic review and outlook

The KZN's economy remained subdued in 2019 with the real economic activity estimated to have contracted slightly by -0.1 percent which emanated from the technical recession in the first quarter of the year and yet another sharp decline in economic activity in the final quarter. Similar to the national trend, the economic downturn is attributable to structural factors which, to a large extent, weighs on the business and consumer confidence. Nonetheless, the province continues to play an integral role in the South African economy in terms of Regional Gross Domestic Product (GDP-R). The KZN Province generated real GDP-R amounting to R504.2 billion in 2019 which translates to 16 percent of national aggregate output produced over the same period. Thus, KZN remains the second contributor to national GDP after GP at 35.5 percent and is moderately above the WC at 13.9 percent as per Figure 2.2.

Figure 2.2: National GDP contributions by provinces, 2019

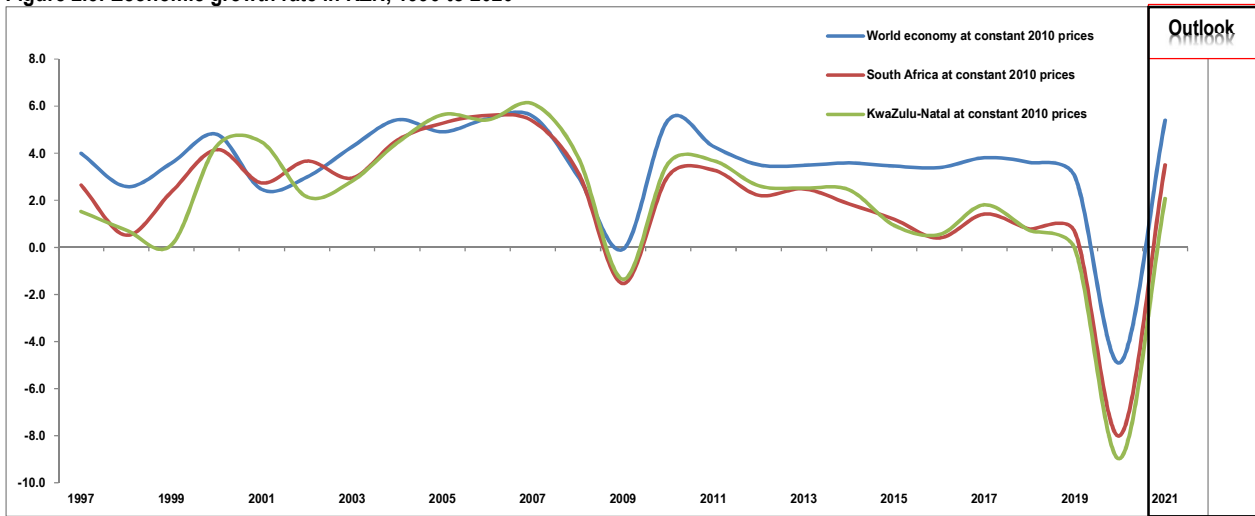


Source: IHS Markit, 2020

³ According to the Bureau of Economic Research (BER, 2020), BCI is a leading indicator measuring the overall health of an economy, Available online: <https://www.ber.ac.za>, accessed on 12 August 2020

Figure 2.3 shows that KZN's economy is projected to record a substantial contraction of 9 percent in 2020 before picking up modestly to 2.1 percent in 2021. The projected slump in the provincial economy is attributable to the COVID-19 global pandemic which caused a massive economic shock across the globe.

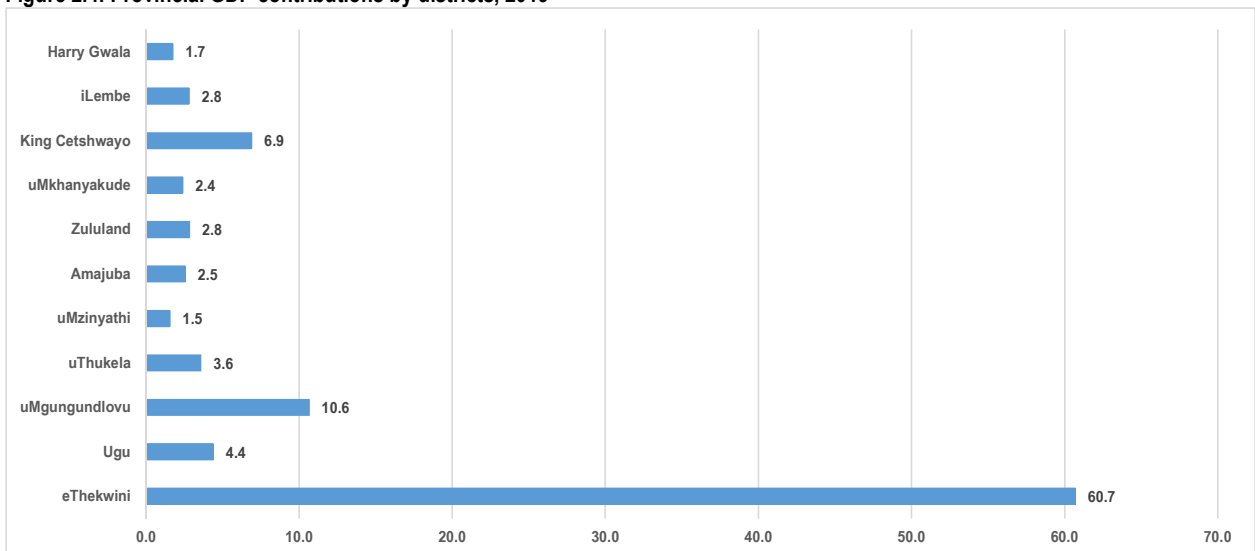
Figure 2.3: Economic growth rate in KZN, 1996 to 2020



Source: IHS Markit, 2020 and IMF, 2020

The provincial output is distributed unevenly across the ten district municipalities and the eThekweni Metro. As expected, the eThekweni Metro is the central economic hub of the province with a 60.7 percent contribution to the provincial GDP-R which 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 (10.6 percent) followed by King Cetshwayo (6.9 percent) District. The least contributing districts are the uMzinyathi, Harry Gwala and uMkhanyakude Districts at the estimated rates of 1.5 percent, 1.7 percent and 2.4 percent, respectively as per Figure 2.4.

Figure 2.4: Provincial GDP contributions by districts, 2019



Source: IHS Markit, 2020

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 2021. The table shows that the national economy is primarily driven by the tertiary sector, with an estimated contribution of 64.1 percent of the value added in 2019. The contribution of this

sector has maintained an increasing trend for the past two decades and is expected to continue to dominate the economy at an average 65.1 percent and 64.1 percent in 2020 and 2021, respectively.

The primary sector contributed 9.4 percent to the national GDP while the secondary sector contributed 17.5 percent in 2019. This shows a substantial decline when compared to the past two decades, where the primary and the secondary sectors contributed 15.6 percent and 19.6 percent in 1996, respectively.

Table 2.4: Gross value added by sector in SA and KZN, 1996 to 2021

	South Africa					KwaZulu-Natal				
	Estimates			Projections		Estimates			Projections	
	1996	2006	2019	2020	2021	1996	2006	2019	2020	2021
Primary sector	15.6	12.0	9.4	9.5	9.9	9.8	5.9	6.1	6.5	6.4
Agriculture	2.8	2.2	2.2	2.4	2.3	4.9	3.8	4.4	4.9	4.6
Mining	12.9	9.8	7.2	7.1	7.6	4.9	2.1	1.7	1.7	1.8
Secondary sector	19.6	19.6	17.5	16.5	16.9	25.3	25.2	21.9	20.6	21.2
Manufacturing	14.0	14.1	12.2	11.8	12.0	18.6	19.0	16.0	15.5	15.9
Electricity	3.1	2.7	2.1	2.1	2.1	3.3	2.9	2.0	2.0	2.1
Construction	2.4	2.8	3.3	2.7	2.7	3.4	3.4	3.9	3.2	3.3
Tertiary sector	54.8	59.0	64.1	65.1	64.1	55.1	59.7	63.3	64.2	63.7
Trade	12.3	13.4	13.7	13.2	13.3	11.9	14.0	14.2	13.6	13.8
Transport	6.1	8.2	8.6	8.3	8.3	8.6	10.9	11.5	11.1	11.2
Finance	13.9	18.1	20.8	22.1	21.7	12.2	15.7	17.4	18.4	18.2
Community services	22.5	19.3	20.9	21.5	20.9	22.4	19.1	20.4	21.1	20.6

Source: IHS Markit, 2020

A similar trend is also pertinent to the provincial economy wherein the tertiary sector continues to dominate at 63.3 percent in 2019, up from 55.1 percent in 1996. This trajectory is in stark contrast to both the primary and secondary sectors, which are on a downward trend. The primary sector plummeted by 3.7 percentage points, down from 9.8 percent in 1996 to 6.1 percent in 2019. This contribution is expected to improve slightly to 6.5 percent in 2020 and moderate to 6.4 percent in 2021. Over the same period, contribution by the secondary sector dropped moderately from 25.3 percent to 21.9 percent. The main drivers of this contraction are manufacturing, dropping from 18.6 percent to 16 percent and electricity, deteriorating from 3.3 percent to 2 percent.

Table 2.4 further shows that the community services remain the highest contributing sector to the economy of the country, despite its slight decline over the period under consideration. The contribution by this sector decreased moderately from 22.5 percent in 1996 to 20.9 percent in 2019 at national level. For both national and provincial levels, growth by this subsector is expected to remain subdued but continue to dominate the economy. It is of grave concern that the contribution by the manufacturing sector has been deteriorating steadily on the national and provincial economy.

2.3 Labour markets

SA continues to grapple with high unemployment rates, Low Absorption Rates (LAR) and low Labour Force Participation Rates (LFPR). These undesirable labour market indicators emanate from numerous factors, including lacklustre economic activity, unskilled labour force, wage rigidities and structural changes in the entire economy, amongst others. In particular, the domestic economy has remained somewhat subdued in the post financial crisis period which contributes to its inability to generate employment opportunities for the growing labour force. Disturbingly, unemployment is unacceptably high among young people of the working-age population whereby, people with less than matric comprises the largest part of the total unemployed.

These challenges are pertinent to all provinces within the country, including KZN. The extent of unemployment in KZN can be understood by vigorously looking into the expanded definition of unemployment rather than the official unemployment rate only. The latter reflects a mere half of the expanded unemployment rate in the province. With the expanded unemployment rate being almost double

the narrow unemployment rate, it is evident that unemployment is prevalent among the discouraged work seekers. Further, KZN has a large economically inactive population which shows that the largest proportion of the working age population is neither employed nor unemployed. It should be noted that unemployment in the province is high among district municipalities that are in rural areas due to limited economic activities, lack of economic infrastructure and unskilled labour force, amongst others.

2.3.1 Labour dynamics in South Africa

As the economic climate remains unstable in SA, the labour market also continues to be a challenging environment for the work seekers as it becomes more difficult to find a job in the country. Table 2.5 provides an overview of the South African labour force characteristics from the first quarter of 2019 to the first quarter of 2020. The number of persons employed declined by 38 000 persons from 16.42 million in the fourth quarter of 2019 to 16.38 million in the first quarter of 2020.

According to Stats SA's (2020) Quarterly Labour Force Survey (QLFS), seven industries recorded job losses whereby the largest decrease was reported in the finance (50 000), community and social services (33 000) and agriculture (21 000) industries. Other industries recorded employment gains, with the largest employment increase reported in the trade (71 000), private households (30 000) and mining (6 000) industries. The persistently low employment rate can mostly be attributed to the structural factors, which include slow economic activity, skills miss-match, rigid employment policies and low educational attainment, amongst others.

Table 2.5 Labour force characteristics in SA, 2019: Quarter 1 to 2020: Quarter 1

	Jan-Mar 2019	Oct-Dec 2019	Jan-Mar 2020	Quarter-to-quarter change	Year-on-year change	Quarter-to-quarter change	Year-on-year change
	Thousand					Percentage	
South Africa							
Population 15-64 yrs	38 283	38 727	38 874	147	591	0.4	1.5
Labour force	22 492	23 146	23 452	306	960	1.3	4.3
Employed	16 291	16 420	16 383	-38	91	-0.2	0.6
Unemployed	6 201	6 726	7 070	344	869	5.1	14.0
Noteconomically active	15 791	15 581	15 422	-159	-369	-1.0	-2.3
Rates (%)							
Unemployment rate	27.6	29.1	30.1	1.0	2.5		
Employed/ population rate (Absorption)	42.6	42.4	42.1	-0.3	-0.5		
Labour force participation rate	58.8	59.8	60.3	0.5	1.5		

Source: Stats SA, 2020

Table 2.5 further shows that the number of unemployed persons increased by 344 000 from 6.7 million in the final quarter of 2019 to 7.1 million in the first quarter of 2020. Therefore, the official unemployment rate climbed to 30.1 percent in the first quarter of 2020, up from 29.1 percent in the preceding quarter. This is the highest unemployment rate since the QLFS was introduced in 2008. The scourge of the rising unemployment rate is attributable to the constrained economic activity which results in the low capacity to absorb new entrants by industries. This is evident from the massive job losses in major industries such as finance and community and social service.

The unemployment rate was estimated at 39.7 percent in the first quarter of 2020 using the expanded definition which includes discouraged job seekers. The unemployment rate was expected to climb sharply in the period during which the nationwide lockdown was enforced in an attempt to curb the spread of the global COVID-19. The pandemic interrupted business operations in virtually all economic sectors thereby forcing companies to retrench as part of cost cutting measures. The Small, Medium and Micro Enterprises (SMMEs) are among the hardest hit by the pandemic such that some SMMEs could cease to exist after the lockdown which would most notably contribute to job losses. The Minister of Employment and Labour, Mr Thulasi Nxesi highlighted this dire situation facing the domestic economy, emphasising that large scale job

shedding is inevitable. The scale of job losses and hunger remains a severe challenge despite the government's interventions through the Unemployment Insurance Fund (UIF) that was specifically utilised to prevent retrenchments related to the nationwide lockdown. With the global and domestic economies projected to record massive contractions, the country could continue to experience the challenge of unemployment in the foreseeable future.

Despite that youth unemployment is a global challenge⁴, it is disturbing that the youth population in the country constitutes the most significant proportion of the total unemployed population. The unemployment rate among young people aged 15 to 34 stood at 48.2 percent in the first quarter of 2020. This implies that five in every ten young people in the labour force did not have a job during this period. In terms of education levels, the QLFS indicates that unemployment is higher among those with less than matric certificate at 54.8 percent followed by those with matric which stood at 35.4 percent over the same period.

In contrast, the unemployment rate among graduates was relatively low at 2.3 percent (Stats SA, 2020). This indicates that lower education levels among most young people in the country contribute to higher youth unemployment. The challenge of youth unemployment persists despite various government programmes that sought to promote economic inclusion through industrialisation and job creation. This also includes the incentive schemes that are developed under the Industrial Policy Action Plan (IPAP) which seeks to establish an industrial development path that is characterised by increased participation of previously marginalised citizens and regions. The most recent incentive scheme of this nature is the Black Industrialist Scheme (BIS) which centres on the growth and global competitiveness of black-owned enterprises.

In 2018, the first annual Presidential Job Summit was launched as a platform where various issues regarding employment opportunities available to assist young people were discussed. In this regard, progress was made in respect of the removal of the regulatory inhibitors in the pharmaceutical industry, the review of the classification of critical skills and expanding short-term training opportunities for young people in high growth sectors such as business processing services. On the business perspective, there was progress made for the establishment of an online company registration system that enables users to register a company. The system is expected to further assist in applying for tax and Value Added Tax (VAT) numbers, Broad-Based Black Economic Empowerment (BBBEE) certificates, unemployment insurance and the skills development levy, amongst others in one place. Through this online portal, government aims to significantly reduce the time it takes to set up a company.

2.3.2 Labour dynamics in KZN

Similar to the national trend, employment grows at a slower pace in the province of KZN. The QLFS indicates that the total number of people employed increased by 8 000 from 2.66 million in the final quarter of 2019 to 2.67 million in the first quarter of 2020. Further, KZN recorded the second largest employment gains after Gauteng which recorded 36 000. Over this period, other provinces recorded employment loss with the largest decreases reported in Free State (FS) (29 000), North West (NW) (23 000), WC (17 000) and Limpopo (LP) (13 000). Although the province of KZN recorded employment gains, it was offset by the notable increase in the total number of persons unemployed.

The total number of persons unemployed in KZN increased by 94 000 from 890 000 in the fourth quarter of 2019 to 984 000 in the first quarter of 2020. Consequently, the official unemployment rate has risen by 1.9 percent from 25 percent to 26.9 percent during the same period (Stats SA, 2020d). The official unemployment rate increased by 1.8 percent when compared to the same period in 2019, where it was reported at 25.1 percent. Although still high, KZN recorded the third lowest unemployment rate after the WC at 20.9 percent and the LP at 23.6 percent. Similar to the national trend, the unemployment rate in the province is expected to increase further due to the effect of COVID-19.

The QLFS further highlights that KZN has the third lowest Absorption Rate (AR) at 37.2 percent after LP (36.3 percent) and EC (31.9 percent). This implies that most people of the Working-Age population (WAP) are not readily absorbed into the labour market due to slow economic performance. In terms of the LFPR,

⁴ According to the International Labour Organization (ILO), the global youth unemployment rate standing at 13 percent, or three times higher than the adult rate of 4.3 percent. Available online: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_615594.pdf, accessed on 05/08/2019

KZN has the second lowest rate at 50.9 percent followed by the LP at 47.6 percent. The lower LFPR shows that most people of the workforce within the province are not actively participating in economic activities.

Table 2.6: Unemployment rate trend (percentages), 2009 to 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
eThekwini	17.0	16.0	15.8	15.9	16.1	16.3	16.5	16.7	17.0	17.1	17.3
Ugu	26.0	24.9	24.7	25.4	25.9	25.9	26.0	27.4	28.7	28.9	30.7
uMgungundlovu	21.7	20.8	20.7	21.0	21.2	21.2	21.3	22.5	23.5	23.7	25.1
uThukela	29.8	28.8	28.9	29.7	30.4	30.5	30.7	32.2	33.8	34.1	35.9
uMzinyathi	29.7	27.6	26.5	27.3	28.1	28.3	28.7	30.5	32.0	32.1	33.5
Amajuba	30.9	29.9	29.8	30.8	31.8	32.1	33.0	35.0	36.6	37.0	38.7
Zululand	31.7	30.2	29.6	30.7	31.5	31.7	32.3	34.2	35.9	36.1	37.0
uMkhanyakude	29.9	29.4	30.0	30.8	31.5	31.6	32.0	33.7	35.2	35.7	37.7
King Cetshwayo	25.2	24.3	24.2	25.1	25.6	25.7	26.0	27.4	28.6	28.8	30.7
iLembe	22.2	21.3	21.3	22.0	22.5	22.4	22.5	23.8	25.0	25.1	26.7
Harry Gwala	27.2	25.9	25.5	26.4	26.9	26.9	26.8	28.3	29.7	30.1	32.0
KwaZulu-Natal	22.0	20.9	20.7	21.1	21.6	21.8	22.0	23.0	23.8	24.0	25.1
South Africa	24.3	24.9	25.1	25.1	25.2	25.2	25.5	26.4	27.2	27.4	28.4

Source: IHS Markit, 2020

Table 2.6 illustrates the unemployment rates by districts, including the eThekwini Metro from 2009 to 2019. Except for the eThekwini Metro and the uMgungundlovu District, all districts had unemployment rates above the provincial average of 25.1 percent in 2019. The Amajuba District recorded the largest unemployment rate of 38.7 followed by the uMkhanyakude and the Zululand Districts at 37.7 percent and 37 percent, respectively. The eThekwini Metro reported the lowest unemployment rate at 17.3 percent followed by the uMgungundlovu District at 25.1 percent. It is not surprising, however, that the eThekwini Metro has lower rates of unemployment given the various economic activities that boost the capacity to generate employment opportunities. The most common economic activities taking place within the eThekwini Metro that contribute to GDP and thus, employment growth includes, but are not limited to, harbour ports, tourism attractions and manufacturing industries.

2.3.3 Job scarcity

Table 2.7 depicts job scarcity⁵ in KZN over the period 2009 to 2019. Job scarcity is a crucial indicator when analysing labour market conditions because it highlights the probability for job seekers to find employment. It is evident from Table 2.7 that job scarcity has been increasing consistently at both the national and provincial scale, which implies that finding employment is gradually becoming harder with every passing year. Table 2.7 shows that the country recorded job scarcity of about 27.4 percent in 2019. At this rate, job scarcity remained unchanged from the 2018 rate but accelerated by 3.1 percent when compared to 2009 where it was reported at 24.3 percent. The upward trend in job scarcity is pertinent to the KZN Province with 25.6 percent estimated in 2019, which translates to an increase of 3 percent when compared to 2009 where it was reported at 22.6 percent. The rise in job scarcity is attributable to the lacklustre economic performance and possibly skills mismatch.

The uMzinyathi District had the highest job scarcity over the period and recorded 46 percent in 2019, which was followed by the Zululand and uMkhanyakude Districts at 42.6 percent and 42.1 percent, respectively. As expected, the eThekwini Metro had the lowest job scarcity at 15 percent in 2019. Considering the link between unemployment and job scarcity, it is apparent that the districts with a high unemployment rate also have high job scarcity.

⁵Job scarcity 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).

Table 2.7: Job scarcity, 2009 to 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
eThekwini	14.7	13.8	13.7	13.8	13.9	13.9	14.0	14.3	14.6	14.7	15.0
Ugu	27.0	25.9	26.0	26.1	26.7	26.9	27.0	28.3	29.5	29.8	31.4
uMgungundlovu	23.2	22.4	22.3	22.4	22.7	22.8	23.0	24.1	25.1	25.3	26.6
uThukela	28.1	27.0	27.0	27.6	28.3	28.4	28.7	30.3	31.8	32.1	33.9
uMzinyathi	42.5	41.1	40.5	40.8	41.5	41.7	42.1	43.5	44.8	44.9	46.0
Amajuba	32.8	31.8	31.7	32.5	33.4	33.7	34.5	36.5	38.0	38.3	40.0
Zululand	37.8	36.5	36.2	36.7	37.5	37.7	38.3	40.0	41.5	41.7	42.6
uMkhanyakude	35.1	34.6	35.4	35.6	36.2	36.4	36.8	38.4	39.8	40.2	42.1
King Cetshwayo	25.7	24.8	25.1	25.2	25.7	25.8	26.1	27.5	28.6	28.8	30.7
iLembe	30.6	29.8	29.8	30.3	30.9	31.0	31.1	32.3	33.3	33.4	34.8
Harry Gwala	30.1	28.8	28.5	29.1	29.6	29.7	29.6	30.9	32.3	32.7	34.5
KwaZulu-Natal	22.6	21.5	21.4	21.6	22.1	22.3	22.5	23.5	24.3	24.5	25.6
South Africa	24.3	24.9	25.1	25.1	25.2	25.2	25.5	26.4	27.2	27.4	27.4

Source: IHS Markit, 2020

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, homemakers and others. Table 2.8 illustrates the LFPR from 2009 to 2019. In 2019, the national average for the LFPR was 38.7 percent, which indicates that the most substantial proportion of the Working-Age Population (WAP) is not economically active as supported by the higher expanded unemployment rate. The province had realised an increase in the LFPR from 30.9 percent in 2009 to 31.6 percent in 2019. The eThekwini Metro had the highest LFPR at 40.7 percent followed by the uMgungundlovu and the iLembe Districts at 37.6 percent and 30.8 percent, respectively. The districts with the lowest LFPR were the uMzinyathi (18 percent), uMkhanyakude (18.1 percent) and Zululand (19.9 percent) Districts.

Table 2.8: Labour force participation rate, 2009 to 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
eThekwini	42.2	40.1	39.8	39.9	40.1	40.3	40.4	40.4	40.5	40.5	40.7
Ugu	26.0	24.6	24.3	24.7	25.5	26.6	27.2	27.6	28.1	28.1	28.7
uMgungundlovu	36.5	34.4	33.6	33.9	34.8	36.0	36.5	36.8	37.2	37.1	37.6
uThukela	23.7	21.9	21.2	21.4	22.2	23.2	23.7	24.0	24.4	24.4	25.0
uMzinyathi	17.3	15.8	15.2	15.4	15.9	16.7	17.0	17.3	17.6	17.6	18.0
Amajuba	28.6	26.3	25.4	25.6	26.4	27.4	27.8	28.1	28.6	28.6	29.2
Zululand	18.6	17.0	16.5	16.7	17.3	18.2	18.6	18.8	19.2	19.2	19.9
uMkhanyakude	17.0	15.6	15.2	15.3	15.9	16.7	17.1	17.3	17.7	17.7	18.1
King Cetshwayo	26.2	24.5	24.1	24.4	25.2	26.3	26.9	27.2	27.7	27.8	28.3
iLembe	28.3	26.9	26.6	26.9	27.7	28.9	29.5	29.8	30.2	30.3	30.8
Harry Gwala	21.6	20.2	19.8	20.0	20.8	21.8	22.3	22.7	23.1	23.1	23.7
KwaZulu-Natal	30.9	29.1	28.7	28.9	29.5	30.2	30.6	30.8	31.2	31.2	31.6
South Africa	36.3	35.3	35.2	35.5	36.0	36.9	37.6	38.2	38.7	38.6	38.7

Source: IHS Markit, 2020

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. Table 2.9 depicts LAR from 2009 to 2019. Overall, the absorption rate has been fluctuating

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

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

marginally over the period under consideration with no significant changes. The national LAR moderated slightly by 0.3 percent from 28 percent in 2018 to 27.7 percent in 2019. The KZN Province continues to report a sustainable LAR as it remained unchanged at 23.5 percent in 2019 when compared to 2018. The table further shows that the LAR decreased marginally for eight districts in KZN between 2018 and 2019. The eThekweni Metro (34.6 percent) and the uMzinyathi District (9.7 percent) recorded the same percentages as the previous year. The Zululand District experienced a slight increase from 11.2 percent in 2018 to 11.4 percent in 2019.

Table 2.9: Labour absorption rate, 2009 to 2019

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
eThekweni	36.0	34.6	34.4	34.4	34.5	34.7	34.7	34.6	34.6	34.6	34.6
Ugu	19.0	18.2	18.0	18.2	18.7	19.5	19.8	19.8	19.8	19.8	19.7
uMgungundlovu	28.0	26.7	26.2	26.3	26.9	27.8	28.1	27.9	27.9	27.7	27.6
uThukela	17.1	16.0	15.5	15.5	15.9	16.6	16.9	16.8	16.7	16.6	16.5
uMzinyathi	9.9	9.3	9.0	9.1	9.3	9.7	9.9	9.7	9.7	9.7	9.7
Amajuba	19.2	18.0	17.4	17.3	17.6	18.1	18.2	17.8	17.7	17.6	17.5
Zululand	11.6	10.8	10.5	10.5	10.8	11.3	11.4	11.3	11.3	11.2	11.4
uMkhanyakude	11.0	10.2	9.8	9.9	10.2	10.6	10.8	10.7	10.7	10.6	10.5
King Cetshwayo	19.5	18.4	18.0	18.2	18.7	19.5	19.9	19.7	19.8	19.8	19.6
iLembe	19.7	18.9	18.7	18.8	19.2	19.9	20.3	20.2	20.2	20.2	20.1
Harry Gwala	15.1	14.3	14.1	14.2	14.6	15.3	15.7	15.6	15.6	15.6	15.5
KwaZulu-Natal	23.9	22.9	22.5	22.7	23.0	23.5	23.7	23.6	23.6	23.5	23.5
South Africa	27.5	26.5	26.4	26.5	26.9	27.6	28.0	28.1	28.1	28.0	27.7

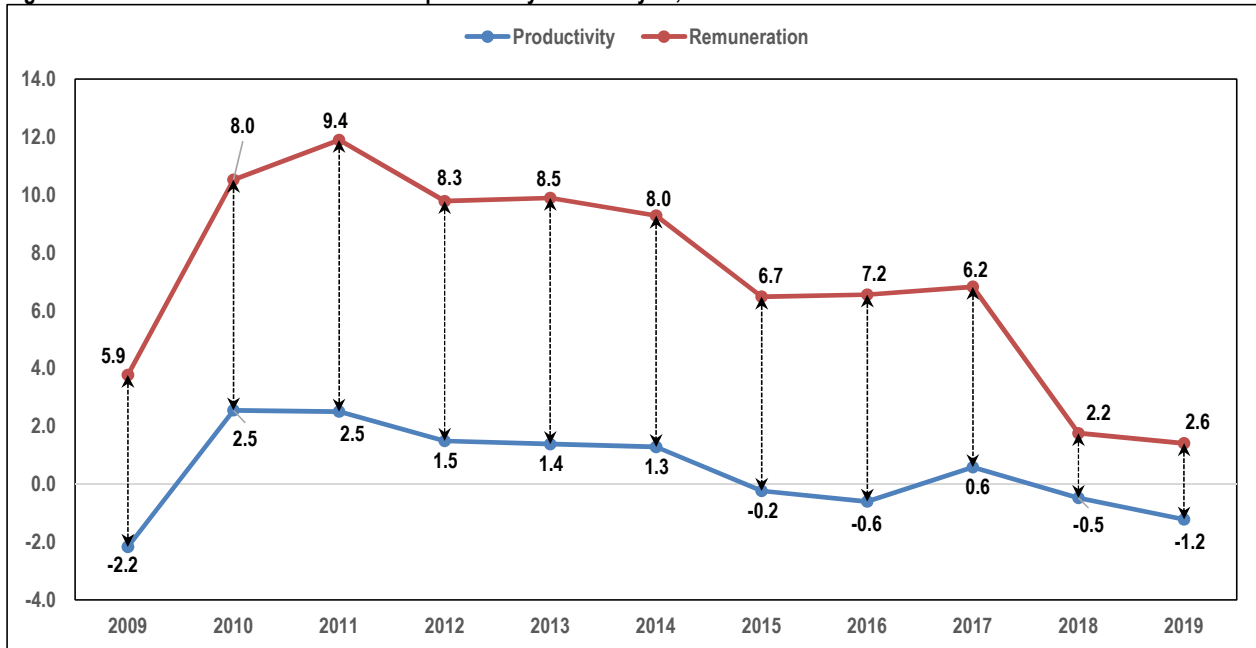
Source: IHS Markit, 2020

2.3.6 Labour remuneration and productivity

Labour productivity highlights the extent to which inputs are efficiently utilised in an economy to produce goods and services (Barker, 1998). In macroeconomic theory, productivity is linked with labour remuneration such that, the labour market is in equilibrium when the marginal cost of employing an additional person is equal to the marginal revenue earned by employing that person. Figure 2.5 provides a review of the trends in labour productivity and remuneration in KZN between 2009 and 2019. Similar to the national trend, the growth rate in labour remuneration has outweighed productivity growth in KZN over the period under review.

In 2019, the labour productivity contracted by -1.2 percent while the labour remuneration grew at 2.6 percent. In an ideal situation, labour productivity should be higher than the remuneration level to increase the willingness to absorb more labour into the economy. Higher productivity above the remuneration level ensures that the costs associated with employing additional labour into the firm would be less than the revenue. Hence, the economy can continue absorbing additional employees into the labour market.

Figure 2.5: KwaZulu-Natal remuneration and productivity trend analysis, 2009 to 2019



Source: IHS Markit, 2020

2.4 International trade

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

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

It is important to acknowledge the remarkable progress the country has made with regards to international trade. As per the South African Reserve Bank (SARB) (2020), the significantly larger trade surplus of R208 billion in the first quarter of 2020 led to the first surplus on the current account of the balance of payments of R70 billion since the first quarter of 2003. The increase in the trade surplus in the first quarter of 2020 resulted from smaller trade deficits with Europe and Asia, in particular China, reflecting the impact of COVID-19. The higher value of exports resulted primarily from higher prices, while the lower value of imports resulted from both lower volumes and prices.

Encouragingly, KZN is the second largest contributor to the South African's economy, as it is home to the busiest and largest ports being Durban and Richards Bay. This section, therefore, provides an analysis of international trade with reference to COVID-19, exports, imports, percentage share of KZN'S exports as well as a percentage of GDP-R and imports by KZN and its districts.

2.4.1 COVID-19 and international trade

The global pandemic has very quickly resulted in the closing of borders, drastically decreased global commerce, and the role of individual states is becoming more prominent than that of international

organisations. Globalisation has already been in decline for some years, but its future is now even more unclear than ever.

According to the United Nations Economic Commission for Africa (UNECA) (2020), in a global economic model in which Africa exports predominantly primary commodities and imports mainly finished products, the COVID-19 crisis has left Africa facing a double challenge. Firstly, the economic lockdown in much of the world has sent the price of commodities to record lows, thereby causing significant and dramatic declines in much needed foreign exchange revenues for most resource dependent African countries. Secondly, when advanced countries with production and supply capacity impose restrictions on the export of essential medical supplies, the inevitable outcome has been a sudden drop in supplies, a jump in prices and an equally dramatic escalation in import bills for African countries at a time when their already meagre resources are overstretched.

Learning from the deficiencies of the global trading system exposed by COVID-19, Africa should use this window of opportunity to revisit the provisions of the AfCFTA agreement. It is essential that Africa craft additional rules which will guarantee the most uninhibited possible flow of trade in essential products at times of difficulty such as this.

2.4.2 KwaZulu-Natal exports

KZN exported goods valued at R151.1 billion in 2019 which was 18.8 percent of the provincial real GDP-R as per Table 2.10. This was more than double the value of exports realised in 2009. The eThekweni Metro contributed 55.9 percent to KZN exports at an estimated value of R84.5 billion in 2019 which contribution constituted 17.2 percent of the total GDP-R for the eThekweni Metro. Resultantly, the eThekweni Metro remained the most significant contributor to KZN exports in actual Rand value over the period under review. The King Cetshwayo District had the second largest exports after the eThekweni Metro with an estimated value of R41.5 billion in 2019 which translates to 27.5 percent of KZN's exports and 77.4 percent of the district's GDP-R⁸. The uMgungundlovu District had the third largest exports with an estimated value of R14.1 billion in 2019, which translates to 9.3 percent of KZN's exports and 16.6 percent of the KZN Province's GDP-R.

Table 2.10: KwaZulu-Natal value of exports (R'000) by district municipalities in 2009 and 2019

R'000	2009			2019		
	Exports	% Share of KZN exports	Exports as % of GDP	Exports	% Share of KZN exports	Exports as % of GDP
eThekweni	39 892 956	58.2	16.2	84 525 339	55.9	17.2
Ugu	138 464	0.2	0.8	516 194	0.3	1.5
uMgungundlovu	5 625 418	8.2	13.4	14 093 690	9.3	16.6
uThukela	202 566	0.3	1.3	1 015 040	0.7	3.4
uMzinyathi	396 687	0.6	6.5	215 852	0.1	1.8
Amajuba	726 304	1.1	6.0	210 143	0.1	1.0
Zululand	48 113	0.1	0.4	284 508	0.2	1.2
uMkhanyakude	1 584	0.0	0.0	40 475	0.0	0.2
King Cetshwayo	21 212 844	30.9	74.9	41 494 032	27.5	77.4
iLembe	313 509	0.5	2.7	8 705 967	5.8	38.4
Harry Gwala	37 794	0.1	0.5	20 493	0.0	0.2
KwaZulu-Natal	68 596 239	100	16.8	151 121 734	100	18.8

Source: IHS Markit, 2020

2.4.3 KwaZulu-Natal imports

KZN imported goods worth R154.5 billion in 2019 which grew by more than double the value of R65.6 billion imported in 2009 as per Table 2.11. The eThekweni Metro was the largest importer in the

⁸ Note that exports from the King Cetshwayo District Municipality also comes from other regions.

province with an estimated value of R116.6 billion in 2019 which translated to 75.5 percent of KZN's imports and was followed by the King Cetshwayo District at R14.2 billion in 2019, constituting 9.2 percent of the total value of the provincial imports.

Table 2.11: KwaZulu-Natal value of imports (R'000) by district municipalities in 2009 and 2019

R'000	2009		2019	
	Imports	% Share of KZN Imports	Imports	% Share of KZN imports
eThekweni	53 363 760	81.4	116 635 082	75.5
Ugu	410 103	0.6	1 491 908	1.0
uMgungundlovu	4 066 971	6.2	12 653 885	8.2
uThukela	634 320	1.0	2 314 267	1.5
uMzinyathi	46 188	0.1	320 418	0.2
Amajuba	197 634	0.3	722 247	0.5
Zululand	16 833	0.0	191 037	0.1
uMkhanyakude	8 635	0.0	267 381	0.2
King Cetshwayo	5 921 193	9.0	14 183 298	9.2
iLembe	918 997	1.4	5 725 949	3.7
Harry Gwala	6 205	0.0	35 152	0.0
KwaZulu-Natal	65 590 838	100	154 540 625	100

Source: IHS Markit, 2020

2.4.4 Travel and tourism in KZN

According to the World Travel and Tourism Council (WTTC) (2019)⁹, Travel and tourism's total contribution to SA's GDP was R425.5 billion in 2018. With respect to job creation, the sector employed 1.5 million persons (9.2 percent of total employment) in 2018. Despite the positive contribution of Travel and tourism to GDP and job creation, the total contribution of 8.6 percent to total GDP in 2018 was down by 1.9 percentage points from 2017 (WTTC, 2019). This can partly be attributed to the continued restrictive visa regulations, safety concerns by international tourists and xenophobic attacks.

In his State of the Nation Address (SONA) in July 2019, President Cyril Ramaphosa stated that "*we will make good on our ambition to more than double international tourist arrivals to 21 million by 2030*" (SONA, July 2019). He continued by saying that this target would be achieved by renewing the country's tourism brand, by "*introducing a world-class visa regime*", with a specific focus on India and China, and through air arrivals from across Africa. To achieve this goal, several steps have been undertaken, including but not limited to the proposed 'e-visa' which is still in its trial stage. In his 2020 SONA address, the President reiterated the importance of the Tourism sector by stating that the safety of tourists would be increased.

Stats SA (2020) indicates that visitors coming from the Southern African Development Community (SADC) region in February 2020 came from Zimbabwe at 160 038 (29.7 percent), Lesotho at 113 820 (21.1 percent), Mozambique at 104 587 (19.4 percent) and Eswatini at 63 357 (11.8 percent). Botswana at 46 469 (8.6 percent), Malawi at 13 444 (2.5 percent), Namibia at 12 543 (2.3 percent), Zambia at 11 081 (2.1 percent), Angola at 5 026 (0.9 percent), and Tanzania at 2 984 (0.6 percent) were also part of visitors from SADC.

When comparing February 2019 to February 2020, the ten leading overseas countries in terms of the number of tourist visits to SA were from the United Kingdom (UK) at 26 318 (10.6 percent), France at 16 485 (6.6 percent) and the Netherlands at 13 543 or (5.5 percent). Additional tourists came from Australia at 7 239 or (2.9 percent), India at 6 985 or (2.8 percent), Brazil at 6 922 or (2.8 percent), Canada at 6 488 or (2.6 percent), and Switzerland at 6 029 or (2.4 percent). Further analysis of the ten leading countries shows that eight of the ten increased between February 2019 and February 2020. The reduction in the number of visitors was

⁹ World Travel and Tourism Council (2019). South Africa 2019 Annual Research: Key highlights. Available online: <https://www.wttc.org/economic-impact/country-analysis/country-data/>, Accessed on 15 January 2020

from Brazil, Germany, the US, Australia, India, Canada, the Netherlands, the UK, France and Switzerland (Stats SA, 2020).

KZN was SA's fourth top domestic tourism source market with approximately 1.5 million tourists after Gauteng at 7.2 million, and Limpopo and Mpumalanga both at 2.3 million in 2018. Gauteng heads the list by virtue of it being the country's economic hub, and therefore SA's primary conduit of business tourism. In 2018, the number of people directly employed in the Travel and tourism sector in KZN equated to approximately 62 649, while the industry's total contribution to employment within the province was estimated at 124 027. During the same year, tourism's direct contribution to provincial GDP was R10.74 billion, while the total contribution; inclusive of direct, indirect and induced spending to GDP was approximated at R21 billion.

The number of travellers between May 2019 and May 2020 as well as between April 2020 and May 2020 are not necessarily comparable due to the hard lockdown level five which the country introduced in March 2020. A general expectation by Stats SA is that no visitors would be observed, as can be witnessed in the analyses that follow where there were fewer numbers of foreign arrivals coming in and leaving the country during this period. Routine data collected by the Department of Home Affairs' (DHA) immigration officers at the ports of entry into and out of SA show that a total of 153 450 travellers (arrivals, departures and transits) passed through South African ports of entry/exit in May 2020. These travellers were made up of 49 414 South African residents and 104 036 foreign travellers. A further breakdown of the figures for South African residents indicates that there were 25 915 arrivals, 23 499 departures and no travellers in transit. The corresponding volume for foreign arrivals, departures and travellers in transit was 49 481, 54 551 and 4, respectively (Stats SA, 2020).

The spread of COVID-19 has resulted in the sectors total international contribution decreasing substantially to a projected \$2.7 trillion in 2020; a decline which will equate to 30 percent of GDP. The most prevalent 'weapon' chosen by governments to control the spread of the virus is that of 'lockdown'; a mechanism whereby movement and all but state-determined essential services are temporarily put on hold.

The WTTC (2020) states that the macro effect on the international economy is anticipated to see the sector's contribution to GDP contracting from \$8.9 trillion in 2019 to \$2.7 trillion in 2020 which reflects a decrease of approximately 30 percent. The report maintains that in the United Kingdom, up to 7.5 million tourism jobs were deemed to be at immediate risk as at the end of March 2020.

Although the sector's contribution to employment and GDP in 2020 is yet to be ascertained, it is evident that there will be a sizeable contraction in both. Further, in terms of closures and lay-offs; the resultant sectoral collateral, negativity (and its concomitant effect on the national economy) is likely to endure beyond the short term.

2.5 Development

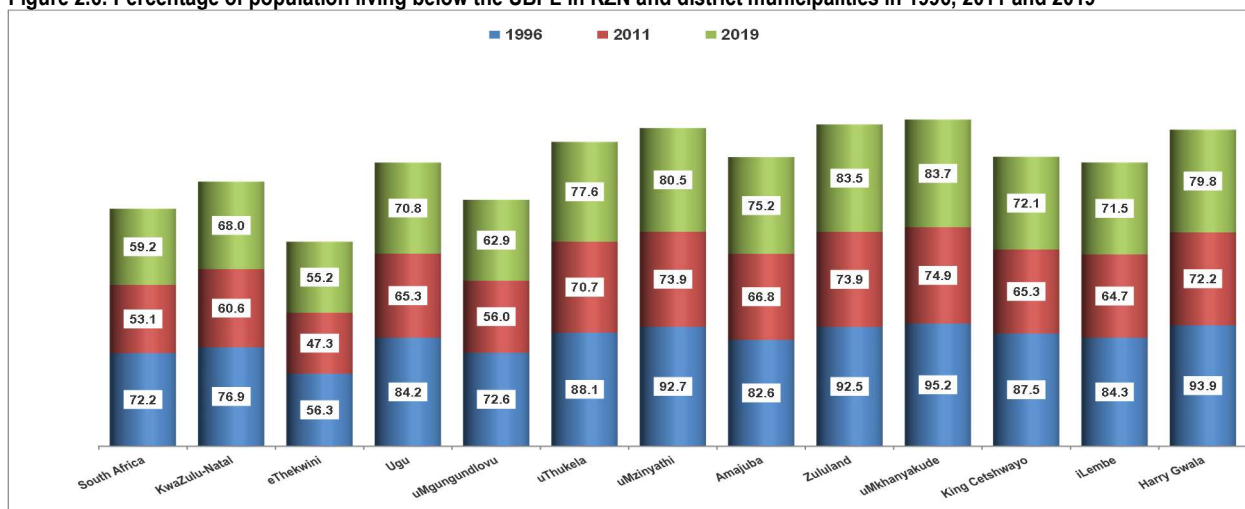
2.5.1 Poverty

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

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

The food poverty line as defined by Stats SA (2018) is the level of consumption below which individuals are unable to purchase sufficient food to provide them with an adequate diet. Those living below this line are consuming insufficient calories for their nourishment¹⁰. The LBPL denotes food and non-food items required by households; however, those living below this line must sacrifice some food to get these non-food items such as transport and airtime¹¹. Finally, individuals living below the UBPL¹² are those who can 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 2.6: Percentage of population living below the UBPL in KZN and district municipalities in 1996, 2011 and 2019



Source: IHS Markit, 2019

Figure 2.6 shows the share of KZN households living below the UBPL by district in 1996, 2011 and 2019. In 2019, the uMkhanyakude District (83.7 percent) had the highest share of individuals living below the upper-bound poverty line followed by the Zululand (83.5 percent), uMzinyathi (80.5 percent) and Harry Gwala (79.8 percent) Districts, while the eThekweni Metro (55.2 percent) had the lowest share of individuals living below this poverty line. All regions experienced a marginal increase in poverty than was prevalent in 2011.

2.5.2 Income Inequality

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

The Gini Coefficient is a measure of income inequality, where 0 represents a perfectly equal distribution of income, and a coefficient of 1 represents perfectly unequal distribution (Todaro, 2011). SA continues to face the challenge of high rates of poverty, unemployment and income inequality. Inequality has remained persistently high, having increased from 0.61 in 1996 to 0.63 recorded in 2019. The significant inequality levels in the country are perpetrated by a legacy of exclusion and the prevailing economic circumstances of stagnant growth which hinders opportunities for job creation.

In 2019, KZN had a Gini coefficient of 0.63 which increased by approximately 0.01 index points from 2011 as per Figure 2.7. This indicates that there has been a slight broadening of the inequality gap within the province over the past eight years. This is a trend which is evident throughout all the districts, except for the

¹⁰ NPL (2018): Food poverty line – R561 (in April 2019 prices) per person per month, available online: <http://www.statssa.gov.za/publications/P03101/P031012019.pdf>, accessed on 05 August 2020

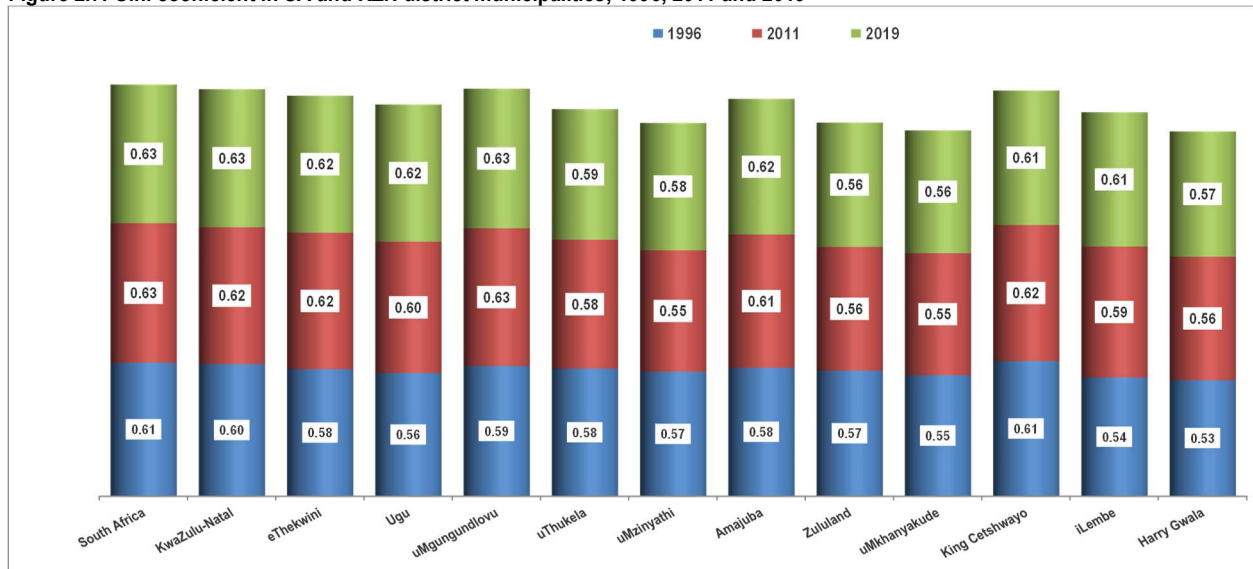
¹¹ NPL (2018): Lower-bound poverty line – R810 (in April 2019 prices) per person per month, available online: <http://www.statssa.gov.za/publications/P03101/P031012019.pdf>, accessed on 05 August 2020

¹² NPL (2018): Upper-bound poverty line – R1 227 (in April 2019 prices) per person per month, available online: <http://www.statssa.gov.za/publications/P03101/P031012019.pdf>, accessed on 05 August 2020

King Cetshwayo District. The highest increase in inequality occurred in the iLembe District, where the Gini coefficient increased by 0.07 index points from 0.54 in 1996 to 0.61 in 2019. This was closely followed by the Ugu District whose Gini coefficient increased by 0.06 index points from 0.56 in 1996 to 0.62 in 2019. The uMgungundlovu District (0.63), the eThekweni Metro (0.62) and the Amajuba (0.62), the Ugu (0.62), the iLembe (0.61) and King Cetshwayo (0.61) Districts had the highest coefficients, with the Zululand (0.56), uMkhanyakude (0.56) and Harry Gwala (0.57) Districts having the lowest level of inequality.

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

Figure 2.7: Gini coefficient in SA and KZN district municipalities; 1996, 2011 and 2019



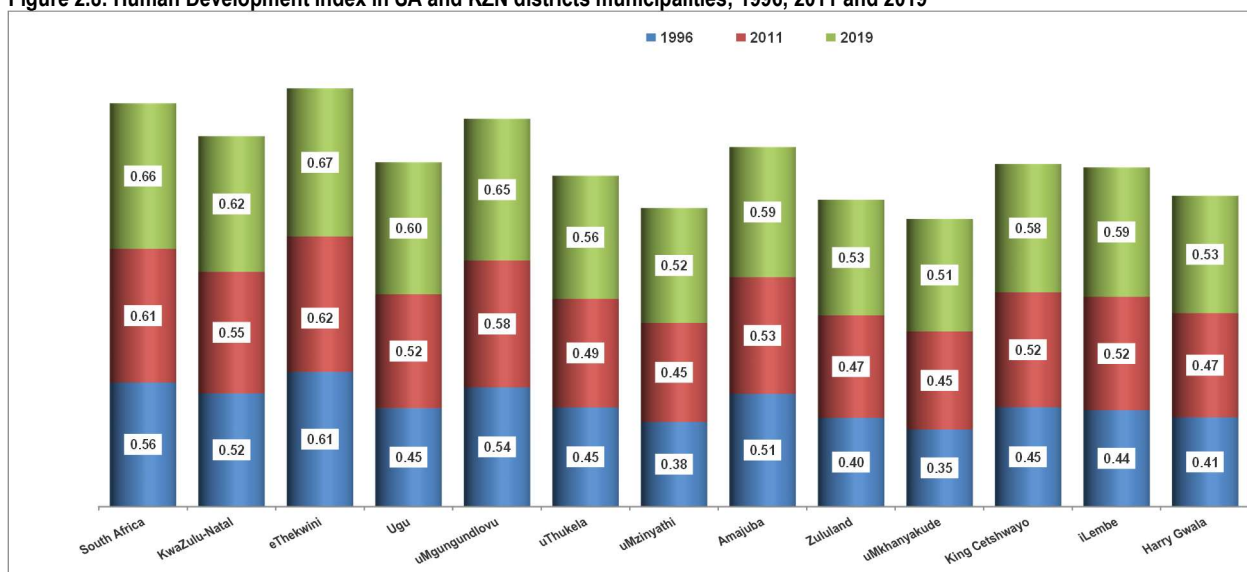
Source: IHS Markit, 2020

2.5.3 Human development index

The Human Development Index (HDI) is an aggregated indicator, designed by the United Nations Development Programme (UNDP) that is being used to track progress of development among countries. The index is comprised of three key measures, namely, health, education and income. One of the advantages of the HDI is its usefulness in providing accurate information to policymakers for them to make sound and informed decisions about the developmental needs of the citizens.

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

Figure 2.8: Human Development Index in SA and KZN districts municipalities; 1996, 2011 and 2019



Source: IHS Markit, 2020

In 2019, SA recorded a medium HDI of 0.66 which is marginally above the provincial average of 0.62. As depicted in Figure 2.8, SA’s HDI value increased from 0.56 in 1996 to 0.66 in 2019. As per the HDI categorisations, the province is classified as having medium human development status the regions’ HDIs oscillated between 0.50 and 0.80. The eThekweni Metro (0.67) had the highest HDI followed by the uMgungundlovu District (0.65), while the uMkhanyakude and the uMzinyathi Districts had the lowest HDI at 0.51 and 0.52, respectively which were slightly below 0.53 in the Zululand and Harry Gwala Districts.

A remarkable increase in the human development status of KZN can be noted from 1996 to 2019. The eThekweni Metro’s high development status may be attributed to the high rate of urbanisation in the metro. Urbanisation is regarded as one of the factors 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). This shows that effective urbanisation at the eThekweni Metro has resulted in higher levels of economic activity and greater productivity which have ultimately bolstered economic growth.

2.6 Social grants

In a country like SA, where unemployment levels are high and inequality runs rampant, social grants play an important role in supporting households to attain a minimum standard of living. Thus, social grants have made a substantial contribution to reducing food poverty in the country. Table 2.12 shows the number and percentage of grant beneficiaries in SA by provinces as at the end of June 2020. KZN continued to have the highest number of social grant beneficiaries in the country at 4.1 million people followed by EC at 2.9 million people and GP at 2.8 million people.

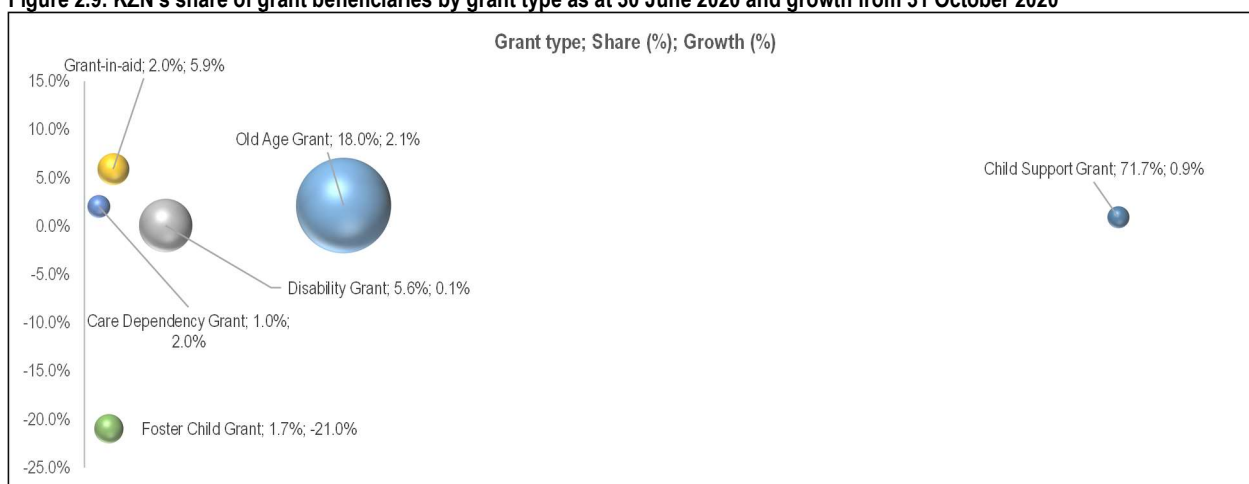
Table 2.12: Grant beneficiaries by provinces as at 30 June 2020

	Old Age		War Veterans'		Disability		Grant-in-aid		Care Dependency		Foster Child		Child Support		Total	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Eastern Cape	598 696	16.1	11	18.6	179 847	16.8	31 922	11.9	24 235	15.4	81 408	22.4	1 941 544	15.1	2 857 663	15.5
Free State	214 369	5.8	-	0.0	76 049	7.1	9 665	3.6	9 045	5.8	26 909	7.4	708 486	5.5	1 044 523	5.7
Gauteng	667 020	18.0	20	33.9	123 386	11.5	8 966	3.3	21 182	13.5	45 015	12.4	1 948 627	15.2	2 814 216	15.3
KwaZulu-Natal	732 492	19.8	6	10.2	229 699	21.5	81 162	30.2	40 806	25.9	68 477	18.9	2 921 811	22.8	4 074 453	22.2
Limpopo	488 242	13.2	2	3.4	99 181	9.3	55 416	20.6	16 789	10.7	43 255	11.9	1 912 156	14.9	2 615 041	14.2
Mpumalanga	266 646	7.2	1	1.7	79 853	7.5	23 580	8.8	12 045	7.7	25 459	7.0	1 139 540	8.9	1 547 124	8.4
Northern Cape	92 544	2.5	1	1.7	49 245	4.6	17 000	6.3	6 163	3.9	11 369	3.1	322 779	2.5	499 101	2.7
North- West	276 730	7.5	1	1.7	66 231	6.2	16 387	6.1	10 216	6.5	29 045	8.0	885 355	6.9	1 283 965	7.0
Western Cape	371 594	10.0	17	28.8	165 174	15.5	24 709	9.2	16 814	10.7	32 017	8.8	1 044 507	8.1	1 654 832	9.0
South Africa	3 708 333	100.0	59	100.0	1 068 665	100.0	268 807	100.0	157 295	100.0	362 954	100.0	12 824 805	100.0	18 390 918	100.0

Source: SASSA, 2020

KZN had the highest share of beneficiaries of the Old Age Grant (19.8 percent), Disability Grant (21.5 percent), Grant-in-aid (30.2 percent), Care Dependency Grant (25.9 percent) and the Child Support Grant (22.8 percent). Within the province, 71.7 percent of the total grant beneficiaries was in lieu of the Child Support Grant, while 18 percent was for the Old Age Grant and 5.6 percent was allocated towards the Disability Grant.

Figure 2.9: KZN's share of grant beneficiaries by grant type as at 30 June 2020 and growth from 31 October 2020



Source: SASSA, 2020

Figure 2.9 further demonstrates the growth rates of grant beneficiary numbers between 31 October 2019 and 30 June 2020. There was an increase in the percentage of grant beneficiaries in the Grant-in-aid (5.9 percent), Old age grant (2.1 percent), Care dependency grant (2 percent) and Child support grant (0.9 percent). However, the province experienced a decrease in the number of beneficiaries for the Foster Child Grant (-21 percent). The highest growth, which was realised in the Grant-in-aid indicates that there was an increase in people who were already beneficiaries of either Old Age Grant, Disability Grant or War Veteran's Grant who needed full-time care from someone else.

2.7 Education

Education is an investment in human capital that has both direct effects on the educated person and benefits for society as a whole. According to Luis (2000), education alone does not cause observable differences among people. The author maintains that there are many factors, such as natural ability and family background, which interact with formal schooling in the development of the preferences that guide people's economic behaviour. However, other things being equal, evidence reveals that better educated people

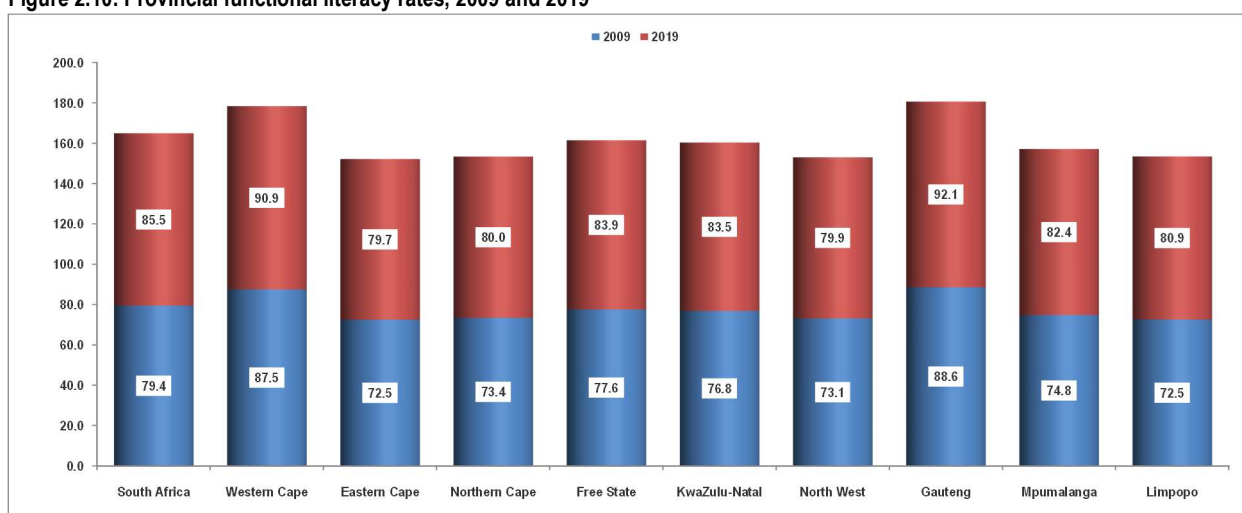
generally have better jobs and higher incomes than those with less schooling. The lesser the dependency on subsidies from the government in educated communities, the higher the benefits in terms of reduction in costs to the taxpayers. This makes education one of the investment decisions in addition to investing in fixed capital that can generate a return on investment in the long run, through quality early childhood education which builds an employable and educated workforce which can improve productivity.

It is from this backdrop that one of the objectives for the National Development Plan (NDP) Vision 2030 of SA is to make Early Childhood Development (ECD) a priority among the measures to improve the quality of education and long-term prospects of future generations. It is a critical foundation for children to reach their full potential and be able to develop holistically (physical, socio-emotional, language and cognitive). Therefore, shaping their subsequent school attainment, performance, health and future earning as well as assisting in discouraging antisocial behaviour (Heckman, Pinto and Saveljev, 2013).

2.7.1 Literacy rate and matric results

The rationale for recognising literacy is that it confers human development benefits on individuals, families, communities and nations such as improved self-confidence, self-esteem and a feeling of greater self-empowerment, irrespective of whether it was acquired through schooling or adult literacy programmes. These literacy skills are fundamental to informed decision making, personal empowerment as well as active participation in society. Literacy also influences human capital and the ability of individuals, social institutions and nations to adapt and change along with technological and other developments in the global market.

Figure 2.10: Provincial functional literacy rates, 2009 and 2019



Source: IHS Markit, 2020

Figure 2.10 shows the functional literacy rate in SA by provinces in 2009 and 2019. In KZN, the literacy rate increased from 76.8 percent in 2009 to 83.5 percent in 2019. However, it was still 2 percentage points below the national level of 85.5 percent in 2019. In 2019, functional literacy was the highest in GP (92.1 percent) followed by the WC (90.9 percent). The provinces that fell below the literacy level of 80 percent included the EC and the NC.

2.7.2 School and educator: Learner ratios in 2011 and 2016

The Learner-to-educator ratio (LER) provides a proxy of the likely intensity of interaction between learners and educators. The LER indicates an average number of learners per educator at a given point in time. Educators are a fundamental part of the educational system as they have an essential and decisive role in the quality of education and how well learners can learn. The effectiveness of educators in providing education to learners is a significant factor which has an impact on improving the learners' performance. It is therefore essential to examine the factors which impact the quality of educators and their effectiveness in imparting

knowledge to the learners and how the learners' academic achievements are affected. The problem of learner educator ratio is one of the challenges influencing the effectiveness of educators and academic performance for learners. This was confirmed by Cortes, Moussa and Winstein (2012) who found that class size affects learners' performance due to misbehaviour and other disciplinary problems in large classes. They further state that learners in smaller classes learn more as they do not experience disruptions during lessons.

This is further supported by Betts and Shkolnik (1999), Glass and Smith (1979), and OECD, (2014) who found a positive relationship between smaller classes and more innovative practices since educators react more strongly to class size changes. The more crowded the classrooms, the more difficult it is for educators to give personal attention to learners to help them along in the learning process.

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

	2011					2016				
	Number of Learners	Number of Educators	Number of Schools	LER	LSR	Number of Learners	Number of Educators	Number of Schools	LER	LSR
South Africa	12 287 994	420 608	25 851	29.2	475	12 932 565	418 613	25 574	30.9	506
Eastern Cape	1 963 578	68 499	5 755	28.7	341	961 547	61 629	5 676	31.8	346
Free State	658 010	24 057	1 437	27.4	458	688 349	23 523	1 282	29.3	537
Gauteng	2 022 050	71 532	2 559	28.3	790	2 326 584	82 078	2 813	28.3	827
KwaZulu-Natal	2 847 378	93 266	6 180	30.5	461	2 877 544	89 799	6 142	32.0	469
Limpopo	1 695 524	58 016	4 073	29.2	416	1 765 555	54 418	4 018	32.4	439
Mpumalanga	1 046 551	34 623	1 931	30.2	542	1 074 352	34 404	1 847	31.2	582
Northern Cape	274 745	8 899	611	30.9	450	292 595	9 136	574	32	509
North West	765 120	25 897	1 669	29.5	458	829 467	26 108	1 534	31.8	541
Western Cape	1 015 038	35 819	1 636	28.3	620	1 116 572	37 518	1 687	29.8	662

Source: Department of Basic Education, 2016

Table 2.13 shows the number of learners, educators and schools across the various provinces for the years 2011 and 2016. A comparison of the years under review indicates that there was a marginal increase of 1.1 percent in the KZN's number of learners from 2 847 378 in 2011 to 2 877 544 in 2016. However, this is in contrast to the drop in the number of educators and schools by 3.7 percent and 0.6 percent, respectively. This resulted in an increase in both the LER and the Learner-to-school ratio (LSR) from 30.5 to 32 and 461 to 469, respectively. It appears that all the provinces recorded increasing LSRs and LERs except for GP which maintained 28.3 of LER for both years under consideration.

Table 2.14 shows the National Senior Certificate (NSC) performance with the type of qualification achieved by grade 12 learners for the period 2018 and 2019. Approximately, 37.8 percent of learners achieved a bachelor pass in KZN while 43.5 percent represents the combined diploma and higher certificate pass. The majority of school leavers, either enter into vocationally oriented certificate and diploma programmes at public and private colleges or universities of technology (formerly technikons) or they enter the labour market as the unemployed.

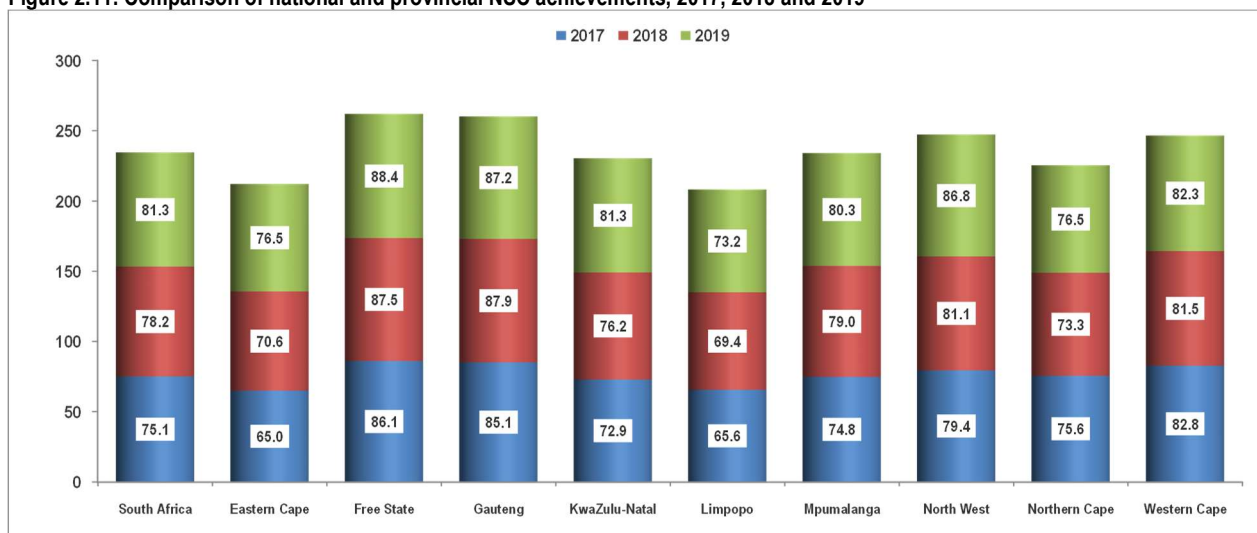
Table 2.14: NSC performance by type of qualification, 2018 and 2019

	2018			2019				
	Number of Learners wrote	Bachelor	Diploma	Higher Certificate	Number of Learners wrote	Bachelor	Diploma	Higher Certificate
South Africa	512 735	33.6	27.6	16.9	504 303	36.9	28.7	15.7
Eastern Cape	65 733	27.4	26.1	17.0	63 198	32.3	28.2	15.9
Free State	24 914	37.5	33.2	16.8	25 572	39.1	33.5	15.8
Gauteng	94 870	43.6	30.3	13.9	97 829	44.5	30.3	12.5
KwaZulu Natal	116 152	33.2	26.9	16.1	116 937	37.8	28.0	15.5
Limpopo	76 730	23.5	24.6	21.3	70 847	26.8	26.2	20.1
Mpumalanga	44 612	29.6	29.7	19.6	43 559	32.7	30.1	17.5
North West	29 061	32.5	29.3	19.3	26 819	37.2	32.4	17.3
Northern Cape	9 909	26.1	27.1	20.1	9 138	30.3	28.7	17.5
Western Cape	50 754	42.3	25.4	13.6	50 404	43.6	25.8	12.9

Source: Department of Basic Education, NSC examination, 2020

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

Figure 2.11: Comparison of national and provincial NSC achievements, 2017, 2018 and 2019



Source: Department of Basic Education, NSC Examination, 2020

Figure 2.11 compares the NSC achievements in SA and among provinces from 2017 to 2019. Learner achievement rates in KZN improved by 8.4 percentage points from 72.9 percent in 2017 to 81.3 percent in 2019. This is in contrast to a 6.2 percentage point improvement from 75.1 percent to 81.3 percent in SA. KZN achieved the fifth highest pass rate after FS (88.4 percent), GP (87.2 percent), NW (86.8 percent) and WC (82.3 percent).

2.8 Household Infrastructure

The provincial government is dedicated to service delivery with the key focus areas being on access to formal housing, water and electricity, the removal of refuse and sanitation services. Access to these services promotes good hygiene which plays a vital role in preventing the spread of infectious diseases such as diarrhoea. Table 2.16 depicts a review of households' access to basic services in 2019. The province continues to make notable progress in ensuring access to services to households within the province. The table reveals that almost 90 percent of households have access to electricity connections, while 80 percent

have access to hygienic toilets. Notwithstanding this progress, it should be noted that the province has backlogs in ensuring formal refuse removal for households which is at 54.1 percent in 2019.

Table 2.16: Access to housing, sanitation, water, electricity and refuse removal, 2019

%	Share of household occupying formal dwellings	Share of households with Hygienic toilets	Share of households with piped water at or above RDP-level	Share of households with electrical connections	Share of households with formal refuse removal
eThekweni	84.0	86.6	90.3	95.5	86.5
Ugu	63.7	69.7	58.3	86.9	27.1
uMgungundlovu	72.5	82.6	82.8	93.9	44.8
uThukela	66.3	77.9	65.7	88.9	36.5
uMzinyathi	51.1	79.1	52.1	76.5	21.9
Amajuba	87.5	71.0	89.6	92.7	55.7
Zululand	68.6	71.9	56.0	88.1	26.0
uMkhanyakude	71.6	73.3	47.5	60.9	8.5
King Cetshwayo	71.3	77.5	75.2	91.4	33.9
iLembe	72.0	75.7	60.6	87.5	41.1
Harry Gwala	40.2	70.5	44.8	84.9	25.5
KwaZulu-Natal	74.0	80.0	75.1	90.0	54.1

Source: IHS Markit, 2020

As expected, the eThekweni Metro has satisfactory access to all basic services such as formal dwellings (84 percent), hygienic toilets (86.6 percent), piped water (90.3 percent), electrical connections (95.5 percent) and formal refuse removal (86.5 percent). This is followed by the uMgungundlovu District which has adequate access to basic services for households except for formal refuse removal which lags behind at 44.8 percent.

However, the other districts, particularly in the rural parts of the province, continue to lag behind in other basic services. This warrants a need for the government to extend the efforts toward ensuring satisfactory delivery of basic services in other districts. For instance, the uMkhanyakude and uMzinyathi Districts reported 8.5 percent and 21.9 percent access to formal refuse removal, which is substantially below the provincial average. Noteworthy is the fact that access to electrical connections has increased in almost all districts.

2.9 Crime

As it is outlined in the NDP, crime and violence are not just security issues, but have deep social and economic consequences. Therefore, addressing these challenges cannot be seen as the mandate of criminal justice system alone, but requires the intervention of all government departments as well as other stakeholders, particularly those within social and economic clusters. These stakeholders will try to execute their respective legal mandates jointly to contribute to a safe and secure environment for all South Africans. It is against this backdrop that the Department of Community Safety and Liaison has introduced many strategies to prevent the escalation of crime in the province. These crime strategies include, among other things; establishment of community safety structures such as community policing forums, ward safety committees, community crime prevention associations and community safety forums.

Table 2.17 illustrates the crime figures together with the growth rates in each crime category in KZN between the years 2016 and 2019. All theft not mentioned elsewhere, burglary at residential premises, and Drug-related crime were the top three crime categories in KZN in 2018/19 with Drug-related crime dropping by a whopping 34.5 percent. It is a well-known behavioural fact that drug addicts often steal to fund their drug habits. It would, therefore, be expected that with a decrease in drug-related crime, burglary, theft and violent crimes would also be on the decline. However, these crimes all seem to be on the increase, which may imply that drug peddling is continuing undetected by police. Truck hijacking was the fastest growing

crime category in the province, with a 53.8 percent increase in the number of cases reported in 2018/19. It was followed by commercial crime (21.1 percent) and Common Robbery (7.5 percent) over the same period.

Table 2.17: Crime prevalence in KZN, 2016/17 to 2018/19

Crime Category	April 2016 to March 2017	April 2017 to March 2018	April 2018 to March 2019	Comparison 2017/18 with 2018/19	
				Case Difference	% Change
CONTACT CRIMES (CRIMES AGAINST THE PERSON)					
Murder	4 014	4 382	4 395	13	0.3%
Sexual Offences	8 484	8 759	9 308	549	6.3%
Attempted murder	3 914	4 099	4 203	104	2.5%
Assault with the intent to inflict grievous bodily harm	26 824	26 693	26 878	185	0.7%
Common assault	22 285	22 842	23 521	679	3.0%
Common robbery	7 305	6 596	7 090	494	7.5%
Robbery with aggravating circumstances	22 327	21 543	22 110	567	2.6%
Total Contact Crimes (Crimes Against the Person)	95 153	94 914	97 505	2 591	2.7%
SOME SUBCATEGORIES OF AGGRAVATED ROBBERY					
Carjacking	3 029	2 698	2 764	66	2.4%
Robbery at residential premises	4 255	4 174	4 182	8	0.2%
Robbery at non-residential premises	2 951	3 047	3 055	8	0.3%
Robbery of cash in transit	25	30	12	-18	-60.0%
Bank robbery	1	3	0	-3	-100.0%
Truck hijacking	81	52	80	28	53.8%
CONTACT-RELATED CRIMES					
Arson	699	679	754	75	11.0%
Malicious damage to property	14 010	12 958	13 704	746	5.8%
Contact-Related Crimes	14 709	13 637	14 458	821	6.0%
PROPERTY-RELATED CRIMES					
Burglary at non-residential premises	11 253	10 756	10 863	107	1.0%
Burglary at residential premises	41 013	38 545	38 790	245	0.6%
Theft of motor vehicle and motorcycle	8 413	8 240	8 050	-190	-2.3%
Theft out of or from motor vehicle	16 854	16 344	14 912	-1 432	-8.8%
Stock-theft	5 959	6 322	6 380	58	0.9%
Property-Related Crimes	83 492	80 207	78 995	-1 212	-1.5%
OTHER SERIOUS CRIMES					
All theft not mentioned elsewhere	42 577	39 615	40 193	578	1.5%
Commercial crime	12 405	12 308	14 899	2 591	21.1%
Shoplifting	12 302	11 620	10 878	-742	-6.4%
Total Other Serious Crimes	67 284	63 543	65 970	2 427	3.8%
Total 17 Community Reported Crimes	260 638	252 301	256 928	4 627	1.8%
CRIME DETECTED AS A RESULT OF POLICE ACTION					
Illegal possession of firearms and ammunition	4 000	4 418	3 733	-685	-15.5%
Drug-related crime	50 429	53 987	35 358	-18 629	-34.5%
Driving under the influence of alcohol or drugs	13 403	18 218	17 577	-641	-3.5%
Sexual Offences detected as a result of police action	3 558	3 520	3 615	95	2.7%
Crime Detected As A Result Of Police Action	71 390	80 143	60 283	-19 860	-24.8%

Source: SAPS, 2020

Chapter 3: Provincial Overview of 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.

On 22 April 2014 the mSCOA Regulations were promulgated which prescribed the uniform recording and classification of the municipal budget and financial information at a transaction level. In accordance with these Regulations, all municipalities and related municipal entities were required to be mSCOA compliant on 01 July 2017. For the first time in South Africa's history, municipalities were required to submit only data strings for the monthly reporting requirements of MFMA Section 71 for the 2019/20 financial year. Therefore, the reports prepared and published on the municipalities' financial performance for the 2019/20 financial year were prepared using the figures from the submitted mSCOA data strings.

To ensure that the figures published by National and Provincial Treasuries are reliable, municipalities are required to scrutinise, verify and sign-off the verifications schedules sent to them by National Treasury on a quarterly basis in terms of Section 74 of the MFMA. Despite the quarterly verification schedules being signed and submitted to National Treasury, the credibility of the information contained in the mSCOA data strings is still questionable and this remains a serious challenge and concern.

The errors noted in the data strings submitted by municipalities results in inaccurate, incomplete and unreliable data reported to the National and Provincial Treasuries. Until such time that municipalities implement the corrections and guidance as provided by both the Provincial and National Treasuries, this challenge will persist.

As part of a programme of ongoing support, Provincial Treasury has conducted onsite assessments to determine the extent of the implementation of the mSCOA reforms by municipalities. The assessments as at 17 March 2020 indicated that the mSCOA implementation was at 69 percent. Since no municipality has achieved 100 percent compliance, errors in the submitted data strings are expected.

The challenge of inaccurate and unreliable data strings is as a result of the following weaknesses in the operational systems of the municipalities:

- Incorrect budgeting where there is no implementation of balance sheet budgeting;
- Incorrect processing of transactions by municipalities;
- Incorrect use of the mSCOA segments, which includes:
 - Incorrect use of the region segment;
 - Incorrect use of the function segment (split between core and non-core) given the guidance in MFMA Circular No. 74;
 - Incorrect use of the funding segment. Transactions are not linked in terms of the business process of the transaction;
 - Incorrect use of the item segment. Incorrect application of accounting principles and no balance sheet budgeting (for every credit, there should be a debit vis-a-versa);
 - The costing segment has not been appropriately applied to determine if the tariffs settings are cost reflective and/or sustainable; and
 - Incorrectly linking of the project segment to the item segment and incorrectly linking strategic initiatives.
- Municipalities are not budgeting, transacting and reporting directly in/from their core financial systems. Instead they prepare their budgets and reports on excel spreadsheets and then import the excel spreadsheets into their system;

- Municipalities are not locking their Approved Budgets annually or their financial systems at month-end to ensure prudent financial management. This is despite the submission of Budget Locking Certificates by the municipalities to the National and Provincial Treasuries as an undertaking that their budgets are locked into their financial systems;
- Additional controls such as daily processing, sub-module balancing, month-end close and the review of reports prior to submission are not being done by municipalities;
- Non-reconciliation of migration of data between the pre-mSCOA system and the newly implemented mSCOA systems. e.g. take on balances of assets incorrectly shown as "additions" thereby inflating the spending level. This included year on year movements within the current mSCOA system;
- Municipalities are incorrectly transacting on opening balance GUIDS;
- Most municipalities are not implementing the recommendations of both the Provincial and National Treasuries on errors identified in the monthly in year reporting;
- Municipalities are not adhering to the submission deadline dates as indicated within the MFMA. The delay in the submission of MFMA Section 71 reports limits the time available to Provincial Treasury to provide support to the municipalities;
- There is no contract management of deliverables within the Service Level Agreement with service providers;
- Modules are still in development by vendors;
- Modules are available on the financial systems, however they are not sufficiently and effectively being used by the municipalities; and
- There are challenges with skills transfers to the municipal officials regarding the knowledge of the financial systems on "how" to use it, hence the major reliability on the vendor.

All the above indicate that there is a high probability that there will be material differences between the NT lgdatabase published figures and the 2019/20 Annual Financial Statements (AFS) figures to be prepared by the municipalities in terms of Section 126 of the MFMA.

Furthermore, Chapter 3: Provincial Overview of Budget Performance and Chapter 4: District Performance Analysis of this report include the performance of only 53 municipalities as opposed to the 54 municipalities in the province. The uPhongolo Local Municipality has not been complying with the MFMA Section 71 reporting requirements with respect to the submission of their monthly data string reports to the NT lgdatabase for the entire 2019/20 financial year. The municipality had challenges with the implementation of the mSCOA reforms due to an ongoing legal dispute with their financial system service provider, which resulted in the municipality reverting to a financial system that does not comply with the mSCOA Regulations.

While every attempt has been made 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 the lack of accuracy and credibility of the figures submitted by municipalities, as indicated above. This limitation has impacted mainly Chapter 3: Provincial Overview of Budget Performance and Chapter 4: District Performance Analysis of this report. All queries on the budgeted and actual figures reflected in this report must therefore 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.

3.1 Operating Revenue

Table 3.1 shows the Original Budget, the Adjusted Budget and the Unaudited Actual Operating revenue per source and per district for the 2019/20 financial year.

Table 3.1: Operating revenue per revenue source and per district – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail						
					Property rates	Service charges			Transfers recognised - operational	Other own revenue	Other revenue ²
						Electricity revenue	Water revenue	Other ¹			
eThekweni	39 248 508	39 630 767	34 194 036	86.3	8 144 440	12 453 241	4 486 586	1 460 401	2 948 680	3 185 436	1 515 252
Ugu	2 952 877	2 972 380	3 082 012	103.7	521 048	155 008	451 461	192 655	1 631 568	26 438	103 833
uMgungundlovu	7 511 235	7 500 604	5 019 815	66.9	949 081	1 315 422	751 171	193 813	1 439 395	49 872	321 061
uThukela	2 488 252	2 550 025	2 389 087	93.7	334 989	586 621	191 596	101 108	950 002	22 419	202 352
uMzinyathi	1 536 275	1 537 195	1 304 046	84.8	196 960	204 454	68 998	47 259	697 171	5 384	83 819
Amajuba	2 390 828	2 356 717	2 398 036	101.8	459 011	615 513	192 903	227 219	837 293	8 775	57 323
Zululand	1 772 389	1 881 180	1 853 819	98.5	246 787	281 433	66 338	70 021	1 124 258	2 829	62 154
uMkhanyakude	1 376 676	1 349 946	1 310 941	97.1	106 531	4 136	33 829	13 534	1 078 929	30 592	43 391
King Cetshwayo	4 808 361	4 878 681	4 695 303	96.2	639 388	1 525 903	533 833	247 179	1 473 878	44 910	230 213
iLembe	3 253 955	3 314 200	3 023 821	91.2	587 436	802 306	143 530	116 428	1 164 687	45 646	163 788
Harry Gwala	1 511 670	1 456 128	1 476 860	101.4	187 132	119 695	53 046	31 683	987 687	8 729	88 888
Total	68 851 028	69 427 823	60 747 776	87.5	12 372 804	18 063 731	6 973 290	2 701 301	14 333 548	3 431 030	2 872 073

Source: NT Lgdatabase

1 Includes Service charges for Sanitation revenue and Refuse revenue.

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

The total Operating revenue budget which includes the eThekweni Metro and the 10 districts in the province was R68.9 billion for the 2019/20 financial year. The budget was adjusted upwards by R576.8 million or 0.8 percent to R69.4 billion. Table 3.1 shows that total Operating revenue of R60.7 billion or 87.5 percent was generated against the Adjusted Budget of R69.4 billion, which resulted in a revenue shortfall of R8.7 billion or 12.5 percent for the province. This was due to the under-generation of Operating revenue within the districts, where seven of the districts and the eThekweni Metro generated less than 100 percent of their Adjusted Budget for Operating revenue.

The Ugu, Amajuba and Harry Gwala Districts were the only districts that generated more than 100 percent of their Adjusted Budget for Operating revenue with Unaudited Actual amounts of R3.1 billion (103.7 percent), R2.4 billion (101.8 percent) and R1.5 billion (101.4 percent) respectively.

Overall, there were 18 municipalities in the province which generated Operating revenue in excess of their Adjusted Budget as reflected in Appendix 1. The uMshwathi Local Municipality reported the highest over generated revenue at 336.8 percent, followed by the eMadlangeni Local Municipality at 186.8 percent and the uBuhlebezwe Local Municipality at 166.2 percent. The three municipalities attributed the over-generation to incorrect reporting in their monthly MFMA Section 71 data strings (monthly reports).

The districts which reported the lowest Operating revenue against their Adjusted Budgets included the uMgungundlovu, the uMzinyathi and the iLembe Districts with amounts of R5 billion or 66.9 percent, R1.3 billion or 84.8 percent and R3 billion or 91.2 percent, respectively.

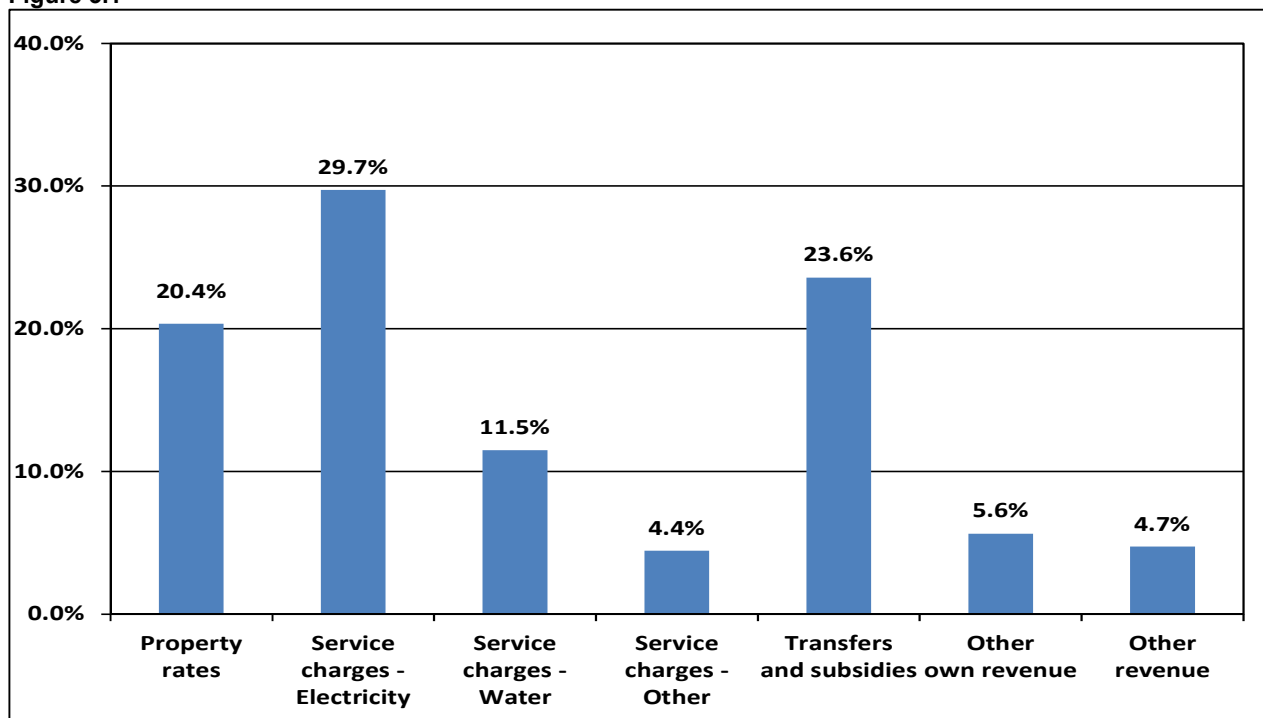
The low generation of revenue by the uMgungundlovu District was mainly attributed to the Msunduzi Local Municipality having reported Unaudited Actual revenue of R2.6 billion or 46.2 percent against the Adjusted Budget of R5.6 billion. Mpofana and Richmond Local Municipalities also reported low Unaudited Actual Revenue of R109.6 million or 68.9 percent and R78.6 million or 72.7 percent respectively. It should be noted that the Msunduzi Local Municipality's 2019/20 Adjusted Budget contributes R5.6 billion or 74.7 percent of the total Adjusted Budget of R7.5 billion for the uMgungundlovu District.

The low generation of revenue in the uMzinyathi District was mainly due to the uMzinyathi District Municipality (R330.5 million or 72.3 percent) and the Nquthu Local Municipality (R164.2 million or 73.7 percent) reporting low Unaudited Actual revenue generated against their respective Adjusted Budgets. The uMzinyathi District Municipality has indicated that the reported Unaudited Actual revenue generated for Operating Revenue of R330.5 million or 72.3 percent is incorrect due to errors in the data strings submitted to National Treasury.

The low generation of Operating revenue in the iLembe District was mainly due to the iLembe District Municipality reporting low Unaudited Actual revenue (R839.3 million or 84.8 percent) generated against their Adjusted Budget.

Figure 3.1 shows the Operating revenue generated per source as a percentage of total Operating revenue generated as at 30 June 2020.

Figure 3.1

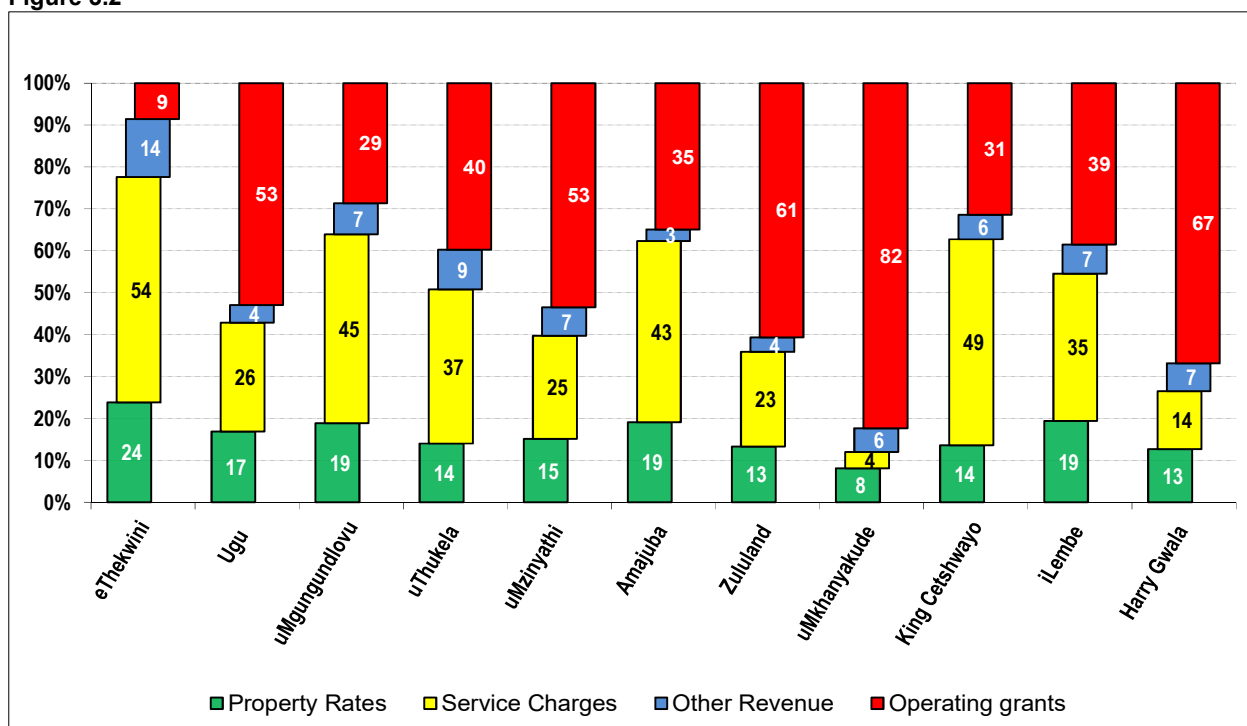


Service charges contributed the most towards Operating revenue as R27.7 billion or 45.6 percent of Unaudited Actual revenue was generated for the 2019/20 financial year. *Service charges* revenue comprises of *Service charges-electricity revenue* of R18.1 billion or 29.7 percent, *Service charges-water revenue* of R7 billion or 11.5 percent and *Service charges-other revenue* of R2.7 billion or 4.4 percent. This was followed by *Transfers and subsidies* of R14.3 billion or 23.6 percent, *Property rates* of R12.4 billion or 20.4 percent and *Other own revenue* of R3.4 billion or 5.6 percent. *Other revenue* of 2.9 billion or 4.7 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 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 Operating revenue generated as they are densely populated cities with a large number of billable customers. The eThekweni Metro contributed R34.2 billion or 56.3 percent of total Operating revenue whilst the Msunduzi and uMhlathuze Local Municipalities contributed R2.6 billion or 4.3 percent and R3.1 billion or 5.1 percent to the total Operating revenue, respectively.

Figure 3.2 shows a breakdown in terms of Operating revenue per district and per source for the 2019/20 financial year.

Figure 3.2



On comparison of the 10 districts and the eThekwini Metro, only the eThekwini Metro (24 percent) generated more than 20 percent of their total Operating revenue from *Property rates*. The uMkhanyakude District is the only district that generated less than 10 percent of their total Operating revenue from *Property rates*. The *Property rates* generated by all the other districts range between 13 percent and 19 percent of their total Operating revenue.

The revenue generated from *Service charges* for the eThekwini Metro constituted 54 percent of the total Operating revenue for the metro. With the exception of the eThekwini Metro, the districts that generated most of their revenue from *Service charges* are the King Cetshwayo District with 49 percent, the uMgungundlovu District with 45 percent and the Amajuba District with 43 percent. The district which generated the smallest portion of their revenue from *Service charges* was the uMkhanyakude District at 4 percent. This can be attributed to the fact that the district consists mainly of rural settlements and infrastructure for the provision of water and electricity is under-developed. The *Service charges* generated by the remaining six districts range between 14 percent and 37 percent of their total Operating revenue.

A significant portion of the Operating revenue for the uMkhanyakude District (82 percent), the Harry Gwala District (67 percent), the Zululand District (61 percent), the uMzinyathi District (53 percent) and the Ugu District (53 percent) is made up of *Transfers and subsidies*. This indicates a high dependency on grants by these districts.

Transfers and subsidies contributed the least towards the Operating revenue of the eThekwini Metro (9 percent), as well as the Msunduzi (5.9 percent), the KwaDukuza (11 percent) and the uMhlathuze (12 percent) Local Municipalities as these municipalities are able to generate the bulk of their revenue from *Service charges* since they cover predominantly urban areas.

Other revenue (including *Other own revenue*) amounting to R6.3 billion or 10.3 percent, contributed the least towards the total Operating revenue generated by municipalities. All the districts generated revenue within a range of between 3 percent and 9 percent for *Other revenue*.

Table 3.2 shows the over and under-generation of Operating revenue against the Adjusted Budgets per district for the 2019/20 financial year.

Table 3.2: Over and Under-Generation of Operating revenue against budget per District – 2019/20

	Districts	Under			On Target		(Over)			Total No. of Municipalities in District ¹
		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	-	1	-	-	-	-	-	-	1
2	Ugu	2	1	-	-	-	-	-	2	5
3	uMgungundlovu	3	1	-	-	-	-	1	3	8
4	uThukela	1	-	1	1	1	-	-	-	4
5	uMzinyathi	2	-	2	-	1	-	-	-	5
6	Amajuba	-	1	-	1	-	-	1	1	4
7	Zululand	-	1	-	1	2	-	1	-	5
8	uMkhanyakude	1	-	2	1	-	-	1	-	5
9	King Cetshwayo	-	-	3	1	-	1	1	-	6
10	iLembe	2	-	1	2	-	-	-	-	5
11	Harry Gwala	1	-	1	1	1	-	-	1	5
	Totals	12	5	10	8	5	1	5	7	53

Source: NT Lgdatabase

¹ The Total No. of Municipalities in District excludes uPhongolo Local Municipality which has not submitted its MFMA Section 71 reports for the 2019/20 financial year.

From the 53 reporting municipalities:

- Thirteen (13) municipalities or 24.5 percent generated revenue in excess of their Adjusted Budgets, and of the 13 municipalities indicated, seven municipalities generated revenue in excess of 15 percent of their Adjusted Budget;
- Thirteen (13) municipalities or 24.5 percent were on target against their Adjusted Budgets, which is within a range of 95 percent to 105 percent of the Adjusted Budget; and
- Twenty seven (27) municipalities or 50.9 percent generated revenue lower than their Adjusted Budgets, of which 12 of these municipalities under-generated revenue by more than 15 percent.

3.2 Operating Expenditure

Table 3.3 shows the Original Budget, the Adjusted Budget and the Unaudited Actuals per item of Operating expenditure and per district for the 2019/20 financial year.

Table 3.3: Operating expenditure per item and per district – 2019/20

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	38 728 894	39 353 270	32 025 622	81.4	9 557 991	116 337	381 652	2 130 585	811 481	11 626 105	4 228 288	1 732 563	1 440 618
Ugu	2 931 589	3 139 675	2 944 023	93.8	1 130 405	82 782	15 323	238 009	23 005	305 882	516 012	533 870	98 736
uMgungundlovu	7 275 614	7 246 430	4 956 530	68.4	1 483 793	91 608	34 883	313 325	41 807	1 892 659	737 243	290 186	71 024
uThukela	2 540 171	2 638 417	1 792 152	67.9	814 640	53 818	2 256	58 691	3 758	402 381	194 327	220 893	41 387
uMzinyathi	2 134 384	1 687 082	1 227 061	72.7	456 229	34 025	4 494	18 849	174	177 298	282 061	175 499	78 432
Amajuba	2 877 007	2 900 753	2 440 794	84.1	640 458	38 486	138 185	349 081	10 890	463 918	378 556	282 567	138 652
Zululand	1 880 839	1 875 801	1 857 194	99.0	689 944	62 822	995	109 640	12 168	339 384	366 221	212 932	63 088
uMkhanyakude	1 331 626	1 369 441	1 150 296	84.0	468 315	57 441	23 238	76 919	5 034	117 874	178 342	178 037	45 097
King Cetshwayo	5 034 045	5 226 284	4 816 753	92.2	1 358 286	96 699	90 938	596 051	66 926	1 182 743	870 236	433 352	121 521
iLembe	3 233 677	3 353 480	2 777 715	82.8	782 331	64 527	26 212	215 450	28 379	795 820	462 844	317 037	85 115
Harry Gwala	1 632 435	1 614 794	1 371 896	85.0	552 361	53 183	6 984	133 872	2 886	118 982	251 847	165 896	85 884
Total	69 600 281	70 405 429	57 360 037	81.5	17 934 754	751 728	725 161	4 240 473	1 006 508	17 423 046	8 465 978	4 542 834	2 269 555

Source: NT Lgdatabase

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

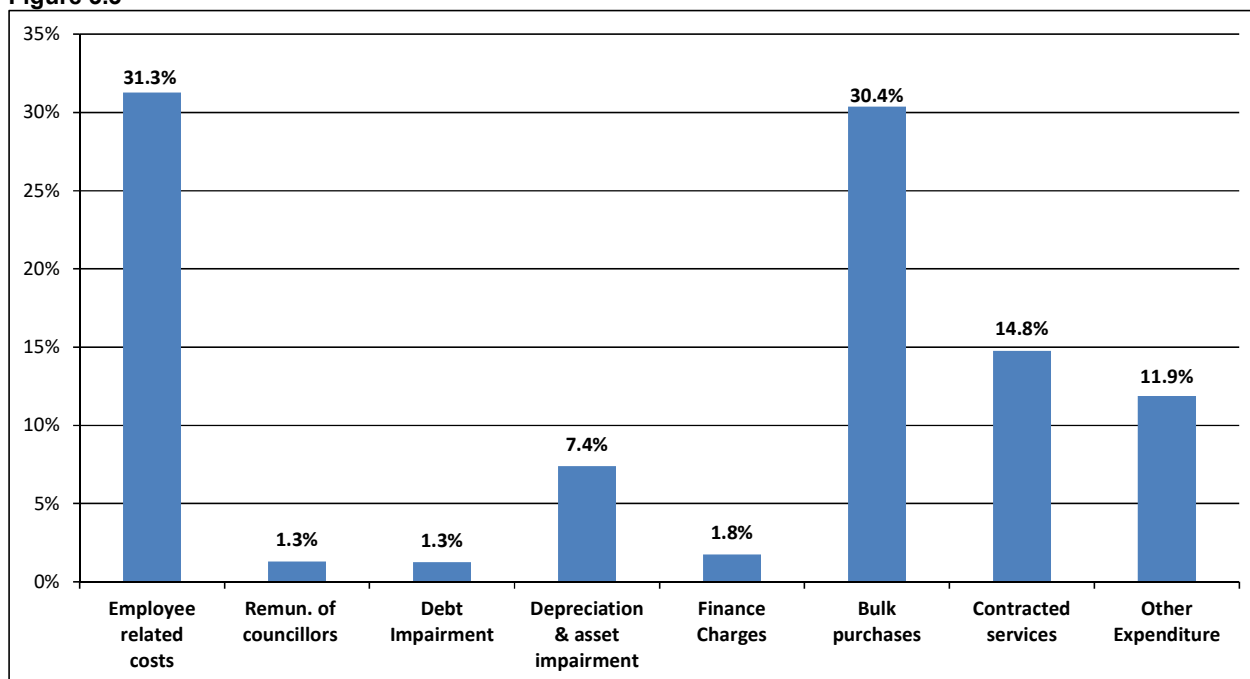
With the exception of the uPhongolo Local Municipality which did not report by submitting their monthly data strings, the total Original Budget for Operating expenditure for the remaining 53 municipalities in the province was R69.6 billion for the 2019/20 financial year, which was adjusted upwards by R805.1 million to R70.4 billion during the 2019/20 Adjustments Budget process. Table 3.3 shows that the consolidated performance for Operating expenditure by the municipalities in the province was R57.4 billion or 81.5 percent against the Adjusted Budget of R70.4 billion. The Operating expenditure Adjusted Budget was under-spent by R13 billion or 18.5 percent. Compared to the total Operating expenditure for the previous 2018/19 financial year, the Operating expenditure decreased by R1.4 billion from R58.8 billion in the 2018/19 financial year to R57.4 billion in the 2019/20 financial year.

As shown in Table 3.3, all the districts at an aggregate level including the eThekweni Metro, have recorded expenditure which is below the expected target of 100 percent at the end of the 2019/20 financial year. Nine municipalities over-spent against their Adjusted Budgets as follows: the uMshwathi Local Municipality (R372.3 million or 213.9 percent); the eMadlangeni Local Municipality (R153.5 million or 170.9 percent); the uMgungundlovu District Municipality (R1.1 billion or 134.1 percent), the eDumbe Local Municipality (R180.9 million or 117.3 percent), the Ugu District Municipality (R1.5 billion or 116.6 percent); the Nongoma Local Municipality (R210.6 million or 108.5 percent); the Zululand District Municipality (R583.1 million or 103.9 percent); the Mthonjaneni Local Municipality (R153.4 million or 103.9 percent) and the uMfolozi Local Municipality (R181.6 million or 102.6 percent).

The uThukela and the uMgungundlovu Districts spent the least of their Adjusted Budgets with R1.8 billion or 67.9 percent and R5 billion or 68.4 percent, respectively. It is noted that the uThukela District reported the least Operating expenditure in the previous financial year of 2018/19.

Figure 3.3 shows the breakdown of Operating expenditure for the 2019/20 financial year.

Figure 3.3



Employee related costs of 31.3 percent contributed the largest portion of Operating expenditure. This was followed by *Bulk purchases* of 30.4 percent, *Contracted services* of 14.8 percent, *Other expenditure* of 11.9 percent (which includes *Other materials*, *Transfers and subsidies*, *Other expenditure* and *Loss on disposal of PPE*), *Depreciation and asset impairment* of 7.4 percent and *Finance Charges* of 1.8 percent. *Remuneration of councillors* and *Debt impairment* contributed the least towards Operating expenditure at the same rate of 1.3 percent as shown in Figure 3.3.

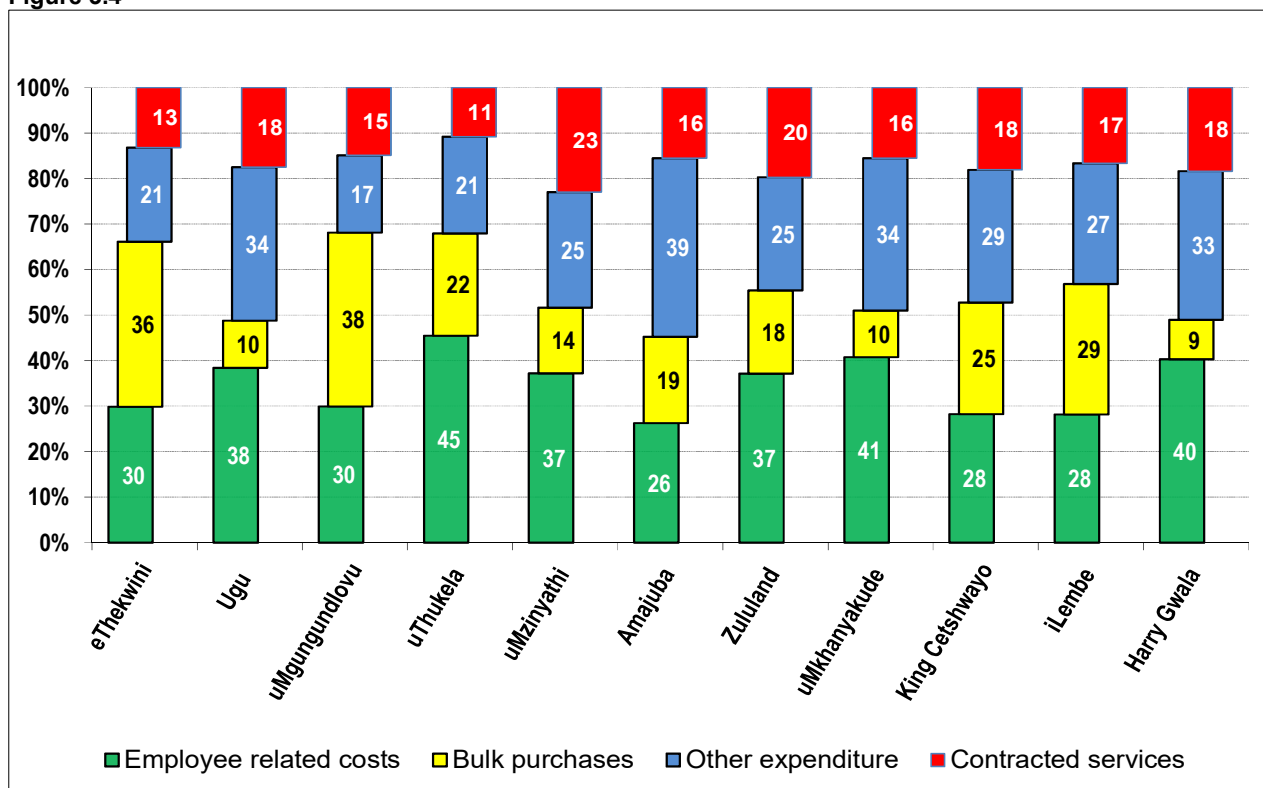
In many districts in the province, *Water and Sanitation* services are provided by the district municipalities while in some local municipalities the *Electricity* service is provided by Eskom. Hence, it was noted that 20 local municipalities (refer to Appendix 2) did not report on *Bulk purchases* for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

Twenty three (23) municipalities or 42.6 percent did not report on *Debt impairment*. The main reason for some 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 reports prior to effecting all the necessary year-end adjustments for the Annual Financial Statements (AFS). Furthermore, the uMngeni Local Municipality and the uMzinyathi District Municipality reported negative figures of R6.7 million and R954 000 respectively and this was attributed to the incorrect data strings. 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 sixteen (16) or 29.6 percent of the municipalities did not report on *Depreciation and asset impairment* thereby contributing to the understatement of *Depreciation and asset impairment*. Furthermore, the iNkosi Langalibalele Local Municipality and the uMzinyathi District Municipality reported negative figures of R227 000 and R11.7 million respectively and this was attributed to the incorrect data strings. Similar to *Debt impairment*, municipalities do not report their *Depreciation and asset impairment* due to the fact that that municipalities tend to submit preliminary figures in their MFMA Section 71 reports prior to effecting all the necessary year-end adjustments for the Annual Financial Statements (AFS). This is despite the advice by Provincial Treasury to municipalities that they should account for this expenditure on a monthly basis.

Figure 3.4 shows a breakdown of Operating expenditure per district and per item of expenditure for the 2019/20 financial year.

Figure 3.4



At a consolidated district level, municipalities spent between 26 and 45 percent of their Adjusted Budgets on *Employee related costs*. The districts with the largest expenditure on *Employee related costs* is the uThukela District at 45 percent, followed by the uMkhanyakude District and the Harry Gwala District at 41 percent and 40 percent respectively. The districts which spent the least on *Employee related costs* are the Amajuba District (26 percent), the King Cetshwayo District (28 percent) and the iLembe District (28 percent).

The uMgungundlovu District (38 percent) spent the highest percentage on *Bulk purchases* followed by the eThekweni Metro (36 percent) and the iLembe District (29 percent). The main contributor to the high spending in the uMgungundlovu District was the Msunduzi Local Municipality which spent R1.5 billion or 77.7 percent of the district total for *Bulk purchases* while the main contributor for the iLembe District was the KwaDukuza Local Municipality which spent R581 million or 73 percent of the district total for *Bulk purchases*.

A significant portion of *Other expenditure* which includes *Remuneration of councillors, Debt impairment, Depreciation and asset impairment, Finance charges, Other materials, Transfers and subsidies, Loss on disposal of PPE and Other expenditure* was reported by the Amajuba (39 percent), the Ugu (34 percent), the uMkhanyakude (34 percent) and the Harry Gwala (33 percent) Districts. The uMgungundlovu District (17 percent) and the eThekweni Metro (21 percent) contributed the least of their total Operating expenditure in respect of *Other expenditure*.

At a consolidated level, municipalities spent between 11 and 23 percent of their Adjusted Budgets on *Contracted services*. The districts with the largest expenditure on *Contracted services* are the uMzinyathi District (23 percent), the Zululand District (20 percent) and the Ugu District, the King Cetshwayo District and the Harry Gwala District at 18 percent. The uThukela District (11 percent) and eThekweni Metro (13 percent) spent the least on *Contracted services*.

Table 3.4 shows the over and under-generation of Operating expenditure against the Adjusted Budgets per district for the 2019/20 financial year.

Table 3.4: Over and Under-Spending of Operating expenditure budget per District – 2019/20

	Districts	Under			On Target		(Over)			Total No. of Municipalities in District ¹
		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	1	-	-	-	-	-	-	-	1
2	Ugu	4	-	-	-	-	-	-	1	5
3	uMgungundlovu	5	1	-	-	-	-	-	2	8
4	uThukela	4	-	-	-	-	-	-	-	4
5	uMzinyathi	3	2	-	-	-	-	-	-	5
6	Amajuba	2	1	-	-	-	-	-	1	4
7	Zululand	-	1	1	-	1	1	-	1	5
8	uMkhanyakude	3	1	-	1	-	-	-	-	5
9	King Cetshwayo	1	-	2	1	2	-	-	-	6
10	iLembe	3	1	1	-	-	-	-	-	5
11	Harry Gwala	3	1	-	-	1	-	-	-	5
	Totals	29	8	4	2	4	1	0	5	53

Source: NT Lgdatabase

¹ The Total No. of Municipalities in District excludes uPhongolo Local Municipality which has not submitted its MFMA Section 71 reports for the 2019/20 financial year.

Of the 53 reporting municipalities:

- Forty one (41) municipalities or 77.4 percent under-spent their Adjusted Budgets for Operating expenditure, of which 37 of the municipalities under-spent their Adjusted Budgets by more than 10 percent;

- Six (6) or 11.3 percent of municipalities were on target, which is between 95 percent (-5 percent) and 105 percent (+5 percent), against their Adjusted Budgets; and
- Six (6) or 11.3 percent of municipalities over-spent their Adjusted Budgets for Operating expenditure, of which five (5) municipalities recorded over-expenditure of more than 15 percent against their Adjusted Budgets.

3.3 Repairs and maintenance

Section 63(1)(a) of the MFMA states that, “*the accounting officer of a municipality is responsible for the management of the assets of the municipality, including the safeguarding and the maintenance of those assets*”.

The sustainability of a municipality and its ability to provide municipal services is largely dependent on the health of its infrastructure and assets. Guidance is contained in MFMA Circular No. 71 which indicates that the total *Repairs and maintenance* expenditure of a municipality should be at least eight percent of the carrying value of the municipality’s *Property, plant and equipment* and *Investment property*. A lower spending rate could indicate that insufficient funds are been spent by the municipality on *Repairs and maintenance*, which could lead to an increase in the impairment of the useful lives of the municipal assets. Poorly maintained infrastructure assets could also lead to increased electricity and water losses.

Table 3.5 shows the breakdown of Repairs and maintenance expenditure per district for the 2019/20 financial year.

Table 3.5: Repairs and Maintenance expenditure per district (Total) - 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Quarter One	Quarter Two	Quarter Three	Quarter Four
eThekweni	3 383 328	3 406 166	2 629 828	77.2	711 643	653 445	805 692	459 049
Ugu	258 557	202 416	201 723	99.7	60 114	30 451	38 427	72 731
uMgungundlovu	352 168	303 964	194 158	63.9	48 682	46 318	21 660	77 497
uThukela	120 465	122 872	108 520	88.3	18 408	27 318	26 972	35 821
uMzinyathi	170 662	244 626	199 902	81.7	22 217	55 095	45 764	76 826
Amajuba	28 092	29 741	23 023	77.4	2 984	6 030	6 645	7 364
Zululand	97 123	115 142	126 511	109.9	29 103	39 913	27 475	30 020
uMkhanyakude	37 481	74 168	17 238	23.2	1 876	3 274	4 475	7 613
King Cetshwayo	360 729	433 693	322 170	74.3	82 815	64 680	94 096	80 579
iLembe	148 301	135 018	97 372	72.1	16 914	30 995	21 972	27 490
Harry Gwala	78 259	68 418	58 652	85.7	6 351	15 426	13 743	23 132
Total	5 035 166	5 136 225	3 979 098	77.5	1 001 108	972 946	1 106 920	898 123

Source: NT Igdatabase

The total *Repairs and maintenance* budget for all the reporting municipalities in the province was adjusted upwards by R101.1 million from R5 billion to R5.1 billion in the 2019/20 Adjustments Budgets. The consolidated expenditure of the districts reflects spending of R4 billion (77.5 percent) against the Adjusted Budget of R5.1 billion. The Adjusted Budget has been under-spent by R1.2 billion or 22.5 percent in the 2019/20 financial year. The largest portion of expenditure on *Repairs and maintenance* was incurred in quarter three and amounted to R1.1 billion.

Except for the Zululand District (109.9 percent), all other districts in the province, including the eThekweni Metro, reported under-expenditure on their *Repairs and maintenance* Adjusted Budgets. Twelve (12) municipalities within the districts over-spent against their Adjusted Budgets for the *Repairs and maintenance* as follows: the uMgungundlovu District Municipality (571.5 percent), the uMshwathi Local Municipality (179.9 percent), the Ulundi Local Municipality (162 percent), the Nongoma Local Municipality (147.7 percent), the Newcastle Local Municipality (134.9 percent), the Jozini Local Municipality (127.5 percent), the Abaqulusi Local Municipality (120.5 percent), the Nkosi Langalibalele

Local Municipality (109.6 percent), the Okhahlamba Local Municipality (107.1 percent), the Ndwedwe Local Municipality (102.7 percent) and the Mthonjaneni Local Municipality (101.3 percent).

Seven (7) municipalities within the districts significantly under-spent against their Adjusted Budgets as follows: the uMkhanyakude District Municipality (14.1 percent), the Mtubatuba Local Municipality (23.6 percent), the Nkandla Local Municipality (24.6 percent), the Big Five Hlabisa Local Municipality (33.1 percent), the Amajuba District Municipality (36.2 percent), the Msunduzi Local Municipality (43.5 percent) and the uBuhlebezwe Local Municipality (49.6 percent).

Municipalities should be aware of the consequences of under-budgeting and under-spending on *Repairs and maintenance*, which includes the shortening of the useful lives of the municipal assets. This impacts negatively on the financial sustainability of municipalities, on the reliability and quality of municipal services as well as the municipalities' contributions to support economic growth.

3.4 Capital Revenue (Source of Finance) and Expenditure

The aggregated municipal Adjusted Capital Revenue Budget for municipalities that submitted their MFMA Section 71 reports for the 2019/20 financial year in KwaZulu-Natal was R9.3 billion. The revenue recognised against the Adjusted Capital Revenue Budget amounted to R25.3 billion or 272 percent. This equates to a significant over-generation of R16 billion (172 percent) for the 2019/20 financial year. The municipalities in the province incurred total capital expenditure of R28 billion or 209.3 percent against the total Adjusted Capital Expenditure Budget of R13.4 billion. This equates to a significant over-spending of R14.6 billion (109.3 percent) for the 2019/20 financial year, which is mainly due to incorrect reporting as discussed in the next paragraph.

As per the National Treasury, due to the lockdown associated with the COVID-19 pandemic, all SCM processes were stopped and almost no infrastructure projects could continue, the expected hockey stick effect on capital spending would not have resulted in the massive overspending against the capital budget. Upon consolidation of the National figures, the preliminary figures for capital spending for KwaZulu-Natal reflected a massive overspending as indicated above. National Treasury identified two (2) municipalities in KwaZulu-Natal (Ugu and uMgungundlovu District Municipalities) that had serious outliers in their capital reporting and which mainly contributed to the over-spending. Taking into account trends in the previous years as well as the results of prior-years' audit outcomes, National Treasury removed the outliers to get a more credible and realistic capital spending aggregated total for the KwaZulu-Natal Province. With the changes effected by National Treasury, the total capital expenditure was revised to R12.3 billion against the total Capital Adjusted Budget of R13.4 billion, resulting in a 91.9 percent expenditure against budget. It should be noted that while National Treasury amended the capital expenditure figure for KwaZulu-Natal for 2019/20, the capital revenue/source of funding for the same period was not amended.

The significant net over-generation of capital revenue of 272 percent against the Adjusted Capital Revenue Budget and even the amended expenditure against the Adjusted Capital Expenditure Budget of 91.9 percent are mainly as a result of incorrect reporting associated with the submission of incorrect Section 71 mSCOA data strings.

It is further noted that the Adjusted Capital Revenue budget of R9.3 billion for the 2019/20 financial year is not equal to the Adjusted Capital Expenditure budget of R13.4 billion resulting in a difference of R4.1 billion. The municipalities mainly contributing to the difference are the eThekweni Metro accounting for the bulk of the difference with R2.6 billion, followed by the Newcastle Local Municipality with R948.5 million, uThukela District Municipality with R129.7 million and the Msunduzi Local Municipality with R120.4 million. In some instances, even the Adjusted Capital Revenue and Adjusted Capital Expenditure budgets for a number of municipalities do not correspond to their Council Adopted Capital Revenue and Expenditure Budgets (see Chapter 4 for details), thus, the performance comparison of the Actual revenue and expenditure against budgets may not reflect the correct capital revenue and expenditure performance of the municipalities.

The major differences between the capital revenue and capital expenditure amounts (both budgets and actual performance figures) are mainly due to incorrect reporting associated with the mSCOA implementation. As indicated in the introduction of Chapter 3, the credibility of the information contained in the mSCOA data strings is of concern. At the core of the challenge with regards to the capital budgeting and reporting in particular, are the following:

- Incorrect use of the mSCOA segments and municipal accounting practices by municipalities;
- Non-reconciliation of data between the pre-mSCOA system and the migrated data in newly implemented mSCOA systems, example, ‘take-on’ balances of assets are incorrectly shown as ‘additions’ thereby inflating the expenditure. This included year on year movements within the current mSCOA system;
- A large number of municipalities are not budgeting, transacting and reporting directly in/from their core financial systems. Instead they prepare their budgets and reports on excel spreadsheets and then import the excel spreadsheets into their system; and
- Municipalities are not locking their Approved Budgets annually or their financial systems at month-end to ensure prudent financial management.

It must be further noted that the actual performance reported in the Section 71 reports by the municipalities are in most instances not the final performance of the municipalities against their respective Adjusted Capital Budget. All municipalities are in the process of preparing their 2019/20 Annual Financial Statements, which include the updating and balancing of their asset registers with the latest available financial information and factoring in accounting journal entries such as accruals (IYM Month 13). Thus, the year-end amendments to the capital expenditure figures would not have been included in the MFMA Section 71 reports submitted to the NT LG Database. This could result in the final performance figures being significantly different than those reported in the MFMA Section 71 reports.

3.4.1 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 2019/20 financial year.

Table 3.6: Capital Revenue (Source of Finance) per district – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Detail			
					Transfers recognised - capital ¹	Borrowing	Internally generated funds	Public contr. and donations
eThekwini	5 149 304	2 914 769	1 393 757	47.8	1 225 876	167 862	19	-
Ugu	597 486	588 626	10 073 239	1 711.3	1 226 303	-	8 846 935	-
uMgungundlovu	892 521	827 285	8 124 180	982.0	7 715 713	131 882	276 585	-
uThukela	313 038	307 347	249 241	81.1	238 822	-	10 419	-
uMzinyathi	518 882	492 645	362 026	73.5	295 415	-	66 611	-
Amajuba	183 681	357 657	1 166 520	326.2	719 585	20 818	426 117	-
Zululand	562 151	747 996	1 057 586	141.4	733 663	-	323 923	-
uMkhanyakude	2 629 945	404 471	767 577	189.8	582 479	-	185 098	-
King Cetshwayo	1 091 454	1 256 094	1 089 279	86.7	802 307	26 812	260 160	-
iLembe	813 756	750 344	435 918	58.1	315 677	(0)	120 242	-
Harry Gwala	663 082	650 717	573 023	88.1	417 176	-	155 847	-
Total	13 415 299	9 297 950	25 292 346	272.0	14 273 015	347 374	10 671 956	-

Source: NT Igdatabase

¹ Includes National Government, Provincial Government, District Municipality and Other transfers and subsidies - capital.

Based on the published figures by National Treasury, notwithstanding the incorrect reporting, the Ugu District with R10.1 billion contributed the most to the total Capital revenue of R25.3 billion as at 30 June 2020. The Ugu District financed their Capital expenditure with *Transfers recognised – capital* of R1.2 billion and *Internally generated funds* of R8.8 billion. The uMgungundlovu District contributed the second most to the total Capital revenue with R8.1 billion (once again due to incorrect reporting), followed by the eThekweni Metro with R1.4 billion. The uThukela District contributed the least to Capital sources of revenue with R249.2 million.

As a result of incorrect reporting in the MFMA Section 71 reports, 13 municipalities (including both local and district municipalities) reported Capital revenue as a percentage of the Adjusted Capital Revenue Budget, ranging from negative 7.4 percent to 3 811.1 percent as shown in Table 3.6 and Appendix 4. In addition to the MFMA Section 71 reporting, municipalities are also required to prepare and submit MFMA Section 52 reports to Council on a quarterly basis. As per Section 52(d) of the MFMA, *the Mayor of a municipality must, within 30 days of the end of each quarter, submit a report to the Council on the implementation of the budget and the financial state of affairs of the municipality*. It must be noted that the information for both the MFMA Section 71 and the MFMA Section 52(d) reports must be extracted from the municipality's financial system, hence the figures reported in both these reports must be the same. This has been emphasised by the National and Provincial Treasuries on numerous occasions and via a number of circulars issued to municipalities. What has been observed by the Provincial Treasury is the fact that a few municipalities are still in the process of engaging their system service providers to assist them in resolving the challenges with the Section 71 data strings reporting, hence, for the Section 52(d) report, they have been adjusting the figures outside the financial system with the objective of providing a more realistic performance to Council for decision making, instead of making corrections on the financial system. Notwithstanding the municipalities' intention to present realistic figures to the Council, the practice of working outside the financial system is not acceptable.

Similar to the performance in the MFMA Section 71 reports, it must be noted that even the performance reported in the Section 52(d) reports for quarter ended 30 June 2020 by the municipalities are in most instances not the final performance of the municipalities against their respective Adjusted Capital Budget. As indicated above, all municipalities are in the process of preparing their 2019/20 Annual Financial Statements, which could result in the final performance figures being significantly different to those reported in the MFMA Sections 71 and 52(d) reports. While the practice of adjusting the figures outside the financial system is not acceptable by the Provincial Treasury, the Section 52(d) reports are also not validated by the Provincial Treasury.

CAVEAT: Provincial Treasury undertook a scenario based exercise by comparing the MFMA Section 71 data strings to the Council Section 52(d) reports in an attempt to reflect the extent of the differences in the figures being reflected in the two reports. Using the capital budget and performance figures from the MFMA Section 71 data strings figures in comparison to the Council MFMA Section 52(d) reports for the 13 municipalities shown in Table 3.7, the magnitude of the differences in the two sets of figures being reported is clearly noted. For instance, the uMshwathi Local Municipality reported revenue of R1 billion against a budget of R26.5 million or 3 811.1 percent in the MFMA Section 71 data strings, while as per the municipality's MFMA Section 52(d) report, R23.9 million was generated against a budget of R30.3 million or 78.9 percent.

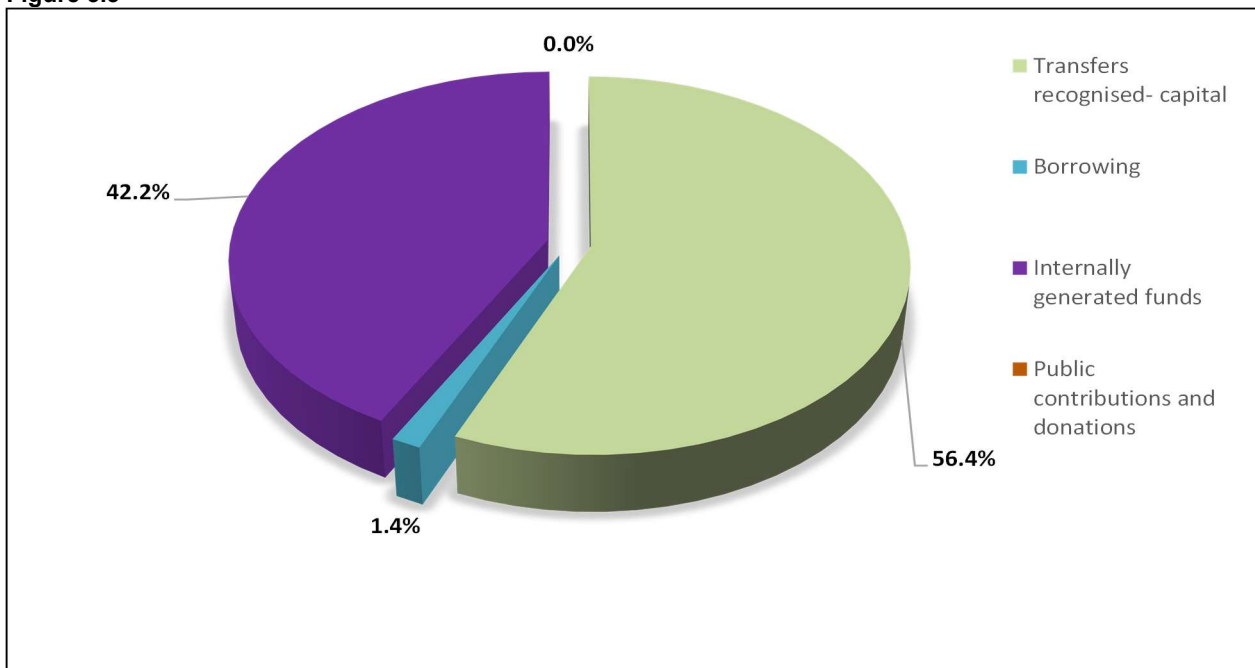
Table 3.7: Capital Revenue (Source of Finance) – Section 71 vs. Section 52(d) figures – 2019/20

R'000	Section 71 Report (Data string)				Section 52(d) Report			
	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Ugu DM	282 901	261 362	9 840 291	3 765.0	286 805	277 751	268 934	96.8
uMshwathi	24 536	26 541	1 011 500	3 811.1	30 341	30 341	23 935	78.9
iMpendle	156 721	13 086	41 415	316.5	12 604	12 075	11 719	97.1
Msunduzi	434 982	434 982	660 365	151.8	555 113	746 399	420 021	56.3
Mkhambathini	20 976	22 957	217 172	946.0	20 976	26 757	24 130	90.2
uMgungundlovu DM	171 944	233 049	6 142 008	2 635.5	184 575	184 575	178 440	96.7
uMvoti	56 362	20 913	24 226	115.8	40 661	31 776	24 226	76.2
eMadlangeni	18 595	17 935	966 063	5 386.5	18 595	18 011	12 670	70.3
eDumbe	20 900	138 971	576 271	414.7	20 900	20 900	20 391	97.6
Mtubatuba	88 138	27 722	505 235	1 822.5	35 098	59 379	45 781	77.1
Mthonjaneni	36 274	39 690	485 747	1 223.9	36 158	35 164	30 844	87.7
Nkandla	45 759	44 859	(3 323)	(7.4)	51 135	50 674	44 844	88.5
uBuhlebezwe	78 296	76 447	147 155	192.5	78 296	76 447	50 413	65.9
	1 436 383	1 358 514	20 614 125	1 517.4	1 371 256	1 570 249	1 156 349	73.6

Source: NT Igdatabase and Section 52(d) Reports

Figure 3.5 provides an overview of the contributions per funding source to total Capital sources of funding as at 30 June 2020.

Figure 3.5



Notwithstanding the challenge of incorrect reporting as mentioned above, an overview of the Capital source of funding per district indicates that municipalities in the province are dependent on grants to fund their Capital expenditure as *Transfers recognised-capital* contributed 56.4 percent or R14.3 billion of the total Capital source of funding of R25.3 billion as at the end of the 2019/20 financial year. The two districts and the respective local municipalities that contributed the most towards this source of funding as a result of incorrect reporting and whose *Transfers recognised-capital* far exceeded their aggregate Adjusted Budget figures are Ugu District (R1.2 billion) and uMgungundlovu District (R7.7 billion).

The Msunduzi Local Municipality within the uMgungundlovu District reported *Transfers recognised-capital* of R532.6 million as a result of incorrect reporting. The municipality had requested National Treasury for a resubmission of their Section 71 data strings for 2019/20, however, since the NT

Igdatabase/portal was closed, the resubmission was not allowed by National Treasury. It should also be noted that the municipality did not submit the Adjusted Budget data string (ADJB), therefore the figures for the adjusted budget and Original Budget are the same. The municipality managed to submit the data strings for Months 10 to 12, however, the final reported revenue figures for 2019/20 are not credible given the errors in the first six months of the financial year. Based on the figures reflected in the municipality's Section 52(d) Report, the total actual capital revenue amounts to R420 million or 56.3 percent of the total Adjustments Budget of R746.4 million. The municipality attributed the low capital revenue recognised to low expenditure resulting mainly from delays in SCM processes.

The second largest source of capital funding was *Internally generated funds* at 42.2 percent or R10.7 billion followed by *Borrowing* at 1.4 percent or R347.4 million. It should be noted that the following municipalities as per Appendix 4 reported *Internally generated funds* that far exceeded their aggregate Adjusted Capital Revenue Budget due to incorrect reporting:

- Ugu District Municipality reported *Internally generated funds* of R8.8 billion;
- eMadlangeni Local Municipality reported *Internally generated funds* of R398.9 million;
- eDumbe Local Municipality reported *Internally generated funds* of R318.8 million;
- Mtubatuba Local Municipality reported *Internally generated funds* of R181.2 million; and
- Mthonjaneni Local Municipality reported *Internally generated funds* of R65.3 million.

Municipalities utilising *Borrowings* to fund their Capital expenditure amounted to a total of R347.4 million as at the end of the 2019/20 financial year. The eThekweni Metro utilised the highest *Borrowings* at R167.9 million followed by the Msunduzi Local Municipality at R127.8 million as per Appendix 4. No municipalities reported *Public contributions and donations* as a source of funding for Capital expenditure.

3.4.2 Capital Expenditure

Table 3.8 shows the Original Budget, Adjusted Budget and Unaudited Actual per function classification and per district for the 2019/20 financial year.

Table 3.8: Capital Expenditure per function classification and per district – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Detail									
					Governance and Admin. ¹	Community and Public Safety			Economic and Environmental Services		Trading Services			Other
						Housing	Health	Other ²	Road Transport	Other ³	Electricity	Water and Waste Water Mgt.	Waste Mgt	
eThekweni	7 854 605	5 551 521	3 290 908	59.3	283 808	315 513	5 577	269 148	1 167 534	218 583	328 193	660 332	25 613	26 607
Ugu	902 410	589 092	768 242	130.4	299 294	-	-	88 835	137 020	33 809	13 918	200 088	15 243	34
uMgungundlovu	1 017 110	966 171	2 481 441	256.8	187 823	36 469	-	590 932	901 470	166 105	202 888	363 047	27 564	5 143
uThukela	452 078	437 574	373 651	85.4	6 750	1 879	82	12 106	32 394	77 794	10 874	231 514	241	17
uMzinyathi	527 827	500 094	366 406	73.3	23 524	-	-	41 005	51 806	6 559	27 443	213 322	2 726	22
Amajuba	409 084	1 306 212	1 111 870	85.1	716 556	-	-	1 014	154 623	105 935	63 758	67 927	1 841	217
Zululand	601 117	773 162	1 100 387	142.3	341 591	-	-	38 973	75 856	133 443	107 879	402 549	95	-
uMkhanyakude	2 775 569	448 879	852 093	189.8	135 963	-	-	147 715	228 868	41 294	(5 455)	287 489	16 141	76
King Cetshwayo	1 145 456	1 409 674	1 119 881	79.4	116 689	-	-	148 704	258 119	6 485	173 857	394 510	21 517	-
iLembe	828 418	766 585	271 575	35.4	(158 806)	223	1 506	33 867	177 965	117 743	24 057	67 692	7 329	-
Harry Gwala	663 222	651 343	573 947	88.1	15 888	26 712	-	62 874	139 476	87 061	10 182	226 474	5 281	-
Total	17 176 895	13 400 305	12 310 401	91.9	1 969 079	380 796	7 164	1 415 174	3 325 131	994 812	957 595	3 104 944	123 591	32 116

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.

As per the amended National Treasury figures, with the exception of the Ugu (130.4 percent), uMgungundlovu (256.8 percent), Zululand (142.3 percent) and uMkhanyakude Districts (189.8 percent), all

districts within the province as well as the eThekweni Metro reported Capital expenditure below the 90 percent level against their respective Adjusted Budgets.

The iLembe District reported the lowest percentage of the Capital budget spent at 35.4 percent amongst the districts, due to the iLembe District Municipality reflecting expenditure of R16.9 million or 4.9 per cent against their capital budget of R343.4 million. The iLembe District Municipality had major challenges with the mSCOA reporting for Capital expenditure, especially with the accounting for Work In Progress (WIP) in certain line items. The municipality has been seeking the assistance of National Treasury in resolving the challenge. According to the municipality, the actual Capital expenditure at the reporting date was R189.6 million, resulting in them achieving performance of 55.2 percent against budget, mainly due to SCM delays, protests on constructions sites, as well as due to delays associated with the lockdown (Covid-19 pandemic). It should also be noted that the capital expenditure amount of R189.6 million is still subject to change as more accruals are still being processed, for instance, Capital expenditure funded through *Borrowings* for the acquisition of a fleet of vehicles is also yet to be accrued as the fleet has already been delivered to the municipality.

Other than the iLembe District Municipality, the Nkandla Local Municipality reported the least expenditure of R553 000 or 1.2 percent against a capital budget of R47.7 million due to incorrect reporting. Based on the figures reflected in the municipality's Section 52(d) Report, the total actual capital expenditure amounts to R44.8 million or 88.5 percent of the total Adjustments Budget of R50.7 million, which according to the municipality was low due to impact of the lockdown on capital projects.

eThekweni Metro accounts for R5.6 billion or 41.4 percent of the total Capital expenditure budget of R13.4 billion for the province. Due to incorrect reporting, the National Treasury published figures as per the Section 71 reports reflected Capital expenditure of 59.3 percent against Adjusted Budget for the eThekweni Metro. However, as per the Metro's Budget Statement Report for the Quarter ended 30 June 2020, the actual Capital expenditure is 79.5 percent. The main reasons for the under-expenditure as indicated in the report for the main votes, amongst others are, *Housing*: Delay in the finalisation of SCM processes and delay due to COVID-19 and lockdown; *Water and Sanitation*: Delay in the approval from the Department of Transport for the construction of the Northern Aqueduct in various locations and *Electricity*: Delays in the awarding of several contracts for projects such as the ICAP equipment, Power Transformers and Reticulation (MV/LV).

Similar to Capital revenue, the total amended Capital expenditure figures of R12.3 billion for 2019/20 is mainly influenced by the incorrect reporting of the 16 municipalities (including both local and district municipalities) listed in Table 3.9. Similar to the scenario based exercise undertaken for Capital Revenue, a comparison of the municipalities' capital expenditure performance reported in the MFMA Section 71 reports to the Council Section 52(d) report as shown in Table 3.9 reveals the major differences between the two sets of reporting. For instance, the uMshwathi Local Municipality reported capital expenditure of R1.04 billion against a budget of R30.3 million or 3 434.7 percent in the MFMA Section 71 data strings, while as per the municipality's MFMA Section 52(d) report, R25.6 million was spent against a budget of R30.3 million or 83.2 percent, which resulted in an over-expenditure of capital amounting to R1.01 billion, as compared to the amount reported in the MFMA Section 52(d) report.

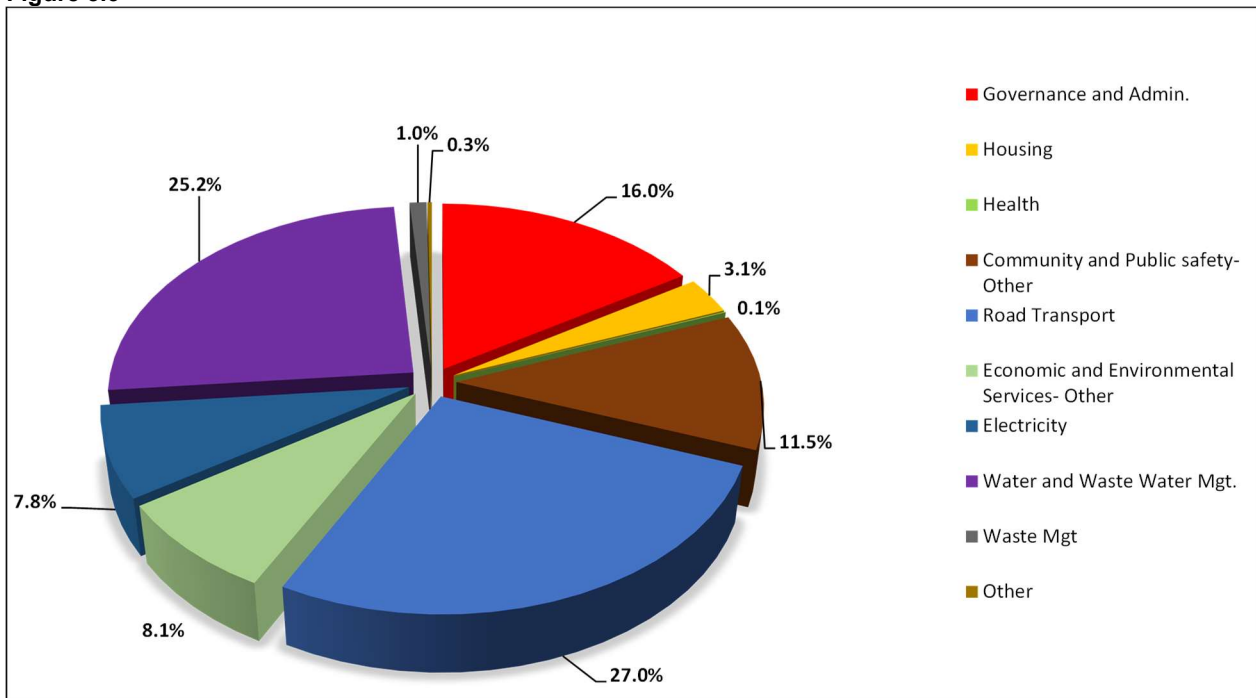
Table 3.9: Capital Expenditure – Section 71 vs. Section 52(d) figures – 2019/20

R'000	Section 71 Report (Data string)				Section 52 Report			
	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMzombe	95 274	129 642	396 006	305.5	95 274	129 642	58 135	44.8
Ugu DM	529 602	261 362	9 840 536	3 765.1	286 805	277 751	268 934	96.8
uMshwathi	24 536	30 341	1 042 120	3 434.7	30 341	30 341	25 258	83.2
iMpendle	156 721	13 086	46 455	355.0	12 604	13 086	5 987	45.8
Msunduzi	555 371	555 371	1 060 639	191.0	555 113	746 399	420 021	56.3
Mkhambathini	20 976	26 757	217 172	811.6	20 976	26 757	24 130	90.2
uMgungundlovu DM	171 944	239 185	6 163 638	2 576.9	184 575	184 575	178 440	96.7
uMvoti	57 362	20 913	24 226	115.8	41 463	30 974	24 226	78.2
Newcastle	200 619	1 099 751	24 322	2.2	207 119	165 199	105 605	63.9
eMadlangeni	30 447	18 011	966 305	5 364.9	18 525	18 011	12 637	70.2
eDumbe	35 345	153 416	611 970	398.9	35 345	35 345	33 157	93.8
Mtubatuba	200 728	59 379	588 298	990.8	35 098	59 379	45 781	77.1
Mthonjaneni	36 289	39 710	485 795	1 223.4	36 158	35 164	30 844	87.7
Nkandla	51 135	47 735	553	1.2	69 410	50 674	44 844	88.5
iLembe DM	346 370	343 449	16 908	4.9	347 948	343 449	189 559	55.2
uBuhlebezwe	78 296	76 454	147 155	192.5	78 296	76 454	50 413	65.9
	2 591 014	3 114 562	21 632 098	694.5	2 055 048	2 223 200	1 517 973	68.3

Source: NT Igdatabase (* amended figures for the Ugu and uMgungundlovu District Municipalities) and Section 52(d) Reports

Figure 3.6 provides an overview of Capital expenditure per function.

Figure 3.6



Once again, notwithstanding the incorrect reporting, the bulk of Capital expenditure amounting to R3.3 billion or 27 percent was on *Road Transport*, followed by *Water and Waste Water Management* with R3.1 billion (25.2 percent) and *Governance and Administration* at R1.97 billion or 16 percent. The lowest contributor to total Unaudited Actual expenditure was against *Health* with R7.2 million (0.1 percent).

None of the municipalities under the Ugu, uMzinyathi, Amajuba, Zululand, uMkhanyakude and King Cetshwayo Districts spent on *Housing*, as the function is performed by the KwaZulu-Natal Department of Human Settlements. Expenditure on *Housing* reported by the local municipalities within the other districts are largely related to municipalities performing the function as an agent on behalf of the KZN Department

of Human Settlements. Agency functions include overseeing the work of the service providers appointed by the KZN Department of Human Settlements, inspecting the completed units to verify that the service providers complied with the tender specifications and the transfers of payments to the service provider upon instruction from the KZN Department of Human Settlements. The eThekweni Metro reflected the highest expenditure of R315.5 million against the aggregate spending of R380.8 million on *Housing* as at the end of the 2019/20 financial year.

Table 3.10 shows the range of over and under-spending against the Adjusted Capital Budgets per district for the 2019/20 financial year using the performance as per the National Treasury published Section 71 figures (mSCOA Data strings), notwithstanding the incorrect reporting by certain municipalities as mentioned above.

Table 3.10: Over and Under-spending against the Adjusted Capital Budgets per district – 2019/20

	Districts	Under			On Target		(Over)			Total No. of Municipalities in District ¹
		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	1	-	-	-	-	-	-	-	1
2	Ugu	3	1	-	-	-	-	-	1	5
3	uMgungundlovu	4	-	-	-	-	-	-	4	8
4	uThukela	2	-	1	1	-	-	-	-	4
5	uMzinyathi	4	-	-	-	-	-	-	1	5
6	Amajuba	3	-	-	-	-	-	-	1	4
7	Zululand	4	-	-	-	-	-	-	1	5
8	uMkhanyakude	4	-	-	-	-	-	-	1	5
9	King Cetshwayo	5	-	-	-	-	-	-	1	6
10	iLembe	5	-	-	-	-	-	-	-	5
11	Harry Gwala	3	1	-	-	-	-	-	1	5
	Totals	38	2	1	1	0	0	0	11	53

Source: NT Igdatabase (* amended figures for the Ugu and uMgungundlovu District Municipalities)

¹ The Total No. of Municipalities in District excludes uPhongolo Local Municipality which has not submitted its MFMA Section 71 reports for the 2019/20 financial year.

Under-spending on the Capital Budget is a common and concerning trend amongst the 53 municipalities that reported as at the end of 2019/20:

- Forty one (41) of the 53 municipalities or 77.4 percent under-spent their Adjusted Budgets by at least five percent and more, which is a slight improvement from the 45 municipalities which reported significant under-expenditure in the 2018/19 financial year;
- One (1) of the 53 municipalities or 1.9 percent was on target as they achieved a spending rate that was between 95 and 105 percent as at the end of the 2019/20 financial year. This is considered a regression when compared to five municipalities which were on target in the 2018/19 financial year; and
- The remaining eleven (11) of the 53 municipalities or 20.8 percent over-spent their Adjusted Capital Budgets by five percent and more in the 2019/20 financial year as compared to four in the 2018/19 financial year, again bearing in mind the incorrect reporting by a number of municipalities.

Notwithstanding the incorrect reporting due to mSCOA as mentioned above, under-expenditure against the capital budget amongst others can be attributed to poor planning by certain municipalities, over-budgeting for capital projects, and poor management of the procurement processes. It should be noted that Capital expenditure is directly linked to service delivery and under-spending on the capital budget negatively impacts on service delivery. The low spending on capital projects thus delays the delivery of infrastructure for basic services and exacerbates the current backlogs.

3.5 Debtors

3.5.1 Debtors by age analysis

Table 3.11 shows the Debtors Age Analysis per district as at 30 June 2020.

Table 3.11: Debtor Age Analysis per district (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61- 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	2 070 477	15.3	767 377	5.7	562 990	4.2	10 144 170	74.9	13 545 015
Ugu	195 050	7.8	89 535	3.6	50 529	2.0	2 151 558	86.5	2 486 672
uMgungundlovu	77 293	6.4	4 396	0.4	27 978	2.3	1 103 088	91.0	1 212 756
uThukela	37 536	5.2	23 566	3.3	22 264	3.1	637 349	88.4	720 715
uMzinyathi	47 211	8.3	9 134	1.6	18 800	3.3	491 896	86.7	567 041
Amajuba	(79 186)	(4.9)	95 472	5.9	43 639	2.7	1 550 794	96.3	1 610 719
Zululand	23 610	5.2	4 378	1.0	8 841	1.9	420 406	91.9	457 234
uMkhanyakude	16 964	3.2	(705)	(0.1)	5 259	1.0	512 085	96.0	533 603
King Cetshwayo	37 141	15.7	8 562	3.6	9 385	4.0	181 185	76.7	236 273
iLembe	110 371	10.8	46 250	4.5	34 983	3.4	834 629	81.3	1 026 234
Harry Gwala	16 509	6.3	24 083	9.1	13 894	5.3	209 326	79.3	263 811
Total	2 552 977	11.3	1 072 047	4.7	798 561	3.5	18 236 488	80.5	22 660 074

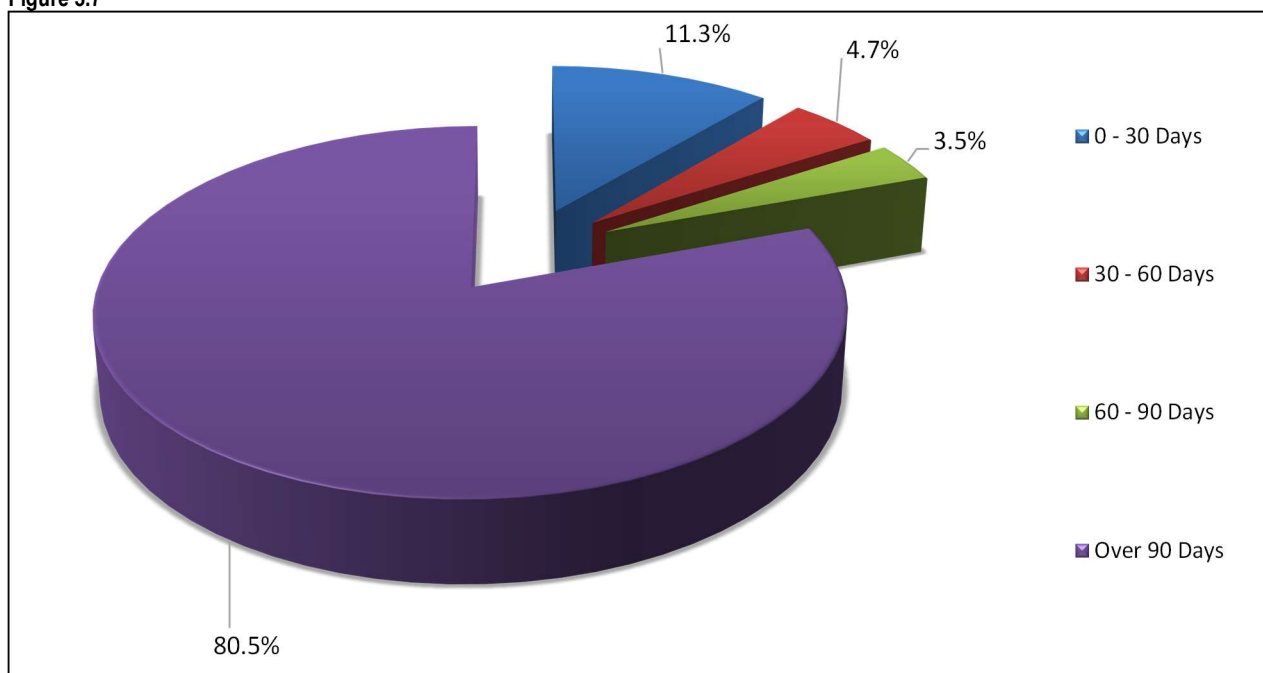
Source: NT Igdatabase

The total debt owed to municipalities at the end of the fourth quarter of the 2019/20 financial year was R22.7 billion which represents a decrease of R947.5 million or 4 percent from the R23.6 billion reported by municipalities in the 2018/19 financial year.

The eThekwini Metro had the largest amount of outstanding debt (R13.5 billion) followed by the Ugu District (R2.5 billion), the Amajuba District (R1.6 billion) and the uMgungundlovu District (R1.2 billion). The King Cetshwayo District recorded the lowest amount of outstanding debt (R236.3 million).

Figure 3.7 further illustrates the Debtors Age Analysis as at 30 June 2020.

Figure 3.7



At the end of the 2019/20 financial year, a substantial amount of debt totaling R18.2 billion (80.5 percent) was outstanding in the *Over 90 Days* category, representing a decrease of R425.8 million (2.3 percent) from R18.7 billion reported in the same category for the 2018/19 financial year. In the 2019/20 financial year, the debtors per age category were as follows: *0-30 Days*: R2.6 billion (11.3 percent), *31-60 Days*: R1.1 billion (4.7 percent), and *61-90 Days*: R798.6 million (3.5 percent).

All of the districts had more than 70 percent of their outstanding debt in the *Over 90 Days* category with the Amajuba District being the highest across the province at 96.3 percent in this category. The Amajuba District was followed by the uMkhanyakude District (96 percent) and the Zululand (91.6 percent) for the outstanding debt in this category. It should be noted that the high level of debt across the districts is influenced by a number of factors, such as the social economic environment, economic factors including the high level of indigents, state social grants dependency and the unemployment rate.

Municipalities need to implement effective debt collection strategies and policies in order to improve their collection rates and to ensure that debt owed to them does not become irrecoverable. All municipalities in the province reported on their debt, with the exception of the following municipalities, the Mpfana, the Msunduzi, the Richmond, the uPhongolo, the Abaqulusi and the uMhlathuze Local Municipalities as well as, the uThukela and the Amajuba District Municipalities. This represents a regression from the 2018/19 financial year where only six municipalities did not report on their outstanding Debtors.

3.5.2 Debtors by Customer Group

Table 3.12 shows Debtors by Customer Group per district as at 30 June 2020.

Table 3.12: Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	784 048	5.8	3 674 553	27.1	9 040 612	66.7	45 803	0.3	13 545 015
Ugu	196 290	7.9	429 229	17.3	1 853 230	74.5	7 923	0.3	2 486 672
uMgungundlovu	102 725	8.5	70 168	5.8	904 043	74.5	135 820	11.2	1 212 756
uThukela	187 170	26.0	209 220	29.0	306 284	42.5	18 040	2.5	720 715
uMzinyathi	85 859	15.1	88 572	15.6	382 348	67.4	10 263	1.8	567 041
Amajuba	46 608	2.9	126 289	7.8	1 373 601	85.3	64 221	4.0	1 610 719
Zululand	94 109	20.6	64 356	14.1	248 059	54.3	50 710	11.1	457 234
uMkhanyakude	136 980	25.7	139 319	26.1	242 274	45.4	15 030	2.8	533 603
King Cetshwayo	47 510	20.1	37 505	15.9	128 294	54.3	22 964	9.7	236 273
iLembe	66 062	6.4	212 879	20.7	724 642	70.6	22 651	2.2	1 026 234
Harry Gwala	58 862	22.3	52 834	20.0	135 136	51.2	16 979	6.4	263 811
Total	1 806 221	8.0	5 104 925	22.5	15 338 523	67.7	410 404	1.8	22 660 074

Source: NT Lgdatabase

All the districts including the eThekwini Metro within the province had the bulk of their Debtors reflected against the *Household* customer group. The Amajuba, the Ugu, the uMgungundlovu and the iLembe Districts recorded more than 70 percent of their Debtors outstanding in the *Household* customer group.

In comparison to the *Household* customer group for the 2018/19 financial year, the uMgungundlovu District has reported the most significant decrease by R2.4 billion from R3.3 billion to an amount of R904 million in the 2019/20 financial year. This could be attributed to the non-reporting of Debtors by Msunduzi Local Municipality. On the other hand, the Ugu District has reported the most significant increase by R1.4 billion from R466.8 million in 2018/19 financial year to R1.9 billion in 2019/20 financial year.

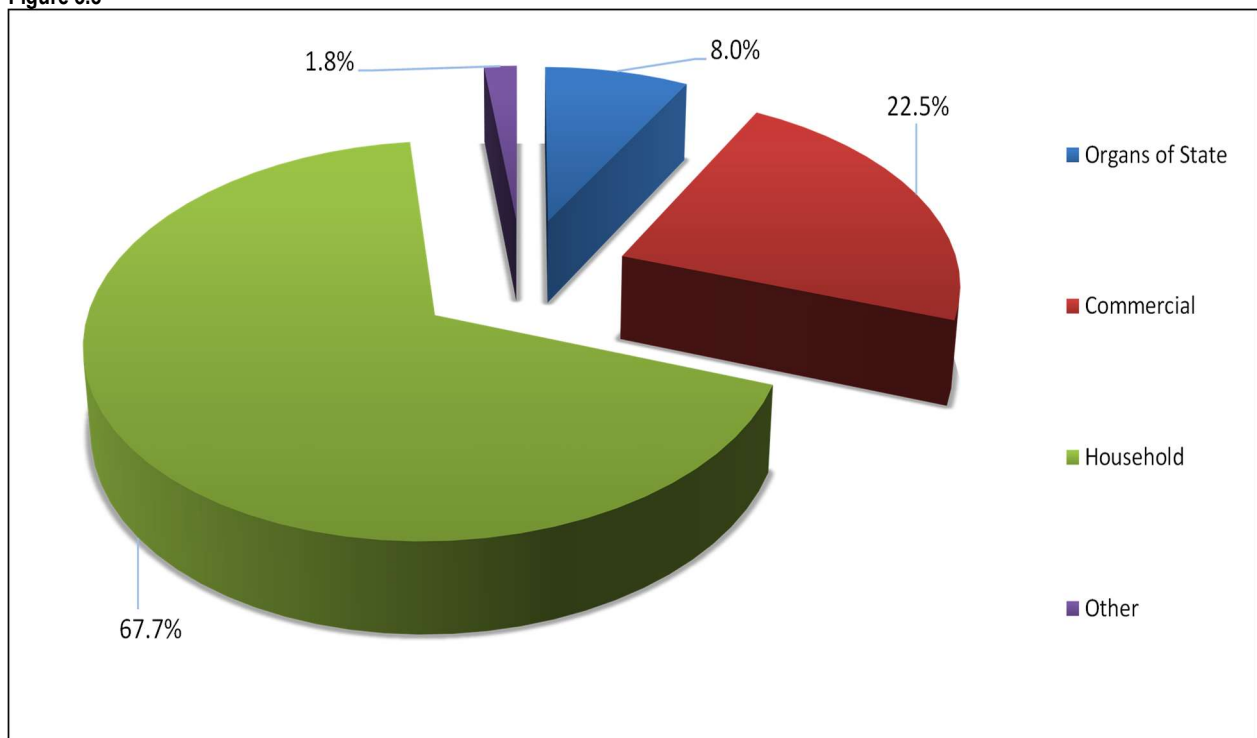
The eThekwini Metro contributed the largest amount to Debtors in the *Commercial* category with R3.7 billion or 72 percent of the total *Commercial* Debtors of R5.1 billion. Other significant contributors to this category were the Ugu and iLembe Districts with R429.2 million and R212.9 million respectively.

It was noted that the *Other* customer group decreased by R916.9 million from R1.3 billion in the 2018/19 financial year to R410.4 million in the 2019/20 financial year, contributing 1.8 percent of the total debt outstanding in the 2019/20 financial year. Municipalities are encouraged to ensure that they classify debt correctly under the relevant customer group. The uMgungundlovu District (R135.8 million) and the Amajuba District (R64.2 million) contributed the largest amounts to total debt classified as *Other* category. The Zululand District (R50.7 million) and the eThekweni Metro (R45.8 million) were other significant contributors to total debt in the *Other* category.

The *Organs of State* customer group with the total amount of R1.8 billion was the second lowest category contributing to the total amount owed to the municipalities. The eThekweni Metro contributed the largest amount to Debtors in the *Organs of State* category with R784 million or 43.4 percent of the total *Organs of State* Debtors of R1.8 billion. Other significant contributors to this category were the Ugu and the uThukela Districts with R196.3 million and R187.2 million respectively. This was followed by the uMkhanyakude District at R137 million.

Figure 3.8 shows Debtors by Customer Group as at 30 June 2020.

Figure 3.8



The largest portion of outstanding debtors in the province as at 30 June 2020 was owed by the *Household* customer group amounting to R15.3 billion (67.7 percent). This customer group is followed by Debtors classified as *Commercial*: R5.1 billion (22.5 percent), *Organs of State*: R1.8 billion (8 percent) and *Other*: R410.4 million (1.8 percent) in Figure 3.8.

The *Household* debt decreased by 4.5 percent from R16.1 billion in the 2018/19 financial year to R15.3 billion in the 2019/20 financial year. However, these amounts may not be a true reflection due to some municipalities not reporting on Debtors for Month 12 in the 2019/20 financial year.

3.6 Creditors

Table 3.13 shows the Creditors Age Analysis per district as at 30 June 2020.

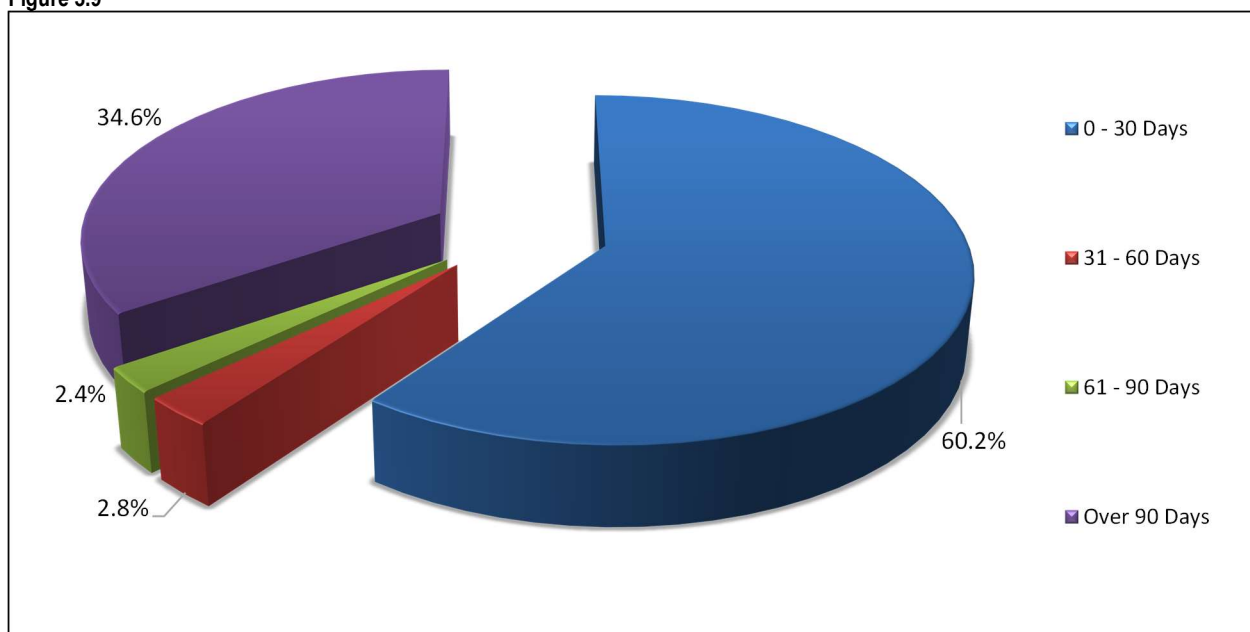
Table 3.13: Creditors age analysis per district (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61- 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eThekwini	2 396 632	70.3	6 976	0.2	100 119	2.9	903 945	26.5	3 407 673
Ugu	411 841	59.7	50 776	7.4	10 910	1.6	216 038	31.3	689 565
uMgungundlovu	75 762	60.0	30 800	24.4	(303)	(0.2)	20 004	15.8	126 263
uThukela	67 505	58.4	2 911	2.5	(2 521)	(2.2)	47 712	41.3	115 607
uMzinyathi	58 908	50.4	17 123	14.6	8 232	7.0	32 702	28.0	116 965
Amajuba	183 143	28.4	18 278	2.8	290	0.0	442 354	68.7	644 065
Zululand	118 558	39.0	2 069	0.7	3 289	1.1	179 972	59.2	303 888
uMkhanyakude	37 932	53.4	7 054	9.9	(4 167)	(5.9)	30 183	42.5	71 001
King Cetshwayo	71 484	28.1	27 971	11.0	20 491	8.1	134 323	52.8	254 269
iLembe	71 420	93.2	(81)	(0.1)	1 799	2.3	3 490	4.6	76 628
Harry Gwala	24 924	63.0	969	2.5	142	0.4	13 523	34.2	39 558
Total	3 518 108	60.2	164 846	2.8	138 283	2.4	2 024 246	34.6	5 845 482

Source: NT Igdatabase

The total debt owed by municipalities at the end of the 2019/20 financial year was R5.8 billion and it represents a decrease of 8.5 percent (R546.1 million) from the R6.4 billion owed by municipalities as at 30 June 2019. The total reported appears to be understated as six municipalities did not report on their status for *Creditors* at 30 June 2020. These municipalities as per Appendix 8 are as follows: the Mpozana, the Msunduzi, the eNdameni, the uPhongolo, the uMhlathuze and the uMzimkhulu Local Municipalities. Furthermore, the iMpendle and the Ndwedwe Local Municipalities inaccurately reported negative *Creditors* amounts thereby distorting the total amount for the province. It should be noted that if the negative creditors relate to overpayment of creditors, the municipality must reclassify it as debtors for disclosure purposes when preparing Annual Financial Statements. Any other creditors balance reflected as negative must be investigated by the municipality and corrected accordingly. The eThekwini Metro had the largest amount of debt owed to *Creditors* at R3.4 billion which was followed by the Ugu, Amajuba and Zululand Districts with R689.6 million, R644.1 million and R303.9 million, respectively. Figure 3.9 further illustrates the *Creditors* age analysis as at 30 June 2020.

Figure 3.9



Sections 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 KZN municipalities was in the 0-30 Days category (60.2 percent), it is however concerning that 39.8 percent of the debt owed by municipalities, which amounts to R2.3 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, while in other cases, it could be an indication of cash flow challenges being experienced by municipalities. Non-payment of *Creditors* within 30 days is of serious concern to Provincial Treasury as the municipalities could be liable for penalties and interest incurred as a result thereof, which is tantamount to fruitless and wasteful expenditure.

Table 3.14 shows the categorisation of the R5.8 billion owed by KZN municipalities as at 30 June 2020.

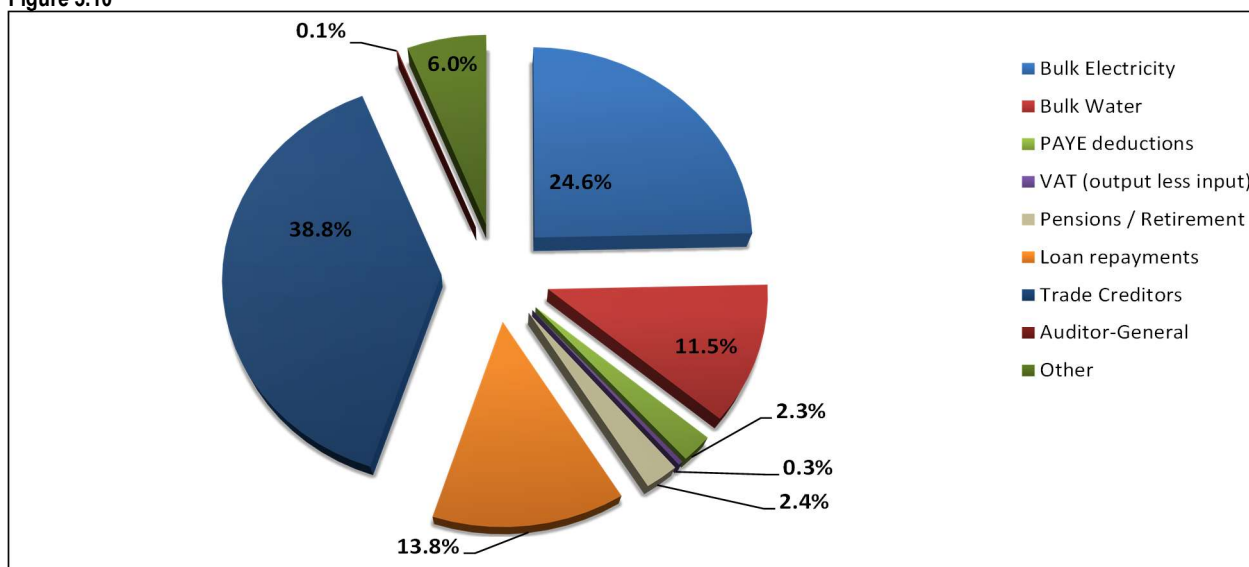
Table 3.14: Creditors age analysis by category per district (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Bulk Electricity	1 323 741	91.9	190	-	583	-	116 092	8.1	1 440 607	24.6
Bulk Water	458 826	68.3	2 200	0.3	1 154	0.2	209 734	31.2	671 914	11.5
PAYE deductions	133 912	100.0	-	-	-	-	-	-	133 912	2.3
VAT (output less input)	19 722	100.0	-	-	-	-	-	-	19 722	0.3
Pensions / Retirement	141 766	100.0	-	-	-	-	3	-	141 769	2.4
Loan repayments	17 301	2.1	-	-	66 308	8.2	725 161	89.7	808 770	13.8
Trade Creditors	1 194 297	52.6	129 497	5.7	62 762	2.8	884 011	38.9	2 270 567	38.8
Auditor-General	4 195	75.8	-	-	171	3.1	1 166	21.1	5 532	0.1
Other	224 347	63.6	32 959	9.3	7 304	2.1	88 080	25.0	352 689	6.0
Total	3 518 108	60.2	164 846	2.8	138 283	2.4	2 024 246	34.6	5 845 482	100.0

Source: NT Igdatabase

Figure 3.10 further illustrates the categorisation of debt owed by KZN municipalities.

Figure 3.10



The majority of the outstanding *Creditors* relates mainly to *Trade Creditors* of R2.3 billion or 38.8 percent followed by *Bulk Electricity* of R1.4 billion or 24.6 percent and *Loan repayments* which contributes R808.8 million or 13.8 percent to total *Creditors*.

The top five municipalities that contributed to the *Trade creditors* total of R2.3 billion are the eThekweni Metro (R646.6 million), the Newcastle Local Municipality (R515 million), the Ugu District Municipality (R414 million), King Cetshwayo District Municipality (R143.5 million) and the AbaQulusi Local Municipality (R122.6 million).

It must be noted that total amount of R1.4 billion for *Bulk Electricity* may not be a true reflection of total *Creditors* balance on Bulk Electricity in arrears by all municipalities providing electricity services since some municipalities did not report on this item while others have reported inaccurate information. However as per the Eskom Section 41 report at the end of June 2020, the following municipalities are in the top five for being main contributors to the *Bulk Electricity* account and are in arrears with their Eskom accounts for more than 30 days period: the Newcastle Local Municipality (R254.7 million), the Mpfana Local Municipality (R172.4 million), the Ulundi Local Municipality (R112.6 million), the iNkosi Langalibalele Local Municipality (R28.2 million) and the AbaQulusi Local Municipality (R19.9 million).

Bulk Water contributed R671.9 million or 11.5 percent of total *Creditors* balance with a substantial portion of R458.8 million or 68.3 percent being owed in the period of 0 to 30 days. The eThekweni Metro at R336.9 million was the largest contributor to the total amount of *Bulk Water* (R671.9 million) stated above. This was followed by the Ugu District Municipality at R263.3 million and the King Cetshwayo District Municipality at R62.1 million. The uMkhanyakude District Municipality reported negative R12 million. However the following six (6) District Municipalities did not report on their *Creditors*' status regarding the *Bulk Water* namely, uThukela, Amajuba, uMzinyathi, Zululand, iLembe, and Harry Gwala.

3.7 Bulk Resources

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

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

The organs of state providing bulk services in KwaZulu-Natal are the Umgeni Water Board and the Mhlathuze Water Board for the provision of *Bulk water* and Eskom for the provision of *Bulk electricity*. The Mhlathuze Water Board has not submitted their MFMA Section 41 report to National Treasury for June 2020 and as a result the level of sales and outstanding debt relating to the Mhlathuze Water Board was not available for inclusion in this report.

The amounts shown in Table 3.15 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 2020 which were submitted to National Treasury. Municipalities are required to pay for their *Bulk purchases* from the Water Boards and Eskom within 30 days of receiving the invoice or statement as per Section 65(2)(e) of the MFMA.

3.7.1 Sale of Bulk Water

Table 3.15 shows the sale of *Bulk water* to municipalities by the Umgeni Water Board for the month of June 2020 and the actual year to date sales amount.

Table 3.15: Sale of bulk water to municipalities - Umgeni Water Board – 2019/20

Name of municipality	Sale of Bulk Water (R'000)	
	June 2020	YTD
eThekwini	316 235	3 127 111
Msunduzi	65 720	695 330
uMgungundlovu DM	21 622	205 419
Ugu DM	13 579	130 360
iLembe DM	20 514	185 777
Harry Gwala DM	948	11 076
uThukela DM	13 288	132 193
Total	451 906	4 487 266

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 R4.5 billion which is an increase of R707.6 million or 18.6 percent when compared to R3.8 billion for the 2018/19 financial year. The increase was attributed to increases in both the volume and unit price of water sold. The eThekwini Metro with R3.1 billion and Msunduzi Local Municipality with R695.3 million, purchased a significant amount of *Bulk water* as at the end of the 2019/20 financial year. This is attributed to the fact that both municipalities provide water services to the most densely populated regions in the province. The Harry Gwala District Municipality purchased the least amount of water (R11.1 million or 0.2 percent) for the 2019/20 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 3.16 shows the *Capital unit charge* incurred by municipalities for the month of June 2020 and the actual year to date amount.

Table 3.16: Capital Unit Charge - Umgeni Water Board – 2019/20

Name of municipality	Capital Unit Charge (R'000)	
	June 2020	YTD
eThekwini	62 060	613 603
Msunduzi	12 611	133 141
uMgungundlovu DM	4 156	39 458
Ugu DM	2 429	23 331
iLembe DM	3 944	35 713
Harry Gwala DM	182	2 126
Total	85 382	847 372

Source: Umgeni Water Board MFMA Section 41 Report

The *Capital unit charge* to municipalities for the year under review amounted to R847.4 million. The eThekwini Metro (R613.6 million) and the Msunduzi Local Municipality (R133.1 million) incurred the highest *Capital unit charge* at the end of the 2019/20 financial year, contributing 72.4 percent and 15.7 percent of the total charges, respectively. The Harry Gwala District Municipality incurred the least amount of the total *Capital unit charge* of R2.1 million or 0.3 percent for the 2019/20 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 3.17 shows the charges incurred by municipalities in relation to the MBWS for the month of June 2020 and the actual year to date amount.

Table 3.17: Mkomazi Bulk Water Scheme – 2019/20

Name of municipality	Mkomazi Bulk Water Scheme (R'000)	
	June 2020	YTD
eThekwini	6 291	62 210
Msunduzi	1 305	13 776
uMgungundlovu DM	430	4 083
Ugu DM	251	2 414
iLembe DM	408	3 695
Harry Gwala DM	19	220
Total	8 704	86 398

Source: Umgeni Water Board MFMA Section 41 Report

The MBWS charges incurred by municipalities for the 2019/20 financial year amounted to R86.4 million. The eThekwini Metro with R62.2 million and the Msunduzi Local Municipality with R13.8 million incurred the highest charges, contributing 72 percent and 15.9 percent to the total charges, respectively. This was mainly due to the fact that they provide water services to the most densely populated regions in the province as indicated earlier. The Harry Gwala District Municipality incurred the least charges (R220 000 or 0.3 percent) for the 2019/20 financial year.

Debtors Age Analysis - Umgeni Water Board

Table 3.18 shows the age analysis of the Umgeni Water Board (*Bulk water*) - MFMA Section 41 report as at 30 June 2020.

Table 3.18 Umgeni Water Board - Debtors Age Analysis per municipality (Bulk water)

Name of municipality	Current	30 Days	60 Days	90 Days	120 Days +	Total
R'000						
eThekwini	316 235	-	-	-	-	316 235
Msunduzi	65 720	57 437	18 507	-	-	141 664
uMgungundlovu DM	21 622	17 683	98	3	12	39 418
Ugu DM	13 579	11 223	11 556	10 867	118 206	165 430
iLembe DM	20 514	17 030	-	-	-	37 545
Harry Gwala DM	948	-	-	-	1	948
Uthukela DM	13 288	10 369	10 852	9 127	121 799	165 434
Total	451 906	113 742	41 012	19 997	240 018	866 674

Source: Umgeni Water Board MFMA Section 41 Report

As per the MFMA Section 41 report that was submitted to National Treasury by the Umgeni Water Board, R866.7 million was owed to the Umgeni Water Board as at 30 June 2020. With the exception of the eThekwini Metro and Harry Gwala District Municipality, all other municipalities as shown in Table 3.18 had amounts owing for longer than 30 days.

The Umgeni Water Board further indicated in the Section 41 report for June 2020, that Msunduzi Local Municipality is currently experiencing cashflow challenges due to the national lockdown caused by the Covid-19 pandemic and that payments toward their outstanding debt will be made based on cash received from customers.

Umgeni Water Board also indicated their intention to advise both Ugu and uThukela District Municipalities that their water supply will be reduced by 20 percent each in terms of their respective Bulk Water Supply agreements, if these municipalities do not adhere to their respective payment plans, or renegotiate their payment plans to settle all debt within the next 12 months, as payment has not been forthcoming.

Table 3.19 shows the debtors age analysis of the Umgeni Water Board (*Capital unit charge*) MFMA Section 41 report as at 30 June 2020.

Table 3.19 Umgeni Water Board - Debtors Age Analysis per municipality (Capital Unit Charge)

Name of municipality R'000	Current	30 Days	60 Days	90 Days	120 Days +	Total
eThekwini	62 060	–	–	–	–	62 060
Msunduzi	12 611	11 040	2 727	–	–	26 379
uMgungundlovu DM	4 156	3 399	–	–	–	7 555
Ugu DM	2 429	1 986	2 027	1 752	17 500	25 693
iLembe DM	3 944	3 274	3 391	3 096	64 614	78 318
Harry Gwala DM	182	–	–	–	–	182
Total	85 382	19 699	8 145	4 848	82 113	200 187

Source: Umgeni Water Board MFMA Section 41 Report

In terms of the Section 41 report submitted to National Treasury by the Umgeni Water Board, R200.2 million was owed to the Umgeni Water Board as at 30 June 2020 for the *Capital unit charge*. With the exception of the eThekwini Metro and Harry Gwala District Municipality, all other municipalities as shown in Table 3.19 had their *Capital unit charge* in arrears for more than 30 days. Umgeni Water Board indicated in the Section 41 report that iLembe District Municipality has signed the agreement to start paying the outstanding *Capital unit charge* from July 2020.

Table 3.20 shows the age analysis of the Umgeni Water Board (*Mkomazi Bulk Water Scheme*) MFMA Section 41 report as at 30 June 2020.

Table 3.20: Umgeni Water Board - Debtors Age Analysis per municipality (Mkomazi Bulk Water Scheme)

Name of municipality R'000	Current	30 Days	60 Days	90 Days	120 Days +	Total
eThekwini	6 291	–	–	–	–	6 291
Msunduzi	1 305	1 142	–	–	–	2 447
uMgungundlovu DM	430	352	–	–	–	782
Ugu DM	251	205	210	181	2 217	3 064
iLembe DM	408	339	–	–	–	747
Harry Gwala DM	19	–	–	–	–	19
Total	8 704	2 038	210	181	2 217	13 350

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, R13.4 million was owed to the Umgeni Water Board as at 30 June 2020 for the MBWS. With the exception of the eThekwini Metro and Harry Gwala District Municipality, all other municipalities as shown in Table 3.20 were in arrears for more than 30 days for their MBWS debts.

3.7.2 Sale of bulk electricity

Table 3.21 shows the sale of *Bulk electricity* to municipalities by Eskom for the month of June 2020 and the actual year to date sales amount.

Table 3.21: Sale of bulk electricity to municipalities – 2019/20

Name of municipality	Sale of Electricity (R'000)	
	June 2020	YTD
eThekweni	1 304 663	11 397 669
uMdoni	243	3 329
uMzambe	203	2 442
uMuziwabantu	2 765	37 294
Ray Nkonyeni	12 820	120 041
Ugu DM	6 464	69 971
uMshwathi	144	1 778
uMngeni	14 822	134 884
Mpofana	5 616	73 979
iMpendle	412	4 768
Msunduzi	244 597	2 018 950
Mkhambathini	36	466
Richmond	67	823
uMgungundlovu DM	8	98
Okhahlamba	175	1 958
Alfred Duma	36 409	300 741
iNkosi Langalibalele	23 796	195 945
uThukela DM	4 491	46 464
eNdumeni	16 692	119 860
Nquthu	3 079	28 360
uMsinga	30	365
uMvoti	9 426	67 163
uMzinyathi DM	1 383	15 609
Newcastle	57 252	467 709
eMadlangeni	1 613	15 521
Dannhauser	109	1 262
Amajuba DM	328	3 861
eDumbe	4 579	30 538
uPhongolo	2 960	37 676
AbaQulusi	25 152	205 130
Nongoma	26	277
Ulundi	9 098	87 231
Zululand DM	2 818	29 765
uMhlabuyalingana	33	382
Jozini	87	1 051
Big Five Hlabisa	2	444
Mtubatuba	45	498
uMkhanyakude DM	5 010	58 863
uMfolozi	130	1 648
uMhlatuze	121 136	1 055 116
uMlalazi	8 119	70 443
Mthonjaneni	1 828	23 544
Nkandla	2 037	16 110
King Cetshwayo DM	2 436	25 799
Mandeni	2 994	31 736
KwaDukuza	92 056	824 936
Ndwedwe	66	755
Maphumulo	230	2 606
iLembe DM	1 559	15 657
Dr. Nkosazana Dlamini Zuma	148	2 406
Greater Kokstad	9 042	113 178
uBuhlebezwe	70	703
uMzimkhulu	553	6 435
Harry Gwala DM	536	6 024
Total	2 040 396	17 780 258

Source: Eskom MFMA Section 41 Report

As per the MFMA Section 41 reports submitted to National Treasury by Eskom, R17.8 billion in sales were made to KZN municipalities during the 2019/20 financial year which is an increase of R1.7 billion or 10.8 percent as compared to the 2018/19 financial year of R16.1 billion.

The eThekweni Metro (R11.4 billion), the Msunduzi Local Municipality (R2 billion) and the uMhlathuze Local Municipality (R1.1 billion) were the highest purchasers of *Bulk electricity* at the end of the 2019/20 financial year, contributing 64.1 percent, 11.4 percent and 5.9 percent to total sales, respectively.

Age Profile of Municipal Eskom Debtors

Table 3.22 shows the debtors age analysis of Eskom's MFMA Section 41 report as at 30 June 2020.

Table 3.22: Age analysis of municipal Eskom debtors – 2019/20

Name of municipality R'000	Current	30 Days	60 Days	90 Days	120 Days +	Total
eThekweni	1 303 848	13	13	13	9	1 303 896
uDdoni	31	68	-	-	-	99
Ray Nkonyeni	12 590	-	-	-	-	12 590
Ugu DM	102	40	-	-	-	142
uMngeni	13 297	-	-	-	-	13 297
Msunduzi	383 034	6	1 157	14	1 578	385 790
uMgungundlovu DM	8	-	-	-	-	8
Okhahlamba	176	-	23	-	-	198
Alfred Duma	35 455	-	-	-	-	35 455
iNkosi Langaibalele	39 759	-	-	-	28 207	67 966
uThukela DM	4 291	-	113	-	-	4 404
eNdumeni	16 638	-	-	-	-	16 638
uMvoti	13 980	-	-	-	-	13 980
uMzinyathi DM	540	285	842	51	-	1 719
Newcastle	88 368	-	21 597	-	233 084	343 049
eMadlangeni	1 534	-	-	-	-	1 534
Amajuba DM	255	-	16	18	39	327
eDumbe	4 476	-	-	-	-	4 476
uPhongolo	2 877	-	-	-	-	2 877
AbaQulusi	38 829	-	662	-	19 281	58 773
Nongoma	26	-	-	-	-	26
Ulundi	10 006	-	6 747	36 172	69 699	122 624
Zululand DM	1 189	854	130	-	-	2 173
Jozini	38	-	-	-	-	38
Mtubatuba	10	-	19	-	18	47
uMkhanyakude DM	3 059	-	-	-	-	3 059
uMhlathuze	119 758	113	223	-	-	120 093
uMlalazi	7 667	-	-	-	-	7 667
Mthonjaneni	829	-	152	146	5 611	6 739
Nkandla	1 939	-	-	-	-	1 939
King Cetshwayo DM	71	-	-	-	-	71
Mandeni	153	-	-	-	-	153
KwaDukuza	91 920	-	-	-	-	91 920
iLembe DM	1 290	-	-	-	-	1 290
Dr. Nkosazana Dlamini Zuma	3	-	-	-	-	3
uBuhlebezwe	62	-	-	-	-	62
Total	2 204 065	1 380	35 646	53 075	509 345	2 803 511

Source: Eskom MFMA Section 41 Report

As per the MFMA Section 41 report submitted to National Treasury by Eskom, R2.8 billion was owed to Eskom as at 30 of June 2020 by KZN municipalities of which, R599.4 million has been outstanding for more than 30 days, which is in contravention of Section 65(2)(e) of the MFMA.

The uMdoni, uMngeni and Mtubatuba Local Municipalities as well as Ugu and uMkhanyakude District Municipalities settled their total outstanding debt owed to Eskom in July 2020 as per the MFMA Section 41 report for June 2020. Eskom issued reminders to the eThekweni Metro, Okhahlamba and uMhlathuze

Local Municipalities as well as the uThukela, uMzinyathi, Amajuba and Zululand District Municipalities for the amounts outstanding as at 30 June 2020.

Eskom indicated that the AbaQulusi and iNkosi Langalibalele Local Municipalities have existing payment arrangements in place for their arrear debts and have honoured their payments in accordance with the respective agreements. Mthonjaneni Local Municipality has entered into a new payment arrangement with Eskom with effect from June 2020 while the Newcastle Local municipality is currently finalising a new payment arrangement with Eskom.

Eskom further indicated in the June 2020 MFMA Section 41 report that a payment arrangement is currently being finalised on the bulk electricity account for the Ulundi Local Municipality while summons will be issued for the outstanding Free Basic Electricity (FBE) account. The June 2020 MFMA Section 41 report reflects that no payment was made to Eskom by the Ulundi Local Municipality in June 2020. Furthermore, the Mpofana Local Municipality did not make payments for May and June 2020 and there is no payment arrangement in place. Eskom indicated that the Mpofana Local Municipality has obtained a High Court interdict stopping Eskom from disconnecting the electricity supply. However, Mpofana Local Municipality continued to not pay for their current consumption thus incurring new debt and Eskom has now pursued a legal challenge via summons for the new debt that is unpaid.

As per the June 2020 MFMA Section 41 report, the Msunduzi Local Municipality has not paid for their bulk electricity supply on time which resulted in interest of R1.1 million accruing on the overdue amount. A breach notice was issued by Eskom to the municipality in this regard. Summons has also been issued by Eskom to the municipality for the outstanding FBE debt of R1.6 million.

3.8 National Conditional Grants

3.8.1 National Conditional Grants - Provincial Total (Summary)

In terms of the Division of Revenue Act, Act No. 1 of 2019 (DoRA), direct allocations to all 54 KwaZulu-Natal municipalities amounted to R7 billion, while allocations in-kind amounted to R840.3 million, totaling R7.8 billion.

A total of R6.7 billion or 96.8 percent of the direct allocations was transferred to municipalities as at the end of the 2019/20 financial year.

Municipalities reported spending of R14.6 billion or 217.1 percent against the total amount transferred of R6.7 billion. However, when compared to the total DoRA allocation of R7 billion, 210.1 percent has been spent.

Table 3.23 shows the total National Conditional Grants transferred to municipalities in KwaZulu-Natal for the 2019/20 financial year and the related expenditure against the DoRA allocation.

Table 3.23: National Conditional Grants - Summary – 2019/20

R'000	Total Available (DoRA 2019 Incl. Adj.)	Approved payment schedule	Transferred to municipalities for direct grants	Unaudited actual		Unaudited actual	
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
Local Government Financial Management Grant	109 830	109 830	109 830	79 272	72.2	79 293	72.2
Infrastructure Skills Development Grant	42 800	42 800	42 800	22 251	52.0	3 905	9.1
Integrated City Development Grant	51 486	-	-	-	-	45 124	87.6
Neighbourhood Development Partnership (Schedule 5B)	92 000	92 000	92 000	91 957	100.0	66 260	72.0
Integrated Urban Development Grant	210 783	210 783	210 783	202 232	95.9	-	-
Municipal Systems Improvement Grant (Schedule 5B)	13 150	13 150	-	-	-	271	2.1
Municipal Disaster Grant	47 499	47 499	47 499	1 708	3.6	7 075	14.9
Municipal Disaster Recovery Grant	133 220	133 220	133 220	-	-	34 350	25.8
Public Transport Network Grant	992 014	992 014	992 014	851 855	85.9	683 756	68.9
Rural Road Assets Management Systems Grant	25 616	25 616	25 616	17 921	70.0	18 570	72.5
Expanded Public Works Programme Integrated Grant (Municipality)	223 591	223 591	223 591	209 248	93.6	219 044	98.0
Integrated National Electrification Programme (Municipal) Grant	419 655	419 655	419 655	199 370	47.5	336 882	80.3
Energy Efficiency and Demand Side Management (Municipal) Grant	43 000	43 000	43 000	17 787	41.4	33 472	77.8
Regional Bulk Infrastructure Grant (Schedule 5B)	340 293	340 293	340 293	236 352	69.5	282 085	82.9
Water Services Infrastructure Grant (Schedule 5B)	872 374	872 374	872 374	518 728	59.5	1 365 952	156.6
Municipal Emergency Housing Grant	137 852	137 852	137 852	42 227	30.6	28 911	21.0
Municipal Infrastructure Grant	3 208 816	3 208 816	3 049 816	2 095 698	65.3	11 426 950	356.1
Sub-Total Direct Grants	6 963 979	6 912 483	6 740 343	4 586 606	65.9	14 631 901	210.1
Neighbourhood Development Partnership (Schedule 6B)	6 600	6 600	-	-	-	-	-
Municipal Systems Improvement Grant (Schedule 6B)	13 150	13 150	-	-	-	-	-
Integrated National Electrification Programme (Allocation in-kind) Grant	802 192	802 192	-	-	-	-	-
Regional Bulk Infrastructure Grant (Schedule 6B)	5 000	5 000	-	-	-	-	-
Water Services Infrastructure Grant (Schedule 6B)	13 346	13 346	-	-	-	-	-
Sub-Total Indirect Grants	840 288	840 288	-	-	-	-	-
Total Grants	7 804 267	7 752 771	6 740 343	4 586 606	58.8	14 631 901	187.5

Source: NT Lgdatabase

3.8.2 Local Government Financial Management Grant

As per the DoRA, the purpose of the Local Government Financial Management Grant (FMG) is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA).

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

Table 3.24 shows the total FMG transferred to KZN, per district, for the 2019/20 financial year and the related expenditure against the transfer.

Table 3.24: Expenditure on Local Government Financial Management Grant – 2019/20

R'000	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual	
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
eThekwini	1 000	1 000	1 000	1 000	100.0	1 000	100.0
Ugu	11 165	11 165	11 165	9 159	82.0	7 088	63.5
uMgungundlovu	15 575	15 575	15 575	11 423	73.3	7 831	50.3
uThukela	8 910	8 910	8 910	5 909	66.3	6 013	67.5
uMzinyathi	10 155	10 155	10 155	6 288	61.9	7 550	74.4
Amajuba	8 070	8 070	8 070	5 904	73.2	5 963	73.9
Zululand	12 410	12 410	12 410	8 859	71.4	12 422	100.1
uMkhanyakude	10 770	10 770	10 770	7 490	69.5	3 639	33.8
King Cetshwayo	13 070	13 070	13 070	8 625	66.0	11 459	87.7
iLembe	9 035	9 035	9 035	8 069	89.3	6 565	72.7
Harry Gwala	9 670	9 670	9 670	6 546	67.7	9 763	101.0
Total	109 830	109 830	109 830	79 272	72.2	79 293	72.2

Source: NT Lgdatabase

Municipalities have reported spending of R79.3 million or 72.2 percent against a transfer of R109.8 million for the 2019/20 financial year. The Harry Gwala District reported the highest percentage spent against the amount transferred of 101 percent or R9.8 million whilst the uMkhanyakude District reported the lowest percentage spent against the amount transferred of 33.8 percent or R3.6 million.

The uBuhlebezwe Local Municipality was the largest contributor towards the over-expenditure in the Harry Gwala District with reported spending of R3.5 million (175.2 percent) as a result of the financial system incorrectly recording year to date figures in each month as opposed to the expenditure incurred in a particular month. The uMkhanyakude District Municipality and the Mtubatuba Local Municipality were the largest contributors towards the under-spending in the uMkhanyakude District with reported spending of Rnil (0 percent) and R6 000 (0.3 percent) respectively. The uMkhanyakude District Municipality experienced challenges with their Grants module within the financial system which resulted in no expenditure being reported against the FMG allocation despite the grant being fully spent. The Mtubatuba Local Municipality had significant challenges with the reporting of grant performance due to mapping issues in the financial system. The municipality has engaged the system vendor to assist in addressing the financial system challenges. The municipality confirmed that the entire FMG allocation has been fully spent.

As per Appendix 10, a total of nine municipalities reported over-expenditure on their FMG allocations for the 2019/20 financial year whilst the eThekweni Metro and the King Cetshwayo District Municipality spent the exact amount that was allocated and transferred to them. Amongst the remaining 43 municipalities who reported under-expenditure on their FMG allocations for the 2019/20 financial year, the Richmond and uPhongolo Local Municipalities and the uMgungundlovu and uMkhanyakude District Municipalities reported nil expenditure as a result of misallocations in the mSCOA data strings, non-submission of data strings to the mSCOA upload portal, errors in the financial system due to the configuration of the system and system challenges within the Grants module in the financial system respectively.

3.8.3 Municipal Infrastructure Grant

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

The total MIG allocation to all the municipalities within the province was R3.2 billion, excluding allocations to the eThekweni Metro and the uMhlathuze and Ray Nkonyeni Local Municipalities. The eThekweni Metro receives the Integrated City Development Grant (ICDG) and therefore does not receive the MIG allocation. The uMhlathuze and Ray Nkonyeni Local Municipalities receive the Integrated Urban Development Grant (IUDG) and therefore do not receive the MIG allocation.

Table 3.25 shows the total MIG transferred to KwaZulu-Natal, per district, for the 2019/20 financial year and the related expenditure against the transfer.

Table 3.25: Expenditure on Municipal Infrastructure Grant – 2019/20

R'000	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	329 133	329 133	314 133	216 922	69.1	1 060 452	322.2
uMgungundlovu	419 358	419 358	419 958	239 947	57.1	7 049 766	1 681.1
uThukela	311 585	311 585	220 585	189 924	86.1	263 534	84.6
uMzinyathi	314 120	314 120	314 120	230 375	73.3	240 991	76.7
Amajuba	184 727	184 727	139 727	111 592	79.9	724 819	392.4
Zululand	371 831	371 831	371 831	245 871	66.1	404 456	108.8
uMkhanyakude	340 378	340 378	325 378	169 289	52.0	521 961	153.3
King Cetshwayo	278 289	278 289	278 289	230 860	83.0	581 282	208.9
iLembe	331 778	331 778	334 178	231 297	69.2	243 470	73.4
Harry Gwala	327 617	327 617	331 617	229 621	69.2	336 220	102.6
Total	3 208 816	3 208 816	3 049 816	2 095 698	65.3	11 426 950	356.1

Source: NT Lgdatabase

During the 2019/20 financial year, R3 billion was transferred to municipalities according to the data supplied by National Treasury. A total of R11.4 billion or 356.1 percent was spent when compared to the R3 billion transferred to municipalities for the 2019/20 financial year. The uMgungundlovu and Zululand Districts received the largest MIG transfers of more than R370 million per district.

As per Appendix 10, a total of 19 municipalities have spent more than the amount transferred to them. The eMadlangeni Local Municipality within the Amajuba District incurred the highest over-spending of 5 854 percent against their total MIG allocation followed by the uMgungundlovu District Municipality with 5 159.7 percent within the uMgungundlovu District. The reported over-spending for the eMadlangeni Local Municipality is due to errors in the data strings submitted by the municipality. The over-expenditure reported by the uMgungundlovu District Municipality is as a result of errors in the financial system due to the configuration of the system. The eMadlangeni Local Municipality and the uMgungundlovu District Municipality are currently engaging with their system vendors to rectify errors within their respective financial systems.

A total of 32 municipalities reported under-expenditure on their MIG for the 2019/20 financial year with the uPhongolo Local Municipality reporting no expenditure against its MIG allocation. The Mandeni, Nkandla and Nquthu Local Municipalities spent less than 40 percent of their MIG allocations as at the end of the 2019/20 financial year as the municipalities reported spending of 25.5 percent, 31.2 percent and 38 percent against their MIG allocations respectively.

The low MIG expenditure at Mandeni Local Municipality was largely influenced by delays in the implementation of projects due to the Covid-19 pandemic, community protests affecting the implementation of projects as well as challenges experienced by service providers in sourcing materials for the projects. The expenditure for the Nkandla and Nquthu Local Municipalities is incorrect as a result of the financial system crashing rendering the municipality unable to submit the correct data strings and challenges with the functionality of the Grants module in the financial system respectively.

A national state of disaster was declared in Government Gazette No. 43096 on 15 March 2020 relating to the Covid-19 pandemic which necessitated the reprioritisation of uncommitted grants in support of the alleviation of the declared disaster. In terms of Section 20(6) of the DoRA, National Treasury may approve that a conditional allocation be reallocated to pay for the alleviation of the impact of a declared disaster or the reconstruction or rehabilitation of infrastructure damage caused by a declared disaster provided that the affected funds are not committed in terms of any statutory or contractual obligation. National Treasury approved the reprioritised budgeted expenditure subsequent to consultations with the transferring departments for the municipalities that had submitted credible business plans which were in line with the strategic goals of the respective grants.

Table 3.26 shows the total MIG reprioritised in support of the alleviation of the impact of the Covid-19 pandemic.

Table 3.26: Total MIG Reprioritised as a result of the Covid-19 pandemic

Municipality	R'000		
	Grant re-allocation requested	Approved	Denied
uMdoni	5 700	–	5 700
Ugu DM	23 600	23 600	–
uMngeni	19 000	19 000	–
Msunduzi	18 500	18 500	–
uMgungundlovu DM	33 500	33 500	–
uThukela DM	28 800	28 800	–
uMzinyathi DM	12 300	12 300	–
Amajuba DM	41 000	41 000	–
uPhongolo	13 000	5 800	7 200
AbaQulusi	11 900	11 900	–
Nongoma	660	660	–
uMhlabuyalingana	1 000	1 000	–
Jozini	10 100	4 100	6 000
uMkhanyakude DM	53 200	53 200	–
Nkandla	1 500	1 500	–
King Cetshwayo DM	31 600	31 600	–
iLembe DM	50 200	50 200	–
Harry Gwala DM	3 000	3 000	–
Total	358 560	339 660	18 900

Source: National Treasury

A total of R339.7 million of uncommitted MIG funds were reprioritised towards the fight against the Covid-19 pandemic. The reprioritisation of MIG funds was not approved for the uMdoni Local Municipality because the municipality included projects in the business plan submitted for approval which should have been implemented through the normal MIG processes in line with the grant framework. uPhongolo and Jozini Local Municipalities received reduced approvals because the municipalities included water tankering projects in their business plans submitted for approval which are accommodated under the water programme.

3.8.4 Integrated National Electrification Programme (Municipal) Grant

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

A total of 35 municipalities in the province received the INEP Grant for the 2019/20 financial year. Municipalities have reported spending of R336.9 million or 80.3 percent against a transfer of R419.7 million.

Table 3.27 shows the total INEP allocation transferred to KwaZulu-Natal, per district, for the 2019/20 financial year and the related expenditure against the transfer.

Table 3.27: Expenditure on Integrated National Electrification Programme (Municipal) Grant – 2019/20

R'000	DoRA	Approved	Transferred to	Unaudited Actual		Unaudited Actual	
	Total Avail. (Inc.Adjust.)	Payment Schedule	Munis. (Year to date)	Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent
eThekwini	–	–	–	–	–	–	–
Ugu	39 000	39 000	39 000	27 145	69.6	25 994	66.7
uMgungundlovu	21 467	21 467	21 467	20 022	93.3	21 682	101.0
uThukela	28 000	28 000	28 000	9 488	33.9	5 661	20.2
uMzinyathi	65 000	65 000	65 000	33 050	50.8	38 003	58.5
Amajuba	14 000	14 000	14 000	5 296	37.8	5 515	39.4
Zululand	68 500	68 500	68 500	44 287	64.7	155 512	227.0
uMkhanyakude	57 000	57 000	57 000	11 708	22.5	1 526	2.7
King Cetshwayo	51 000	51 000	51 000	14 992	29.4	45 671	89.6
iLembe	28 688	28 688	28 688	10 277	41.3	10 036	35.0
Harry Gwala	47 000	47 000	47 000	23 105	49.2	27 282	58.0
Total	419 655	419 655	419 655	199 370	47.5	336 882	80.3

Source: NT Lgdatabase

As per Appendix 10 only the Dr. Nkosazana Dlamini Zuma Local Municipality reported having spent the exact amount that was allocated and transferred to them. The eDumbe (854.2 percent), Mthonjaneni (315.7 percent), Mkhambathini (281 percent), uMdoni (142.8 percent), Greater Kokstad (131.1 percent) and uMsinga (113.8 percent) Local Municipalities reported over-expenditure on their INEP Grant allocations due to amongst others, incorrect reporting as a result of challenges with the financial system and incorrect mapping of the data strings.

Of the 35 municipalities that were allocated the INEP Grant in the 2019/20 financial year, 12 municipalities did not fully spend their allocations, whilst the Nkandla and Mtubatuba Local Municipalities reported negative R10.1 million or (-59.5 percent) and negative R4.2 million or (-24.4 percent) against their INEP Grant allocations respectively due to the incorrect mapping of data strings.

The following 13 municipalities reported no spending against their INEP grant allocations namely: the uMzumbe, uMshwathi, Okhahlamba, eNdumeni, uMvoti, uPhongolo, Nongoma, Jozini, Big Five Hlabisa, uMlalazi, Mandeni, Maphumulo and uMzimkhulu Local Municipalities reported no expenditure against their INEP Grant allocations due to amongst others, incorrect mapping of the data strings, non-submission of the data strings, challenges with Grants module in the financial system and overall challenges with the financial system.

3.8.5 Expanded Public Works Programme Integrated Grant

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

Municipalities have reported spending R219 million or 98 percent against a transfer of R223.6 million for the 2019/20 financial year.

Table 3.28 shows the total EPWP allocation transferred to KwaZulu-Natal, per district, for the 2019/20 financial year and the related expenditure against the transfer.

Table 3.28: Expenditure on Expanded Public Works Programme Integrated Grant – 2019/20

R'000	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	78 757	78 757	78 757	78 756	100.0	66 407	84.3
Ugu	12 939	12 939	12 939	12 125	93.7	14 240	110.1
uMgungundlovu	15 451	15 451	15 451	14 181	91.8	19 082	123.5
uThukela	15 672	15 672	15 672	14 746	94.1	22 093	141.0
uMzinyathi	12 725	12 725	12 725	11 932	93.8	16 283	128.0
Amajuba	6 543	6 543	6 543	5 500	84.1	1 815	27.7
Zululand	20 308	20 308	20 308	19 067	93.9	15 853	78.1
uMkhanyakude	16 070	16 070	16 070	12 892	80.2	20 444	127.2
King Cetshwayo	20 929	20 929	20 929	17 500	83.6	16 495	78.8
iLembe	8 655	8 655	8 655	8 452	97.7	8 997	103.9
Harry Gwala	15 542	15 542	15 542	14 097	90.7	17 335	111.5
Total	223 591	223 591	223 591	209 248	93.6	219 044	98.0

Source: NT Lgdatabase

As per Appendix 10, a total of 29 municipalities reported over-expenditure on their EPWP Grant for the 2019/20 financial year, four municipalities (the uMhlathuze and Dr. Nkosazana Dlamini Zuma Local Municipalities and the King Cetshwayo and iLembe District Municipalities) reported having spent the exact amount that was allocated and transferred to them, 18 municipalities reported under-expenditure on their EPWP Grant allocations whilst the uPhongolo, uMfolozi and uMlalazi Local Municipalities reported no expenditure against their EPWP Grant allocations.

The uThukela District reported the highest over-expenditure in the province as all four municipalities within the district exceeded their EPWP Grant allocations. The expenditure over and above the EPWP grant allocation for all the municipalities within the uThukela District were funded from internally generated funds and will be reallocated to *Own revenue sources* in the pre-audit data strings.

The Amajuba District reported the lowest expenditure in the province of 27.7 percent which was influenced by significantly low expenditure reported by the Newcastle Local Municipality (6.8 percent), the Amajuba District Municipality (12.4 percent) and the eMadlangeni Local Municipality (35.9 percent). The Newcastle and eMadlangeni Local Municipalities and the Amajuba District Municipality attributed the low EPWP expenditure to amongst others, incorrect reporting as a result of challenges with the financial system and errors in the data strings submitted.

Whilst the Amajuba District under-spent as a whole, the Dannhauser Local Municipality over-spent their EPWP Grant allocation by R39 000 (3.8 percent) which was funded from internally generated funds and will be reallocated to Own revenue sources in the pre-audit data strings.

3.8.6 Water Services Infrastructure Grant

As per the DoRA, the purpose of the Water Services Infrastructure Grant (WSIG) is to facilitate the planning and implementation of various water and onsite sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in rural municipalities; provide interim, intermediate water and sanitation supply that ensures provision of services to identified and prioritised communities, including through spring protection and groundwater development; support municipalities in implementing Water Conservation and Water Demand Management projects; support the existing bucket eradication programme intervention in formal residential areas; and support drought relief projects in affected municipalities. The total WSIG allocation to the district municipalities within the province was R872.4 million, including allocations to the Msunduzi, Newcastle and uMhlathuze Local Municipalities.

Table 3.29 shows the total WSIG transferred to KwaZulu-Natal, per district, for the 2019/20 financial year and the related expenditure against the transfer.

Table 3.29: Expenditure on Water Services Infrastructure Grant – 2019/20

R'000	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	50 000	50 000	50 000	43 513	87.0	111 271	222.5
uMgungundlovu	133 000	133 000	133 000	121 508	100.4	726 552	546.3
uThukela	108 000	108 000	108 000	53 472	49.5	78 718	72.9
uMzinyathi	68 374	68 374	68 374	68 374	100.0	35 459	51.9
Amajuba	86 000	86 000	86 000	32 046	37.3	27 929	32.5
Zululand	100 000	100 000	100 000	74 995	75.0	78 383	78.4
uMkhanyakude	80 000	80 000	80 000	48 441	60.6	72 605	90.8
King Cetshwayo	125 000	125 000	125 000	4 151	3.0	99 913	79.9
iLembe	62 000	62 000	62 000	12 228	13.6	82 530	133.1
Harry Gwala	60 000	60 000	60 000	60 000	100.0	52 592	87.7
Total	872 374	872 374	872 374	518 728	59.5	1 365 952	156.6

Source: NT Lgdatabase

During the 2019/20 financial year, R872.4 million was transferred to municipalities according to the data supplied by National Treasury. A total of R1.4 billion or 156.6 percent was reported as spent against the allocation for the 2019/20 financial year.

As per Appendix 10, three district municipalities exceeded their WSIG allocation namely; the uMgungundlovu, Ugu and iLembe District Municipalities who reported expenditure of R717.3 million or 896.6 percent, R111.3 million or 222.5 percent and R82.5 million or 133.1 percent against their WSIG allocations respectively. The significant over-expenditure for the uMgungundlovu District Municipality is due to the functionality of the Grant module which the system vendor is currently addressing. According to the municipality, the correct expenditure is R80 million or 100 percent against the WSIG allocation. The reported over-expenditure for the Ugu District Municipality is incorrect due to errors in the financial system and the actual expenditure as per the Grants register is R50 million. The expenditure for the iLembe District Municipality includes expenditure related to the 2018/19 approved roll over which resulted in the over-expenditure reported as at the end of June 2020. The remaining 10 municipalities reported under-expenditure on their WSIG allocation for the 2019/20 financial year.

The Msunduzi Local Municipality reported the lowest expenditure of R9.3 million or 17.5 percent followed by the Amajuba District Municipality with R8.2 million or 17.8 percent. The Msunduzi Local Municipality and the Amajuba District Municipality indicated that the reported under-performance was due to incorrect data strings submitted to the mSCOA upload portal and that the actual performance was 99.5 percent and 85.2 percent respectively.

3.9 Unspent Conditional Grants

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

In general, conditional grant transfers aim to:

- Address the structural imbalance between revenue available to municipalities and the expenditure responsibilities assigned to them;
- Support national and provincial priorities, as outlined through different sector policies, in particular, those focused on providing universal and sustainable access to services; and

- Establish incentives for good governance and building local government capacity within a sound fiscal framework.

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

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

In the event that municipalities fail to apply for a rollover or where a rollover motivation is rejected by National Treasury and the Unspent conditional grants are not refunded to the NRF, National Treasury will offset such amounts against the municipality's current year Equitable Share allocation and recover the funds accordingly. The inability of the municipality to refund these amounts may be as a consequence of the municipalities using those monies for purposes other than in accordance with the conditions of the grant.

3.9.1 Unspent Conditional Grants – 2017/18

Initially, Unspent conditional grants of R585 million were offset against the 2018/19 Equitable Share payments of municipalities on the 03 December 2018.

Subsequent engagements with the municipalities resulted in National Treasury reimbursing R16.6 million in relation to unspent grants for the 2017/18 financial year that were offset against the December 2018 Equitable Share tranche. The affected municipalities were the Mpofana Local Municipality (R4.5 million) and the Newcastle Local Municipality (R12.1 million). National Treasury also identified an additional R4.1 million of unspent grants on perusal of the audited 2017/18 AFS for AbaQulusi Local Municipality which was offset against the March 2019 Equitable Share tranche. i.e. an increase from R14.1 million in the pre-audit AFS to R18.2 million in the audited AFS.

Furthermore, the iNkosi Langalibalele Local Municipality and the uMgungundlovu District Municipality entered into payment arrangements with National Treasury whereby unspent funds would be offset against future Equitable Share payments. The following amounts as shown in Table 3.30 were thus offset against the March and July 2019 Equitable Share tranches.

Table 3.30: Payment arrangement of unspent grants

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

Source: National Treasury

The above events consequently resulted in unspent grants, totaling R588.8 million being returned to the NRF by KZN municipalities for the 2017/18 financial year.

3.9.2 Unspent Conditional Grants – 2018/19

As at 31 August 2019, 30 municipalities submitted rollover motivations to National Treasury in respect of Unspent conditional grants for the 2018/19 financial year. On the 11 and 12 of September 2019, National Treasury together with key stakeholders, consisting of KZN Provincial Treasury, the Department of Co-operative Governance and Traditional Affairs (CoGTA), the Department of Water and Sanitation and the Department of Energy, jointly assessed these rollover applications.

On 22 October 2019, National Treasury sent letters to the Accounting Officers of the respective municipalities notifying them as to whether their request for rollover of the Unspent conditional grants were approved or rejected in terms of Section 22 of the DoRA and provided them with the reasons for the rejection based on the criteria as per National Treasury MFMA Circular No.94.

National Treasury initially approved grant rollovers for 18 municipalities in KZN amounting to a total of R167 million for the 2018/19 financial year. Appendix 13 shows the respective municipalities and the detailed outcomes of the grant rollover applications per specific grant for the 2018/19 financial year.

National Treasury subsequently sent letters to the affected Accounting Officers on 05 November 2019 which notified them of the final unspent amount and highlighted that it reverts to the NRF. Municipalities were provided with the bank account details and were requested to return the unspent grants (those grants that were not subject to a rollover approval or payment arrangement) by 18 November 2019.

National Treasury also notified municipalities that their respective pre-audited 2018/19 AFS was used to update the unspent conditional grant dataset for the 2018/19 financial year, noting that in the absence of the AFS, National Treasury used the Section 71 report for the fourth quarter of 2018/19 to determine the amount to be surrendered to the NRF.

Municipalities were warned that failing to return the unspent grants or comply with Section 22(1) of the 2018 DoRA by 18 November 2019 would result in National Treasury deducting the entire unspent amount from the respective municipality's Equitable Share instalment to be transferred on 02 December 2019.

In terms of Section 22(4)(b)(ii) of the 2018 DoRA, municipalities were also given 14 days upon receipt of the letter, to make written submissions why the full or a part of the amount should not be offset or propose an alternative date for offsetting or propose an alternative date by when the amount will be repaid into the NRF.

Consequently, subsequent engagements took place with municipalities and resulted in National Treasury revising the unspent amounts for the following affected municipalities:

Table 3.31: Revision of Unspent Conditional Grants

Municipality (R'000)	Original Unspent Amount	Revised Unspent Amount
eThekwini	504 000	397 000
uMdoni	7 800	-
Richmond	11 900	2 800
uPhongolo	5 900	-
King Cetshwayo DM	88 900	-

Source: National Treasury

Unspent conditional grants were accordingly approved for rollover for uMdoni Local Municipality (R7.8 million), uPhongolo Local Municipality (R5.9 million) and King Cetshwayo District Municipality (R87.6 million). This resulted in a total of R268.3 million of unspent grants being approved for rollover in respect of the 2018/19 financial year. Refer to Appendix 13.

Furthermore, amendments to the 2018/19 AFS resulted in updated unspent amounts for eThekwini Metro and Richmond Local Municipality.

In December 2019, National Treasury offset Unspent conditional grants of R563.8 million against the second installment of the Equitable Share of the affected municipalities.

Appendix 13 shows the total amount offset of R563.8 million and provides a further breakdown per grant offset. It is of great concern that the largest amounts offset are in respect of the infrastructure grants, namely:

- The Public Transport Network Grant (PTNG) of R309.5 million;
- The Municipal Disaster Recovery Grant (MDRG) of R79.8 million;
- The Municipal Infrastructure Grant (MIG) of R52.6 million; and
- The Water Services Infrastructure Grant (WSIG) of R52 million.

The loss of these funds will negatively impact infrastructure development and consequently, impede crucial service delivery while also contracting economic growth in the province.

Provincial Treasury has made every effort to assist municipalities in the rollover process for the 2018/19 financial year. This was evidenced by the issuing of Provincial Treasury Circular PT/MF 1 on 07 August 2019 which provided guidance, summarised legislation and key deadlines on the conditional grant management and rollover process. Following the release of the circular, Provincial Treasury officials engaged with municipalities in order to reiterate the importance of following the rollover process correctly and offered direction and support on the preparation of their rollover applications.

Provincial Treasury was one of the key stakeholders together with National Treasury involved in comprehensively evaluating the municipalities' 2018/19 financial year grant rollover motivations. In addition, Provincial Treasury assisted numerous municipalities that raised queries or required clarity regarding the rejection of rollover motivations.

Appendix 15 shows that the total Unspent conditional grants of R2.5 billion was returned to the NRF for the period 2014/15 to 2018/19. These are funds that could have been used by our municipalities to develop infrastructure and provide essential services but has now left the province due to poor grant management. The eThekweni Metro (R1.3 billion), the Msunduzi Local Municipality (R404 million) and the Harry Gwala District Municipality (R137.3 million) have surrendered the highest amounts of Unspent conditional grants to the NRF in the past five years.

3.9.3 Unspent Conditional Grants – 2019/20

In line with Government Gazette 43582 issued on 5 August 2020, municipalities are permitted to submit their 2019/20 AFS to the Auditor-General within 2 months after the legislated AFS submission deadline of 31 August 2020. In the preparation of the AFS, they are required to determine the unspent portion of their National Conditional grants for the 2019/20 financial year which will be subject to the scrutiny of the Auditor-General when they perform the 2019/20 audit.

Municipalities were also requested to submit their rollover applications and supporting documentation to National Treasury in accordance with the requirements of the 2019 DoRA and National Treasury MFMA Circular No. 99.

Provincial Treasury also issued Circular PT/MF 03 on the 26 August 2020 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 provided structured support, initiated by the rollout of the guide in conjunction with an intensive training programme at selected municipalities aimed at presenting a holistic approach to effective grant management with the intention of embedding key

foundation principles in a municipal environment, covering areas such as municipal planning, budgeting, financial accounting, cash management, compliance and document management.

3.9.4 Stopping of Conditional Grants

In terms of Section 38 of the MFMA and Section 19 of the 2019 DoRA, National Treasury may, at its discretion or at the request of a transferring officer, stop the transfer of funds to a municipality for the following reasons:

- Persistent and material non-compliance with the DoRA; or
- If National Treasury anticipates that a municipality will substantially under-spend on the programme or allocation in the financial year; or
- Breach or failure to comply with any conditions subject to which the allocation is made; or
- A serious or persistent material breach committed by the municipality regarding measures to ensure both transparency and expenditure control (introduced through generally accepted accounting practice, uniform expenditure classifications and uniform treasury norms and standards in terms of Section 216 (2) of the Constitution).

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

In terms of Section 38 of the MFMA and Section 19 of the DoRA, National Treasury notified 31 municipalities on 13 February 2020 of its intention to stop a portion of the 2019/20 allocations due to poor performance. The affected municipalities were given seven days to make representation regarding the stopping of the grant. The affected grant allocations were:

- Municipal Infrastructure Grant;
- Water Services Infrastructure Grant;
- Regional Bulk Infrastructure Grant;
- Public Transport Network Grant;
- Urban Settlements Development Grant;
- Integrated National Electrification Programme Grant;
- Urban Settlements Development Grant;
- Integrated Urban Development Grant; and
- Integrated Skills Development Grant.

Government Gazette number 43180 issued on 30 March 2020 provided confirmation regarding the municipalities at which the affected grants would be officially stopped.

Appendix 14 shows the municipalities and respective amounts stopped. In summary, grants to the total value of R130.7 million was stopped in the 2019/20 financial year.

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

3.10 Cash Flow Position 2018/19

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

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

Municipalities are required, at a very minimum, to maintain a positive cash position. Provincial Treasury conducted an analysis of the cash resources of the municipalities in KZN by assessing their Net available cash and their Cash coverage ratio using the audited 2018/19 AFS. The results of the analysis are detailed below.

3.10.1 Net Available Cash

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

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

Table 3.32 shows four (4) municipalities with a negative Net available cash (red) position in the 2018/19 financial year and consequently, a negative Cash coverage ratio.

Table 3.32 Negative net available cash – 2017/18 and 2018/19

R'000	2017/18				2018/19			
	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
Mpořana	2 412	16 624	(14 212)	-1.2	5 139	15 263	(10 124)	-0.8
iNkosi Langalibalele	2 429	20 395	(17 966)	-0.5	8 393	11 556	(3 162)	-0.1
uThukela DM	6 011	48 157	(42 147)	-1.0	43 906	10 539	33 367	0.7
Newcastle	57 465	56 317	1 148	0.0	9 999	33 439	(23 440)	-0.2
uPhongolo	450	1 011	(560)	-0.0	7 167	7 057	109	0.0
AbaQulusi	11 939	30 213	(18 274)	-0.5	17 871	18 220	(349)	-0.0
uMfolozi	428	5 223	(4 795)	-0.4	5 221	3 100	2 122	0.2
Nkandla	1 513	1 742	(229)	-0.0	5 268	4 942	326	0.0

Source: Auditor General: Audited 2018/19 Annual Financial Statements

It is imperative to further evaluate if the negative cash balances are reflecting a deteriorating trend. In other words, is the negative cash balance temporary or is it an indication of deeper rooted financial difficulties prevalent at the municipality. Table 3.32 also shows that the financial position of three of the municipalities listed above reflect continuing negative cash balances over the 2017/18 and 2018/19 financial years.

3.10.2 Unspent Conditional Grants - Not Cash-backed

Table 3.33 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 2017/18 and 2018/19 financial years.

Based on the analysis of the audited 2018/19 AFS in Table 3.33, the following were noted:

- Four (4) of the 54 municipalities' *Unspent conditional grants* are not cash backed;
- Two of the 4 municipalities' *Unspent conditional grants* are not cash backed by less than R5 million; and
- Two of the 4 municipalities' *Unspent conditional grants* are not cash backed by more than R10 million.

The following is a detailed breakdown per district for 2018/19, with the relevant amounts by which the municipalities unspent grants are not cash backed.

- The uMgungundlovu District: Mpofana Local Municipality (R10.1 million);
- The uThukela District: iNkosi Langalibalele Local Municipality (R3.2 million);
- The Amajuba District: Newcastle Local Municipality (R23.4 million); and
- The Zululand District: AbaQulusi Local Municipality (R348 926).

Based on the figures in the 2018/19 audited AFS, the *Unspent conditional grants* for all the municipalities in the Ugu, uMzinyathi, uMkhanyakude, King Cetshwayo, iLembe and Harry Gwala Districts appear to be cash backed.

Table 3.33 Unspent Conditional Grants Not Cash Backed – 2017/18 and 2018/19

R'000	2017/18				2018/19			
	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	6 098 368	1 268 451	4 829 917	2.1	6 656 248	1 579 501	5 076 747	2.0
uMdoni	200 097	2 167	197 930	11.7	204 372	8 788	195 584	9.4
uMzombe	181 381	511	180 870	17.7	196 622	511	196 111	16.9
uMuzwabantu	164 724	6 649	158 076	14.3	164 628	4 832	159 796	12.9
Ray Nkonyeni	95 257	24 598	70 659	1.1	89 840	31 283	58 557	0.8
Ugu DM	41 801	117	41 685	0.5	54 874	21 354	33 520	0.4
uMshwathi	11 191	-	11 191	1.0	35 265	-	35 265	3.3
uMngeni	11 985	4 266	7 719	0.3	25 255	6 076	19 179	0.7
Mpofana	2 412	16 624	(14 212)	-1.2	5 139	15 263	(10 124)	-0.8
iMpendle	4 281	2 673	1 608	0.4	8 221	5 183	3 038	0.8
Msunduzi	520 098	122 350	397 748	1.2	320 731	127 959	192 772	0.5
Mkhambathini	58 973	966	58 008	11.3	63 941	469	63 472	10.7
Richmond	34 342	4 271	30 071	3.9	23 890	7 714	16 176	2.2
uMgungundlovu DM	49 610	30 403	19 207	0.4	46 262	23 085	23 176	0.4
Okhahlamba	29 592	10 491	19 101	1.6	26 658	11 133	15 525	1.2
iNkosi Langalibalele	2 429	20 395	(17 966)	-0.5	8 393	11 556	(3 162)	-0.1
Alfred Duma	275 053	53 391	221 662	4.0	302 500	63 589	238 911	4.1
uThukela DM	6 011	48 157	(42 147)	-1.0	43 906	10 539	33 367	0.7
eNdameni	39 811	4 105	35 706	1.7	43 181	13 753	29 429	1.3
Nquthu	231 170	4 916	226 254	23.1	246 870	1 973	244 897	20.1
uMsinga	34 379	1 650	32 729	2.4	30 158	559	29 599	2.3
uMvoti	13 748	5 744	8 004	0.4	12 654	7 241	5 412	0.3
uMzinyathi DM	150 841	37 725	113 116	3.4	57 406	-	57 406	1.7
Newcastle	57 465	56 317	1 148	0.0	9 999	33 439	(23 440)	-0.2
eMadlangeni	7 538	669	6 869	1.6	14 462	1 142	13 320	2.5
Dannhauser	53 086	197	52 889	7.0	20 553	218	20 335	2.1
Amajuba DM	54 079	34 744	19 335	1.2	70 435	27 736	42 700	2.8
eDumbe	10 038	6 591	3 447	0.4	3 070	1 040	2 030	0.2
uPhongolo	450	1 011	(560)	-0.0	7 167	7 057	109	0.0
AbaQulusi	11 939	30 213	(18 274)	-0.5	17 871	18 220	(349)	-0.0
Nongoma	2 064	1 007	1 057	0.1	7 139	449	6 690	0.4
Ulundi	865	-	865	0.0	4 147	-	4 147	0.1
Zululand DM	13 201	553	12 648	0.3	12 478	-	12 478	0.3
uMhlabyalingana	34 628	3 326	31 303	2.6	49 652	9 423	40 229	2.9
Jozini	14 233	412	13 821	0.9	39 299	7 663	31 636	2.1
Mtubatuba	12 297	4 534	7 763	0.5	47 248	47 213	35	0.0
Big Five Hlabisa	3 046	1 695	1 351	0.1	5 511	3 007	2 504	0.2
uMkhanyakude DM	62 331	24 930	37 401	1.2	40 140	26 371	13 769	0.3
uMfolozi	428	5 223	(4 795)	-0.4	5 221	3 100	2 122	0.2
uMhlathuze	460 422	15 676	444 746	2.3	461 155	10 801	450 354	2.2
uMlalazi	99 796	932	98 864	4.1	113 194	4 459	108 735	3.7
Mthonjaneni	3 680	17	3 663	0.4	2 694	17	2 677	0.2
Nkandla	1 513	1 742	(229)	-0.0	5 268	4 942	326	0.0
King Cetshwayo DM	498 283	2 941	495 342	7.9	495 583	92 895	402 688	6.2
Mandeni	35 876	10 479	25 397	1.8	60 607	9 875	50 732	3.1
KwaDukuza	510 781	52 234	458 547	4.5	698 696	42 569	656 127	5.9
Ndwedwe	122 283	1 007	121 276	11.8	99 082	168	98 914	7.8
Maphumulo	22 121	12 591	9 530	1.3	16 257	10 981	5 276	0.6
iLembe DM	70 703	15 780	54 923	1.2	203 423	76 720	126 703	2.5
Greater Kokstad	114 262	12 035	102 227	4.8	116 071	5 878	110 193	4.7
uBuhlebezwe	134 820	1 164	133 657	15.4	155 455	1 286	154 170	16.5
uMzimkhulu	206 384	41 927	164 457	11.9	182 834	18 230	164 605	10.4
Dr Nkosazana Dlamini Zuma	88 836	12 954	75 882	8.0	121 685	4 545	117 140	11.6
Harry Gwala DM	96 962	61 251	35 711	1.1	58 363	44 633	13 730	0.4

Source: Auditor General: Audited 2018/19 Annual Financial Statements

Table 3.33 shows that cumulatively R2.5 billion for National, Provincial and other conditional grants were unspent in 2018/19 as per the audited 2018/19 AFS as compared to R2.1 billion in 2017/18. It is of great concern that the unspent grants figure is increasing year on year. These funds could have been used to provide much needed services and utilities for our communities.

Table 3.34: Regression of Net Available Cash

R'000	2017/18				2018/19				Movement in Net Cash - 2017/18 to 2018/19
	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	
Msunduzi	520 098	122 350	397 748	1.2	320 731	127 959	192 772	0.5	(204 977)
King Cetshwayo DM	498 283	2 941	495 342	7.9	495 583	92 895	402 688	6.2	(92 654)
uMzinyathi DM	150 841	37 725	113 116	3.4	57 406	-	57 406	1.7	(55 710)
Dannhauser	53 086	197	52 889	7.0	20 553	218	20 335	2.1	(32 554)
Newcastle	57 465	56 317	1 148	0.0	9 999	33 439	(23 440)	-0.2	(24 588)
uMkhanyakude DM	62 331	24 930	37 401	1.2	40 140	26 371	13 769	0.3	(23 631)
Ndwedwe	122 283	1 007	121 276	11.8	99 082	168	98 914	7.8	(22 362)
Harry Gwala DM	96 962	61 251	35 711	1.1	58 363	44 633	13 730	0.4	(21 980)
Richmond	34 342	4 271	30 071	3.9	23 890	7 714	16 176	2.2	(13 896)
Ray Nkonyeni	95 257	24 598	70 659	1.1	89 840	31 283	58 557	0.8	(12 102)
Ugu DM	41 801	117	41 685	0.5	54 874	21 354	33 520	0.4	(8 164)
Mtubatuba	12 297	4 534	7 763	0.5	47 248	47 213	35	0.0	(7 728)
eNdameni	39 811	4 105	35 706	1.7	43 181	13 753	29 429	1.3	(6 277)
Maphumulo	22 121	12 591	9 530	1.3	16 257	10 981	5 276	0.6	(4 254)
Okhahlamba	29 592	10 491	19 101	1.6	26 658	11 133	15 525	1.2	(3 576)
uMsinga	34 379	1 650	32 729	2.4	30 158	559	29 599	2.3	(3 130)
uMvoti	13 748	5 744	8 004	0.4	12 654	7 241	5 412	0.3	(2 592)
uMdoni	200 097	2 167	197 930	11.7	204 372	8 788	195 584	9.4	(2 346)
eDumbe	10 038	6 591	3 447	0.4	3 070	1 040	2 030	0.2	(1 416)
Mthonjaneni	3 680	17	3 663	0.4	2 694	17	2 677	0.2	(986)
Zululand DM	13 201	553	12 648	0.3	12 478	-	12 478	0.3	(170)

Source: Auditor General: Audited 2018/19 Annual Financial Statements

Table 3.34 shows the Regression of Net available cash from 2017/18 to 2018/19 for 21 municipalities. It was noted that the Msunduzi Local Municipality, King Cetshwayo and uMzinyathi District Municipalities had regressed the most in 2018/19.

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 audited 2018/19 AFS, Table 3.35 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:

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

Table 3.35: Cash Coverage Ratio (Ranking)

Municipalities with a negative cash coverage ratio	Municipalities with a cash coverage ratio between 0 and <3 months	Municipalities with a cash coverage ratio of greater than =3 months
(4 Municipalities - 7%)	(34 Municipalities - 63%)	(16 Municipalities - 30%)
Mpofana	Mtubatuba	iMpendle
iNkosi Langalibalele	uPhongolo	Ray Nkonyeni
Newcastle	Nkandla	Okhahlamba
AbaQulusi	Ulundi	eNdumeni
	uMfolozi	uMzinyathi DM
	eDumbe	eThekwini
	Big Five Hlabisa	Jozini
	Mthonjaneni	Dannhauser
	uMvoti	Richmond
	Zululand DM	uMhlatuze
	uMkhanyakude DM	uMsinga
	Harry Gwala DM	iLembe DM
	Ugu DM	eMadlangeni
	uMgungundlovu DM	Amajuba DM
	Nongoma	uMhlabuyalingana
	Msunduzi	
	Maphumulo	
	uThukela DM	
	uMngeni	
		Mandeni
		uMshwathi
		uMlalazi
		Alfred Duma
		Greater Kokstad
		KwaDukuza
		King Cetshwayo DM
		Ndwedwe
		uMdoni
		uMzimkhulu
		Mkhambathini
		Dr Nkosazana Dlamini Zuma
		uMuziwabantu
		uBuhlebezwe
		uMzumbi
		Nquthu

Source: Auditor General: Audited 2018/19 Annual Financial Statements

As shown in Table 3.35, 70 percent of the municipalities in the province do not have a healthy Cash coverage ratios. Furthermore Table 3.33 shows the 25 municipalities that do not have sufficient cash available to cover at least one month of fixed commitments which 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 Transferring officer, and/or
- Municipalities are not complying with the conditions of the grant, and/or
- Poor project management, accounting 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 Operating expenditure.

The Auditor-General had identified matters relating to going concern. Common going concern matters raised by the Auditor-General include 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 (current assets versus current liabilities); and
- operating deficit 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 MFMA Section 71 Reporting and the 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 which 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 which 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 which has resulted in a significant deterioration in revenue collections. Many of the municipalities affected by cash flow problems also service an increasing number of indigent and poor communities who are the victims of continued service delivery backlogs and challenges.
- The high debtor levels at municipalities indicate poor implementation of debt collection and credit control policies and practices. This may also further reflect a failure on the part of mayors and councillors to provide political backing to revenue enhancement programmes. Municipalities are failing to collect revenues promptly and pursue debtors with due rigour.
- Municipalities have demonstrated an inability to prepare and/or implement credible budgets resulting in unrealistic revenue and cash projections, excessive Operating expenditure or a Capital budget which is over ambitious. Many municipalities are still preparing budgets incorrectly by first planning their spending and thereafter projecting their income. They are not accounting for the timing differences between when revenue is billed and when actual cash is collected which results in major cash flow difficulties as municipalities become vulnerable due to exhausting their historical cash reserves.

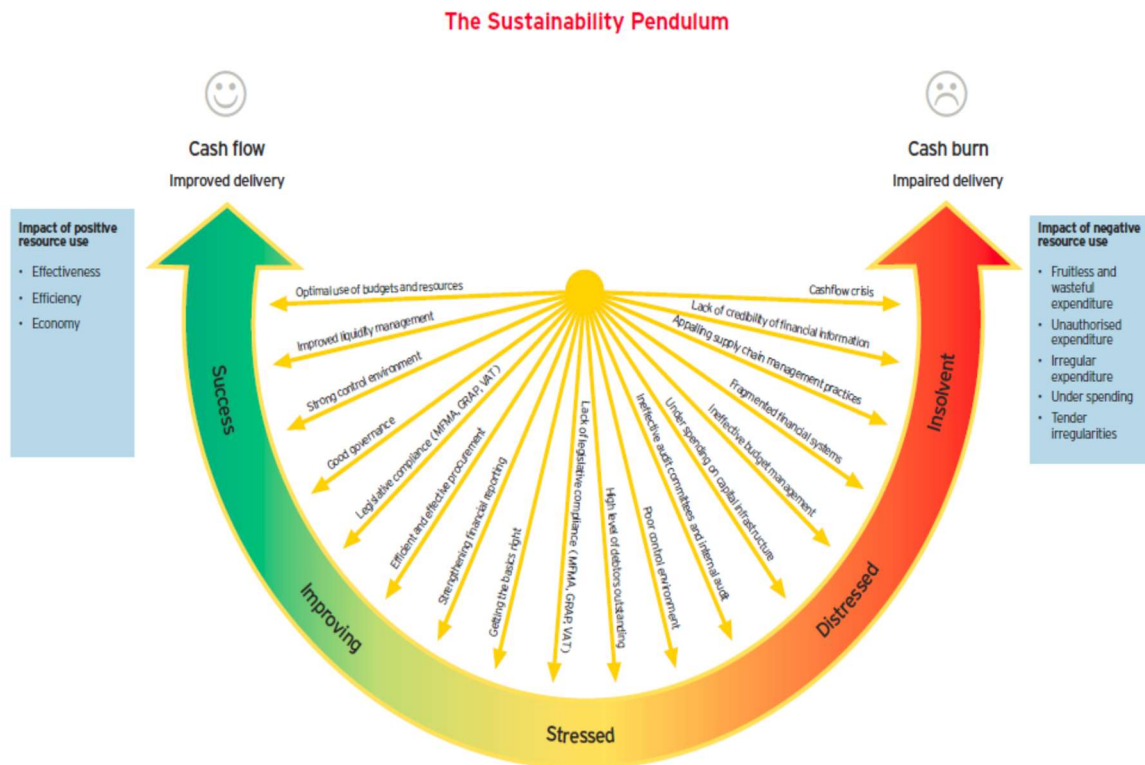
- Municipalities experience poor management, monitoring and reporting of conditional grant funding. Municipalities regularly utilise conditional grant funds to supplement Operating expenditure requirements instead of using the funds in accordance with the applicable grant conditions.
- The deteriorating 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 the 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 system reflecting poor data integrity, failure to timeously update consumer information and inaccurate or delayed invoicing further contributes to the poor cash position. Failure to bill consumers accurately or on time results in delays in revenue collections.
- Municipalities are incurring significant water and electricity distribution losses caused by theft and/or poor infrastructure which 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 which 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 which 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 position makes it more expensive for municipalities to borrow funds from financial institutions. Municipalities will therefore experience problems obtaining financing for expansion and development;
- A poor cash position indicates ineffective cash management which further implies poor processes and systems and therefore exposes the municipality to the risk of theft, corruption and fraud;
- When a municipality experiences a deteriorating financial position, *Repairs and maintenance* is usually one of the first categories of expenses that is reduced which 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.

Figure: 3.11



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 COVID-19 Pandemic Expenditure

A national state of disaster was declared in Government Gazette No. 43096 on 15 March 2020 relating to the COVID-19 pandemic which has had a significant financial impact on the country as whole. As a result of the crisis, municipalities are under pressure to provide certain services to assist in curbing the spread of this virus.

It is for this reason that municipalities are required to share the cost of expenditure related to the pandemic with the Provincial and National Treasuries on a weekly basis via the National Treasury reporting template that was issued on 28 April 2020 in addition to the monthly reporting as per Section 71(1) of the MFMA. The expenditure in this section is thus based on the weekly COVID-19 reports that were submitted by municipalities to the Provincial and National Treasuries as at 03 July 2020. It should be noted that the expenditure provided by the municipalities have not been audited and accordingly, KwaZulu-Natal Provincial Treasury can express no assurances thereon.

3.11.1 Total COVID-19 expenditure – Per expenditure category

Table 3.36 shows the total COVID-19 expenditure for the province per expenditure category and per district from 15 March 2020 to 03 July 2020 which falls within the 2019/20 financial year.

Table 3.36: Total COVID-19 expenditure per expenditure category and per district – 03 July 2020

R'000	General	Community & social services	Public safety	Housing	Health	Total
eThekwini	95 929	90 863	88 190	71 030	75 489	421 502
Ugu	16 948	9 961	17	–	1 101	28 027
uMgungundlovu	18 976	5 074	100	3 242	1 539	28 932
uThukela	7 474	1 722	–	–	443	9 639
uMzinyathi	7 844	5 147	–	380	1 466	14 837
Amajuba	2 569	1 487	–	–	1 460	5 515
Zululand	10 872	5 120	58	26	8 269	24 345
uMkhanyakude	6 241	36 418	86	89	1 271	44 104
King Cetshwayo	21 081	25 021	20 262	7 151	3 961	77 475
iLembe	7 828	5 774	–	–	2 145	15 746
Harry Gwala	3 468	1 288	294	–	428	5 477
Total	199 229	187 874	109 007	81 917	97 572	675 600

Source: KZN Municipalities

The total COVID-19 expenditure for KwaZulu-Natal amounted to R675.6 million as at 03 July 2020. The eThekwini Metro incurred the highest expenditure for COVID-19 in the province with R421.5 million followed by the King Cetshwayo District with R77.5 million and the uMkhanyakude District with R44.1 million.

General expenditure contributed the most to the total COVID-19 expenditure followed by *Community and social services* of R187.9 million, *Public safety* of R109 million, *Health* of R97.6 million and *Housing* of R81.9 million.

General expenditure is made up of *Other general expenditure* related to the pandemic of R119.7 million, *Overtime for employees* of R31.5 million, *Protective clothing* of R22.8 million, *Sanitisation of office buildings* of R11.7 million, additional *Employee related costs* incurred as a result of the pandemic of R8.9 million, *Travel and subsistence* of R2.3 million, *Danger allowance* of R2.1 million, *Litigations* relating to COVID-19 of R140 000 and *Flu vaccines* for staff of R134 000.

Feeding of homeless/food distribution contributed the most towards the *Community and social services expenditure* with R75.7 million followed by *Tankering of water* with R59.3 million, *Other Community and*

social services costs with R33.1 million, Sanitisation of taxi ranks/public facilities/inner cities with R10.4 million, Chemical toilets with R5.1 million and Community awareness campaigns with R4.4 million.

Public safety is made up of costs relating to the Metro police of R88.2 million, Security of R17.7 million, Implementation of roadblocks of R1.7 million, Monitoring of informal settlements/reallocations of R1.1 million, Other public safety costs of R294 000, Provision of massive pauper burials of R10 000 and Monitoring during social grant payments of R1 000.

Other health costs contributed the most towards the Health category with R76.3 million followed by Sanitisers with R11.3 million, Masks of R3.1 million, Cost of mobile testing with R1.2 million, Disinfectants with R1.1 million, Cost of screening and testing with R931 000, Surgical mask –patient with R782 000, Goggles/face-shield/viser with R716 000, Cleansing costs with R573 000, Sterile gloves with R509 000, Surgical masks – HCW with R328 000, Gowns with R300 000, Decontamination of affected premises with R166 000, Particulate respirator - grade N95 with R155 000, Heavy duty gloves with R24 000, Boot covers with R23 000, Aprons with R22 000 and Biohazard bags with R12 000.

Housing is made of Provision for the homeless of R71.4 million, Other housing of R8.9 million, Provision of waste container for informal settlements of R908 000, Quarantine facilities of R449 000, Hired/bought tents of R238 000 and Installation of VIP toilets (Informal settlements) of R46 000.

3.11.2 Total COVID-19 expenditure – Per expenditure funding source

Table 3.37 shows the total COVID-19 expenditure for the province per funding source and per district from 15 March 2020 to 03 July 2020 which falls within the 2019/20 financial year.

Table 3.37: Total COVID-19 expenditure per funding source and per district – 03 July 2020

R'000	Own Revenue	Borrowing	Donation	Sponsor	Grant Funding	Unfunded	Total
eThekweni	88 190	–	–	–	333 312	–	421 502
Ugu	8 070	–	–	–	1 690	18 267	28 027
uMgungundlovu	25 373	–	–	–	3 558	–	28 932
uThukela	2 175	–	–	–	1 771	5 693	9 639
uMzinyathi	10 659	–	–	–	2 552	1 626	14 837
Amajuba	2 542	–	–	–	2 973	–	5 515
Zululand	2 749	–	–	–	13 947	7 649	24 345
uMkhanyakude	7 092	–	–	–	37 012	–	44 104
King Cetshwayo	26 850	–	–	–	3 766	46 859	77 475
iLembe	5 385	–	–	–	2 799	7 563	15 746
Harry Gwala	2 126	–	–	–	922	2 429	5 477
Total	181 211	–	–	–	404 303	90 087	675 600

Source: KZN Municipalities

The total expenditure of R675.6 million was largely funded by *Grant funding* with R404.3 million or 59.8 percent followed by *Own revenue* of R181.2 million or 26.8 percent. It is concerning to note that the remaining R90.1 million or 13.3 percent of the COVID-19 expenditure is unfunded. The highest contributor towards the unfunded COVID-19 expenditure is the uMhlathuze Local Municipality with R46.9 million within the King Cetshwayo District followed by the Ugu District Municipality with R18.3 million within the Ugu District.

3.11.3 Reprioritisation of grants

In terms of Section 20(6) of the DoRA, National Treasury may approve that a conditional allocation be reallocated to pay for the alleviation of the impact of a declared disaster or the reconstruction or rehabilitation of infrastructure damage caused by a declared disaster provided that the affected funds are not committed in terms of any statutory or contractual obligation. The advent of the COVID-19 pandemic necessitated the reprioritisation of budgets at all levels of government including the local government level where municipalities operate. Municipalities were given an opportunity to submit business plans based on

their reprioritised budgets to National Treasury. National Treasury approved the reprioritised budgeted expenditure subsequent to consultations with the transferring departments for the municipalities that had submitted credible business plans which were in line with the strategic goals of the respective grants.

Table 3.38 summarises the grants that were approved to be reprioritised with respect to the Municipal Infrastructure Grant (MIG) and the Integrated Urban Development Grant (IUDG).

Table 3.38: Grants reprioritised as a result of the COVID-19 pandemic

Municipality	Grant	R'000		
		Grant re-allocation requested	Approved	Denied
uMdoni	Municipal Infrastructure Grant	5 700	–	5 700
Ray Nkonyeni	Integrated Urban Development Grant	15 200	15 200	–
Ugu DM	Municipal Infrastructure Grant	23 600	23 600	–
uMngeni	Municipal Infrastructure Grant	19 000	19 000	–
Msunduzi	Municipal Infrastructure Grant	18 500	18 500	–
uMgungundlovu DM	Municipal Infrastructure Grant	33 500	33 500	–
uThukela DM	Municipal Infrastructure Grant	28 800	28 800	–
uMzinyathi DM	Municipal Infrastructure Grant	12 300	12 300	–
Amajuba DM	Municipal Infrastructure Grant	41 000	41 000	–
uPhongolo	Municipal Infrastructure Grant	13 000	5 800	7 200
AbaQulusi	Municipal Infrastructure Grant	11 900	11 900	–
Nongoma	Municipal Infrastructure Grant	660	660	–
uMhlabuyalingana	Municipal Infrastructure Grant	1 000	1 000	–
Jozini	Municipal Infrastructure Grant	10 100	4 100	6 000
uMkhanyakude DM	Municipal Infrastructure Grant	53 200	53 200	–
Nkandla	Municipal Infrastructure Grant	1 500	1 500	–
uMhlatuze	Integrated Urban Development Grant	5 000	5 000	–
King Cetshwayo DM	Municipal Infrastructure Grant	31 600	31 600	–
iLembe DM	Municipal Infrastructure Grant	50 200	50 200	–
Harry Gwala DM	Municipal Infrastructure Grant	3 000	3 000	–
Total		378 760	359 860	18 900

Source: National Treasury

Please refer to Appendix 16 for the full list of approved projects in relation to each municipality.

National Treasury had requested that the eThekweni Metro and the Msunduzi Local Municipality submit and indicate any uncommitted funds against the DoRA allocation for the Public Transport Network Grant (PTNG), up to a maximum of 15 per cent of the amount transferred, which may be utilised to alleviate the COVID-19 pandemic. Similarly, the eThekweni Metro was also requested to submit and indicate any uncommitted funds against the DoRA allocation for the Urban Settlements Development Grant (USDG) which may be utilized to alleviate the COVID-19 pandemic. Whilst National Treasury has approved that these uncommitted funds for the PTNG and USDG allocations may be reallocated for the disaster alleviation, the municipalities were required to confirm the amounts to be reallocated with National Treasury which is in the process of being finalised.

Chapter 4: Performance Analysis against Budget per municipality

4.1 Ugu District

Table 4.1. Ugu District Overview

	uMdoni	uMzambe	uMuziwabantu	Ray Nkonyeni	Ugu DM
Core Trading Services	Refuse removal services	Refuse removal services	Electricity and Refuse removal services	Electricity and Refuse removal services	Water and Sanitation services
Municipal Manager (Position)	Permanent	Permanent	Permanent	Permanent	Permanent
Chief Finance Officer (Position)	Permanent	Permanent	Permanent since 01 Sep 2019.	Vacant, currently filled in an acting capacity since 17 February 2020.	Vacant since 01 April 2019, currently filled in an acting capacity.
Audit Opinion - 2018/19	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.1.1 Overview of Ugu District Performance¹

Table 4.1.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMdoni	327 526	355 567	300 201	84.4
uMzambe	156 636	182 783	214 231	117.2
uMuziwabantu	184 606	196 190	170 435	86.9
Ray Nkonyeni	1 049 711	1 065 149	826 469	77.6
Ugu DM	1 234 398	1 172 691	1 570 675	133.9
Total	2 952 877	2 972 380	3 082 012	103.7

Source: NT Igdatabase

Table 4.1.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMdoni	312 498	352 422	293 090	83.2
uMzambe	210 672	220 578	166 180	75.3
uMuziwabantu	190 052	208 380	152 400	73.1
Ray Nkonyeni	1 019 178	1 081 029	842 636	77.9
Ugu DM	1 199 188	1 277 266	1 489 718	116.6
Total	2 931 589	3 139 675	2 944 023	93.8

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.1.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMdoni	44 178	28 411	23 944	84.3
uMzumbe	95 274	129 642	396 006	305.5
uMuziwabantu	98 562	74 385	63 831	85.8
Ray Nkonyeni	134 794	95 292	79 155	83.1
Ugu DM	529 602	261 362	205 306	78.6
Total	902 410	589 092	768 242	130.4

Source: NT Igdatabase

Table 4.1.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	4 686	4.7	2 890	2.9	2 024	2.0	89 366	90.3	98 966
uMzumbe	-	-	-	-	-	-	25 584	100.0	25 584
uMuziwabantu	3 363	10.8	2 619	8.4	1 952	6.3	23 209	74.5	31 142
Ray Nkonyeni	15 389	4.4	7 193	2.1	19 791	5.7	303 895	87.8	346 268
Ugu DM	171 612	8.6	76 833	3.9	26 763	1.3	1 709 504	86.1	1 984 711
Total	195 050	7.8	89 535	3.6	50 529	2.0	2 151 558	86.5	2 486 672

Source: NT Igdatabase

Table 4.1.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	34 545	34.9	14 051	14.2	48 147	48.7	2 223	2.2	98 966
uMzumbe	16 697	65.3	5 089	19.9	-	-	3 799	14.8	25 584
uMuziwabantu	8 558	27.5	11 256	36.1	11 328	36.4	-	-	31 142
Ray Nkonyeni	25 548	7.4	67 467	19.5	253 252	73.1	-	-	346 268
Ugu DM	110 942	5.6	331 366	16.7	1 540 502	77.6	1 901	0.1	1 984 711
Total	196 290	7.9	429 229	17.3	1 853 230	74.5	7 923	0.3	2 486 672

Source: NT Igdatabase

Table 4.1.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMdoni	1 833	99.9	-	-	1	0.1	-	-	1 834
uMzumbe	83	146.7	(26)	(46.0)	(44)	(78.1)	44	77.4	56
uMuziwabantu	463	97.2	-	-	-	-	14	2.8	476
Ray Nkonyeni	5 561	100.0	-	-	-	-	-	-	5 561
Ugu DM	403 901	59.3	50 802	7.5	10 953	1.6	215 981	31.7	681 637
Total	411 841	59.7	50 776	7.4	10 910	1.6	216 038	31.3	689 565

Source: NT Igdatabase

4.1.2 Analysis per municipality: uMdoni Local Municipality

Table 4.1.2 uMdoni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	327 526	355 567	300 201	84.4	The municipality indicated that the under-performance is mainly due to the erroneous inclusion of the Reserves income amount of R30.7 million in the Other revenue budget of the 2019/20 Adjustments budget. Furthermore, the under-performance was also attributed to Interest earned - external investments as the municipality only reported the unaudited actual revenue of R76 000 or 6 percent against the Adjusted Budget of R12.3 million. The municipality indicated that the Interest earned - external investments was not accurately reported in the MFMA Section 71 reports because it is only accrued for during the process of preparing the AFS.
Operating Expenditure	312 498	352 422	293 090	83.2	The municipality attributed the low expenditure to Debt impairment not being reported on during the financial year due to the fact that the comprehensive calculation for Debt impairment is only performed at the end of the financial year. The municipality has indicated that the correct amount will be reported in the 2019/20 AFS. Furthermore, the municipality also attributed the low Operating expenditure to the savings realised after the implementation of cost containment measures.
Capital Expenditure	44 178	28 411	23 944	84.3	The municipality attributed the under-performance on Capital expenditure to the year-end accruals not being processed at the time of the MFMA Section 71 reporting. The municipality indicated that the correct amount will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	30 678	16 300	53.1	14 378	The municipality reported R16.3 million or 53.1 percent for the Municipal Infrastructure Grant (MIG) against the original allocation of R30.7 million. The municipality attributed the under-performance to the errors in the financial system as the figures reported in the MFMA Section 71 reports were exclusive of Value Added Tax (VAT). Furthermore, the under-performance was also attributed to the fact that most of the MIG funded projects were stopped due to the Covid-19 pandemic.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		4 686	4.7	The Debtors increased by R13.6 million or 16 percent from an amount of R85.3 million as at 30 June 2019 to an amount of R99 million as at 30 June 2020. The municipality reported R89.4 million or 90.3 percent of Debtors that are in the "Over 90 days" category as at 30 June 2020. The increase in Debtors was largely attributed to the culture of non-payment within the municipal area.	
31-60 days		2 890	2.9		
61-90 days		2 024	2.0		
>90 days		89 366	90.3		
Total by age analysis		98 966	100.0		
Debtors By customer group					
Organs of state		34 545	34.9	The amount of R48.1 million or 48.7 percent of total Debtors is owed by Households which was attributed to the culture of non-payment within the municipal area. The municipality indicated that it is currently embarking on a process to determine uncollectable debt, with a view to write-off these debts. The municipality further indicated that the customers are encouraged to enter into acknowledgement of debt agreements to settle debt over an agreed period of time.	
Commercial		14 051	14.2		
Households		48 147	48.7		
Other		2 223	2.2		
Total by customer group		98 966	100.0		
Creditors By age analysis					
0-30 days		1 833	99.9	A total amount of R1 000 or 0.1 percent of the municipality's Creditors were outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality attributed the Creditors over 30 days to the errors in the financial system as it started ageing Creditors from the date of the purchase order instead of the date of receipt of invoice.	
>30 days		1	0.1		
Total by age analysis		1 834	100.0		

Source: NT Igdatabase

4.1.3 Analysis per municipality: uMzumbe Local Municipality

Table 4.1.3 uMzumbe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	156 636	182 783	214 231	117.2	The municipality attributed the over-performance of Operating revenue to inaccurate budgeting during the Adjustments Budget process as most revenue line items were under-budgeted.
Operating Expenditure	210 672	220 578	166 180	75.3	The municipality attributed the under-performance on Operating expenditure to the fact that a number of projects were not implemented due to the Covid-19 pandemic.
Capital Expenditure	95 274	129 642	396 006	305.5	The municipality indicated that the unaudited actual Capital expenditure amount of R396 million or 305.5 percent reflected in the MFMA Section 71 reports is incorrect due to errors in the financial system of the municipality. According to the municipality the correct unaudited actual for Capital expenditure performance is R58.1 million or 44.8 percent. The municipality attributed the under-performance on Capital expenditure to the fact that a number of projects were discontinued due to the Covid-19 pandemic. The municipality has indicated that the correct amount will be disclosed in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	34 077	67 856	199.1	(33 779)	The municipality indicated that the unaudited actual expenditure amount of R67.9 million or 199.1 percent for Municipal Infrastructure Grant (MIG) reflected in the MFMA Section 71 reports is incorrect due to errors in the financial system of the municipality. According to the municipality the correct unaudited actual expenditure for MIG is R28.6 million or 83.8 percent and the municipality attributed the under-performance to the fact that a number of MIG funded projects were discontinued due to the Covid-19 pandemic. The municipality has indicated that the correct amount will be reported in the 2019/20 AFS.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		-	-	The municipality reported R25.6 million or 100 percent of Debtors in the "Over 90 days" category as at 30 June 2020. The municipality indicated that the reported ageing of Debtors is incorrect due to an error in the financial system. The municipality attributed the error to the incorrect customer information in the system and indicated that it is currently undertaking a data cleansing exercise to correct the Debtors balance.	
31-60 days		-	-		
61-90 days		-	-		
>90 days		25 584	100.0		
Total by age analysis		25 584	100.0		
Debtors By customer group					
Organs of state		16 697	65.3	The municipality reported R16.7 million or 65.3 percent of its Debtors outstanding from Organs of state. The municipality has attributed the debt to unverified properties, farm land and forests which are assumed to be belonging to the state. The municipality also indicated that it has approached KwaZulu Natal (KZN) Department of Cooperative Governance and Traditional Affairs and KZN Provincial Treasury for assistance in resolving this matter.	
Commercial		5 089	19.9		
Households		-	-		
Other		3 799	14.8		
Total by customer group		25 584	100.0		
Creditors By age analysis					
0-30 days		83	146.7	The municipality reported an amount of negative R26 000 for Creditors in the Over 30 days category as at 30 June 2020. The municipality indicated that some payments were not allocated to the individual Creditors at the time of reporting for MFMA Section 71. The municipality indicated that the error will be corrected during the process of preparing the 2019/20 AFS.	
>30 days		(26)	(46.7)		
Total by age analysis		56	100.0		

Source: NT Igdatabase

4.1.4 Analysis per municipality: uMuziwabantu Local Municipality

Table 4.1.4 uMuziwabantu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	184 606	196 190	170 435	86.9	The municipality has attributed the under-generation of Operating revenue to the economic slump caused by the Covid-19 pandemic, resulting in a decrease in demand from various customer groups within the municipal boundaries. The revenue line items most affected were: - Other revenue as it generated R755 000 or 7.5 percent of the budget due to the low demand for services such as Hall hire, Building plan approvals, Tender documents etc. - Service charges - electricity revenue as it generated R31.4 million or 77.1 percent of the budget also due to the low demand for the service.
Operating Expenditure	190 052	208 380	152 400	73.1	The municipality indicated that the Debt impairment and Depreciation and asset impairment figures were not finalised at the time of the MFMA Section 71 reporting while Contracted service and Other expenditure decreased during the national lockdown in the last quarter of the 2019/20 financial year.
Capital Expenditure	98 562	74 385	63 831	85.8	The municipality attributed the under-expenditure on Capital expenditure to slow progress in the building of the new municipal offices project that was budgeted at R52 million from Internally generated funds in the 2019/20 Adjusted Budget. The project is in its final completion stage and is anticipated to be completed in the 2020/21 financial year.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	23 340	21 290	91.2	2 050	The municipality attributed the under-expenditure on the Municipal Infrastructure Grant (MIG) to interruptions caused by the national lockdown, resulting in delays by contractors to complete all MIG related projects timeously. The municipality will apply to rollover the unspent amount of R2.1 million and the project will be completed in the 2020/21 financial year.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			3 363	10.8	The municipality reported R31.1 million for Debtors as at 30 June 2020 which is a R6 million or 24 percent increase from the 2018/19 financial year. It was noted that R23.9 million or 74.5 percent of the reported Debtors is outstanding for longer than 90 days which the municipality attributed to the culture of non-payment within the municipal area as it is predominantly rural in nature.
31-60 days			2 619	8.4	
61-90 days			1 952	6.3	
>90 days			23 209	74.5	
Total by age analysis			31 142	100.0	
Debtors By customer group					
Organs of state			8 558	27.5	The municipality attributed outstanding debtors of R11.3 million or 36.4 percent from Households to a high unemployment rate and the overall socio-economic environment since the municipality is predominantly rural in nature. Outstanding debtors of R11.3 million or 36.1 percent from Commercial has been attributed to the economic slump caused by the Covid-19 pandemic and the municipality has indicated that it is currently developing an action plan to be implemented in the 2020/21 financial year in order to recover growing ageing Debtors from this customer group. The municipality further indicated that the KZN Provincial Treasury is currently assisting with collecting outstanding debtors from Organs of state which equates to R8.6 million or 27.5 percent and this exercise is also expected to be completed in the first half of 2020/21 financial year.
Commercial			11 256	36.1	
Households			11 328	36.4	
Other			-	-	
Total by customer group			31 142	100.0	
Creditors By age analysis					
0-30 days			463	97.2	The municipality indicated that the reported Creditors balance of R476 000 is overstated. The ageing Creditors balance of R14 000 over 30 days is caused by the errors in the figures reported in the MFMA Section 71 reports. The municipality has further indicated that the correct Creditors balance will be reflected in the 2019/20 AFS.
>30 days			14	2.8	
Total by age analysis			476	100.0	

Source: NT Igdatabase

4.1.5 Analysis per municipality: Ray Nkonyeni Local Municipality

Table 4.1.5 Ray Nkonyeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	1 049 711	1 065 149	826 469	77.6	The municipality attributed the under-generation of Operating revenue to:- -the outstanding journals for Fines, penalties and forfeits that are yet to be captured onto the financial system, and will thus be reflected correctly in the 2019/20 AFS; -the over-budgeting for Other revenue in the 2019/20 Adjustments Budget; and -the under-performance on Transfers and subsidies which was attributed to some of the operational projects being delayed by the national lockdown.
Operating Expenditure	1 019 178	1 081 029	842 636	77.9	The municipality indicated that Debt impairment and Depreciation and asset impairment figures which have a combined budget of R80 million were not finalised at the time of the MFMA Section 71 reporting. Contracted services and Other expenditure reported a total saving of R150 million and this was attributed to the national lockdown in the last quarter of the 2019/20 financial year when a number of services were halted.
Capital Expenditure	134 794	95 292	79 155	83.1	The municipality attributed the under-performance on Capital expenditure to the year-end accruals not being processed at the time of the MFMA Section 71 reporting. The municipality indicated that the correct amount will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Integrated Urban Development Grant	70 795	-	-	70 795	The municipality attributed the non-reporting of expenditure against the Integrated Urban Development Grant to errors within the financial system and misallocations in the figures reported in the MFMA Section 71 reports. The municipality further indicated that the grant has been fully spent in the 2019/20 financial year as reflected in the Grants Register as at 30 June 2020.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			15 389	4.4	The municipality reported R346.3 million for Debtors as at 30 June 2020 which is a R74.5 million or 31 percent increase from the 2018/19 financial year. It was noted that R303.9 million or 87.8 percent of the reported Debtors is outstanding for over 90 days. The municipality indicated that it is planning to implement innovative measures to reduce the growing ageing debtors in the form of a Revenue Collection Strategy which was officially adopted by the municipal Council for the 2020/21 financial year.
31-60 days			7 193	2.1	
61-90 days			19 791	5.7	
>90 days			303 895	87.8	
Total by age analysis			346 268	100.0	
Debtors By customer group					
Organs of state			25 548	7.4	The municipality reported R253.3 million or 73.1 percent of its Debtors outstanding from Households which is attributed to a high unemployment rate and the overall socio-economic environment since the municipality is predominantly rural in nature. The municipality indicated that it is planning to implement innovative measures to reduce the growing ageing debtors in the form of a Revenue Collection Strategy which was officially adopted by the municipal Council for the 2020/21 financial year.
Commercial			67 467	19.5	
Households			253 252	73.1	
Other			-	-	
Total by customer group			346 268	100.0	
Creditors By age analysis					
0-30 days			5 561	100.0	
>30 days			-	-	
Total by age analysis			5 561	100.0	

Source: NT Igdatabase

4.1.6 Analysis per municipality: Ugu District Municipality

Table 4.1.6 Ugu District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	1 234 398	1 172 691	1 570 675	133.9	The municipality indicated that the unaudited actual amount of R1.6 billion or 133.9 percent for Operating revenue reflected in the MFMA Section 71 reports was incorrect due to errors in the financial system of the municipality. The main contributor to these errors was the Transfers and subsidies line item as the MFMA Section 71 reports reflected an amount of R960.5 million or 205.2 percent instead of R573.1 million or 120 percent. The municipality attributed the over-performance of Transfers and subsidies to incorrect budgeting during the Adjustments Budget process. Furthermore, the over-performance of Operating revenue was also attributed to the under-budgeting for Interest earned - external investments in the 2019/20 Adjustments Budget.
Operating Expenditure	1 199 188	1 277 266	1 489 718	116.6	The municipality indicated that a Special Adjustments Budget was passed by Council on 11 June 2020 to cater for the increase in Operating expenditure due to the Covid-19 pandemic. The increase in the budget was not reflected in the MFMA Section 71 reports as the Special Adjustments Budget data string was not submitted before the closure of the local government database. The Adjusted Budget figures for Operating expenditure are therefore understated, resulting in the over-performance being reflected in the MFMA Section 71 reports.
Capital Expenditure	205 306	261 362	205 306	78.6	The municipality indicated that the actual Capital expenditure of R9.8 billion reflected in the MFMA Section 71 reports is incorrect due to errors in the financial system of the municipality. National Treasury removed the significant outlying amounts reported during the financial year which resulted in actual Capital expenditure of R205.3 million. The municipality also indicated that the Adjusted Budget of R261.4 million for Capital expenditure was adjusted upwards to R277.8 million during the Special Adjustments Budget passed by Council on 11 June 2020. According to the municipality the correct unaudited actual for Capital expenditure performance is R268.9 million or 96.8 percent.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	241 038	955 006	396.2	(713 968)	The municipality indicated that the unaudited actual expenditure amount of R955 million or 396.2 percent for the Municipal Infrastructure Grant (MIG) reflected in the MFMA Section 71 reports is incorrect due to errors in the financial system of the municipality. According to the municipality the correct unaudited actual expenditure for the MIG is R240.6 million or 99.8 percent.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		171 612	8.6	The Debtors increased by R1.5 billion or 325 percent from an amount of R467.1 million as at 30 June 2019 to an amount of R2 billion as at 30 June 2020. The municipality has R1.7 billion or 86.1 percent of Debtors that are in the "Over 90 days" category as at 30 June 2020. The municipality attributed the increase in Debtors to an error in the financial system, which occurred during the upgrade of the system in the month of May 2020. The municipality indicated that the correct unaudited actual amount for Debtors as at 30 June 2020 is R378.7 million.	
31-60 days		76 833	3.9		
61-90 days		26 763	1.3		
>90 days		1 709 504	86.1		
Total by age analysis		1 984 711	100.0		
Debtors By customer group					
Organs of state		110 942	5.6	The municipality indicated that steps have already been taken to recover the long outstanding debtors:- including Indigent Identification road shows, hand delivering the invoices and handing the customers over for collection.	
Commercial		331 366	16.7		
Households		1 540 502	77.6		
Other		1 901	0.1		
Total by customer group		1 984 711	100.0		
Creditors By age analysis					
0-30 days		403 901	59.3	A total amount of R277.7 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality attributed the Creditors over 30 days to the financial constraints currently being experienced by the municipality. Furthermore, the municipality indicated that they are currently engaging the Umgeni Water Board regarding the payment plan to settle the outstanding balance of R203.3 million in installments.	
>30 days		277 736	40.7		
Total by age analysis		681 637	100.0		

Source: NT Igdatabase

4.2 uMgungundlovu District

Table 4.2. uMgungundlovu District Overview

	uMshwathi	uMngeni	Mpofana	iMpendle	Mkhambathini	Richmond	uMgungundlovu DM
Core Trading Services	Refuse removal services	Electricity and Refuse removal services	Electricity and Refuse removal services	Refuse removal services	Refuse removal services	Refuse removal services	Water and Sanitation services
Municipal Manager (Position)	Permanent	Permanent	Permanent since 24 February 2020.	Permanent	Permanent	Vacant, currently filled in an acting capacity since 19 November 2019.	Permanent
Chief Finance Officer (Position)	Permanent	Vacant, currently filled in an acting capacity since 15 March 2020.	Vacant, currently filled in an acting capacity since 01 February 2018.	Permanent	Permanent, appointment made on 01 August 2020.	Permanent, appointment made on 01 March 2020.	Vacant since 13 March 2019, currently filled in an acting capacity.
Audit Opinion - 2018/19	Qualified with findings	Qualified with findings	Disclaimed with findings	Qualified with findings	Unqualified with findings	Qualified with findings	Qualified with findings

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.2.1 Overview of uMgungundlovu District Performance¹

Table 4.2.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMshwathi	111 003	140 098	471 844	336.8
uMngeni	419 526	424 739	380 741	89.6
Mpofana	174 139	159 137	109 608	68.9
iMpendle	51 253	51 054	57 390	112.4
Msunduzi	5 604 622	5 604 622	2 586 855	46.2
Mkhambathini	104 478	100 430	126 253	125.7
Richmond	109 577	108 077	78 614	72.7
uMgungundlovu DM	936 636	912 447	1 208 510	132.4
Total	7 511 235	7 500 604	5 019 815	66.9

Source: NT Igdatabase

Table 4.2.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMshwathi	151 307	174 026	372 297	213.9
uMngeni	419 455	424 549	329 831	77.7
Mpofana	167 510	198 885	129 647	65.2
iMpendle	58 708	60 175	49 193	81.7
Msunduzi	5 328 507	5 328 507	2 771 278	52.0
Mkhambathini	101 895	112 721	89 793	79.7
Richmond	120 126	122 588	108 209	88.3
uMgungundlovu DM	928 106	824 979	1 106 282	134.1
Total	7 275 614	7 246 430	4 956 530	68.4

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.2.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMshwathi	24 536	30 341	1 042 120	3 434.7
uMngeni	40 172	42 231	24 550	58.1
Mpofana	19 535	19 535	10 767	55.1
iMpendle	156 721	13 086	46 455	355.0
Msunduzi	555 371	555 371	1 060 639	191.0
Mkhambathini	20 976	26 757	217 172	811.6
Richmond	27 855	39 665	17 772	44.8
uMgungundlovu DM	171 944	239 185	61 966	25.9
Total	1 017 110	966 171	2 481 441	256.8

Source: NT Igdatabase

Table 4.2.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	5 834	4.0	91	0.1	1 702	1.2	136 675	94.7	144 303
uMngeni	11 883	7.2	5 633	3.4	4 766	2.9	141 914	86.4	164 196
Mpofana	-	-	-	-	-	-	-	-	-
iMpendle	483	5.3	8	0.1	148	1.6	8 418	92.9	9 057
Msunduzi	-	-	-	-	-	-	-	-	-
Mkhambathini	2 081	8.3	(20)	(0.1)	762	3.1	22 128	88.7	24 951
Richmond	-	-	-	-	-	-	-	-	-
uMgungundlovu DM	57 011	6.6	(1 315)	(0.2)	20 599	2.4	793 954	91.2	870 249
Total	77 293	6.4	4 396	0.4	27 978	2.3	1 103 088	91.0	1 212 756

Source: NT Igdatabase

Table 4.2.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	54 851	38.0	33 208	23.0	51 518	35.7	4 726	3.3	144 303
uMngeni	7 516	4.6	3 447	2.1	128 301	78.1	24 933	15.2	164 196
Mpofana	-	-	-	-	-	-	-	-	-
iMpendle	5 394	59.6	883	9.7	693	7.7	2 087	23.0	9 057
Msunduzi	-	-	-	-	-	-	-	-	-
Mkhambathini	677	2.7	11 339	45.4	3 434	13.8	9 502	38.1	24 951
Richmond	-	-	-	-	-	-	-	-	-
uMgungundlovu DM	34 288	3.9	21 292	2.4	720 097	82.7	94 572	10.9	870 249
Total	102 725	8.5	70 168	5.8	904 043	74.5	135 820	11.2	1 212 756

Source: NT Igdatabase

Table 4.2.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMshwathi	(108)	-	-	-	(32)	-	141	-	-
uMngeni	6 100	62.4	-	-	-	-	3 683	37.6	9 783
Mpofana	-	-	-	-	-	-	-	-	-
iMpendle	17	(15.7)	1	(0.6)	-	-	(125)	116.3	(108)
Msunduzi	-	-	-	-	-	-	-	-	-
Mkhambathini	673	100.0	-	-	-	-	-	-	673
Richmond	3 692	59.5	-	-	34	0.6	2 483	40.0	6 209
uMgungundlovu DM	65 389	59.6	30 800	28.1	(305)	(0.3)	13 823	12.6	109 706
Total	75 762	60.0	30 800	24.4	(303)	(0.2)	20 004	15.8	126 263

Source: NT Igdatabase

4.2.2 Analysis per municipality: uMshwathi Local Municipality

Table 4.2.2 uMshwathi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	111 003	140 098	471 844	336.8	The municipality indicated that the unaudited actual Operating revenue of R471.8 million or 336.8 percent is incorrect due to errors in the MFMA Section 71 reports and the Adjusted Budget. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct unaudited actual for Operating revenue is R174 million or 100.1 percent.
Operating Expenditure	151 307	174 026	372 297	213.9	The municipality indicated that the unaudited actual Operating expenditure of R372.3 million or 213.9 percent is incorrect due to errors in the MFMA Section 71 reports and the Adjusted Budget. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct unaudited actual is R152.2 million or 89.5 percent which is attributed to the low spending on Contracted services caused by the stopping of operations during the national lockdown period.
Capital Expenditure	24 536	30 341	1 042 120	3 434.7	The municipality indicated that the unaudited actual Capital expenditure of R1 billion or 3434.7 percent is incorrect due to errors in the MFMA Section 71 reports. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct unaudited actual for Capital expenditure is R24 million or 78.9 percent. The slow spending is attributed to the stopping of capital projects during the national lockdown period.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	27 591	995 892	3 609.5	(968 301)	The municipality indicated that the unaudited actual expenditure for the Municipal Infrastructure Grant (MIG) of R995.9 million or 3609.5 percent is incorrect due to errors in the MFMA Section 71 reports and the Adjusted Budget. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct unaudited actual for MIG spending is R20.9 million or 75.7 percent. The slow spending is attributed to the stopping of capital projects funded by MIG during the national lockdown period.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		5 834	4.0	The municipality indicated that the unaudited actual Debtors of R144.3 million is incorrect due to errors in the MFMA Section 71 reports. According to the municipality, the correct unaudited actual for Debtors is R127.4 million with R120.1 million outstanding for over 90 days. The errors are due to the challenges in the financial system of the municipality. The large number of Debtors over 90 days is attributable to a major portion of the Government debt outstanding from the Department of Water and Sanitation and the Ingonyama Trust Board. There are on-going negotiations to recover the amounts owed with the assistance of Provincial Treasury and KZN CoGTA.	
31-60 days		91	0.1		
61-90 days		1 702	1.2		
>90 days		136 675	94.7		
Total by age analysis		144 303	100.0		
Debtors By customer group					
Organs of state		54 851	38.0	The municipality has indicated that Organs of state category owed R54.9 million or 38 percent and the Households category owed R51.5 million or 35.7 percent of total Debtors which is incorrect due to errors in the MFMA Section 71 reports. According to the municipality, the correct unaudited actual owed by Organs of state is R46.8 million or 36.7 percent which is due to long outstanding debt from the Department of Water and Sanitation and the Ingonyama Trust. Households owed R52.4 million or 41.2 percent which is attributed to the culture of non payment within the municipal area. The municipality has appointed attorneys to assist in the debt collection process.	
Commercial		33 208	23.0		
Households		51 518	35.7		
Other		4 726	3.3		
Total by customer group		144 303	100.0		
Creditors By age analysis					
0-30 days		(108)	(83 894.6)	The municipality indicated that the reported Creditors of NIL is incorrect due to errors in the MFMA Section 71 reports. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct unaudited actual for Creditors is R212 000 which is within the 0 to 30 days category. The municipality indicated that the correct amount will be reported in the 2019/20 AFS.	
>30 days		108	83 994.6		
Total by age analysis		0	100.0		

Source: NT Igdatabase

4.2.3 Analysis per municipality: uMngeni Local Municipality

Table 4.2.3 uMngeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	419 526	424 739	380 741	89.6	The municipality indicated that the actual Operating revenue generated of R380.7 million or 89.6 percent is as a result of the under-generation on Service charges - electricity due to electricity theft and illegal connections within the municipal area. The municipality also indicated that there has been a strain on other revenue streams such as Licences and permits and Other revenue due to the COVID 19 pandemic.
Operating Expenditure	419 455	424 549	329 831	77.7	The municipality indicated that the actual Operating expenditure incurred of R329.8 million or 77.7 percent is as a result of the under-spending on Employee related costs due to the municipality employing officials on a temporary basis thereby incurring less employee benefits. The municipality also incurred less expenditure on Bulk purchases as well as Other expenditure during the fourth quarter due to the implementation of the Cost containment regulations.
Capital Expenditure	40 172	42 231	24 550	58.1	The municipality indicated that the actual Capital expenditure incurred of R24.6 million or 58.1 percent is as a result of the slow implementation of capital projects due to the national lockdown period which halted all operations during the fourth quarter of the 2019/20 financial year.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	34 039	20 074	59.0	13 965	The municipality spent R20.1 million or 59 percent of its Municipal Infrastructure Grant (MIG) allocation. The municipality attributed the low expenditure to the slow implementation of capital projects funded by MIG due to the national lockdown period which halted all operations during the fourth quarter of the 2019/20 financial year.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		11 883	7.2	The municipality reported that R141.9 million or 86.4 percent of Debtors have been outstanding for over 90 days. Households owed R109.8 million or 85.6 percent of the Debtors in the over 90 days category. The municipality indicated that the increase in Debtors is due to the current economic climate and unemployment.	
31-60 days		5 633	3.4		
61-90 days		4 766	2.9		
>90 days		141 914	86.4		
Total by age analysis		164 196	100.0		
Debtors By customer group					
Organs of state		7 516	4.6	The municipality has indicated that the R128.3 million or 78.1 percent of total outstanding Debtors for Households is due to the culture of non payment of municipal debt by ratepayers as well as challenges in the collection of outstanding billings due to the current economic climate and unemployment. The municipality indicated that the large amount of the outstanding Debtors from Households have been handed over to debt collectors.	
Commercial		3 447	2.1		
Households		128 301	78.1		
Other		24 933	15.2		
Total by customer group		164 196	100.0		
Creditors By age analysis					
0-30 days		6 100	62.4	A total amount of R3.7 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality indicated that the Creditors in the over 30 days categories is as a result of an error in the financial system which reflects the current Repayment of borrowings for the year as Creditors.	
>30 days		3 683	37.6		
Total by age analysis		9 783	100.0		

Source: NT Igdatabase

4.2.4 Analysis per municipality: Mpfana Local Municipality

Table 4.2.4 Mpfana Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	174 139	159 137	109 608	68.9	The municipality indicated that the unaudited actual Operating revenue of R109.6 million or 68.9 percent is incorrect due to errors in the MFMA Section 71 reports and the Adjusted Budget. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct unaudited actual for Operating revenue is R128.5 million or 78 percent which is attributed to the strain in the municipality's revenue streams during the national lockdown period.
Operating Expenditure	167 510	198 885	129 647	65.2	The municipality indicated that the unaudited actual Operating expenditure of R129.7 million or 65.2 percent is incorrect due to errors in the MFMA Section 71 reports and the Adjusted Budget. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct unaudited actual is R156.8 million or 78.7 percent which is attributed to the Debt impairment and Depreciation and asset impairment not being accounted for.
Capital Expenditure	19 535	19 535	10 767	55.1	The municipality indicated that the unaudited actual Capital expenditure of R10.8 million or 55.1 percent is incorrect due to errors in the MFMA Section 71 reports and the Adjusted Budget. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct Adjusted Budget is R15.8 million and the correct unaudited actual for Capital expenditure is R15.6 million or 99.8 percent.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	12 031	7 741	64.3	4 290	The municipality indicated that the unaudited actual expenditure for MIG of R7.7 million or 64.3 percent is incorrect due to errors in the MFMA Section 71 reports and the Adjusted Budget. The errors are due to the challenges in the financial system of the municipality. According to the municipality, the correct unaudited actual for MIG spending is R12 million or 100 percent.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			-	-	The municipality did not submit their month 12 MFMA Section 71 Report on Debtors due to challenges with the financial system. The municipality indicated that a debtors' balance of R159.5 million will be reported in the 2019/20 AFS.
31-60 days			-	-	
61-90 days			-	-	
>90 days			-	-	
Total by age analysis			-	-	
Debtors By customer group					
Organs of state			-	-	The municipality did not submit their month 12 MFMA Section 71 Report on Debtors due to challenges with the financial system. However, the municipality has indicated that a debtors' balance of R159.5 million will be reported in the 2019/20 AFS.
Commercial			-	-	
Households			-	-	
Other			-	-	
Total by customer group			-	-	
Creditors By age analysis					
0-30 days			-	-	The municipality did not submit their MFMA Section 71 Report on Creditors due to the challenges with the financial system. According to the municipality, the correct unaudited actual Creditors is R194.1 million with R187.6 million outstanding for over 30 days which constitutes non-compliance with Section 65(2)(e) of the MFMA. The long outstanding Creditors is due to cash flow constraints experienced by the municipality which resulted in not paying Creditors timeously. The municipality has a long outstanding debt due to Eskom of R178.4 million. The municipality indicated that there is no payment plan in place as there is a dispute with Eskom at the High court.
>30 days			-	-	
Total by age analysis			-	-	

Source: NT Igdatabase

4.2.5 Analysis per municipality: iMpendle Local Municipality

Table 4.2.5 iMpendle Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	51 253	51 054	57 390	112.4	The municipality indicated that the over-generation of revenue is mainly attributed to the increase in Property rates billing on State properties that has been newly verified by the municipality for both National and Provincial Government during the 2019/20 financial year.
Operating Expenditure	58 708	60 175	49 193	81.7	The municipality indicated that the under-expenditure is due to the effective management and monitoring of all municipal expenses during the 2019/20 financial year. The other contributing factor is that the expenditure for both Debt impairment and Depreciation and asset impairment were not accounted for on monthly basis. The municipality has currently developed plans and strategies that will ensure that the error is rectified and these expenses are correctly reported on a monthly basis. The municipality has indicated that the correct amount will be reported in the 2019/20 Annual Financial Statements. (AFS)
Capital Expenditure	156 721	13 086	46 455	355.0	The municipality indicated that the actual Capital expenditure of R46.5 million or 355 percent is incorrect due to errors in the MFMA Section 71 reports which is attributed to the duplication errors within the configuration of the financial system. The municipality has engaged the service provider to correct the errors. The correct Capital expenditure will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	Comments
Municipal Infrastructure Grant	11 719	35 226	300.6	(23 507)	The municipality indicated that the unaudited actual of R35.2 million for Municipal Infrastructure Grant (MIG) is incorrect due to the duplication errors within the configuration of the financial system. The service provider has been engaged to assist with rectifying the errors. According to the municipality, the correct expenditure unaudited actual for MIG is R9.9 million or 84.6 percent which is attributed to the fact that some of the projects were put on hold during the national lockdown.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			483	5.3	The municipality reported R9.1 million of Debtors of which R8.4 million or 92.9 percent was outstanding for over 90 days period that is attributable to debt from Organs of state not being paid for in prior years. The municipality is conducting bi-weekly debt collection meetings and also engaging Provincial CoGTA to assist with the collection of outstanding debtors. Furthermore, virtual workshops are expected to occur with customers to highlight debt collection challenges, billing processes and policies.
31-60 days			8	0.1	
61-90 days			148	1.6	
>90 days			8 418	92.9	
Total by age analysis			9 057	100.0	
Debtors By customer group					
Organs of state			5 394	59.6	The majority of the municipality's Debtors is made up of Organs of state debt which contributes R5.4 million or 59.6 percent of the total Debtors. The municipality indicated that it has engaged Provincial CoGTA to assist with recovering of the debt. The municipality is also embarking on a data cleansing exercise to clear the Other debtors category which contributes 23 percent to the total Debtors of R9.1 million.
Commercial			883	9.7	
Households			693	7.7	
Other			2 087	23.0	
Total by customer group			9 057	100.0	
Creditors By age analysis					
0-30 days			17	(15.7)	The municipality reported Creditors of R17 000 under the 30 days period due to an invoice for Water services from uMgungundlovu District Municipality that was not processed at the time of the MFMA Section 71 reporting. The municipality indicated that the remaining negative R125 000 is due to misallocation and the error will be corrected during the finalisation of the 2019/20 AFS.
>30 days			(125)	115.7	
Total by age analysis			(108)	100.0	

Source: NT Igdatabase

4.2.6 Analysis per municipality: Mkhambathini Local Municipality

Table 4.2.6 Mkhambathini Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	104 478	100 430	126 253	125.7	The municipality indicated that the unaudited actual Operating revenue of R126.3 million is incorrect due to errors in the MFMA Section 71 reports. The municipality is currently investigating the causes of the errors in order to rectify the errors in their financial system. According to the municipality, the correct unaudited actual for Operating revenue is R97.3 million or 96.9 percent.
Operating Expenditure	101 895	112 721	89 793	79.7	The municipality indicated that the unaudited actual Operating expenditure reported of R89.8 million or 79.7 percent is incorrect due to errors in the MFMA Section 71 reports. According to the municipality, the correct unaudited actual for Operating expenditure is R93.3 million or 80.6 percent. The low spending is attributed to some of the projects that were put on hold during the national lockdown.
Capital Expenditure	20 976	26 757	217 172	811.6	The municipality indicated that the unaudited actual Capital expenditure of R217.2 million or 811.6 percent is incorrect due to errors in the MFMA Section 71 reports which is attributed to the duplication errors within the configuration of the financial system. According to the municipality, the budgeted Capital expenditure of R26.8 million was fully spent and the correct amount of R26.8 million will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	16 076	259 415	1 613.7	(243 339)	The municipality indicated that the reported over-expenditure of R243.3 million on MIG is incorrect due to the errors in the MFMA Section 71 reports. According to the municipality, the MIG allocation of R16.1 million was fully spent and the correct expenditure will be reported in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			2 081	8.3	The municipality reported R25 million of Debtors of which R22.1 million or 88.7 percent was outstanding for over 90 days period. The municipality indicated that the 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. This has been further compounded by the Covid 19 pandemic as the customers were not able to settle their debts timeously.
31-60 days			(20)	(0.1)	
61-90 days			762	3.1	
>90 days			22 128	88.7	
Total by age analysis			24 951	100.0	
Debtors By customer group					
Organs of state			677	2.7	The municipality indicated that the R9.5 million reported in the Other category includes debtors that should have been classified as Organs of state. Furthermore, the municipality indicated that it has engaged the Department of Public Works, Land Affairs, CoGTA and the Ingonyama Trust Board in order to resolve challenges associated with recovering the outstanding debt.
Commercial			11 339	45.4	
Households			3 434	13.8	
Other			9 502	38.1	
Total by customer group			24 951	100.0	
Creditors By age analysis					
0-30 days			673	100.0	
>30 days			-	-	
Total by age analysis			673	100.0	

Source: NT Igdatabase

4.2.7 Analysis per municipality: Richmond Local Municipality

Table 4.2.7 Richmond Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	109 577	108 077	78 614	72.7	The municipality attributed the under-generation on Operating revenue:- - to errors in the figures reported in the MFMA Section 71 reports. Property rates was mostly affected as it generated R6.9 million or 37.1 percent against the Adjusted Budget of R18.6 million due to the misalignment of the mSCOA data strings which the municipality will correct during the finalisation of the 2019/20 AFS; - to Interest and penalties on outstanding accounts that was not raised in the last quarter of the 2019/20 financial year due to the national lockdown; and - to the under-generation on revenue from plantations due to vandalism and theft which resulted in a decline in timber sales.
Operating Expenditure	120 126	122 588	108 209	88.3	The municipality indicated that Debt impairment and Depreciation and asset impairment figures were not finalised at the time of the MFMA Section 71 reporting and will be incorporated in the 2019/20 AFS. Furthermore, the municipality incurred less expenditure during the national lockdown which was in the last quarter of the 2019/20 financial year.
Capital Expenditure	27 855	39 665	17 772	44.8	The municipality indicated that the actual Capital expenditure of R17.8 million is understated and incorrect due to errors and misallocations in the figures reported in the MFMA Section 71 reports. According to the municipality, the Municipal Infrastructure Grant (MIG) allocation was fully spent and only R2.8 million or 25 percent of the Small Town Rehabilitation Grant was spent. The under-spending on Capital expenditure was attributed to delays in the implementation of some of the capital projects and interruptions by the national lockdown.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	18 442	12 047	65.3	6 395	On 30 March 2020, Gazette No. 43180 indicated a decrease of R3.4 million to the municipality's MIG allocation, as a result the municipality only received R15 million. According to the municipality, the reflected expenditure of R12 million or 80 percent is incorrect due to errors and misallocations in the figures reported in the MFMA Section 71 reports. These errors are caused by manual journal entries which will be corrected during the finalisation of the 2019/20 AFS. The municipality has indicated that the grant allocation of R15 million was fully spent.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		-	-	The municipality did not submit their month 12 MFMA Section 71 Report on Debtors due to challenges with the financial system. The municipality indicated that a Debtors balance of R41.6 million will be reported in the 2019/20 AFS.	
31-60 days		-	-		
61-90 days		-	-		
>90 days		-	-		
Total by age analysis		-	-		
Debtors By customer group					
Organs of state		-	-		
Commercial		-	-		
Households		-	-		
Other		-	-		
Total by customer group		-	-		
Creditors By age analysis					
0-30 days		3 692	59.5	The municipality indicated that the reported Creditors balance of R6.2 million is overstated. The ageing Creditors balance of R2.5 million over 30 days is caused by the errors in the figures reported in the MFMA Section 71 reports. The municipality further indicated that the correct Creditors balance will be reflected in the 2019/20 AFS.	
>30 days		2 517	40.5		
Total by age analysis		6 209	100.0		

Source: NT Igdatabase

4.2.8 Analysis per municipality: uMgungundlovu District Municipality

Table 4.2.8 uMgungundlovu District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	936 636	912 447	1 208 510	132.4	The reported Adjusted Budget of R912.4 million is incorrect due to the non-submission of the Adjusted Budget data string to the National Treasury database by the municipality. According to the municipality, the correct Adjusted Budget is R877.1 million. Furthermore, the municipality reported Operating revenue of R1.2 billion which is also incorrect and is attributed to the duplication errors within the financial system as a result of the configuration of the system. The municipality indicated that it has engaged the service provider to correct the errors and the correct amount of R718.5 million will be reported in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	928 106	824 979	1 106 282	134.1	The reported Adjusted Budget of R825 million is incorrect due to the non-submission of Adjusted Budget data string to the National Treasury database by the municipality. According to the municipality, the correct Adjusted Budget is R782.3 million. Furthermore, the reported unaudited actual Operating expenditure of R1.1 billion is also incorrect which is attributed to the duplication errors within the financial system as a result of the configuration of the system. The municipality indicated that it has engaged the service provider to correct the errors and the correct amount of R785.2 million will be reported in the 2019/20 AFS.
Capital Expenditure	171 944	239 185	61 966	25.9	The reported Adjusted Budget of R239.2 million is incorrect due to the non-submission of the Adjusted Budget data string to the National Treasury database by the municipality. According to the municipality, the correct Adjusted Budget for Capital expenditure is R184.6 million. Furthermore, the reported unaudited actual Capital expenditure of R6.6 billion is also incorrect which is attributed to the duplication errors within the financial system as a result of the configuration of the system. National Treasury removed the significant outlying amounts reported during the financial year which resulted in actual Capital expenditure of R62 million. The municipality indicated that the correct amount of R178.4 million will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	101 944	5 259 970	5 159.7	(5 158 026)	The municipality indicated that the unaudited actual expenditure of R5.3 billion reported for Municipal Infrastructure Grant (MIG) is incorrect due to duplication errors within the configuration of the financial system. According to the municipality, R95.9 million or 94.1 percent of the MIG allocation was spent. The correct expenditure will be reported in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			57 011	6.6	The municipality reported R870.2 million of Debtors of which R794 million or 91.2 percent was outstanding for over 90 days period. The municipality indicated that a significant amount of outstanding debtors over 90 days is largely influenced by the high unemployment rate, the overall socio-economic environment within the municipal area. The municipality indicated that it has embarked on various debt collection strategies and this includes data cleansing and account verifications.
31-60 days			(1 315)	(0.2)	
61-90 days			20 599	2.4	
>90 days			793 954	91.2	
Total by age analysis			870 249	100.0	
Debtors By customer group					
Organs of state			34 288	3.9	The municipality indicated that Households Debtors of R720.1 million or 82.7 percent is overstated as it includes a portion of Commercial debtors and this misallocation will be corrected during the finalisation of the 2019/20 AFS. The non-payment of the Households category is attributed to the overall socio-economic environment challenges within the municipal area.
Commercial			21 292	2.4	
Households			720 097	82.7	
Other			94 572	10.9	
Total by customer group			870 249	100.0	
Creditors By age analysis					
0-30 days			65 389	59.6	The municipality reported Creditors of R65.4 million or 59.6 percent due to invoices that were not processed at the time of the MFMA Section 71 reporting. The remaining R44.3 million or 40.4 percent of Creditors categorised as Creditors outstanding for over 30 days relates to retention monies and disputes with suppliers.
>30 days			44 318	40.4	
Total by age analysis			109 706	100.0	

Source: NT Igdatabase

4.3 uThukela District

Table 4.3. uThukela District Overview

	Okhahlamba	iNkosi Langalibalele	Alfred Duma	uThukela DM
Core Trading Services	Refuse removal services	Electricity and Refuse removal services	Electricity and Refuse removal services	Water and Sanitation services
Municipal Manager (Position)	Permanent	Permanent	Permanent	Acting since 01 December 2019
Chief Finance Officer (Position)	Permanent since 03 January 2020	Permanent	Permanent	Permanent
Audit Opinion - 2018/19	Unqualified	Adverse	Unqualified with other matters	Qualified

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.3.1 Overview of uThukela District Performance¹

Table 4.3.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Okhahlamba	180 506	180 375	179 207	99.4
iNkosi Langalibalele	614 022	625 654	525 810	84.0
Alfred Duma	924 811	909 105	918 563	101.0
uThukela DM	768 913	834 890	765 508	91.7
Total	2 488 252	2 550 025	2 389 087	93.7

Source: NT Igdatabase

Table 4.3.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Okhahlamba	187 822	185 671	151 415	81.6
iNkosi Langalibalele	602 683	516 943	384 365	74.4
Alfred Duma	1 071 420	1 070 490	718 763	67.1
uThukela DM	678 247	865 313	537 608	62.1
Total	2 540 171	2 638 417	1 792 152	67.9

Source: NT Igdatabase

Table 4.3.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Okhahlamba	33 374	40 740	30 222	74.2
iNkosi Langalibalele	37 661	48 055	46 304	96.4
Alfred Duma	89 083	105 003	66 475	63.3
uThukela DM	291 960	243 775	230 650	94.6
Total	452 078	437 574	373 651	85.4

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.3.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	3 038	4.6	2 084	3.2	1 859	2.8	58 866	89.4	65 847
iNkosi Langaibalele	5 993	5.4	48	0.0	5 267	4.7	100 460	89.9	111 768
Alfred Duma	28 504	5.2	21 434	3.9	15 139	2.8	478 024	88.0	543 100
uThukela DM	-	-	-	-	-	-	-	-	-
Total	37 536	5.2	23 566	3.3	22 264	3.1	637 349	88.4	720 715

Source: NT Igdatabase

Table 4.3.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	22 588	34.3	8 117	12.3	17 101	26.0	18 040	27.4	65 847
iNkosi Langaibalele	31 494	28.2	74 596	66.7	5 678	5.1	-	-	111 768
Alfred Duma	133 088	24.5	126 507	23.3	283 505	52.2	-	-	543 100
uThukela DM	-	-	-	-	-	-	-	-	-
Total	187 170	26.0	209 220	29.0	306 284	42.5	18 040	2.5	720 715

Source: NT Igdatabase

Table 4.3.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Okhahlamba	7 139	100.0	-	-	-	-	-	-	7 139
iNkosi Langaibalele	47 450	51.1	2 911	3.1	(2 600)	(2.8)	45 110	48.6	92 871
Alfred Duma	9 479	99.9	-	-	4	0	6	0.1	9 488
uThukela DM	3 437	56.3	-	-	75	1.2	2 596	42.5	6 108
Total	67 505	58.4	2 911	2.5	(2 521)	-2.2	47 712	41.3	115 607

Source: NT Igdatabase

4.3.2 Analysis per municipality: Okhahlamba Local Municipality

Table 4.3.2 Okhahlamba Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	180 506	180 375	179 207	99.4	
Operating Expenditure	187 822	185 671	151 415	81.6	The municipality indicated that the expenditure reported in the MFMA Section 71 reports is understated as it does not include the Depreciation and asset impairment charge and the Debt impairment charge is incomplete. The municipality further indicated that these two items will be reported accurately in the 2019/20 Annual Financial Statements (AFS).
Capital Expenditure	33 374	40 740	30 222	74.2	The municipality stated that the reported Capital expenditure of R30.2 million or 74.2 percent is incorrect due to inaccurate reporting in the MFMA Section 71 reports. The correct unaudited actual for Capital expenditure is R31.1 million or 76.2 percent which was not finalised at the time of reporting for MFMA Section 71. The low expenditure is attributable to the receipt of R10 million in February 2020 for the Construction of Community Service Centre which was not fully utilised as compliance with Covid-19 restrictions required the suspension of construction activities for a period of time after construction had begun. The municipality indicated that the correct amount will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	28 304	27 426	96.9	878	The municipality indicated that the actual Municipal Infrastructure Grant (MIG) of R27.4 million or 96.9 percent is incorrect due to errors in the MFMA Section 71 reports. The correct actual expenditure on MIG is R28.3 million or 100 percent which will be correctly reported in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			3 038	4.6	The municipality has R58.9 million or 89.4 percent of Debtors that have been outstanding for over 90 days as at 30 June 2020 which 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 debt collection which should be regularly monitored to ensure that the objectives thereof are met.
31-60 days			2 084	3.2	
61-90 days			1 859	2.8	
>90 days			58 866	89.4	
Total by age analysis			65 847	100.0	
Debtors By customer group					
Organs of state			22 588	34.3	The Organs of state category owed R22.6 million or 34.3 percent of total Debtors which appears to be significant in relation to the total Debtors. The municipality indicated that the debt relates to Property rates owed by government departments and that the municipality is currently in negotiations with the Department of Public Works to settle the debt.
Commercial			8 117	12.3	
Households			17 101	26.0	
Other			18 040	27.4	
Total by customer group			65 847	100.0	
Creditors By age analysis					
0-30 days			7 139	100.0	The Creditors balance of R7 million appears to be understated in comparison to Trade and other payables of R28 million as per the 2018/19 AFS which suggests that the municipality excluded a number of Trade and other payables categories in the MFMA Section 71 reports for June 2020.
>30 days			-	-	
Total by age analysis			7 139	100.0	

Source: NT Igdatabase

4.3.3 Analysis per municipality: iNkosi Langalibalele Local Municipality

Table 4.3.3 iNkosi Langalibalele Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	614 022	625 654	525 810	84.0	The municipality indicated that the Operating revenue generated of R525.8 million or 84 percent is incorrect due to inaccurate reporting in the MFMA Section 71 reports. It was also noted that the journal entries to recognise conditional grants revenue of R61.2 million have not been processed which resulted in the lower revenue reported. The municipality further indicated that the correct amount will be reported in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	602 683	516 943	384 365	74.4	The municipality stated that the Operating expenditure incurred of R384.4 million or 74.4 percent is incorrect due to errors in the MFMA Section 71 reports. The errors are attributable to incorrect mSCOA classifications as well as incomplete reporting for certain expenditure categories. It was further noted that as per the MFMA Section 71 report, the Debt impairment and the Depreciation and assets impairment charges were not reported on during the year and a significant portion of Employee related costs expenditure was also not reported on. The municipality indicated that the necessary journal entries will be processed to ensure that the correct amount is reported in the 2019/20 AFS.
Capital Expenditure	37 661	48 055	46 304	96.4	The reported Capital expenditure of R46.3 million is not consistent with the reported Capital revenue of R45.5 million. The municipality indicated that the variance is attributable to the mSCOA classification errors in the MFMA Section 71 reports and will be corrected in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	37 661	39 335	104.4	(1 674)	The municipality reported R39.3 million or 104.4 percent for the Municipal Infrastructure Grant (MIG) against the original allocation of R37.7 million which appears to be overstated. The municipality attributed the variance to incorrect reporting in the MFMA Section 71 report and indicated that the correct expenditure is R37.2 million or 98.9 percent. The municipality further indicated that the correct figure will be reported in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			5 993	5.4	The municipality has R100.5 million or 89.9 percent of Debtors that have been outstanding for over 90 days as at 30 June 2020 which raises concerns regarding the municipality's ability to collect its billed revenue. The municipality is currently struggling to meet its obligations as they fall due. The municipality needs to develop an action plan to improve revenue and debt collection which should be regularly monitored to ensure the objectives thereof are met.
31-60 days			48	0.0	
61-90 days			5 267	4.7	
>90 days			100 460	89.9	
Total by age analysis			111 768	100.0	
Debtors By customer group					
Organs of state			31 494	28.2	The debtors balance of R111.8 million appears to be understated in relation to the balance of R375.9 million as at 30 June 2019. The municipality experienced challenges with transferring correct Debtors balances from the old financial system to the new one in February 2020 resulting in the understatement of Debtors. Furthermore, the municipality is also struggling with the implementation/use of the Debtors module and as a result, the Refuse debtors amongst other categories are still not appearing on the monthly MFMA Section 71 reports as extracted from the system.
Commercial			74 596	66.7	
Households			5 678	5.1	
Other			-	-	
Total by customer group			111 768	100.0	
Creditors By age analysis					
0-30 days			47 450	51.1	A total amount of R45.4 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality is struggling to pay its creditors on time due to cash flow challenges. Furthermore, the Creditors balance of R92.9 million appears to be understated in comparison to Trade and other payables of R112.5 million as per the 2018/19 AFS which suggests that the municipality excluded a number of Trade and other payables categories in the MFMA Section 71 reports for June 2020.
>30 days			45 421	48.9	
Total by age analysis			92 871	100.0	

Source: NT Igdatabase

4.3.4 Analysis per municipality: Alfred Duma Local Municipality

Table 4.3.4 Alfred Duma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	924 811	909 105	918 563	101.0	
Operating Expenditure	1 071 420	1 070 490	718 763	67.1	The under-performance of R351.7 million or 32.9 percent was mainly due to the municipality not reporting on Depreciation and asset impairment and Debt impairment. Further contributors to the overall low performance are Other materials (R9 million or 49.5 percent), Other expenditure (R65.4 million or 79.5 percent), Contracted services (R63.6 million or 84.1 percent), Bulk purchases (R221.2 million or 86.3 percent), Employee related costs (R323.3 million or 92.6 percent) and Remuneration of councillors (R26.4 million or 93.2 percent). The municipality indicated that the nationwide lockdown resulted in the reported under-performance on Other materials, Other expenditure, Contracted services and Bulk purchases. The municipality further indicated that the reported under-expenditure on Remuneration of councillors was due to the actual percentage for the increase for the 2019/20 financial year being below the budgeted increase of 6.25 percent. The municipality also indicated that expenditure on Depreciation and asset impairment and Debt impairment as well as the provisions relating to Employee related costs will be reported on during the finalisation of the 2019/20 Annual Financial Statements (AFS).
Capital Expenditure	89 083	105 003	66 475	63.3	The municipality attributed the reported under-expenditure of R38.5 million or 36.7 percent on the Capital budget to the nationwide lockdown as contractors were unable to be onsite to complete the projects.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	61 683	50 846	82.4	10 837	The municipality indicated that the reported under-expenditure on the Municipal Infrastructure Grant is because of the nationwide lockdown. Accruals resulting from a backlog of invoices yet to be processed due to the nationwide lockdown will be raised during the preparation of the 2019/20 AFS.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		28 504	5.2	The municipality reported that R478 million or 88 percent of Debtors are outstanding for over 90 days as at 30 June 2020 which raises concerns regarding the municipality's ability to collect its billed revenue. The municipality however indicated that collection drives and incentives were initiated prior to the Covid-19 pandemic as consumers were already finding it difficult to pay due to poor economic conditions. The Covid-19 pandemic has worsened the consumers' ability to pay and consumers are finding it even more difficult to pay their accounts.	
31-60 days		21 434	3.9		
61-90 days		15 139	2.8		
>90 days		478 024	88.0		
Total by age analysis		543 100	100.0		
Debtors By customer group					
Organs of state		133 088	24.5	The Households contributed R283.5 million or 52.2 percent of total Debt which is attributed to the consumers' inability to meet their monthly commitments because of poor economic circumstances which has been further worsened by the Covid-19 pandemic.	
Commercial		126 507	23.3		
Households		283 505	52.2		
Other		-	-		
Total by customer group		543 100	100.0		
Creditors By age analysis					
0-30 days		9 479	99.9	An amount of R9 626 of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality indicated that the R9 626 resulted from payments that were not released as a result of disputes with suppliers. The Creditors balance of R9.5 million however appears to be understated in comparison to Trade and other payables of R150.7 million as per the 2018/19 AFS which suggests that the municipality excluded a number of Trade and other payables categories in the MFMA Section 71 reports for June 2020.	
>30 days		10	0.1		
Total by age analysis		9 488	100.0		

Source: NT Igdatabase

4.3.5 Analysis per municipality: uThukela District Municipality

Table 4.3.5 uThukela District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	768 913	834 890	765 508	91.7	Under-performance of R69.4 million or 8.3 percent was reported on Operating Revenue due to low revenue earned of 82.1 percent on Interest earned - outstanding debtors, 78 percent on Service charges - water revenue and 9.2 percent on Other revenue. The reported under-performance on Service charges - water revenue and Interest earned - outstanding debtors was due to the reversals processed on accounts that were billed without consumer agreements which were included in the Adjusted Budget. Furthermore, the municipality indicated that the recoveries from the Umgeni Water contract were not processed due to the ongoing dispute with Umgeni Water which resulted in the reported under-performance on Other revenue. Provincial Treasury and the Department of Co-operative Governance and Traditional Affairs (COGTA) are currently assisting the municipality to review and resolve the terms of the contract between uThukela District Municipality and Umgeni Water.
Operating Expenditure	678 247	865 313	537 608	62.1	The reported under-performance of R327.7 million or 37.9 percent on Operating expenditure was due to low expenditure of 0.3 percent on Bulk purchases, 70.3 percent on Other materials, nil on Debt impairment and 73.5 percent on Contracted services. The municipality indicated that the low Bulk purchases expenditure is attributable to invoices arising from the contract with Umgeni Water which were not processed due to the ongoing dispute with Umgeni Water. Furthermore, the municipality stated that the nationwide lockdown and stringent application of cost containment measures resulted in under-expenditure for Other materials and Contracted services whilst Debt impairment will be accounted for during the 2019/20 Annual Financial Statements (AFS) preparation.
Capital Expenditure	291 960	243 775	230 650	94.6	The municipality attributed the reported under-expenditure on the Capital budget to the nationwide lockdown which led to the delay in a number of projects.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	183 937	145 927	79.3	38 010	The municipality indicated that the reported Unspent allocation of R38 million on the Municipal Infrastructure Grant (MIG) as at 30 June 2020 as per MFMA Section 71 data strings submitted by the municipality is incorrect as the 2019/20 MIG allocation has been fully spent. The correct expenditure will be reflected in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			-	-	The municipality reported nil Debtors as per the mSCOA data strings as at 30 June 2020 and stated that the reported amount is not in line with the actual Debtors of R1.2 billion. The municipality indicated that the nil reporting will be queried with the financial system vendor and that the correct amount will be disclosed in the 2019/20 AFS.
31-60 days			-	-	
61-90 days			-	-	
>90 days			-	-	
Total by age analysis			-	-	
Debtors By customer group					
Organs of state			-	-	
Commercial			-	-	
Households			-	-	
Other			-	-	
Total by customer group			-	-	
Creditors By age analysis					
0-30 days			3 437	56.3	An amount of R2.7 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality indicated that the outstanding amount relates to historic debts owed to the Department of Water and Sanitation and to other creditors with which the municipality has payment arrangements. The Creditors balance of R6.1 million however appears to be understated in comparison to Trade and other payables of R275.4 million as per the 2018/19 AFS which suggests that the municipality excluded a number of Trade and other payables categories in the MFMA Section 71 reports for June 2020.
>30 days			2 671	43.7	
Total by age analysis			6 108	100.0	

Source: NT Igdatabase

4.4 uMzinyathi District

Table 4.4 uMzinyathi District – Overview

	eNdumeni	Nquthu	uMsinga	uMvoti	uMzinyathi DM
Core Trading Services	Electricity and Refuse Removal services	Electricity and Refuse	Rates, electricity and refuse removal services	Rates, electricity and refuse removal services	Water and Sanitation services
Municipal Manager (Position)	Permanent	Permanent	Permanent	Permanent	Acting since 01 July 2019
Chief Finance Officer (Position)	Permanent	Permanent	Permanent	Permanent	Permanent
Audit Opinion - 2018/19	Unqualified with findings	Unqualified with findings	Unqualified	Unqualified	Disclaimer

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.4.1 Overview of uMzinyathi District Performance¹

Table 4.4.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
eNdumeni	340 154	338 929	307 137	90.6
Nquthu	217 478	222 739	164 195	73.7
uMsinga	219 662	218 846	227 436	103.9
uMvoti	298 329	299 745	274 751	91.7
uMzinyathi DM	460 654	456 937	330 527	72.3
Total	1 536 275	1 537 195	1 304 046	84.8

Source: NT Igdatabase

Table 4.4.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eNdumeni	333 635	332 907	272 375	81.8
Nquthu	223 366	230 486	80 154	34.8
uMsinga	218 084	222 052	192 764	86.8
uMvoti	903 733	342 372	292 444	85.4
uMzinyathi DM	455 567	559 265	389 325	69.6
Total	2 134 384	1 687 082	1 227 061	72.7

Source: NT Igdatabase

Table 4.4.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eNdumeni	23 556	23 059	12 894	55.9
Nquthu	89 678	94 581	59 935	63.4
uMsinga	60 770	59 662	47 480	79.6
uMvoti	57 362	20 913	24 226	115.8
uMzinyathi DM	296 462	301 880	221 871	73.5
Total	527 827	500 094	366 406	73.3

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.4.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	12 998	9.8	6 545	4.9	4 297	3.2	108 705	82.0	132 545
Nquthu	1 029	9.6	335	3.1	406	3.8	8 977	83.5	10 747
uMsinga	942	2.2	977	2.3	956	2.2	40 028	93.3	42 902
uMvoti	12 254	14.7	1 476	1.8	3 359	4.0	66 019	79.4	83 108
uMzinyathi DM	19 989	6.7	(199)	(0.1)	9 782	3.3	268 168	90.1	297 739
Total	47 211	8.3	9 134	1.6	18 800	3.3	491 896	86.7	567 041

Source: NT Igdatabase

Table 4.4.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	7 086	5.3	21 157	16.0	104 303	78.7	-	-	132 545
Nquthu	6 661	62.0	922	8.6	3 093	28.8	71	0.7	10 747
uMsinga	29 444	68.6	12 069	28.1	1 389	3.2	-	-	42 902
uMvoti	7 186	8.6	18 856	22.7	47 497	57.2	9 570	11.5	83 108
uMzinyathi DM	35 483	11.9	35 569	11.9	226 066	75.9	622	0.2	297 739
Total	85 859	15.1	88 572	15.6	382 348	67.4	10 263	1.8	567 041

Source: NT Igdatabase

Table 4.4.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eNdumeni	-	-	-	-	-	-	-	-	-
Nquthu	8 997	87.0	402	3.9	1	0.0	944	9.1	10 345
uMsinga	1 604	100.0	-	-	-	-	-	-	1 604
uMvoti	13 679	55.5	24	0.1	158	0.6	10 802	43.8	24 662
uMzinyathi DM	34 628	43.1	16 697	20.8	8 073	10.0	20 956	26.1	80 355
Total	58 908	50.4	17 123	14.6	8 232	7.0	32 702	28.0	116 965

Source: NT Igdatabase

4.4.2 Analysis per municipality: eNdumeni Local Municipality

Table 4.4.2 eNdumeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	340 154	338 929	307 137	90.6	The municipality indicated that the reported Unaudited Actual revenue generated for Operating Revenue of R307.1 million or 90.6 percent is incorrect due to errors in the data strings. Furthermore, the Adjusted Budget of R338.9 million is incorrect. The municipality indicated that the correct Unaudited Actual for Operating Revenue is R299.3 million or 92.6 percent of the correct Adjusted Budget of R323.3 million. The municipality further stated that it could not generate on Other revenue items due to the COVID-19 lockdown which led to the municipality relaxing debt collection mechanisms as a result of high unemployment.
Operating Expenditure	333 635	332 907	272 375	81.8	The municipality spent R272.4 million or 81.8 percent of the Operating Expenditure Adjusted Budget and indicated this was due to cash flow and financial constraints currently being experienced by the municipality. The municipality has therefore implemented drastic measures to curtail expenditure in order to sustain itself. Furthermore, some items are year end transactions (e.g. Post retirement benefits and Depreciation and asset impairment), that are still to be accounted for in the finalisation of the 2019/20 AFS.
Capital Expenditure	23 556	23 059	12 894	55.9	The municipality indicated that the Capital Expenditure incurred of R12.9 million or 55.9 percent of the Adjusted Budget is due to cash flow and financial constraints currently being experienced by the municipality as well as delays in procurement processes. Poor Capital Expenditure equates to poor Service Delivery.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	15 210	16 770	110.3	(1 560)	The municipality reported R16.8 million or 110.3 percent expenditure for the Municipal Infrastructure Grant (MIG) against the 2019/20 allocation of R15.2 million, which is not correct due to incorrect data strings. The municipality has stated that according to their records, R12.3 million or 80.7 percent of the Municipal Infrastructure Grant has been spent during the 2019/20 financial year. The municipality attributed the underspending to delays in procurement processes.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		12 998	9.8	The total Debtors of R132.5 million is incorrect due to incorrect data strings submitted to National Treasury. The correct Debtors is R124.2 million, of which R106.9 million or 86.1 percent is in the "Over 90 days" category. This raises concerns regarding the municipality's ability to collect its billed revenue. Debt collection efforts must target the Over 90 days category of debt. The municipality is in the process of appointing debt collectors to assist in the collection of outstanding debts.	
31-60 days		6 545	4.9		
61-90 days		4 297	3.2		
>90 days		108 705	82.0		
Total by age analysis		132 545	100.0		
Debtors By customer group					
Organs of state		7 086	5.3	The total Debtors of R132.5 million is incorrect due to incorrect data strings submitted to National Treasury. The correct Debtors is R124.2 million, with the Households category owing R97.2 million or 78.2 percent, which has been attributed to the culture of non payment within the municipal area. The municipality is being assisted by CoGTA to collect Organs of state debts.	
Commercial		21 157	16.0		
Households		104 303	78.7		
Other		-	-		
Total by customer group		132 545	100.0		
Creditors By age analysis					
0-30 days		-	-	The municipality has reported nil Creditors, due to incorrect data strings. The municipality stated that its Creditors are R31.2 million, which is payable within 30 days.	
>30 days		-	-		
Total by age analysis		-	-		

Source: NT Igdatabase

4.4.3 Analysis per municipality: Nquthu Local Municipality

Table 4.4.3 Nquthu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	217 478	222 739	164 195	73.7	The municipality has generated R164.2 million (73.7 percent) of the Operating Revenue Adjusted Budget of R222.7 million. The below budgeted performance for Operating Revenue was highlighted against the various revenue items in the In Year Monitoring feedbacks sent to the municipality during the course of the year, reasons for which were requested from the municipality (e.g. Service charges - refuse, Interest earned - external investments and Transfers and subsidies). To date, no reasons have been provided by the municipality for the variances.
Operating Expenditure	223 366	230 486	80 154	34.8	The municipality has spent R80.2 million (34.8 percent) against the Operating Expenditure Adjusted Budget of R230.5 million. The below budgeted performance for Operating Expenditure was highlighted against the various expenditure items in the In Year Monitoring feedbacks sent to the municipality during the course of the year (e.g. Employee related costs, Remuneration of councillors and Other expenditure), including the nil expenditure against Debt impairment and Depreciation and asset impairment, reasons for which were requested from the municipality. To date, no reasons have been provided by the municipality for the variances.
Capital Expenditure	89 678	94 581	59 935	63.4	The municipality has spent R60 million (63.4 percent) against the Capital Expenditure Adjusted Budget of R94.6 million. The below budgeted performance for Capital Expenditure was highlighted against the various expenditure items in the In Year Monitoring feedbacks sent to the municipality during the course of the year, reasons for which were requested from the municipality. To date, no reasons have been provided by the municipality for the variances. Poor Capital Expenditure equates to poor Service Delivery.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	31 198	11 856	38.0	19 342	Reasons for the under-expenditure have not been provided by the municipality, despite various requests from Provincial Treasury during the course of the year.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		1 029	9.6	The municipality has reported outstanding Debtors of R10.7 million, of which R9 million (83.5 percent) is in the over 90 days category as at 30 June 2020. This indicates that the municipality is struggling to collect outstanding Rates and service charges which impacts negatively on cash flows. The municipality needs to target its current debt collection efforts at this category of debt. The outstanding Debtors of R10.7 million appears understated when compared to the R48.7 million outstanding Debtors as per the 2018/19 audited Annual Financial Statements.	
31-60 days		335	3.1		
61-90 days		406	3.8		
>90 days		8 977	83.5		
Total by age analysis		10 747	100.0		
Debtors By customer group					
Organs of state		6 661	62.0	The bulk (62 percent), of the Total outstanding Debtors is in the Organs of state customer group. CoGTA is currently assisting the municipality to collect the debt owed by Organs of state.	
Commercial		922	8.6		
Households		3 093	28.8		
Other		71	0.7		
Total by customer group		10 747	100.0		
Creditors By age analysis					
0-30 days		8 997	87.0	Creditors of R1.3 million are outstanding for more than 30 days as at 30 June 2020. This constitutes non-compliance with Section 65(2)(e) of the MFMA and can result in fruitless and wasteful expenditure due to interest on outstanding debts and/or penalties being levied by suppliers. The municipality indicated that the Creditors in the "over 30 days" categories were as a result of disputes with suppliers and late submission of invoices.	
>30 days		1 348	13.0		
Total by age analysis		10 345	100.0		

Source: NT Igdatabase

4.4.4 Analysis per municipality: uMsinga Local Municipality

Table 4.4.4 uMsinga Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	219 662	218 846	227 436	103.9	The municipality has spent R192.8 million or 86.8 percent against the Operating Expenditure Adjusted Budget of R222.1 million. The below budgeted performance for Operating Expenditure was highlighted against the various expenditure items in the In Year Monitoring sent to the municipality during the course of the year (e.g. Employee related costs), including the nil expenditure against Debt impairment and Depreciation and asset impairment, reasons for which were requested from the municipality. The municipality attributed the Operating Expenditure variance to challenges experienced during the COVID-19 lockdown period.
Operating Expenditure	218 084	222 052	192 764	86.8	
Capital Expenditure	60 770	59 662	47 480	79.6	The municipality has spent R47.5 million (79.6 percent) against the Capital Expenditure Adjusted Budget of R59.7 million. The below budgeted performance for Capital Expenditure was highlighted against the various expenditure items in the In Year Monitoring sent to the municipality during the course of the year. The municipality attributed the variance to challenges experienced during the COVID-19 National lockdown period which resulted in slow expenditure and indicated that they will submit Grant Rollover applications to National Treasury for all unspent Capital conditional grants.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	Comments
Municipal Infrastructure Grant	49 422	50 025	101.2	(603)	The municipality reported R50 million or 101.2 percent for the Municipal Infrastructure Grant (MIG) against the 2019/20 allocation of R49.4 million. The municipality indicated that this variance is due to the fact that the some expenditure was incorrectly reported under this line item, that the correct MIG expenditure figure is R49.4 million and that they will rectify this error during the preparation of the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			942	2.2	The municipality has reported outstanding Debtors of R42.9 million, of which R40 million (93.3 percent) is in the over 90 days category as at 30 June 2020. This indicates that the municipality is struggling to collect outstanding Rates and service charges which impacts negatively on cash flows. The municipality needs to target its current debt collection efforts at this category of debt. The municipality is in a process of appointing a debt collector to assist with the collection of outstanding debts.
31-60 days			977	2.3	
61-90 days			956	2.2	
>90 days			40 028	93.3	
Total by age analysis			42 902	100.0	
Debtors By customer group					
Organs of state			29 444	68.6	The Organs of state category owed R29.4 million or 68.6 percent of total Debtors. The municipality is being assisted by both KZN Treasury and CoGTA to collect debt owed by Organs of state.
Commercial			12 069	28.1	
Households			1 389	3.2	
Other			-	-	
Total by customer group			42 902	100.0	
Creditors By age analysis					
0-30 days			1 604	100.0	
>30 days			-	-	
Total by age analysis			1 604	100.0	

Source: NT Igdatabase

4.4.5 Analysis per municipality: uMvoti Local Municipality

Table 4.4.5 uMvoti Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	298 329	299 745	274 751	91.7	Unaudited Actual Operating Revenue is R274.8 million or 91.7 percent of the Adjusted Budget of R299.7 million. The municipality attributed the low generation to the fact that Interest on outstanding debtors balances was suspended, Licenses and permits, Fines and penalties, and Other Service charges did not perform as expected due to Covid-19.
Operating Expenditure	903 733	342 372	292 444	85.4	Unaudited Actual Operating Expenditure is R292.4 million or 85.4 percent of the Adjusted Budget of R342.4 million. The municipality attributed the low expenditure to the fact that many programs were put on hold due to lockdown restrictions which led to savings on many expenditure items such as advertising. Repairs also was reduced owing to reduced activities and Inventory consumed also recorded some savings due to reduced activities.
Capital Expenditure	57 362	20 913	24 226	115.8	The municipality has indicated that the correct unaudited actual for Capital expenditure is R24.3 million or 78 percent of the Adjusted Budget of R31 million which is due to errors in the data strings submitted. The municipality has indicated that the correct amount will be reported in the 2019/20 AFS. The municipality stated that there were delays in procurement processes. Poor Capital Expenditure equates to poor Service Delivery.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	29 802	18 753	62.9	11 049	The municipality reported R18.8 million or 62.9 percent for the Municipal Infrastructure Grant (MIG) against the original allocation of R29.8 million. The municipality attributed this variance to the fact that the projects were put on hold during the National lockdown.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			12 254	14.7	The municipality has R66 million or 79.4 percent of Debtors that are in the "Over 90 days" category as at 30 June 2020. This raises concerns regarding the municipality's ability to collect its billed revenue due to the culture of non payment within the municipal area. The municipality runs a risk of not being able to meet its obligations as they fall due. The municipality is currently implementing its Debt collection and credit control policy in an effort to collect outstanding debt.
31-60 days			1 476	1.8	
61-90 days			3 359	4.0	
>90 days			66 019	79.4	
Total by age analysis			83 108	100.0	
Debtors By customer group					
Organs of state			7 186	8.6	The Households category owed R47.5 million or 57.2 percent of total Debtors which is attributed to the culture of non payment within the municipal area. The municipality is being assisted by CoGTA to collect debt owed by Organs of state.
Commercial			18 856	22.7	
Households			47 497	57.2	
Other			9 570	11.5	
Total by customer group			83 108	100.0	
Creditors By age analysis					
0-30 days			13 679	55.5	A total amount of R11 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020. This constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality indicated that the Creditors in the "over 30 days" category is as a result of disputes with suppliers and late submission of invoices.
>30 days			10 983	44.5	
Total by age analysis			24 662	100.0	

Source: NT Igdatabase

4.4.6 Analysis per municipality: uMzinyathi District Municipality

Table 4.4.6 uMzinyathi District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	460 654	456 937	330 527	72.3	The municipality has indicated that the reported Unaudited Actual revenue generated for Operating Revenue of R330.5 million or 72.3 percent is incorrect due to errors in the data strings submitted to National Treasury. Furthermore, the Adjusted Budget of R456.9 million is incorrect. The correct amount as per the 2019/20 Approved Adjusted Budget is R448.8 million. The municipality indicated that the correct Unaudited Actual for Operating Revenue is R482.6 million or 107.5 percent against an Adjusted Budget of R448.8 million. The municipality attributed the variance to over generation on Service charges - water revenue, Service charges - sanitation revenue and Interest earned - outstanding debtors than budgeted for.
Operating Expenditure	455 567	559 265	389 325	69.6	The municipality indicated that the reported Unaudited Actual Operating Expenditure of R389.3 million or 69.6 percent is incorrect due to errors in the data strings submitted to National Treasury. The correct Unaudited Actual for Operating Expenditure is R524.9 million or 93.9 percent against an Adjusted Budget of R559.3 million. The variance is due in part to the municipality not reporting expenditure on Debt impairment in 2019/20.
Capital Expenditure	296 462	301 880	221 871	73.5	The municipality indicated that the reported Unaudited Actual Capital Expenditure of R221.9 million or 73.5 percent is incorrect due to errors in the data strings submitted to National Treasury. The correct Unaudited Actual for Capital Expenditure is R262.7 million or 87 percent. The municipality did not provide reasons for the variance despite repeated requests.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	188 488	143 587	76.2	44 901	The municipality indicated that the reported Unaudited Actual expenditure of R143.6 million or 76.2 percent for the Municipal Infrastructure Grant (MIG) is incorrect due to errors in the data strings submitted to National Treasury. The municipality stated that the MIG allocation for 2019/20 of R188.5 million has been fully spent.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		19 989	6.7	The municipality has R268.2 million or 90.1 percent of Debtors that are in the Over 90 days category as at 30 June 2020. This raises concerns regarding the municipality's ability to collect its billed revenue. The municipality must target the outstanding debt in excess of 90 days as part of its debt collection efforts. The municipality decreases the flow of water in order to get Consumers to repay outstanding debts. The municipality stated that the negative R199 000 or 0.1 percent reported is advanced payments made by some consumers.	
31-60 days		(199)	(0.1)		
61-90 days		9 782	3.3		
>90 days		268 168	90.1		
Total by age analysis		297 739	100.0		
Debtors By customer group					
Organs of state		35 483	11.9	The Households category owed R226.1 million or 75.9 percent of total Debtors of R297.7 million, which was attributed to the culture of non payment within the municipal area. The municipality is being assisted by CoGTA to collect Organs of state debts.	
Commercial		35 569	11.9		
Households		226 066	75.9		
Other		622	0.2		
Total by customer group		297 739	100.0		
Creditors By age analysis					
0-30 days		34 628	43.1	Creditors of R45.7 million was outstanding for more than 30 days as at 30 June 2020. This constitutes non-compliance with Section 65(2)(e) of the MFMA and can result in fruitless and wasteful expenditure due to interest on outstanding debts and/or penalties being levied by suppliers. The municipality indicated that the Creditors in the "over 30 days" categories were as a result of disputes with suppliers and late submission of invoices.	
>30 days		45 727	56.9		
Total by age analysis		80 355	100.0		

Source: NT Igdatabase

4.5 Amajuba District

Table 4.5 Amajuba District Overview

	Newcastle	eMadlangeni	Dannhauser	Amajuba DM
Core Trading Services	Electricity, Water, Sanitation and Refuse Removal Services	Electricity and refuse removal services	Refuse removal services	Water and Sanitation services
Municipal Manager (Position)	Acting since 01 July 2019	Acting since 13 September 2019	Permanent	Permanent
Chief Finance Officer (Position)	Permanent	Permanent	Permanent	Permanent
Audit Opinion - 2018/19	Unqualified with findings	Unqualified with findings	Qualified	Qualified

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.5.1 Overview of Amajuba District Performance¹

Table 4.5.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Newcastle	1 978 515	1 913 466	1 866 770	97.6
eMadlangeni	90 200	92 654	173 073	186.8
Dannhauser	113 967	143 187	125 482	87.6
Amajuba DM	208 147	207 411	232 711	112.2
Total	2 390 828	2 356 717	2 398 036	101.8

Source: NT Igdatabase

Table 4.5.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Newcastle	2 432 636	2 428 921	2 133 206	87.8
eMadlangeni	86 775	89 812	153 525	170.9
Dannhauser	104 094	123 810	82 313	66.5
Amajuba DM	253 501	258 210	71 750	27.8
Total	2 877 007	2 900 753	2 440 794	84.1

Source: NT Igdatabase

Table 4.5.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Newcastle	200 619	1 099 751	24 322	2.2
eMadlangeni	30 447	18 011	966 305	5 364.9
Dannhauser	90 561	90 430	55 177	61.0
Amajuba DM	87 457	98 020	66 066	67.4
Total	409 084	1 306 212	1 111 870	85.1

Source: NT Igdatabase

¹ It should be noted that the budget performance figures published by National Treasury are preliminary figures and do not take the year-end reconciliations into consideration. The figures could also change during the preparation and the audit of the 2018/19 Annual Financial Statements.

Table 4.5.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Newcastle	(84 496)	(5.6)	94 108	6.2	40 884	2.7	1 468 867	96.7	1 519 363
eMadlangeni	3 782	8.5	(21)	(0.0)	1 449	3.2	39 520	88.4	44 730
Dannhauser	1 528	3.3	1 384	3.0	1 306	2.8	42 407	91.0	46 626
Amajuba DM	-	-	-	-	-	-	-	-	-
Total	(79 186)	(4.9)	95 472	5.9	43 639	2.7	1 550 794	96.3	1 610 719

Source: NT Igdatabase

Table 4.5.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Newcastle	19 960	1.3	115 077	7.6	1 345 095	88.5	39 231	2.6	1 519 363
eMadlangeni	10 596	23.7	2 945	6.6	6 199	13.9	24 990	55.9	44 730
Dannhauser	16 052	34.4	8 267	17.7	22 307	47.8	-	-	46 626
Amajuba DM	-	-	-	-	-	-	-	-	-
Total	46 608	2.9	126 289	7.8	1 373 601	85.3	64 221	4.0	1 610 719

Source: NT Igdatabase

Table 4.5.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Newcastle	165 060	31.0	14 123	2.7	44	-	353 451	66.4	532 678
eMadlangeni	699	72.0	257	26.5	(966)	(99.4)	981	101.0	972
Dannhauser	29	12.6	-	-	198	87.4	-	-	226
Amajuba DM	17 355	15.8	3 898	3.5	1 015	0.9	87 921	79.8	110 189
Total	183 143	28.4	18 278	2.8	290	0.0	442 354	68.7	644 065

Source: NT Igdatabase

4.5.2 Analysis per municipality: Newcastle Local Municipality

Table 4.5.2 Newcastle Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	1 978 515	1 913 466	1 866 770	97.6	The municipality indicated that the reported Unaudited Actual Operating Expenditure of R2.1 billion or 87.8 percent is incorrect due to errors in the data strings submitted to National Treasury and that the correct Unaudited Actual for Operating Expenditure is R2 billion or 87 percent. Part of the variance is attributable to the municipality incurring less than expected expenditure on Debt impairment, Contracted services and Loss on disposal of PPE at the date of submission of the data strings.
Operating Expenditure	2 432 636	2 428 921	2 133 206	87.8	
Capital Expenditure	200 619	1 099 751	24 322	2.2	The municipality indicated that the reported Unaudited Actual Capital Expenditure of R24.3 million or 2.2 percent is incorrect due to errors in the data strings. Furthermore the Adjusted Budget of R1.1 billion is incorrect. The correct amount as per the 2019/20 Approved Adjusted Budget is R165.2 million. The municipality indicated that the correct Unaudited Actual for Capital Expenditure is R105.6 million or 63.9 percent. The below budgeted performance for Capital Expenditure was highlighted against the various expenditure items in the In Year Monitoring feedback sent to the municipality during the course of the year, reasons for which were requested from the municipality. To date, no reasons have been provided by the municipality for the variances.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	Comments
Municipal Infrastructure Grant	112 580	110 277	98.0	2 303	The municipality indicated that the reported R110.2 million or 98 percent expenditure for the Municipal Infrastructure Grant (MIG) against the 2019/20 allocation of R112.6 million is incorrect due to errors in the data strings submitted to National Treasury and that the correct Unaudited Actual for the Municipal Infrastructure Grant (MIG) is R97.6 million or 86.7 percent. No reasons were provided by the municipality after numerous requests.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			(84 496)	(5.6)	The municipality indicated that total Debtors of R1.519 billion is incorrect due to incorrect data strings submitted to National Treasury, the correct Debtors is R1.520 billion and that the correct figure for the Over 90 days category is R1.4 billion or 90.7 percent. This raises concerns regarding the municipality's ability to collect its billed revenue. The municipality's current debt collection efforts must be targeted at this category of debt. The municipality currently enters into payment arrangements with Consumers to pay outstanding debts as part of its debt collection efforts.
31-60 days			94 108	6.2	
61-90 days			40 884	2.7	
>90 days			1 468 867	96.7	
Total by age analysis			1 519 363	100.0	
Debtors By customer group					
Organs of state			19 960	1.3	The municipality indicated that total Debtors of R1.519 billion is incorrect due to incorrect data strings submitted to National Treasury, the correct Debtors is R1.520 billion and that the correct figure for the Households category is R1.4 billion or 90 percent which was attributed to the culture of non payment within the municipal area. The municipality is assisted by both the Provincial Treasury and CoGTA to collect Organs of state debt.
Commercial			115 077	7.6	
Households			1 345 095	88.5	
Other			39 231	2.6	
Total by customer group			1 519 363	100.0	
Creditors By age analysis					
0-30 days			165 060	31.0	The municipality indicated that the correct Creditors outstanding for more than 30 days as at 30 June 2020 is R465.9 million, which constitutes non-compliance with Section 65(2)(e) of the MFMA. Eskom bulk purchases outstanding for over 30 days amounts to R335 million, forming the bulk of the Creditors in the Over 30 days category. Eskom and the municipality have signed an agreement for the municipality to pay the outstanding debt of R264.8 million over 38 months.
>30 days			367 618	69.0	
Total by age analysis			532 678	100.0	

Source: NT Igdatabase

4.5.3 Analysis per municipality: eMadlangeni Local Municipality

Table 4.5.3 eMadlangeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	90 200	92 654	173 073	186.8	The municipality has indicated that the reported Unaudited Actual revenue generated for Operating Revenue of R173.1 million or 186.8 percent is incorrect due to errors in the MFMA Section 71 reports and that the correct Unaudited Actual for Operating Revenue is R85.9 million or 92.7 percent. The municipality also attributed poor Operating Revenue performance in some cases to COVID-19 which negatively affected the rendering of municipal services. The municipality has indicated that the correct amount will be reported in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	86 775	89 812	153 525	170.9	The municipality has indicated that the reported Unaudited Actual Operating Expenditure of R153.5 million or 170.9 percent is incorrect due to errors in the MFMA Section 71 reports and that the correct Unaudited Actual for Operating Expenditure is R79.6 million or 88.6 percent. The municipality also attributed poor Operating Expenditure performance in some cases to COVID-19 which negatively affected the rendering of municipal services. The municipality has indicated that the correct amount will be reported in the 2019/20 AFS.
Capital Expenditure	30 447	18 011	966 305	5 364.9	The municipality has indicated that the reported Unaudited Actual Capital Expenditure of R966.3 million or 5364.9 percent is incorrect due to errors in the MFMA Section 71 reports and that the correct Unaudited Actual for Capital Expenditure is R12.6 million or 70 percent. This error was highlighted by Provincial Treasury to the municipality for correction as part of the In Year Monitoring feedback process, however the correction did not materialise. The municipality has indicated that the correct amount will be reported in the 2019/20 AFS and attributed the Capital Expenditure variance to challenges experienced during the COVID-19 lockdown period.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	9 342	546 879	5 854.0	(537 537)	The municipality has indicated that the reported Unaudited Actual spent of R546.9 million or 5854 percent for the Municipal Infrastructure Grant (MIG) against the 2019/20 allocation of R9.3 million is incorrect due to errors in the MFMA Section 71 reports. The municipality has indicated that the correct Unaudited Actual for MIG is R9.3 million or 100 percent. This error was highlighted by Provincial Treasury to the municipality for correction as part of the In Year Monitoring feedback process, however the correction did not materialise. The municipality has indicated that the correct amount will be reported in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			3 782	8.5	The municipality has reported outstanding Debtors of R44.7 million, of which R39.5 million (88.4 percent) is in the over 90 days category as at 30 June 2020. This indicates that the municipality is struggling to collect outstanding Rates and service charges which impacts negatively on cash flows. The municipality needs to target its current debt collection efforts at this category of debt.
31-60 days			(21)	(0.0)	
61-90 days			1 449	3.2	
>90 days			39 520	88.4	
Total by age analysis			44 730	100.0	
Debtors By customer group					
Organs of state			10 596	23.7	Organs of state debt has been incorrectly classified as Other. CoGTA is currently assisting the municipality to collect the debt owed by Organs of state.
Commercial			2 945	6.6	
Households			6 199	13.9	
Other			24 990	55.9	
Total by customer group			44 730	100.0	
Creditors By age analysis					
0-30 days			699	72.0	An amount of R272 000 of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020. This constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality indicated that the Creditors in the "over 30 days" category were as a result of disputes with suppliers and late submission of invoices.
>30 days			272	28.0	
Total by age analysis			972	100.0	

Source: NT Igdatabase

4.5.4 Analysis per municipality: Dannhauser Local Municipality

Table 4.5.4 Dannhauser Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	113 967	143 187	125 482	87.6	The municipality has generated R125.5 million (87.6 percent) against the Operating Revenue Adjusted Budget of R143.2 million. The municipality indicated that the MFMA Section 71 reports (Month 12 Data Strings) were submitted to the Local Government data portal, however they do not appear to be included in the Year to Date Section 71 published figures for Quarter 4. As a result, the actual Operating Revenue generated is understated by month 12. The municipality also attributed poor Operating Revenue performance in some cases to COVID-19.
Operating Expenditure	104 094	123 810	82 313	66.5	The municipality has spent R82.3 million (66.5 percent) against the Operating Expenditure Adjusted Budget of R123.8 million. The municipality indicated that the MFMA Section 71 reports (Month 12 Data Strings) were submitted to the Local Government data portal, however they do not appear to be included in the Year to Date Section 71 published figures for Quarter 4. In addition, nil expenditure was reported against Depreciation and asset impairment for the 2019/20 financial year, with an Adjusted Budget of R18 million. As a result, actual Operating Expenditure incurred is understated by month 12. The municipality also attributed poor Operating Expenditure performance in some cases to COVID-19.
Capital Expenditure	90 561	90 430	55 177	61.0	The municipality has reported Total Capital Expenditure of R55.2 million (61 percent) against an Adjusted Budget of R90.4 million. The municipality indicated that some Capital projects could not be undertaken because of Covid-19 and the imposed lockdown towards the end of the financial year as the reasons for the low Capital Expenditure.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	21 766	9 815	45.1	11 951	The municipality attributed low expenditure the fact that some Capital projects could not be undertaken because of Covid 19 and the imposed lockdown towards the end of the financial year.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			1 528	3.3	The municipality has outstanding Debtors of R46.6 million of which R42.4 million (91 percent), is in the Over 90 days category. This indicates that the municipality is struggling to collect outstanding Rates and service charges which impacts negatively on cash flows. The municipality needs to target its current debt collection efforts at this category of debt.
31-60 days			1 384	3.0	
61-90 days			1 306	2.8	
>90 days			42 407	91.0	
Total by age analysis			46 626	100.0	
Debtors By customer group					
Organs of state			16 052	34.4	The bulk (47.8 percent), of the outstanding Debtors is in the Households customer group. The municipality attributed this to the culture of non payment within the municipal area. The municipality is receiving assistance from both KZN Provincial Treasury and CoGTA in the collection of outstanding debt from Organs of state. Other categories of Debtors have been engaged to make arrangements with the municipality to settle their outstanding debt.
Commercial			8 267	17.7	
Households			22 307	47.8	
Other			-	-	
Total by customer group			46 626	100.0	
Creditors By age analysis					
0-30 days			29	12.6	Creditors of R198 000 are outstanding for more than 30 days as at 30 June 2020. This constitutes non-compliance with Section 65(2)(e) of the MFMA and can result in fruitless and wasteful expenditure due to interest on outstanding debts and/or penalties being levied by suppliers. The municipality indicated that the Creditors in the "over 30 days" category were as a result of disputes with suppliers and late submission of invoices.
>30 days			198	87.4	
Total by age analysis			226	100.0	

Source: NT Igdatabase

4.5.5 Analysis per municipality: Amajuba District Municipality

Table 4.5.5 Amajuba District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	208 147	207 411	232 711	112.2	The municipality has generated R232.7 million (112.2 percent) revenue against the Adjusted Budget of R207.4 million. Excessive variations were noted against Service charges - water revenue, Service charges - sanitation revenue and Interest earned - outstanding debtors. The Operating Revenue variances were highlighted in the In Year Monitoring reports sent to the municipality during the course of the year, reasons for which were requested from the municipality. To date, no reasons have been provided by the municipality for the variances.
Operating Expenditure	253 501	258 210	71 750	27.8	The municipality has incurred R71.8 million (27.8 percent) Total Operating expenditure against the Adjusted Budget of R258.2 million. The below budgeted performance for Operating Expenditure was highlighted against the various expenditure items in the In Year Monitoring reports sent to the municipality during the course of the year (e.g. Employee related costs, Remuneration of councillors and Other expenditure), including the nil expenditure against Debt impairment and Depreciation and asset impairment, reasons for which were requested from the municipality. To date, no reasons have been provided by the municipality for the variances.
Capital Expenditure	87 457	98 020	66 066	67.4	The municipality has reported Total Capital Expenditure of R66.1 million (67.4 percent) against an Adjusted Budget of R98 million. The below budgeted performance for Capital Expenditure was highlighted against the various expenditure items in the In Year Monitoring reports sent to the municipality during the course of the year, reasons for which were requested from the municipality. Poor Capital Expenditure equates to poor Service Delivery.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	41 039	57 847	141.0	(16 808)	The municipality reported R57.8 million or 141 percent expenditure for the Municipal Infrastructure Grant (MIG) against the 2019/20 allocation of R41 million. Reasons for the over-expenditure have not been provided by the municipality, despite various requests from Provincial Treasury during the course of the year.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		-	-	The Debtors report for Month 12 was submitted with errors and as a result thereof, no balances are reflected for Debtors for the municipality. Similar scenarios were noted in various months during the 2019/20 financial year which was reported to the municipality in various In Year Monitoring feedbacks, however the corrections to the Monthly data strings were not made.	
31-60 days		-	-		
61-90 days		-	-		
>90 days		-	-		
Total by age analysis		-	-		
Debtors By customer group					
Organs of state		-	-	The Debtors report for Month 12 was submitted with errors and as a result thereof, no balances are reflected for Debtors for the municipality. Similar scenarios were noted in various months during the 2019/20 financial year which was reported to the municipality in various In Year Monitoring feedbacks, however the corrections to the Monthly data strings were not made. The municipality is receiving assistance from KZN Provincial Treasury with the collection of outstanding debt from Organs of state. The municipality is currently enforcing its standard credit control processes for all other categories of Debtors.	
Commercial		-	-		
Households		-	-		
Other		-	-		
Total by customer group		-	-		
Creditors By age analysis					
0-30 days		17 355	15.8	Creditors of R92.8 million are outstanding for longer than 30 days in contravention of Section 65(2)(e) of the MFMA as at 30 June 2020. The municipality has indicated in various engagements that the current cash flow and financial constraints have contributed to the large outstanding creditors balance.	
>30 days		92 834	84.2		
Total by age analysis		110 189	100.0		

Source: NT Igdatabase

4.6 Zululand District

Table 4.6. Zululand District - Overview

	eDumbe	uPhongolo	AbaQulusi	Nongoma	Ulundi	Zululand DM
Core Trading Services	Electricity and Refuse removal services	Electricity and Refuse removal services	Electricity, Water, Sanitation and Refuse removal services	Refuse removal services	Electricity and Refuse removal services	Water and Sanitation services
Municipal Manager (Position)	Vacant since 01 April 2020, currently filled in an acting capacity	Permanent	Permanent	Permanent	Permanent	Permanent
Chief Finance Officer (Position)	Vacant since 01 April 2019, no official appointed in an acting capacity	Permanent	Permanent	Permanent	Permanent	Permanent
Audit Opinion - 2018/19	Qualified	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.6.1 Overview of Zululand District Performance¹

Table 4.6.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
eDumbe	141 417	204 617	232 347	113.6
uPhongolo	-	-	-	-
AbaQulusi	519 456	541 919	567 677	104.8
Nongoma	197 930	196 166	196 783	100.3
Ulundi	359 398	375 344	319 170	85.0
Zululand DM	554 188	563 134	537 843	95.5
Total	1 772 389	1 881 180	1 853 819	98.5

Source: NT Igdatabase

Table 4.6.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eDumbe	135 246	154 222	180 939	117.3
uPhongolo	-	-	-	-
AbaQulusi	552 436	577 216	513 825	89.0
Nongoma	190 087	194 123	210 578	108.5
Ulundi	395 346	389 161	368 690	94.7
Zululand DM	607 725	561 079	583 163	103.9
Total	1 880 839	1 875 801	1 857 194	99.0

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.6.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
eDumbe	35 345	153 416	611 970	398.9
uPhongolo	-	-	-	-
AbaQulusi	35 279	41 666	32 700	78.5
Nongoma	52 066	46 266	34 641	74.9
Ulundi	40 112	37 907	22 893	60.4
Zululand DM	438 315	493 907	398 183	80.6
Total	601 117	773 162	1 100 387	142.3

Source: NT Igdatabase

Table 4.6.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eDumbe	7 189	4.5	(16)	(0.0)	3 392	2.1	149 459	93.4	160 024
uPhongolo	-	-	-	-	-	-	-	-	-
AbaQulusi	-	-	-	-	-	-	-	-	-
Nongoma	2 293	3.6	(7)	-	989	1.6	59 903	94.8	63 177
Ulundi	10 009	9.7	340	0.3	2 358	2.3	91 012	87.7	103 719
Zululand DM	4 118	3.2	4 061	3.1	2 102	1.6	120 032	92.1	130 313
Total	23 610	5.2	4 378	1.0	8 841	1.9	420 406	91.9	457 234

Source: NT Igdatabase

Table 4.6.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
eDumbe	16 121	10.1	24 309	15.2	111 503	69.7	8 091	5.1	160 024
uPhongolo	-	-	-	-	-	-	-	-	-
AbaQulusi	-	-	-	-	-	-	-	-	-
Nongoma	32 844	52.0	16 976	26.9	5 213	8.3	8 145	12.9	63 177
Ulundi	34 120	32.9	13 164	12.7	21 961	21.2	34 475	33.2	103 719
Zululand DM	11 024	8.5	9 907	7.6	109 382	83.9	-	-	130 313
Total	94 109	20.6	64 356	14.1	248 059	54.3	50 710	11.1	457 234

Source: NT Igdatabase

Table 4.6.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
eDumbe	24 960	91.2	-	-	-	-	2 400	8.8	27 360
uPhongolo	-	-	-	-	-	-	-	-	-
AbaQulusi	59 645	48.7	5 246	-	1 353	1.1	56 308	45.9	122 553
Nongoma	19 201	82.1	(3 919)	(16.8)	(825)	(3.5)	8 942	38.2	23 399
Ulundi	11 496	9.1	141	0.1	2 673	2.1	112 321	88.7	126 631
Zululand DM	3 256	82.5	601	-	87	2.2	-	-	3 945
Total	118 558	39.0	2 069	0.7	3 289	1.1	179 972	59.2	303 888

Source: NT Igdatabase

4.6.2 Analysis per municipality: eDumbe Local Municipality

Table 4.6.2 eDumbe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	141 417	204 617	232 347	113.6	The over-generation of 13.6 percent for Operating Revenue was mainly attributed to under budgeting for Property rates, Transfers and subsidies, Rental of facilities and equipment and Interest earned - external investments. The municipality also indicated that there was an error in reporting for Interest earned - outstanding debtors, which was not budgeted for. The municipality has undertaken to correct this error in order to reflect the correct performance in the Annual Financial Statements (AFS).
Operating Expenditure	135 246	154 222	180 939	117.3	The municipality indicated that the over-expenditure reported was attributed to incorrect reporting for Employee related costs and Bulk purchases. The municipality has undertaken to rectify the over-expenditure reflected with a view of presenting the correct figures in the AFS.
Capital Expenditure	35 345	153 416	611 970	398.9	The municipality indicated that the over-expenditure reported was attributed to incorrect reporting for Capital Expenditure. The municipality has undertaken to rectify the over - expenditure reflected with a view of presenting the correct figures in the AFS. However, the Schedule C for Month 12 presented to the Council, reflected a Capital Expenditure amount of R33.2 million.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	18 047	118 692	657.7	(100 645)	Incorrect reporting by the municipality led to the variance in the Municipal Infrastructure Grant (MIG), however this is expected to change when all the errors and final journal entries are processed at year-end. The municipality indicated that according to their records the MIG reflected 100 percent expenditure.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			7 189	4.5	The municipality has indicated that they have a challenge with collection of long outstanding debts as they had previously billed indigent customers. However, the municipality has undertaken the process of writing off the uncollectable debts. The municipality has also started an initiative of giving amnesty to customers with the aim of reducing long outstanding Debtors balances.
31-60 days			(16)	(0.0)	
61-90 days			3 392	2.1	
>90 days			149 459	93.4	
Total by age analysis			160 024	100.0	
Debtors By customer group					
Organs of state			16 121	10.1	As stated above that the municipality has implemented some measures to reduce the Debtors balance in this category which includes writing off the uncollectable debts from indigent customers and the amnesty initiative for the remaining Debtors.
Commercial			24 309	15.2	
Households			111 503	69.7	
Other			8 091	5.1	
Total by customer group			160 024	100.0	
Creditors By age analysis					
0-30 days			24 960	91.2	The municipality indicated that the Creditors in the "over 30 days" category might be due to incorrect reporting by the municipality. The AFS will have the correct information.
>30 days			2 400	8.8	
Total by age analysis			27 360	100.0	

Source: NT Igdatabase

4.6.3 Analysis per municipality: AbaQulusi Local Municipality

Table 4.6.3 AbaQulusi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	519 456	541 919	567 677	104.8	The municipality indicated that Cost containment measures were implemented, thus resulting in the reduction in expenditure. The municipality further indicated that vacant posts were not filled and Councillor remuneration increases were not approved by the Department of Co-operative Governance and Traditional Affairs (CoGTA). Debt Impairment and Depreciation & Asset impairment were also not reported in the Section 71 report. The municipality has indicated that correct figures will be reported in the 2019/20 Annual Financial Statements.
Operating Expenditure	552 436	577 216	513 825	89.0	
Capital Expenditure	35 279	41 666	32 700	78.5	
	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	37 135	37 209	100.2	(74)	
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			-	-	The municipality did not report any Debtors figures for the period under review, due to challenges with their financial system. However, according to the municipality their total Debtors balance amounted to R220.1 million as at 30 June 2020. The municipality has undertaken to reflect the updated balances in the Annual Financial Statements.
31-60 days			-	-	
61-90 days			-	-	
>90 days			-	-	
Total by age analysis			-	-	
Debtors By customer group					
Organs of state			-	-	As indicated above, the municipality did not report Debtors including the Debtors by customer group due to challenges with their financial system. However, according to the municipality their Debtors figures at 30 June 2020 are Organs of state of R41.5 million, Commercial of R25.2 million, Households of R116.1 million and Other of R37.3 million. The municipality has undertaken to reflect this information in the 2019/20 Annual Financial Statements.
Commercial			-	-	
Households			-	-	
Other			-	-	
Total by customer group			-	-	
Creditors By age analysis					
0-30 days			59 645	48.7	The municipality indicated that the Creditors in the "over 30 days" category were as a result of their cash flow challenges.
>30 days			62 907	51.3	
Total by age analysis			122 553	100.0	

Source: NT Igdatabase

4.6.4 Analysis per municipality: Nongoma Local Municipality

Table 4.6.4 Nongoma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	197 930	196 166	196 783	100.3	The municipality indicated that the overspending was attributable to numerous factors such as: 1. Contracted Services expenditure which exceeded budget, due to Repairs and maintenance of roads that were required to ensure the safety of the travelling commuters; 2. Depreciation and asset impairment was over spent, as the municipality had under budgeted for this line item; and 3. Employee related costs, due to additional payments for leave pay outs for employees who resigned during the year.
Operating Expenditure	190 087	194 123	210 578	108.5	
Capital Expenditure	52 066	46 266	34 641	74.9	
	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	31 873	33 243	104.3	(1 370)	The over-expenditure of R1.3 million reported as MIG expenditure was an error related to data strings which were uploaded to the National Treasury' portal. The municipality has undertaken to rectify and reflect the correct amount in the 2019/20 Annual Financial Statements.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			2 293	3.6	The reported total debt owed by customers at year end was R63.2 million with debt in the Over 90 category comprising R60 million or 94.8 percent. The municipality has engaged debt collectors to assist to reduce the debtors book. Engagement with government departments affected has been made with the assistance from the KZN Department of Cooperative Governance and Traditional Affairs (CoGTA).
31-60 days			(7)	(0.0)	
61-90 days			989	1.6	
>90 days			59 903	94.8	
Total by age analysis			63 177	100.0	
Debtors By customer group					
Organs of state			32 844	52.0	The Organs of state category, comprising R32.8 million or 52 percent has been reported as the highest customer group with a significant amount owed to the municipality. As indicated above, the municipality is implementing the measures to collect outstanding debts with the assistance of CoGTA.
Commercial			16 976	26.9	
Households			5 213	8.3	
Other			8 145	12.9	
Total by customer group			63 177	100.0	
Creditors By age analysis					
0-30 days			19 201	82.1	The municipality's policy is to make payments within 30 days of receipt of invoices. The invoices that were received towards the end of June 2020 were processed and paid in July 2020. Non-payment of invoices within 30 days is a contravention of Section 65(2)(e) of the MFMA.
>30 days			4 198	17.9	
Total by age analysis			23 399	100.0	

Source: NT Igdatabase

4.6.5 Analysis per municipality: Ulundi Local Municipality

Table 4.6.5 Ulundi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	359 398	375 344	319 170	85.0	The municipality indicated that the following items have contributed to under-generation of revenue: 1. Service charges that were not billed due to the Covid-19 National lockdown as there were no services or supply provided; 2. Rental of facilities and equipment resulted from the low demand of municipal facilities; and 3. Transfers and subsidies were incorrectly reported due to financial system challenges.
Operating Expenditure	395 346	389 161	368 690	94.7	The municipality stated that the under-spending was due to amongst others the under-expenditure reported on Debt impairment, as the assessment will be undertaken at the end of the financial year. Therefore the correct expenditure will be reported in the 2019/20 Annual Financial Statements. Furthermore, the under-expenditure was attributed to the implementation of Cost containment measures and the Financial recovery plan whereby the decision to reduce the level of operational expenditure was taken.
Capital Expenditure	40 112	37 907	22 893	60.4	The municipality indicated that there were errors in reporting the Capital Expenditure. The municipality has undertaken to rectify the errors in the finalisation of 2019/20 Annual Financial Statements.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	30 900	29 650	96.0	1 250	The municipality indicated that this grant has been fully spent. The corrected expenditure level will be reflected in the finalised 2019/20 Annual Financial Statements.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			10 009	9.7	The municipality stated that there are challenges regarding the collection of long outstanding debts, and the challenge is compounded by a challenge of the affordability by Households customers especially the indigents. However the municipality has engaged the Organs of state to ensure that they pay their debts accordingly. For some Organs of state where there were disputes regarding ownership, the matter has been served before the Court. The municipality is in a process of identifying the owners of all vacant land as per the advise of the Court prior to selling these vacant land. Furthermore, the normal Credit control processes are being implemented by the municipality.
31-60 days			340	0.3	
61-90 days			2 358	2.3	
>90 days			91 012	87.7	
Total by age analysis			103 719	100.0	
Debtors By customer group					
Organs of state			34 120	32.9	The outstanding Debtors have been spread amongst the customer groups. The Other debtors include the Ingonyama Trust Board and other services. As stated above there are initiatives undertaken by the municipality to collect long outstanding debts.
Commercial			13 164	12.7	
Households			21 961	21.2	
Other			34 475	33.2	
Total by customer group			103 719	100.0	
Creditors By age analysis					
0-30 days			11 496	9.1	The municipality indicated that the main contributor to the Creditors older than 30 days is the Eskom debt. The municipality experienced some cash flow challenges during the year and was unable to honour the payment arrangement. However, the municipality has signed a new three year payment arrangement plan with Eskom and that the debt is expected to decrease going forward.
>30 days			115 135	90.9	
Total by age analysis			126 631	100.0	

Source: NT Igdatabase

4.6.6 Analysis per municipality: Zululand District Municipality

Table 4.6.6: Zululand District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	554 188	563 134	537 843	95.5	The under-generation reported was due to amongst others: 1. Some water meters were faulty and this had a negative impact for the full generation of revenue against the budget for Service charges - water revenue; 2. Over budgeting for Services charges - sanitation revenue; and 3. Low investments resulting in less revenue generated from Interest earned - external investments.
Operating Expenditure	607 725	561 079	583 163	103.9	The municipality reported a significant over-spending on Depreciation and asset impairment, due to an error in the Adjustments Budget figure reported in the data strings.
Capital Expenditure	438 315	493 907	398 183	80.6	The municipality stated that the under-spending reflected was due to journal entries which were not processed at the time of reporting. The municipality has confirmed that the Capital Expenditure budget reflected 100 percent expenditure after the processing of all journals which were outstanding at the time of reporting. This will also be correctly reflected in the 2019/20 Annual Financial Statements.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	225 574	185 662	82.3	39 912	The municipality indicated that the under-expenditure reported was before the processing of all related journals for this Grant. After the processing of all journals, the municipality has stated that their records reflect full spending of 100 percent on this grant.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			4 118	3.2	The municipality indicated that there are challenges regarding the collection of Debtors, which are mainly the Households customer group. They also stated that the following has been undertaken in order to collect outstanding debts: 1. Revised the revenue strategy; 2. Appointed a service provider to enhance the collection; 3. Installation of new meters to assist with leaks from old meters; and 4. Currently finalising the registration of indigent customers.
31-60 days			4 061	3.1	
61-90 days			2 102	1.6	
>90 days			120 032	92.1	
Total by age analysis			130 313	100.0	
Debtors By customer group					
Organs of state			11 024	8.5	The majority of outstanding Debtors are reflected under the Households customer group. The municipality is in a rural area and it is dominated by indigent customers. However, the municipality has undertaken the initiatives listed above in order to collect outstanding debts.
Commercial			9 907	7.6	
Households			109 382	83.9	
Other			-	-	
Total by customer group			130 313	100.0	
Creditors By age analysis					
0-30 days			3 256	82.5	The municipality indicated that there were errors in reporting Creditors. The municipality has undertaken to rectify the errors in the finalisation of 2019/20 Annual Financial Statements.
>30 days			688	17.5	
Total by age analysis			3 945	100.0	

Source: NT Igdatabase

4.7 uMkhanyakude District

Table 4.7 uMkhanyakude District - Overview

	uMhlabuyalingana	Jozini	Mtubatuba	Big Five Hlabisa	uMkhanyakude DM
Core Trading Services	Refuse removal Services	Refuse removal Services	Refuse removal Services	Refuse removal Services	Electricity Water Sanitation Services
Municipal Manager (Position)	Permanent	Permanent	Permanent	Permanent	Permanent
Chief Finance Officer (Position)	Permanent	Permanent	Permanent	Permanent	As at 30 June 2020, there was no Acting CFO ¹
Audit Opinion - 2018/19	Unqualified with findings	Qualified	Qualified	Qualified	Qualified

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

¹ There have been various Acting CFOs during the financial year. The current Acting CFO has been in position since 06 July 2020.

4.7.1 Overview of uMkhanyakude District Performance¹

Table 4.7.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMhlabuyalingana	212 166	220 088	199 329	90.6
Jozini	246 032	247 912	234 805	94.7
Mtubatuba	273 045	225 808	249 929	110.7
Big Five Hlabisa	146 140	148 845	125 077	84.0
uMkhanyakude DM	499 293	507 292	501 800	98.9
Total	1 376 676	1 349 946	1 310 941	97.1

Source: NT Igdatabase

Table 4.7.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMhlabuyalingana	203 706	210 254	188 663	89.7
Jozini	235 059	245 895	236 763	96.3
Mtubatuba	248 321	239 689	162 843	67.9
Big Five Hlabisa	145 246	166 906	139 503	83.6
uMkhanyakude DM	499 293	506 696	422 525	83.4
Total	1 331 626	1 369 441	1 150 296	84.0

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.7.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMhlabuyalingana	67 378	45 373	21 405	47.2
Jozini	48 900	44 200	28 999	65.6
Mtubatuba	200 728	59 379	588 298	990.8
Big Five Hlabisa	348 897	25 587	11 293	44.1
uMkhanyakude DM	2 109 666	274 340	202 098	73.7
Total	2 775 569	448 879	852 093	189.8

Source: NT Igdatabase

Table 4.7.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	1 497	3.1	-	-	656	1.3	46 891	95.6	49 044
Jozini	6 391	3.7	(4)	(0.0)	2 843	1.7	162 400	94.6	171 630
Mtubatuba	3 666	2.6	(602)	(0.4)	1 219	0.9	137 904	97.0	142 186
Big Five Hlabisa	1 534	3.9	(18)	(0.0)	146	0.4	37 930	95.8	39 592
uMkhanyakude DM	3 876	3.0	(80)	(0.1)	395	0.3	126 960	96.8	131 151
Total	16 964	3.2	(705)	(0.1)	5 259	1.0	512 085	96.0	533 603

Source: NT Igdatabase

Table 4.7.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	26 071	53.2	22 696	46.3	272	0.6	5	-	49 044
Jozini	78 329	45.6	39 690	23.1	51 465	30.0	2 146	1.3	171 630
Mtubatuba	14 125	9.9	23 391	16.5	95 767	67.4	8 903	6.3	142 186
Big Five Hlabisa	1 384	3.5	18 755	47.4	19 480	49.2	(27)	(0.1)	39 592
uMkhanyakude DM	17 071	13.0	34 786	26.5	75 291	57.4	4 002	3.1	131 151
Total	136 980	25.7	139 319	26.1	242 274	45.4	15 030	2.8	533 603

Source: NT Igdatabase

Table 4.7.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMhlabuyalingana	46	2.3	587	29.8	28	1.4	1 311	66.5	1 972
Jozini	2	1.0	-	-	-	-	145	99.0	147
Mtubatuba	5 203	46.3	786	7.0	(1 440)	(12.8)	6 687	59.5	11 235
Big Five Hlabisa	1 126	25.6	383	8.7	67	1.5	2 824	64.2	4 400
uMkhanyakude DM	31 555	59.3	5 299	10.0	(2 822)	(5.3)	19 216	36.1	53 248
Total	37 932	53.4	7 054	9.9	(4 167)	(5.9)	30 183	42.5	71 001

Source: NT Igdatabase

4.7.2 Analysis per municipality: uMhlabuyalingana Local Municipality

Table 4.7.2 uMhlabuyalingana Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	212 166	220 088	199 329	90.6	As per the municipality, the Unaudited Actual Operating Revenue of R199.3 million is understated, mainly due to incomplete revenue information from the traffic department that is captured in the financial system (i.e. Fines, penalties and forfeits as well as Licences and permits) and a misallocation of a negative amount of R2.5 million reflected against Gains relating to asset write off. The Adjusted Budget reflected in the Section 71 report of R220.1 million is slightly understated as opposed to the R221 million reflected in the Council approved B Schedule.
Operating Expenditure	203 706	210 254	188 663	89.7	The municipality indicated that the actual Operating Expenditure incurred of R188.7 million is incorrect due to errors in the Section 71 reports as a result of transactions posted on the financial system after the monthly datastrings have been submitted. The municipality further indicated that the under-performance is mainly due to Debt impairment as well as Depreciation and asset impairment figures that were incorrectly calculated by the financial system. The correct figures will be calculated and re-posted to the financial system as part of the 2019/20 AFS preparation process. The Adjusted budget amount of R210.3 million does not reconcile to the R211.1 million reflected in the Council approved B Schedule.
Capital Expenditure	67 378	45 373	21 405	47.2	In the ADJB mSCOA datastrings submitted, the municipality reflected an incorrect Adjusted Budget of R45.4 million instead of R44.5 million as per the Council approved B Schedule. The municipality indicated that the actual Capital Expenditure of R21.4 million is understated due to the fact that not all expenditure has been reported in the MFMA Section 71 reports, since as year end accruals on MIG funded capital projects are still being processed as part of the 2019/20 AFS preparation process.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	34 918	22 602	64.7	12 316	According to the municipality, the low performance against the MIG allocation of 64.7 percent is attributed to the following: - The year-end accruals still being processed, thus the expenditure reported of R22.6 million is not final; - The impact of the COVID-19 pandemic resulting in restricted movement of people and material to respective construction sites; and - Disruptions caused by the Amadelangokubona Business Forum resulting in delays in the appointment of contractors.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		1 497	3.1	It is noted that when compared to the 2018/19 Audited AFS, the Debtors Balance has decreased from R58.7 million to R49 million as at the end of the 2019/20 financial year. As per the municipality, the decrease is attributed to the significant payments received from Public works and Commercial debtors relating to prior periods. It is also noted that the municipality has written off interest on outstanding debtors which accrued in the period April to June 2020 as part of the COVID 19 relief package, amongst others.	
31-60 days		-	-		
61-90 days		656	1.3		
>90 days		46 891	95.6		
Total by age analysis		49 044	100.0		
Debtors By customer group					
Organs of state		26 071	53.2	A significant portion of the Debtors balance relates to Organs of state (53.2 percent), which according to the municipality includes the Ingonyama Trust Board (ITB) debtors balance of R20 million (with ongoing billing but no collection). The municipality is currently in consultation with the Provincial Department of Cooperative Governance and Traditional Affairs on the appropriate processes to follow in writing off the ITB debt.	
Commercial		22 696	46.3		
Households		272	0.6		
Other		5	0.0		
Total by customer group		49 044	100.0		
Creditors By age analysis					
0-30 days		46	2.3	As compared to the R11.2 million reflected as Trade and other payables in the 2018/19 Audited AFS, according to the municipality, the Creditors balance of only R2 million reflected as at 30 June 2020 is understated due to accruals which are still being processed. In contravention with MFMA Section 65, the municipality is reporting Creditors amounting to R1.9 million or 97.7 percent of the total Creditors balance against the period 'greater than 30 days', which as per the municipality are currently being resolved following disputes with suppliers.	
>30 days		1 926	97.7		
Total by age analysis		1 972	100.0		

Source: NT Igdatabase

4.7.3 Analysis per municipality: Jozini Local Municipality

Table 4.7.3 Jozini Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	246 032	247 912	234 805	94.7	As per the municipality, the correct Unaudited Actual for Operating Revenue is R236.9 million or 95.6 percent of the Adjusted Budget. The Unaudited Actual amount of R234.8 million is incorrect due to errors in reporting which were unable to be rectified before the final submission of the MFMA Section 71 report. A contributing factor for the underperformance was the non-recognition of revenue for an amount of R5 million against Transfers and grants as a result of incorrect mapping on the financial system for expenditure incurred against the Integrated National Electrification Programme (INEP). The municipality conceded that they should not have budgeted for revenue related to INEP in the operating statement as the municipality is not an electricity provider and acts as an agent, however, the amount was included in the budget due to incorrect mapping of mSCOA datastrings. The correct performance will be reported in the 2019/20 AFS.
Operating Expenditure	235 059	245 895	236 763	96.3	As per the adopted B Schedule, the Operating Expenditure budget amounts to R240.9 million. The municipality indicated that the correct Unaudited Actual for Operating expenditure is R232.4 million or 96.5 percent of the Adjusted Budget, which will be reported in the 2019/20 AFS.
Capital Expenditure	48 900	44 200	28 999	65.6	Similar to the Operating Budget, an incorrect Unaudited Actual amount of R29 million was reflected against the Capital Budget. The correct Unaudited Actual amount for Capital Expenditure is R34.1 million or 77.1 percent of the Adjusted Budget. The municipality attributed the low expenditure to delayed SCM processes caused by the outbreak of COVID-19. The municipality further indicated that the amount to be reflected in the 2019/20 AFS will be higher than the amount of R34.1 million after the accruals for Month 12 are finalised.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	37 394	33 617	89.9	3 777	The municipality reported expenditure of R33.6 million or 89.9 percent against the MIG allocation of R37.4 million. The municipality indicated that the MIG allocation will be reflected as fully spent in the 2019/20 AFS after the consideration of the following: - Accruals for projects that were implemented in Month 12 and not finalised at the time of reporting; and - A portion of the municipality's MIG was re-prioritised due for COVID-19 related expenditure, which has not yet been reported.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		6 391	3.7	The municipality reported R162.4 million or 94.6 percent of Debtors in the "Over 90 days" category as at 30 June 2020. This raises concerns over the municipality's ability to collect their billed revenue. The municipality runs the risk of not being able to meet their obligations as they fall due. The municipality needs to develop strategies to improve revenue and debtors collection. The plan should be monitored regularly to ensure the objectives thereof are met. Furthermore, the presence of negative amounts in the debtors age analysis is an indication that receipts from customers may have been misallocated.	
31-60 days		(4)	(0.0)		
61-90 days		2 843	1.7		
>90 days		162 400	94.6		
Total by age analysis		171 630	100.0		
Debtors By customer group					
Organs of state		78 329	45.6	A significant portion of the municipality's outstanding debt is reflected against the consumer categories: Organs of state (R78.3 million or 45.6 percent) and Commercial (R39.7 million or 23.1 percent). The municipality indicated that they have engaged the Department of CoGTA to assist with the collection of debt owed by Organs of state. The municipality further indicated that they are currently in the process of reconciling debt owed by the Department of Public works. It should be noted that Debt owed by the Ingonyama Trust Board is also included under the category: Organs of state, which has historically been difficult to collect. The Households category contributes R51.5 million or 30 percent of total Debtors which is attributed to the culture of non payment within the municipal area. The municipality indicated that they are in the process of updating their indigent register.	
Commercial		39 690	23.1		
Households		51 465	30.0		
Other		2 146	1.3		
Total by customer group		171 630	100.0		
Creditors By age analysis					
0-30 days		2	1.0	The municipality indicated that the low amount of R147 000 reflected as Creditors in the Section 71 report is due challenges with the financial system, which they currently resolving with their service provider. Furthermore, accruals have yet to be processed. The municipality also indicated that Creditors which exceed the 0-30 day category are currently under litigation.	
>30 days		145	99.0		
Total by age analysis		147	100.0		

Source: NT Igdatabase

4.7.4 Analysis per municipality: Mtubatuba Local Municipality

Table 4.7.4 Mtubatuba Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	273 045	225 808	249 929	110.7	In 2019/20, the municipality experienced various financial system challenges including the mapping of mSCOA datastrings. Despite assistance obtained from the service provider, a number of discrepancies impacting the budget and Operating Performance were still not resolved before the submission of the quarter 4 figures. The municipality indicated that the correct amounts will be reported in the 2019/20 AFS.
Operating Expenditure	248 321	239 689	162 843	67.9	In the Section 71 report, an incorrect Adjusted Budget (R225.8 million) is reflected in respect Operating Revenue instead of R232.8 million in the adopted B Schedule. The municipality indicated that the Actual Operating Revenue amounted to R231.3 million or 99.3 percent against the correct Adjusted Budget. Similar to Operating Revenue an incorrect budget amount of R239.7 million is reflected against Operating Expenditure instead of R234.5 million reflected in the B Schedule. As per the municipality, the correct Unaudited Actual should have amounted to R202.8 million or 86.5 percent of the 2019/20 Adjusted Budget. The poor performance as per the municipality can be attributed to the following: - Under performance of R10.3 million against Debt impairment - Calculation yet to be finalised as part of the AFS preparation process; - Depreciation and asset impairment (under-performance of R5.4 million) - A number of assets had been written off which decreased the asset base and furthermore, a number of projects budgeted to be capitalised in the 2019/20 financial year were delayed; and - Other materials (under-performance of R7.3 million), and Contracted services (under-performance of R4 million) - Mainly due to cost-cutting measures instituted by the municipality and the fact that the municipality utilised internal resources where possible.
Capital Expenditure	200 728	59 379	588 298	990.8	As noted above, the municipality has experienced challenges in submitting credible datastrings with the most significant variances being in respect of the Capital Budget. As per the municipality, the Unaudited Actual amount against the Capital Budget is R45.8 million or 77.1 percent against the Adjusted budget of R59.4 million and is mainly due to the underspending of R11.6 million against Provincial grants. The municipality attributed the under-spending to delays in the planning process as these provincial grants were only gazetted and received late in the financial year (February 2020).
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	31 750	328 240	1 033.8	(296 490)	As noted above, the municipality is also experiencing challenges in the reporting of grants. As per the municipality, the MIG allocation of R31.8 million has been fully spent and the correct amount will be reflected in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			3 666	2.6	The municipality has R137.9 million or 97 percent of Debtors that are in the "Over 90 days" category as at 30 June 2020, raising concerns over the municipality's ability to collect their billed revenue, despite the introduction of a Debtors incentive scheme where a portion of the Interest due will be written off where Debtors make arrangements to pay. It should be noted that the presence of negative amounts in the debtors age analysis is an indication that receipts from customers may have been misallocated.
31-60 days			(602)	(0.4)	
61-90 days			1 219	0.9	
>90 days			137 904	97.0	
Total by age analysis			142 186	100.0	
Debtors By customer group					
Organs of state			14 125	9.9	The Households category contributed R95.8 million or 67.4 percent of total Debtors which is attributed to the culture of non-payment within the municipal area. The municipality is advised to implement the credit control policy in order to improve collection.
Commercial			23 391	16.5	
Households			95 767	67.4	
Other			8 903	6.3	
Total by customer group			142 186	100.0	
Creditors By age analysis					
0-30 days			5 203	46.3	A total amount of R6 million of the municipality's Creditors are outstanding for more than 30 days as at 30 June 2020. The municipality indicated that the Creditors in the "over 30 days" categories were as a result of disputes with suppliers which are currently being resolved and late submission of invoices.
>30 days			6 032	53.7	
Total by age analysis			11 235	100.0	

Source: NT Igdatabase

4.7.5 Analysis per municipality: Big Five Hlabisa Local Municipality

Table 4.7.5 Big Five Hlabisa Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	146 140	148 845	125 077	84.0	The Adjusted Budget amount of R148.8 million does not reconcile to the R150.3 million reflected in the Council adopted Adjustments Budget (B Schedule). The municipality indicated that the actual Operating Revenue generated of R125.1 million or 83.2 percent of the Adjusted Budget (R150.3 million) is understated due to incomplete information captured on the financial system relating to Interest earned-outstanding debtors, Fines, penalties and forfeits as well as Gains on disposal of PPE associated with challenges with the financial system at the time of MFMA Section 71 reporting. Furthermore, the low revenue generated against Rental of facilities and equipment as well as Licences and permits are due to the COVID-19 lockdown that has limited the movement of people. The municipality has confirmed that the correct amount for Operating Revenue will be reported in the 2019/20 AFS.
Operating Expenditure	145 246	166 906	139 503	83.6	Similar to Operating Revenue above, the Adjusted Budget amount of R166.9 million for Operating Expenditure does not reconcile to the R168.4 million reflected in the Council adopted Adjustments Budget. The municipality indicated that the actual Operating Expenditure reported of R139.5 million or 82.8 percent of the Adjusted Budget (R168.4 million) is understated due to the fact that a complete calculation for Debt impairment as well as Depreciation and asset impairment are yet to be undertaken. The full expenditure for Debt impairment as well as Depreciation and asset impairment will form part of the 2019/20 AFS preparation together with year end accruals for Contracted services and Other expenditure, amongst others.
Capital Expenditure	348 897	25 587	11 293	44.1	As per the municipality, the low expenditure of 44.1 percent against the Capital Budget is due to the incorrect linking of the accumulated depreciation segments to the Capital project segments, which resulted in negative figures reflected in the mSCOA datastrings submitted for capital expenditure. The municipality has further indicated that Capital Expenditure reporting in the Section 71 report will be corrected going forward and the correct amount will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	21 357	9 672	45.3	11 685	The municipality confirmed that the 2019/20 MIG allocation has been fully spent. As per the municipality, the under-expenditure reflected against the MIG allocation is incorrect and is attributed to the incorrect use of the mSCOA Fund segment.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		1 534	3.9	It is noted that when compared to the 2018/19 Audited AFS, the Debtors Balance has decreased from R62.3 million to R39.6 million as at the end of the 2019/20 financial year. The municipality indicated that there are challenges with the Consumer Debtors' module hence an incorrect/incomplete debtors balance is reflected as at 30 June 2020. The challenges with the Debtors' module have been escalated to the financial system service provider and according to the municipality, the correct figures will be reported in the 2019/20 AFS.	
31-60 days		(18)	(0.0)		
61-90 days		146	0.4		
>90 days		37 930	95.8		
Total by age analysis		39 592	100.0		
Debtors By customer group					
Organs of state		1 384	3.5	Refer to comment under Debtors By age analysis above.	
Commercial		18 755	47.4		
Households		19 480	49.2		
Other		(27)	(0.1)		
Total by customer group		39 592	100.0		
Creditors By age analysis					
0-30 days		1 126	25.6	Creditors amounting to R3.3 million or 74.4 percent of the total Creditors balance have been outstanding for a period greater than 30 days. As per the municipality, this is attributed to dispute with suppliers over the accuracy of invoices and the validity of supporting documents submitted such as tax clearance certificates, etc.	
>30 days		3 273	74.4		
Total by age analysis		4 400	100.0		

Source: NT Igdatabase

4.7.6 Analysis per municipality: uMkhanyakude District Municipality

Table 4.7.6 uMkhanyakude District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	499 293	507 292	501 800	98.9	As per the municipality, the under-expenditure against the Operating Expenditure budget was due to the following: > No expenditure was reflected against Depreciation and asset impairment as at 30 June 2020. The final amount for Depreciation and asset impairment budgeted at R42 million would be incorporated in the 2019/20 AFS;. > Bulk purchases reflected under-expenditure of 11.9 percent due to the fact that not all invoices were processed at the time of reporting; > Similar to Bulk purchases, under-expenditure of 25.3 percent reported against Other expenditure was due to the fact that the municipality was still processing invoices at the time of reporting as well as due to savings resulting from the lockdown period, when the majority of community operating projects were put on hold.
Operating Expenditure	499 293	506 696	422 525	83.4	
Capital Expenditure	2 109 666	274 340	202 098	73.7	The municipality indicated that not all invoices have been processed at the date of reporting and as a result some accruals have not been taken into account. The expenditure is expected to increase and will be correctly reflected in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	214 959	127 830	59.5	87 129	During the 2019/20 financial year, the municipality received R214.9 million for MIG and according to the municipality, the total actual expenditure incurred as at 30 June 2020 was R214.5 million (100 percent spent), as opposed to the amount R127.8 million incorrectly reported in the data string. Furthermore, the municipality, indicated that there is an error with the mSCOA financial system which they are trying to resolve with the system vendor. The municipality also indicated that of the total actual expenditure, the invoices that have been paid amounted to R168 million and the commitment of R46 million was recorded as accruals as at 30 June 2020.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			3 876	3.0	The most significant portion (96.8 percent) of the municipality's Debtors have been outstanding for a period greater than 90 days with the majority falling within the Household customer group (57.4 percent). The municipality indicated that bulk of the amount owing is attributable to Debtors who do not pay their municipal debt due to high levels of poverty. This is indicative of the high number of indigents within the municipal area, while the municipality still does not have an updated Indigent register.
31-60 days			(80)	(0.1)	
61-90 days			395	0.3	
>90 days			126 960	96.8	
Total by age analysis			131 151	100.0	
Debtors By customer group					
Organs of state			17 071	13.0	While the district municipality now raises interest on outstanding debtors when compared to prior periods, the municipality should consider fast tracking the updating of their Indigent register which forms part of their financial recovery plan.
Commercial			34 786	26.5	
Households			75 291	57.4	
Other			4 002	3.1	
Total by customer group			131 151	100.0	
Creditors By age analysis					
0-30 days			31 555	59.3	As at the end of Quarter 4, the municipality reported 40.7 percent of their total Creditors for a period of greater than 30 days, mainly due to cash flow challenges prevailing at the municipality which had a negative impact on the municipality's ability to settle their creditors in compliance with Section 65(2)(e) of the MFMA.
>30 days			21 692	40.7	
Total by age analysis			53 248	100.0	

Source: NT Igdatabase

4.8 King Cetshwayo District

Table 4.8. King Cetshwayo District - Overview

	uMfolozi	uMlalazi	Mthonjaneni	Nkandla	King Cetshwayo DM
Core Trading Services	Refuse removal services	Electricity and Refuse removal services	Electricity and Refuse removal services	Electricity and Refuse removal services	Water, Sanitation and Refuse removal services
Municipal Manager (Position)	Permanent	Permanent	Permanent	Permanent	Permanent
Chief Finance Officer (Position)	Permanent	Permanent	Permanent	Permanent	Permanent
Audit Opinion - 2018/19	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.8.1 Overview of King Cetshwayo District Performance¹

Table 4.8.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
uMfolozi	182 077	182 118	194 057	106.6
uMhlathuze	3 195 594	3 196 132	3 079 587	96.4
uMlalazi	441 844	462 155	431 265	93.3
Mthonjaneni	144 977	153 872	173 957	113.1
Nkandla	156 773	166 844	154 699	92.7
King Cetshwayo DM	687 096	717 560	661 738	92.2
Total	4 808 361	4 878 681	4 695 303	96.2

Source: NT Igdatabase

Table 4.8.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMfolozi	176 660	176 921	181 591	102.6
uMhlathuze	3 234 247	3 326 627	3 032 641	91.2
uMlalazi	494 810	508 456	459 094	90.3
Mthonjaneni	141 702	147 633	153 407	103.9
Nkandla	160 411	182 223	117 610	64.5
King Cetshwayo DM	826 215	884 425	872 411	98.6
Total	5 034 045	5 226 284	4 816 753	92.2

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.8.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
uMfolozi	30 330	36 323	30 030	82.7
uMhlathuze	597 533	618 147	300 188	48.6
uMlalazi	59 635	224 249	50 535	22.5
Mthonjaneni	36 289	39 710	485 795	1 223.4
Nkandla	51 135	47 735	553	1.2
King Cetshwayo DM	370 535	443 510	252 779	57.0
Total	1 145 456	1 409 674	1 119 881	79.4

Source: NT Igdatabase

Table 4.8.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	13 919	72.4	(262)	(1.4)	714	3.7	4 855	25.3	19 226
uMhlathuze	-	-	-	-	-	-	-	-	-
uMlalazi	3 862	6.4	4 247	7.0	2 752	4.5	49 897	82.1	60 759
Mthonjaneni	4 118	14.3	(447)	(1.6)	1 068	3.7	23 973	83.5	28 712
Nkandla	6 103	14.9	(654)	(1.6)	2 265	5.5	33 268	81.2	40 982
King Cetshwayo DM	9 140	10.6	5 677	6.6	2 585	3.0	69 192	79.9	86 594
Total	37 141	15.7	8 562	3.6	9 385	4.0	181 185	76.7	236 273

Source: NT Igdatabase

Table 4.8.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	8 582	44.6	6 694	34.8	3 696	19.2	254	1.3	19 226
uMhlathuze	-	-	-	-	-	-	-	-	-
uMlalazi	5 298	8.7	5 361	8.8	41 354	68.1	8 746	14.4	60 759
Mthonjaneni	11 453	39.9	5 743	20.0	11 513	40.1	3	0.0	28 712
Nkandla	10 509	25.6	5 348	13.0	11 163	27.2	13 962	34.1	40 982
King Cetshwayo DM	11 667	13.5	14 358	16.6	60 568	69.9	-	-	86 594
Total	47 510	20.1	37 505	15.9	128 294	54.3	22 964	9.7	236 273

Source: NT Igdatabase

Table 4.8.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
uMfolozi	796	30.6	(3 956)	(152.2)	(4 957)	(190.7)	10 716	412.3	2 599
uMhlathuze	-	-	-	-	-	-	-	-	-
uMlalazi	60	52.1	25	21.5	9	7.8	21	18.6	115
Mthonjaneni	11 634	73.8	425	2.7	523	3.3	3 184	20.2	15 765
Nkandla	8 245	94.2	1 456	16.6	(1 399)	(16.0)	453	5.2	8 754
King Cetshwayo DM	50 749	22.4	30 022	13.2	26 315	11.6	119 949	52.8	227 035
Total	71 484	28.1	27 971	11.0	20 491	8.1	134 323	52.8	254 269

Source: NT Igdatabase

4.8.2 Analysis per municipality: uMfolozi Local Municipality

Table 4.8.2 uMfolozi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	182 077	182 118	194 057	106.6	As per the municipality, the over-generation of Operating Revenue by 6.6 percent was due to the following: 1. Interest earned - external investments budget (10.3 percent): Additional Interest earned on unused Investments; 2. Interest earned - outstanding debtors (9.9 percent): The increase is due to the culture of non-payment on billed accounts for customers, resulting to higher Interest raised on outstanding debt; and 3. Transfers and subsidies (9.7 percent): The municipality did not budget for the grant of R3.8 million received for the de-establishment of Ntambanana Local Municipality as well as additional grant funding for Department of Human Settlements.
Operating Expenditure	176 660	176 921	181 591	102.6	
Capital Expenditure	30 330	36 323	30 030	82.7	The municipality has attributed the under-spending of 17.3 percent on Capital Expenditure to suspension of implementation capital projects due to nationwide lockdown as a results of Covid-19 pandemic.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	26 224	25 263	96.3	961	
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			13 919	72.4	The municipality reported has R4.9 million or 25.3 percent in the Over 90 days category as at 30 June 2020. This raises a question of ability of municipality to collect its debts or weakness in the implementation of its Credit control and debt collection policy. The reported negative amount of R262 000 in the 31 to 60 days Category appears to be an error, thereby raising a question of accuracy for the reported amount of Debtors balance. The municipality has committed to investigating and correcting the error noted, prior to finalising the 2019/20 Annual Financial Statements (AFS). Furthermore, the municipality stated that the Debtors reported also include amount for government departments which have been billed at the end of May 2020 thus raising the outstanding balance further.
31-60 days			(262)	(1.4)	
61-90 days			714	3.7	
>90 days			4 855	25.3	
Total by age analysis			19 226	100.0	
Debtors By customer group					
Organs of state			8 582	44.6	The Organs of state category owed R8.6 million or 44.6 percent of total Debtors, which represents the majority, in terms of customer group categories. As stated above, the billing made by municipality to Organs of state at the end of May 2020 has raised debtors balance further.
Commercial			6 694	34.8	
Households			3 696	19.2	
Other			254	1.3	
Total by customer group			19 226	100.0	
Creditors By age analysis					
0-30 days			796	30.6	The amount of R1.8 million from total Creditors balance was outstanding for more than 30 days, resulting in non compliance with MFMA Section 65(2)(e) by municipality. The municipality indicated that the Creditors in the Over 30 days category were as a result of delays in the submission of invoices from service providers, during the Covid-19 lockdown period during the last quarter of the financial year.
>30 days			1 803	69.4	
Total by age analysis			2 599	100.0	

Source: NT Igdatabase

4.8.3 Analysis per municipality: uMlalazi Local Municipality

Table 4.8.3 uMlalazi Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	441 844	462 155	431 265	93.3	The municipality indicated that the under-generation was mainly due to Traffic fines. The municipality has a contract with a Traffic Management Company which issues speeding fines and provides the municipality with a file with a number of offenders. Due to the National lockdown the municipality had not received the file by the time of reporting for the Section 71. However, the municipality indicated that correct figures will be reflected in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	494 810	508 456	459 094	90.3	The municipality indicated that the variance was due to the National lockdown which resulted in a slow spending in Operational Expenditure as some activities were stopped. The municipality further stated that the final journals were not yet processed at the time of Section 71 reporting. This affected the expenditure incurred on Depreciation and asset impairment (88.3 percent), Bulk purchases (88.9 percent), Other materials (73.6 percent), Contracted services (87.9 percent) and Other expenditure (51.7 percent). The municipality also indicated that this variance will change when all final journal entries are captured and the AFS will reflect the updated figures for the 2019/20 financial year.
Capital Expenditure	59 635	224 249	50 535	22.5	The municipality has attributed the significant under-expenditure on its total Capital Budget to a reporting error whereby the data strings for the Capital Budget was incorrectly uploaded as R224.4 million instead of R69.6 million as per Schedule B. The municipality stated that the actual expenditure as at 30 June 2020 was R54.6 million. The municipality under-took to reflect the correct expenditure at year end for total Capital Expenditure in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	40 380	28 191	69.8	12 189	The municipality has indicated that they were expecting the final invoices in July 2020 for processing. After the processing of all the invoices, the expected total expenditure on MIG projects will be above 95 percent and this will also be correctly reflected in the 2019/20 Annual Financial Statements.
R'000			Amount	% of Total debt / payables	
Debtors By age analysis					
0-30 days			3 862	6.4	The municipality reported R49.9 million or 82.1 percent in the Over 90 days category as at 30 June 2020. This is despite the confirmation by the municipality that they are implementing normal debt collection processes in accordance to their Credit control and debt collection policy. This suggest that there are weakness in the implementation of its policy stated above. However, the municipality stated that there have appointed a Service provider to assist the municipality with the collection of the long outstanding debts. Due to challenges with nationwide lockdown restrictions, the Service provider could not effectively work in the quarter four.
31-60 days			4 247	7.0	
61-90 days			2 752	4.5	
>90 days			49 897	82.1	
Total by age analysis			60 759	100.0	
Debtors By customer group					
Organs of state			5 298	8.7	The Households category, comprising R41.4 million or 68.1 percent has been reported as the highest customer group with a significant amount owed to the municipality. The municipality indicated that most of the Households are struggling to pay for services provided. As stated above, the municipality has appointed a service provider to assist with the collection of long outstanding debts.
Commercial			5 361	8.8	
Households			41 354	68.1	
Other			8 746	14.4	
Total by customer group			60 759	100.0	
Creditors By age analysis					
0-30 days			60	52.1	The amount of R55 000 from Creditors balance was outstanding for more than 30 days, resulting in non compliance with MFMA Section 65(2)(e) by municipality. The debt reported in the Trade Creditors' category appears to be understated, as the Creditors balance as per 2018/19 AFS was R36.1 million. The municipality indicated that the Creditors in the "over 30 days" category were as a result of disputes with suppliers and late submission of invoices.
>30 days			55	47.9	
Total by age analysis			115	100.0	

Source: NT Igdatabase

4.8.4 Analysis per municipality: Mthonjaneni Local Municipality

Table 4.8.4 Mthonjaneni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	144 977	153 872	173 957	113.1	The municipality indicated that Interest earned - external investments reported revenue exceeds the Adjusted Budget. The municipality has attributed the over-generation of revenue on this item to procurement processes that were halted due to the Covid-19 lockdown, which resulted in the higher Interest earned - external investments (337.8 percent) on the unused Investments. The over-generation also resulted from Transfers recognised - operational. The over-generation on Transfers recognised - operational was attributed to error in reporting due to the challenges experienced with the system. The municipality indicated that the correct amount will be reported in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	141 702	147 633	153 407	103.9	The municipality has stated that the exorbitant expenditure hereby indicated is not a true reflection of Capital Expenditure at year end but rather a reporting error in the data strings uploaded to National Treasury's portal. The expenditure on Capital Budget as per MFMA Section 52(d) report for fourth quarter was R30.8 million or 77.6 percent against Adjusted Budget of R39.7 million. The municipality has undertook to rectify the error indicated above and that the 2019/20 Annual Financial Statements will reflect the correct Capital Expenditure.
Capital Expenditure	36 289	39 710	485 795	1 223.4	
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	18 033	373 046	2 068.7	(355 013)	As indicated above, the municipality has also attributed the exorbitant expenditure amount for Municipal Infrastructure Grant (MIG) of R373 million to error in uploading the related data strings to National Treasury portal. However, the MFMA Section 52(d) report of the municipality for the fourth quarter reflected the 100 percent spending of allocated amount on MIG. The municipality has undertook to rectify the error and reflect the correct figures in the 2019/20 Annual Financial Statements.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			4 118	14.3	The municipality reflected a substantial amount of Debtors outstanding for a period of greater than 90 Days. The municipality indicated that the long outstanding Debtors emanated from the historical debts that are not traceable. The municipality has further indicated that an initiative to appoint a services provider for data cleansing that will assist to trace the property owners in consultation with the deeds office has commenced. After the process of conducting Debtors profiling has been finalised, the municipality will be in a position to determine the amount eligible to be written off.
31-60 days			(447)	(1.6)	
61-90 days			1 068	3.7	
>90 days			23 973	83.5	
Total by age analysis			28 712	100.0	
Debtors By customer group					
Organs of state			11 453	39.9	A significant portion of outstanding Debtors is noted under Organs of state and Households. The municipality indicated that it has experienced challenges in identifying state owned properties, therefore the municipality is struggling to collect the Debtors outstanding for Organs of state.
Commercial			5 743	20.0	
Households			11 513	40.1	
Other			3	0.0	
Total by customer group			28 712	100.0	
Creditors By age analysis					
0-30 days			11 634	73.8	A total amount of R4.1 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020. This constitutes non-compliance with Section 65(2)(e) of the MFMA. The reason stated by the municipality for overdue payments of Creditors was that the cash flow challenges has been experienced during the year under review, which resulted in the municipality being unable to honour current year Creditors within 30 Days.
>30 days			4 131	26.2	
Total by age analysis			15 765	100.0	

Source: NT Igdatabase

4.8.5 Analysis per municipality: Nkandla Local Municipality

Table 4.8.5 Nkandla Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	156 773	166 844	154 699	92.7	The municipality stated that the under-generation was attributable to the following: 1. Property rates revenue reflected incorrectly as R34.1 million instead of R52.4 million due to financial system challenges. At the time of reporting, the municipality indicated that the service provider was attending to the problem; 2. Service charges - electricity revenue reduced during the Covid-19 lockdown period as most organisations were closed or operations were at a minimum level, which significantly affected electricity consumption; and 3. Transfers and subsidies amount incorrectly reflected as R26.9 million instead of R123.7 million due to financial system challenges as indicated earlier. The municipality has indicated that the Service provider was attending to the financial system challenges. The municipality has indicated that the correct amount will be reported in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	160 411	182 223	117 610	64.5	The under expenditure by 35.5 percent was amongst others due to the following line items with significant under expenditure, namely, Depreciation and asset impairment (54.5 percent), Bulk purchases (28.9 percent), Other materials (37.2 percent), Contracted services (45.1 percent), Transfers and subsidies (37 percent) and Other expenditure (67.1 percent). The municipality has attributed the under-expenditure to an error of financial system in uploading the data strings. The total expenditure on Operating Expenditure as per MFMA Section 52(d) report for the fourth quarter was R140.5 million. The municipality has indicated that the correct amount will be reported in the 2019/20 AFS.
Capital Expenditure	51 135	47 735	553	1.2	The main contributing factors to the significant low expenditure reported are related to challenges with the financial system which has resulted to reporting distorted figures. The expenditure results as per MFMA Section 52(d) report of the municipality for the fourth quarter reflected expenditure amount of R36 million, representing 75 percent of the Capital Expenditure Budget. Furthermore, Capital Expenditure related to Internally generated funds was delayed due to cash flow challenges, and further delays in the progress of Capital projects was due to the Covid-19 lockdown experienced this financial year. It is expected that the correct information will be reflected in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	22 834	7 131	31.2	15 703	The municipality indicated that the Unaudited Actual grant expenditure reported for Municipal Infrastructure Grant is incorrect due to challenges with Financial system as indicated above. As per MFMA Section 52(d) report the expenditure on MIG was R16.7 million or 73 percent. The municipality has indicated that the correct amount will be reported in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
			6 103	14.9	The majority of the Debtors reported are in the Over 90 days category, which is mainly attributable to the challenge of debt collection from customers by the municipality. The municipality needs to develop an action plan to improve debt collection. The plan should be regularly monitored to ensure that the objectives thereof are met.
			(654)	(1.6)	
			2 265	5.5	
			33 268	81.2	
Total by age analysis			40 982	100.0	
Debtors By customer group					
			10 509	25.6	The Other debtors category owed R14 million or 34.1 percent of total Debtors which is not reflecting the correct categorisation of Debtors, as all Debtors should ideally be categorised according to the relevant customer group. The municipality stated that the amounts reported appear to be questionable and is expected that the correct amount will be reflected once the financial system challenges have been resolved.
			5 348	13.0	
			11 163	27.2	
			13 962	34.1	
Total by customer group			40 982	100.0	
Creditors By age analysis					
			8 245	94.2	The amount of R510 000 from Creditors balance was outstanding for more than 30 days, resulting in non compliance with MFMA Section 65(2)(e) by municipality. The municipality stated that the amounts reported appear to be questionable and that the correct amount will be reported in the 2019/20 AFS.
			510	5.8	
Total by age analysis			8 754	100.0	

Source: NT Igdatabase

4.8.6 Analysis per municipality: King Cetshwayo District Municipality

Table 4.8.6 King Cetshwayo District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	687 096	717 560	661 738	92.2	The municipality stated that the under-generation of revenue by R55.8 million or 7.8 percent was attributable to the following: 1. Service charges - refuse revenue (82.7 percent) which declined during the Covid-19 lockdown period, as the majority of businesses were closed or reduced operations; 2. Licences and permits (78.6 percent) for Air quality license revenue did not materialise as no new applications for air quality licences were received except to process renewals for the existing licence; and 3. Other revenue (69.8 percent) was under - generated due to an Insurance claim that was not received.
Operating Expenditure	826 215	884 425	872 411	98.6	The main reason for the under-expenditure of R190.7 million or 43 percent recorded was due to incorrect reporting relating to the Municipal Infrastructure Grant (MIG) expenditure. However, the municipality stated that the error of Unaudited Actuals on this line item have been corrected on the municipal financial system, resulting in 99.6 percent expenditure to date. Furthermore, Capital Expenditure to be funded from Internally generated funds was delayed due to Supply Chain Management processes which commenced late during the 2019/20 financial year.
Capital Expenditure	370 535	443 510	252 779	57.0	
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	170 818	147 650	86.4	23 168	The district municipality indicated that the reported Unaudited Actual amount of R147.7 million or 86.4 percent for MIG is incorrect however, the error has been updated on the municipal financial system, resulting in 99.6 percent expenditure to date. The municipality has indicated that the correct amount will be reflected in the 2019/20 Annual Financial Statements.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			9 140	10.6	The municipality reflected a substantial amount of R69.2 million or 79.9 percent on Debtors outstanding for a period of greater than 90 Days. This has been attributed to Households customer group which are comprised mainly of indigents Debtors who are unable to pay for their services. The municipality has indicated that the corrective measures have been applied to address the challenge of non collection of debts such as data cleansing exercises with the objective of amongst others to identify indigent customers. In such cases, motivations are submitted to Council for debts to be written off however, this process is exercised with caution, as the municipal goal is to encourage a culture of payment for the municipal services.
31-60 days			5 677	6.6	
61-90 days			2 585	3.0	
>90 days			69 192	79.9	
Total by age analysis			86 594	100.0	
Debtors By customer group					
Organs of state			11 667	13.5	The Households category owed R60.6 million or 69.9 percent of total Debtors. The municipality has stated that amendments to the Indigent policy, as well as active promotion of incentive policies to domestic households is aimed at assisting to reduce this category of Debtors. Furthermore, the strategy to introduce prepaid metering systems for domestic consumers will assist in the reduction of household debts. It must be noted that undeveloped property charges and businesses legal processes are being initiated for the recovery of debts.
Commercial			14 358	16.6	
Households			60 568	69.9	
Other			-	-	
Total by customer group			86 594	100.0	
Creditors By age analysis					
0-30 days			50 749	22.4	A total amount of R176.3 million or 77.6 percent of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020. This constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality stated that the Creditors in the Over 30 days category were as a result of disputes with two major creditors namely the Department of Water and Sanitation, as well as the City of uMhlatuze and these disputes are in process of being resolved.
>30 days			176 286	77.6	
Total by age analysis			227 035	100.0	

Source: NT Igdatabase

4.9 iLembe District

Table 4.9 iLembe District - Overview

	Mandeni	KwaDukuza	Ndwedwe	Maphumulo	iLembe DM
Core Trading Services	Electricity Refuse removal Services	Electricity Refuse removal Services	No services rendered	Refuse removal Services	Water Sanitation Services
Municipal Manager (Position)	Permanent	Permanent	Permanent	Permanent	Permanent
Chief Finance Officer (Position)	Permanent	Permanent	Permanent	Permanent	Permanent
Audit Opinion - 2018/19	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.9.1 Overview of iLembe District Performance¹

Table 4.9.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Mandeni	301 496	293 242	281 071	95.8
KwaDukuza	1 737 272	1 724 701	1 626 733	94.3
Ndwedwe	184 548	184 946	176 944	95.7
Maphumulo	140 014	121 099	99 737	82.4
iLembe DM	890 624	990 212	839 335	84.8
Total	3 253 955	3 314 200	3 023 821	91.2

Source: NT Igdatabase

Table 4.9.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Mandeni	297 943	323 280	230 888	71.4
KwaDukuza	1 745 715	1 732 515	1 341 234	77.4
Ndwedwe	184 438	184 879	165 007	89.3
Maphumulo	118 216	131 274	109 136	83.1
iLembe DM	887 364	981 532	931 450	94.9
Total	3 233 677	3 353 480	2 777 715	82.8

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.9.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Mandeni	50 642	48 102	23 201	48.2
KwaDukuza	316 285	256 908	144 880	56.4
Ndwedwe	67 834	65 696	46 625	71.0
Maphumulo	47 287	52 428	39 960	76.2
iLembe DM	346 370	343 449	16 908	4.9
Total	828 418	766 585	271 575	35.4

Source: NT Igdatabase

Table 4.9.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	10 348	4.4	(75)	-	3 824	1.6	220 960	94.0	235 058
KwaDukuza	53 226	17.2	28 832	9.3	18 336	5.9	208 929	67.5	309 323
Ndwedwe	776	3.5	(2)	-	357	1.6	21 235	94.9	22 367
Maphumulo	4 283	18.5	(70)	(0.3)	578	2.5	18 390	79.3	23 181
iLembe DM	41 738	9.6	17 565	4.0	11 887	2.7	365 115	83.7	436 305
Total	110 371	10.8	46 250	4.5	34 983	3.4	834 629	81.3	1 026 234

Source: NT Igdatabase

Table 4.9.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	10 449	4.4	101 050	43.0	117 445	50.0	6 113	2.6	235 058
KwaDukuza	5 685	1.8	71 239	23.0	232 400	75.1	-	-	309 323
Ndwedwe	6 828	30.5	10 183	45.5	2 768	12.4	2 588	11.6	22 367
Maphumulo	871	3.8	7 681	33.1	680	2.9	13 950	60.2	23 181
iLembe DM	42 229	9.7	22 727	5.2	371 350	85.1	-	-	436 305
Total	66 062	6.4	212 879	20.7	724 642	70.6	22 651	2.2	1 026 234

Source: NT Igdatabase

Table 4.9.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Mandeni	2 620	99.9	-	-	-	-	2	0.1	2 623
KwaDukuza	459	91.7	7	1.3	3	0.5	32	6.5	500
Ndwedwe	1 464	(55.1)	(1 126)	42.4	(534)	20.1	(2 460)	92.6	(2 657)
Maphumulo	3 777	105.2	-	-	-	-	(186)	(5.2)	3 591
iLembe DM	63 100	86.9	1 039	1.4	2 331	3.2	6 102	8.4	72 572
Total	71 420	93.2	(81)	(0.1)	1 799	2.3	3 490	4.6	76 628

Source: NT Igdatabase

4.9.2 Analysis per municipality: Mandeni Local Municipality

Table 4.9.2 Mandeni Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	301 496	293 242	281 071	95.8	As per the municipality's Section 52(d) report, the following were the main contributors to the underperformance reflected against Operating Expenditure as at 30 June 2020: > Only seven percent expenditure against budget was incurred for Debt impairment, which according to the municipality was due to fact that the full year calculation was not finalised at the time of the Section 71 reporting. The final calculated amount will be reflected in the 2019/20 AFS. > The majority of community projects budgeted for under Other expenditure and Contracted services were put on hold due to the COVID-19 pandemic, thus resulting in the underperformance of 31 and 25 percent against their respective budgets as at 30 June 2020.
Operating Expenditure	297 943	323 280	230 888	71.4	
Capital Expenditure	50 642	48 102	23 201	48.2	
	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	35 369	9 036	25.5	26 333	As per Gazette No.43180, the municipality's allocation in 2019/20 was reduced to R26.3 million and as a result, performance against the final amount transferred of R26.3 is 34 percent. Refer to explanations above under Capital expenditure for the reasons for the low expenditure against the reduced MIG allocation.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			10 348	4.4	94 percent of the total debtors has been outstanding for more than 90 days (with the majority being Households at R117.4 million). This may negatively affect the going concern or liquidity of the municipality. Non-payment for services rendered may also lead to delays in the implementation of the budget. The municipality should ensure that steps are taken to improve collection and write off irrecoverable debt. The municipality should also ensure that an updated Indigent Register is kept in order to ensure that Debtors are not overstated.
31-60 days			(75)	(0.0)	
61-90 days			3 824	1.6	
>90 days			220 960	94.0	
Total by age analysis			235 058	100.0	
Debtors By customer group					
Organs of state			10 449	4.4	The Households (50 percent) and Commercial (43 percent) categories represent majority of the total debtors. This is as a result of non-payment by Ingonyama Trust Board. The municipality has requested CoGTA to assist with debt owed by the Ingonyama Trust Board. There are also challenges with the collection at Sundumbii (Households) as the municipality is unable to restrict electricity supply in cases of non-payment of the electricity service provided as Eskom is licensed to supply electricity in that area.
Commercial			101 050	43.0	
Households			117 445	50.0	
Other			6 113	2.6	
Total by customer group			235 058	100.0	
Creditors By age analysis					
0-30 days			2 620	99.9	When compared to the Trade creditors of R2.1 million reflected in the 2018/19 audited AFS, the balance of R2.6 million as at 30 June reflect a slight increase. As per the municipality, they ensure that Creditors are paid within 30 days, hence, almost 100 percent of the creditors are reflected in the 0-30 days category.
>30 days			2	0.1	
Total by age analysis			2 623	100.0	

Source: NT Igdatabase

4.9.3 Analysis per municipality: KwaDukuza Local Municipality

Table 4.9.3 KwaDukuza Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	1 737 272	1 724 701	1 626 733	94.3	The adjusted budget as per the Council adopted B Schedule reflects a slightly higher budgeted Operating revenue of R1.736 billion. As per the municipality, the correct Unaudited actual amounted to R1.699 billion or 97.9 percent against the Adjusted budget.
Operating Expenditure	1 745 715	1 732 515	1 341 234	77.4	The main reason for the lower amount in the Section 71 report is due to the under-generation of R67.2 million against the budget for Service charges-electricity. According to the municipality, the accruals for Month 12 billing (which were not included in the Month 12 Reporting) in respect of Service charges-electricity will form part of the pre-audit datastrings (Month 13) which will be reflected in the 2019/20 Draft (AFS). Due to the errors in the mSCOA datastrings submitted for Month 10 which could not be rectified before the final submission of the quarter four figures, an incorrect amount has been reported for Operating Expenditure as at 30 June 2020. As per the municipality, the correct Unaudited actual for Operating expenditure amounts to R1.5 billion or 84.8 percent against the Adjusted Budget. The municipality further indicated that expenditure reported did not take into account accruals (Month 12 expenditure) which is expected to significantly increase expenditure with the biggest impact being against Bulk purchases (under-expenditure of R105.2 million) and Other expenditure (under-expenditure of R81.4 million). Other expenditure contains the majority of the non-cash provisions where the municipality has not yet calculated the accruals, thereof.
Capital Expenditure	316 285	256 908	144 880	56.4	As per the municipality, the expenditure reflected in the Section 71 report is understated due to the municipality not reporting on accruals for Month 12. The correct Unaudited Actual amount for Capital expenditure will be R168.3 million or 65.5 percent against the capital budget. The low capital expenditure according to the municipality is due to delays in SCM processes and delays in the drawing down of funding from Borrowings as a suitable site for the Office space has yet to be identified. Furthermore, the ongoing COVID-19 pandemic has resulted in some projects being delayed.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	51 684	42 560	82.3	9 124	The municipality reported R42.6 million or 82.3 percent against the total MIG available allocation of R51.7 million. The municipality attributed the lower reported amount to the fact that the Unaudited Actual amount is exclusive of VAT and does not contain accruals for Month 12. The municipality indicated that the MIG allocation is fully spent which will be reflected as such in the 2019/20 AFS.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		53 226	17.2	The municipality has reflected a decrease of 27 percent from the Gross debtors balance of R425.4 million reflected in the 2018/19 Audited AFS to the R309.3 million reflected in the Section 71 report, due to fact that the municipality has reflected Net Debtors in the Section 71 report (an increase when compared to the Net Debtors R207.8 million as per the AFS). The municipality reported R208.9 million or 67.5 percent of Debtors that are in the "Over 90 days" category as at 30 June 2020. According to the municipality, they have put in place various measures such as debt write off program where debtors will qualify for the write off of admin and interest charges should they settle their debtors as well as the employment of call center agents to follow up on long outstanding debt.	
31-60 days		28 832	9.3		
61-90 days		18 336	5.9		
>90 days		208 929	67.5		
Total by age analysis		309 323	100.0		
Debtors By customer group					
Organs of state		5 685	1.8	The Households category owed R232.4 million or 75.1 percent of total Debtors which is attributed to the culture of non payment within the municipal area. The municipality confirmed that ongoing reviews of the debtors book are undertaken in order to improve collection and write off irrecoverable debt.	
Commercial		71 239	23.0		
Households		232 400	75.1		
Other		-	-		
Total by customer group		309 323	100.0		
Creditors By age analysis					
0-30 days		459	91.7	In the Section 71 report, the municipality has reflected Creditors balance of only R500 000 due to the fact that all transactions in the 2019/20 financial year have not been processed on the creditors module in the financial system. Furthermore, accruals for Month 12 have yet to be processed. The municipality further confirmed that a small number of payments exceeding the 0-30 days period is due to a stringent verification processed being performed to ensure the validity of creditors before any payment is made	
>30 days		41	8.3		
Total by age analysis		500	100.0		

Source: NT Igdatabase

4.9.4 Analysis per municipality: Ndwedwe Local Municipality

Table 4.9.4 Ndwedwe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	184 548	184 946	176 944	95.7	The municipality stated that the Unaudited Actual resulting in a low spending of R165 million or 89.3 percent was attributable to numerous factors such as: 1. Contracted services and Other expenditure line items declined during the Covid-19 lockdown period, as the majority of businesses were closed or reduced their operations; and 2. Transfer and subsidies was under spent due to delays in implementing phase two of the electrification projects, due to lockdown restrictions, which resulted in the contractor being unable to complete the projects timeously.
Operating Expenditure	184 438	184 879	165 007	89.3	
Capital Expenditure	67 834	65 696	46 625	71.0	
	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	29 809	29 077	97.5	732	The amount reflected as Total available for 2019/20 of R29.8 million is incorrect as it does not take into account the additional allocation received in 27 March 2020 and as per Gazette No.43180 of R5 million resulting in a total MIG amount transferred to the municipality in 2019/20 of R34.8 million. According to the municipality, the total allocation of R34.8 million for 2019/20 has been fully spent (100 percent spending), however, the lower amount reflected of R29.1 million as Unaudited Actual is due to the fact that it is exclusive of an amount of R5.7 million for VAT.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			776	3.5	The municipality has committed to investigating and correcting the error noted in the reported negative figure, prior to finalising the 2019/20 AFS (AFS). Furthermore, the municipality acknowledged that the majority of the debtors reported are under the Over 90 days category, which is mainly attributable to the challenge with collection of outstanding debts from customers. The municipality has appointed service providers to assist the municipality with the collection of the long outstanding debts.
31-60 days			(2)	(0.0)	
61-90 days			357	1.6	
>90 days			21 235	94.9	
Total by age analysis			22 367	100.0	
Debtors By customer group					
Organs of state			6 828	30.5	The Commercial customer group owed the majority of the debt outstanding amounting to R10.2 million or 45.5 percent of total Debtors. The municipality stated that this is due to current disputes between some of the Commercial debtors and the municipality relating to Property rates payments, where the Commercial customers are refusing to pay for billed Property rates until certain service delivery concerns have been addressed.
Commercial			10 183	45.5	
Households			2 768	12.4	
Other			2 588	11.6	
Total by customer group			22 367	100.0	
Creditors By age analysis					
0-30 days			1 464	(55.1)	The municipality indicated that the reported status for Creditors age analysis is incorrect and engagements with the service provider to assist in rectifying the reported information are underway, to ensure that correct balance will be reflected in the 2019/20 AFS.
>30 days			(4 121)	155.1	
Total by age analysis			(2 657)	100.0	

Source: NT Igdatabase

4.9.5 Analysis per municipality: Maphumulo Local Municipality

Table 4.9.5 Maphumulo Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	140 014	121 099	99 737	82.4	The municipality indicated that the Unaudited Actual Operating Revenue generated of R99.7 million or 82.4 percent is understated due to errors in the MFMA Section 71 reports as a result of transactions posted on the financial system after the monthly datastrings have been submitted. The municipality has indicated that the correct Operating Revenue amounts will be reported in the 2019/20 Annual Financial Statements.
Operating Expenditure	118 216	131 274	109 136	83.1	The Adjusted Budget amount of R131.3 million reflected for Operating Expenditure does not reconcile to the R130.4 million as per the Council adopted B Schedule. Similar to Operating Revenue, the municipality indicated that the Actual Operating Expenditure reflected of R109.1 million is incorrect due to errors in the MFMA Section 71 reports submitted. In addition to the above, the municipality indicated that the amount reported for Depreciation and asset impairment is incomplete and will be recalculated as the Asset Module did not calculate depreciation for the whole financial year. The correct amount will be reflected in the 2019/20 Annual Financial Statements.
Capital Expenditure	47 287	52 428	39 960	76.2	As per the municipality, the low performance reflected against Capital Expenditure is mainly due to the impact of the COVID-19 lockdown whereby some service providers did not return to their respective construction sites until mid July 2020 when the amended level 3 regulations were announced. The absence of the service providers from the construction sites has affected mainly the MIG and provincial CoGTA funded projects and therefore a rollover application with supporting documents will be submitted for unspent grants. It should be noted that the service providers are now back on site and significant progress with the different projects are being made.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	22 320	26 487	118.7	(4 167)	The amount reflected as Total available for 2019/20 as well as the over-expenditure of 118.7 percent are incorrect as the R22.3 million (total available MIG allocation) does not take into account the additional allocation received in April 2020 of R6.5 million resulting in a total MIG amount transferred to the municipality in 2019/20 of R28.8 million. As per the municipality, with an approved rollover amount of R5.6 million for MIG from 2018/19, the total MIG available for spending in 2019/20 was R34.4 million, of which R28.8 million has been spent. The municipality confirmed that the roll-over amount was fully spent, while attributing the under-spending against the total MIG available in 2019/20 to the impact of the COVID-19 lockdown as detailed in the comment made under Capital Expenditure above.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		4 283	18.5	The municipality has reflected a decrease of 29.3 percent from the Gross debtors balance of R32.8 million reflected in the 2018/19 Audited Annual Financial Statements. As per the municipality, the decrease is mainly due to a write off amounting to R15.8 million that took place during the 2019/20 financial year. The municipality further indicated that the negative R70 000 in the category 31-60 days is as a result of timing difference in the allocation of payments received and billing.	
31-60 days		(70)	(0.3)		
61-90 days		578	2.5		
>90 days		18 390	79.3		
Total by age analysis		23 181	100.0		
Debtors By customer group					
Organs of state		871	3.8	A large portion of the R14 million under the category "Other" relates to the Ingonyama Trust Board (ITB) which continues to increase whilst the ITB Management Structure together with the Department of Public Works are still trying to establish what portion of the debt must be paid by ITB and what portion must be paid by the Department of Public Works.	
Commercial		7 681	33.1		
Households		680	2.9		
Other		13 950	60.2		
Total by customer group		23 181	100.0		
Creditors By age analysis					
0-30 days		3 777	105.2	As per the municipality, the reported Creditors balance of R3.6 million appears to be accurate. The municipality further indicated that the negative R186 000 reflected in the "Over 30 days" category is due to timing difference between the raising of invoice from VUCO Security Solutions and the duplicate payment made to the same supplier in previous periods.	
>30 days		(186)	(5.2)		
Total by age analysis		3 591	100.0		

Source: NT Igdatabase

4.9.6 Analysis per municipality: iLembe District Municipality

Table 4.9.6 iLembe District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	890 624	990 212	839 335	84.8	The underperformance against Operating Revenue were mainly as a result of the following: > A variance of 11 percent against Interest earned - outstanding debtors as explained in the municipality's Section 52(d) report was due to the fact that R54 million was approved by Council to be written off in February 2020, thus, interest were charged thereafter on a lower outstanding debtors balance. The municipality further indicated that they continued to implement the approved Credit Control and Debt Collection Policy. > Only 70.8 percent was reflected as revenue generated for Agency services as at 30 June 2020, which was due to the fact that the last quarterly billing is yet to be recorded as per municipality. > Other revenue items also reflected low performance of 51.6 percent. The municipality indicated that this was mainly attributable to the Schools Nutrition Programme billing to the Department of Education which is yet to be accrued against this line item.
Operating Expenditure	887 364	981 532	931 450	94.9	The municipality indicated that Contracted services (including mainly electrical repairs, bulk maintenance, catering, grass cutting, etc.) and Other Expenditure (consisting of various municipal running costs) were the main contributors to the under-performance against Operating Expenditure, which was due to the fact that operations were suspended as a result of the COVID-19 pandemic.
Capital Expenditure	346 370	343 449	16 908	4.9	The municipality had major challenges with the mSCOA reporting for capital, especially with the accounting for WIP in certain line items. The municipality has been seeking the assistance of National Treasury in resolving the challenge. As per the municipality, the actual capital expenditure at the reporting date was R189.5 million, resulting in the performance of 55 percent against budget, mainly due to SCM delays, protests on construction sites, as well as due to delays associated with the lock-down (COVID-19 pandemic). It is also to be noted that the Capital Expenditure amount R189.5 million is still subject to change as more accruals are still being processed. Capital Expenditure funded through Borrowings for the acquisition of the fleet of vehicles are also yet to be accrued as the fleet has been delivered to the municipality.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	192 596	136 309	70.8	56 287	The municipality had planned to implement the majority of their capital projects in the 4th quarter of 2019/20. As indicated under Capital expenditure, there were delays as a result of the lockdown associated with the COVID-19 pandemic as well as delays associated with the re-prioritisation processes of MIG projects. The municipality will be applying for a rollover of the unspent amount.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			41 738	9.6	The bulk of the debtors balance-relates to the Over 90 days category. A debt collector was appointed in the beginning of the financial year to deal with the long outstanding debt, however the process has been slow. Indigent customers were also encouraged to renew their indigent status. As per the municipality, efforts are continuous to ensure that the debt is collected including strict enforcement of the Credit Control Policy.
31-60 days			17 565	4.0	
61-90 days			11 887	2.7	
>90 days			365 115	83.7	
Total by age analysis			436 305	100.0	
Debtors By customer group					
Organs of state			42 229	9.7	Indigent customers who do not review their indigent status are billed after their indigent status lapses which has resulted in increased billing where no payments are received. Several initiatives have been implemented to reduce long outstanding debt against Households e.g. the Thuma mina project (going out to communities encouraging them to register as indigent). However, the results have not been as expected due to poor turnout.
Commercial			22 727	5.2	
Households			371 350	85.1	
Other			-	-	
Total by customer group			436 305	100.0	
Creditors By age analysis					
0-30 days			63 100	86.9	The municipality is implementing their plans to address liquidity challenges while attempting to comply with Section 65(2) of the MFMA. The municipality further indicated that Creditors reported are understated as not all accruals have not been taken into account.
>30 days			9 471	13.1	
Total by age analysis			72 572	100.0	

Source: NT Igdatabase

4.10 Harry Gwala District

Table 4.10. Harry Gwala District Overview

	Greater Kokstad	uBuhlebezwe	uMzimkhulu	Dr Nkosazana Dlamini Zuma	Harry Gwala DM
Core Trading Services	Electricity and Refuse removal services	Refuse removal services	Refuse removal services	Refuse removal services	Water and sanitation services
Municipal Manager (Position)	Permanent	Permanent	Permanent	Permanent	Permanent
Chief Finance Officer (Position)	Permanent	Vacant since 01 June 2019, currently filled in an acting capacity.	Permanent	Permanent	Permanent
Audit Opinion - 2018/19	Unqualified with findings	Qualified	Qualified	Unqualified with findings	Unqualified with findings

Source: Municipality and Auditor-General 2018/19 Audit Outcomes

4.10.1 Overview of the Harry Gwala District Performance¹

Table 4.10.1(a) Operating Revenue – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated
Greater Kokstad	389 176	392 342	332 047	84.6
uBuhlebezwe	234 631	161 401	268 189	166.2
uMzimkhulu	220 411	227 242	225 000	99.0
Dr. Nkosazana Dlamini Zuma	191 056	190 537	191 367	100.4
Harry Gwala DM	476 396	484 605	460 256	95.0
Total	1 511 670	1 456 128	1 476 860	101.4

Source: NT Igdatabase

Table 4.10.1(b) Operating Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Greater Kokstad	431 413	400 609	325 964	81.4
uBuhlebezwe	244 087	176 479	176 494	100.0
uMzimkhulu	299 297	270 777	231 408	85.5
Dr. Nkosazana Dlamini Zuma	188 039	189 781	158 178	83.3
Harry Gwala DM	469 599	577 148	479 852	83.1
Total	1 632 435	1 614 794	1 371 896	85.0

Source: NT Igdatabase

Table 4.10.1(c) Capital Expenditure – 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent
Greater Kokstad	125 492	108 675	73 965	68.1
uBuhlebezwe	78 296	76 454	147 155	192.5
uMzimkhulu	108 166	109 423	53 024	48.5
Dr. Nkosazana Dlamini Zuma	68 644	88 800	70 366	79.2
Harry Gwala DM	282 624	267 991	229 438	85.6
Total	663 222	651 343	573 947	88.1

Source: NT Igdatabase

¹ 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 2019/20 Annual Financial Statements.

Table 4.10.1(d) Debtors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	14 348	20.4	6 349	9.0	2 793	4.0	46 945	66.7	70 435
uBuhlebezwe	2 118	4.2	1 633	3.2	1 589	3.1	45 634	89.5	50 973
uMzimkhulu	702	6.7	434	4.1	340	3.2	9 076	86.0	10 553
Dr. Nkosazana Dlamini Zuma	(840)	(1.4)	2 012	3.3	1 870	3.0	58 681	95.1	61 723
Harry Gwala DM	180	0.3	13 655	19.5	7 302	10.4	48 990	69.9	70 127
Total	16 509	6.3	24 083	9.1	13 894	5.3	209 326	79.3	263 811

Source: NT Igdatabase

Table 4.10.1(e) Debtors by Customer Group (Total) – 2019/20

R'000	Organs of State		Commercial		Household		Other		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	14 872	21.1	25 799	36.6	29 763	42.3	-	-	70 435
uBuhlebezwe	11 985	23.5	10 258	20.1	20 590	40.4	8 140	16.0	50 973
uMzimkhulu	1 748	16.6	1 200	11.4	7 605	72.1	-	-	10 553
Dr. Nkosazana Dlamini Zuma	18 442	29.9	8 887	14.4	25 555	41.4	8 839	14.3	61 723
Harry Gwala DM	11 815	16.8	6 689	9.5	51 623	73.6	-	-	70 127
Total	58 862	22.3	52 834	20.0	135 136	51.2	16 979	6.4	263 811

Source: NT Igdatabase

Table 4.10.1(f) Creditors Age Analysis (Total) – 2019/20

R'000	0 - 30 Days		31 - 60 Days		61 - 90 Days		Over 90 Days		Total
	Total	%	Total	%	Total	%	Total	%	
Greater Kokstad	333	49.9	-	-	-	-	334	50.1	667
uBuhlebezwe	844	6.2	969	7.1	142	1.0	11 624	85.6	13 580
uMzimkhulu	-	-	-	-	-	-	-	-	-
Dr. Nkosazana Dlamini Zuma	22 679	99.8	-	-	-	-	47	0.2	22 726
Harry Gwala DM	1 068	41.3	-	-	-	-	1 518	58.7	2 586
Total	24 924	63.0	969	2.5	142	0.4	13 523	34.2	39 558

Source: NT Igdatabase

4.10.2 Analysis per municipality: Greater Kokstad Local Municipality

Table 4.10.2 Greater Kokstad Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	389 176	392 342	332 047	84.6	The municipality stated that the Operating revenue generated of R332 million or 84.6 percent is understated due to the incorrect alignment of the Debtors module to the mSCOA Chart which affected all Service charges and Property rates. Revenue generated from other sources was also low due to either incorrect budgeting or the effect of the nationwide lockdown. The municipality further stated that the correct amounts will be reported in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	431 413	400 609	325 964	81.4	The municipality indicated that the Operating expenditure incurred of R326 million or 81.4 percent is low due to vacant posts not filled, challenges with the Asset module resulting in nil expenditure reported for Depreciation and asset impairment, Debt impairment expenditure which had not yet been finalised and the impact of the nationwide lockdown on the procurement of goods and services which were budgeted for under Other materials and Contracted services. The municipality further indicated that the correct amounts for Depreciation and asset impairment and Debt impairment will be reported in the 2019/20 AFS.
Capital Expenditure	125 492	108 675	73 965	68.1	The municipality stated that internally funded projects anticipated for the fourth quarter were delayed due to the nationwide lockdown. Furthermore, expenditure related to Housing and Small Town Rehabilitation was also delayed as the construction of houses and the cultural village were halted during the lockdown.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	17 318	15 513	89.6	1 805	The municipality received an additional allocation of R4 million in March 2020 for the Municipal Infrastructure Grant (MIG) thus the total MIG allocation is R21.3 million and the percentage reported against the total allocation is 72.8 percent. The municipality indicated that the expenditure reported against the grant of 72.8 percent is incorrect due to challenges with the Grants module in the financial system whereby the Grants module does not automatically reduce the liability and thus manual journal entries are required to be processed in order to reduce the liability. According to the municipality, the transferred amount had been fully utilised as at 30 June 2020 and the errors will be rectified during the preparation of the 2019/20 AFS.
R'000		Amount	% of Total debt / payables	Comments	
Debtors By age analysis					
0-30 days		14 348	20.4	The municipality has R46.9 million or 66.7 percent of Debtors which has been outstanding for longer than 90 days as at 30 June 2020 and raises concerns regarding the municipality's ability to collect its billed revenue. The municipality stated that pending disputes from the members of the ratepayers association have not yet been resolved and that ratepayers who have disputed their property values have stopped paying. The municipality further stated that the death of paying debtors, high unemployment and unregistered indigent consumers have also resulted in the growing Debtors balance.	
31-60 days		6 349	9.0		
61-90 days		2 793	4.0		
>90 days		46 945	66.7		
Total by age analysis		70 435	100.0		
Debtors By customer group					
Organs of state		14 872	21.1	The Households category owed R29.8 million or 42.3 percent of total Debtors which is attributed to the culture of non-payment which was further aggravated by the nationwide lockdown.	
Commercial		25 799	36.6		
Households		29 763	42.3		
Other		-	-		
Total by customer group		70 435	100.0		
Creditors By age analysis					
0-30 days		333	49.9	A total amount of R334 000 of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality indicated that overdue Creditors are due to a malfunction in the Creditors module which carried over incorrect balances when the latest mSCOA version was introduced. The Creditors balance of R667 000 however appears to be understated in comparison to Trade and other payables of R30.6 million as per the 2018/19 AFS which suggests that the municipality excluded a number of Trade and other payables categories in the MFMA Section 71 reports for June 2020.	
>30 days		334	50.1		
Total by age analysis		667	100.0		

Source: NT Igdatabase

4.10.3 Analysis per municipality: uBuhlebezwe Local Municipality

Table 4.10.3 uBuhlebezwe Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	234 631	161 401	268 189	166.2	The municipality stated that the Operating revenue generated of R268.2 million or 166.2 percent is incorrect due to errors in the MFMA Section 71 reports. The error is caused by the financial system incorrectly recording year to date figures in each month as opposed to revenue generated for a particular month for most of the revenue sources. The municipality further stated that the correct amounts will be reported in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	244 087	176 479	176 494	100.0	The municipality indicated that the Operating expenditure incurred of R176.5 million or 100 percent is incorrect due to errors in the MFMA Section 71 reports. According to the municipality, the financial system incorrectly recorded year to date figures in each month as opposed to expenditure incurred in a particular month for most of the expenditure items. Moreover, there was no expenditure reported on Depreciation and asset impairment as at the end of June 2020 due to the dysfunctional Assets module. The municipality further indicated that the correct amounts will be reported in the 2019/20 AFS.
Capital Expenditure	78 296	76 454	147 155	192.5	The municipality stated that the Capital expenditure reported of R147.2 million or 192.5 percent was incorrect due to the financial system incorrectly recording year to date figures in each month as opposed to the expenditure incurred in a particular month in most of the votes. The municipality further stated that the correct amounts will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	26 917	76 271	283.4	(49 354)	The municipality indicated that the expenditure reported against the Municipal Infrastructure Grant (MIG) of 283.4 percent was incorrect due to challenges with the financial system. According to the municipality, only the transferred amount of R26.9 million had been spent at 30 June 2020. The municipality further indicated that the error will be rectified during the preparation of the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			2 118	4.2	The municipality reported R45.6 million or 89.5 percent of Debtors that have been outstanding for more than 90 days as at 30 June 2020 which 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 debt collection which should be regularly monitored to ensure the objectives thereof are met.
31-60 days			1 633	3.2	
61-90 days			1 589	3.1	
>90 days			45 634	89.5	
Total by age analysis			50 973	100.0	
Debtors By customer group					
Organs of state			11 985	23.5	As at the end of June 2020, R20.6 million or 40.4 percent of total Debtors was reported under the Households category. According to the municipality, the Debtors under the Households category are due to the High flats area within the municipal boundaries where the culture of non-payment is most prevalent. A debt collector was appointed by the municipality with no success in recovering the debt owed to the municipality. The municipality is now considering issuing summons to the defaulting debtors.
Commercial			10 258	20.1	
Households			20 590	40.4	
Other			8 140	16.0	
Total by customer group			50 973	100.0	
Creditors By age analysis					
0-30 days			844	6.2	A total amount of R12.7 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. The municipality indicated that they settle all Creditors within 30 days and that the overdue Creditors are as a result of a financial system error which is being addressed by the service provider. The Creditors balance of R13.6 million however appears to be understated in comparison to Trade and other payables of R32.1 million as per the 2018/19 AFS which suggests that the municipality excluded a number of Trade and other payables categories in the MFMA Section 71 reports for June 2020.
>30 days			12 736	93.8	
Total by age analysis			13 580	100.0	

Source: NT Igdatabase

4.10.4 Analysis per municipality: uMzimkhulu Local Municipality

Table 4.10.4 uMzimkhulu Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	220 411	227 242	225 000	99.0	
Operating Expenditure	299 297	270 777	231 408	85.5	The low performance of R231.4 million or 85.5 percent was mainly attributable to the under-expenditure on Contracted services (R13.9 million or 32.8 percent), Other expenditure (R10.9 million or 23.4 percent), Depreciation and asset impairment (R5.7 million or 10.6 percent) and Debt impairment (R2.7 million or 58.9 percent). The municipality indicated that the nationwide lockdown resulted in the reported under-performance on Contracted services and Other expenditure as a number of projects were delayed till after the financial year whilst some did not occur at all. Furthermore, accruals were not raised which will be reported during the finalisation of the Annual Financial Statements (AFS). The under-expenditure on Depreciation and asset impairment resulted from assets which were under construction and completed in 2019/20 that will be capitalised and depreciated during the finalisation of the 2019/20 AFS. The reported under-expenditure on Debt impairment is due to the fourth quarter expenditure that was not reported and which will be accounted for in the 2019/20 AFS.
Capital Expenditure	108 166	109 423	53 024	48.5	The municipality attributed the reported under-expenditure on the Capital budget to delays experienced due to appeals on the Community Hall projects as well as the re-advertisement of the Sports field and the Small, Medium and Micro Enterprises hub projects. The nationwide lockdown also contributed to the reported under-expenditure as construction had to be suspended. Furthermore, accruals were not raised which will be reported during the finalisation of the AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	55 373	53 680	96.9	1 693	
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			702	6.7	The municipality reported that R9.1 million or 86 percent of Debtors are outstanding for over 90 days as at 30 June 2020 which raises concerns regarding the municipality's ability to collect its billed revenue. The municipality indicated that credit control is being enforced to reduce the debt and that in the 2019/20 financial year, Council resolved to offer a 25 percent discount in order to encourage the payment of the outstanding debt. However, the Covid-19 pandemic has further worsened the consumers ability to pay due to decreased earnings during the nationwide lockdown.
31-60 days			434	4.1	
61-90 days			340	3.2	
>90 days			9 076	86.0	
Total by age analysis			10 553	100.0	
Debtors By customer group					
Organs of state			1 748	16.6	The Households owed R7.6 million or 72.1 percent of total Debtors which is attributed to the inability of the consumers to meet their monthly commitments within the municipal area.
Commercial			1 200	11.4	
Households			7 605	72.1	
Other			-	-	
Total by customer group			10 553	100.0	
Creditors By age analysis					
0-30 days			-	-	The municipality reported nil Creditors as at 30 June 2020 and indicated that the accruals for June 2020 will be raised during the finalisation of the 2019/20 AFS.
>30 days			-	-	
Total by age analysis			-	-	

Source: NT Igdatabase

4.10.5 Analysis per municipality: Dr. Nkosazana Dlamini Zuma Local Municipality

Table 4.10.5 Dr Nkosazana Dlamini Zuma Local Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	191 056	190 537	191 367	100.4	Whilst a slight over-generation of revenue was reported on Operating revenue, significant over-performance was noted on Fines, penalties and forfeits (327.4 percent) and Interest earned - outstanding debtors (142.4 percent) which was partially offset by the under-performance on a number of revenue items with the most significant being, Agency services where no revenue was reported and Other revenue of 38.2 percent. The municipality purported that Fines, penalties and forfeits was incorrect due to inaccurate reporting in the MFMA Section 71 reports whilst the Interest earned - outstanding debtors budget was exceeded as interest on a new development was levied that was not budgeted for. The municipality indicated that the nil revenue reported on Agency services was due to misallocations whilst Other revenue was significantly low due to the impact of the nationwide lockdown as anticipated revenue did not materialise.
Operating Expenditure	188 039	189 781	158 178	83.3	The under-performance on Operating expenditure is mainly due to Debt impairment being understated which will be corrected in the 2019/20 Annual Financial Statements (AFS). Low expenditure was also noted on Other materials and Finance charges due to a combination of over budgeting and the effect of the nationwide lockdown where a number of projects were delayed.
Capital Expenditure	68 644	88 800	70 366	79.2	The under-performance on Capital expenditure was mainly to low expenditure on internally generated funded projects (R10.3 million) where delays in the projects were experienced as a result of the nationwide lockdown as operations were suspended, low expenditure on projects funded by Provincial grants (R5 million) as some of the funds were only transferred in the first week of March 2020 and under-performance on projects funded by National grants (Municipal Infrastructure Grant (MIG) of R3.1 million) due to the incorrect mapping of accounts in the financial system.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	27 149	24 073	88.7	3 076	The municipality indicated that the reported expenditure of 88.7 percent or R24.1 million on the MIG is incorrect as the grant allocation had been fully spent. The municipality attributed the variance to the incorrect mapping of VAT which was erroneously excluded from the reported amount and indicated that the error will be rectified in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			(840)	(1.4)	Negative figures were reported against the 0 - 30 days category due to over payments and the financial system's inability to proportionately allocate payments on the arrear amounts. Of the R61.7 million reported as total outstanding debtors at the end of June 2020, R58.7 million or 95.1 percent is outstanding for longer than 90 days which is significantly high and a cause for concern and is due to the culture of non-payment by consumers. The municipality indicated that debt collectors were appointed in the third quarter of the financial year to assist in collecting long outstanding debts. The Debtors balance also includes a significant number of customers who qualify to be indigent but are not yet registered as such. Additionally, outstanding debt from the shopping centre which has been declared bankrupt and subsequently sold has not been written off as yet.
31-60 days			2 012	3.3	
61-90 days			1 870	3.0	
>90 days			58 681	95.1	
Total by age analysis			61 723	100.0	
Debtors By customer group					
Organs of state			18 442	29.9	Municipal attorneys have been appointed to fast track the collection of long outstanding debt in all categories. The municipality is also engaging with Organs of state with regards to the verification of properties and payment of long outstanding debt.
Commercial			8 887	14.4	
Households			25 555	41.4	
Other			8 839	14.3	
Total by customer group			61 723	100.0	
Creditors By age analysis					
0-30 days			22 679	99.8	It was noted with concern that there were Creditors amounting to R47 000 that remained unsettled for more than 30 days as at the end of June 2020 which is in contravention of Section 65(2)(e) of the MFMA. The Creditors balance of R22.7 million however appears to be understated in comparison to Trade and other payables of R38.8 million as per the 2018/19 AFS which suggests that the municipality excluded a number of Trade and other payables categories in the MFMA Section 71 reports for reporting as at June 2020.
>30 days			47	0.2	
Total by age analysis			22 726	100.0	

Source: NT Igdatabase

4.10.6 Analysis per municipality: Harry Gwala District Municipality

Table 4.10.6 Harry Gwala District Municipality

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% of Budget Generated / Spent	Comments
Operating Revenue	476 396	484 605	460 256	95.0	The municipality stated that a significant portion of Operating revenue in relation to the operating portions of the Municipal Infrastructure Grant (MIG) and Water Services Infrastructure Grant (WSIG) had not been recognised as revenue in the MFMA Section 71 reports. The necessary journals will be processed to account for the Operating revenue from these grants in the 2019/20 Annual Financial Statements (AFS).
Operating Expenditure	469 599	577 148	479 852	83.1	The municipality indicated that the actual Operating expenditure incurred of R479.9 million or 83.1 percent is incorrect due to incomplete reporting in the MFMA Section 71 reports. Journal entries will be processed to account for the incomplete expenditure on Employee related costs, Debt impairment charges as well as the Depreciation and assets impairment. According to the municipality, the Debt impairment and Depreciation and asset impairment calculations are complex and are only performed at year end during the preparation of the AFS. The municipality further indicated that savings were realised from expenditure such as Contracted services and Other expenditure as a result of cost containment measures implemented.
Capital Expenditure	282 624	267 991	229 438	85.6	The municipality indicated that the actual Capital expenditure of R229.4 million or 85.6 percent is incorrect due to incomplete reporting in the MFMA Section 71 reports as expenditure was not finalised at the time of the MFMA Section 71 reporting. The correct unaudited actual for Capital expenditure of R263.6 million or 98.4 percent will be reported in the 2019/20 AFS.
R'000	Total Avail. 2019/20	Unaudited Actual	% Spent (Exp. By Munis.)	Amount Unspent/ (Overspent)	
Municipal Infrastructure Grant	200 860	166 682	83.0	34 178	The municipality indicated that the actual MIG of R166.7 million or 83 percent is incorrect due to incomplete reporting in the MFMA Section 71 reports as expenditure was not finalised at the time of the MFMA Section 71 reporting. The correct actual expenditure on MIG is R200.9 million or 100 percent which will be correctly reported in the 2019/20 AFS.
R'000			Amount	% of Total debt / payables	Comments
Debtors By age analysis					
0-30 days			180	0.3	The municipality has R49 million or 69.9 percent of Debtors that have been outstanding for over 90 days as at 30 June 2020 which raises concerns regarding the municipality's ability to collect its billed revenue. Furthermore, it was noted that the Debtors balance of R70.1 million appears to be significantly understated in relation to the Debtors balance of R195.1 million as at 30 June 2019 as per the audited 2018/19 AFS. The municipality indicated that a bad debt write off process was conducted in June 2020 where the debt relating to registered indigents was written off which reduced Debtors from R198.1 million in May 2020 to R70.1 million in June 2020. According to the municipality, the R49 million in the over than 90 category is due to the slow payment by debtors. The municipality is rural with low economic activity and a significant number of customers qualify to be indigent but are not yet registered as such. The municipality is now using the local municipalities' indigent registers to contact the possible indigent consumers to register as indigents for the district municipality's services as well.
31-60 days			13 655	19.5	
61-90 days			7 302	10.4	
>90 days			48 990	69.9	
Total by age analysis			70 127	100.0	
Debtors By customer group					
Organs of state			11 815	16.8	The Households category owed R51.6 million or 73.6 percent of total Debtors which is attributed to the culture of non-payment within the municipal area.
Commercial			6 689	9.5	
Households			51 623	73.6	
Other			-	-	
Total by customer group			70 127	100.0	
Creditors By age analysis					
0-30 days			1 068	41.3	A total amount of R1.5 million of the municipality's Creditors was outstanding for more than 30 days as at 30 June 2020 which constitutes non-compliance with Section 65(2)(e) of the MFMA. Furthermore, the Creditors balance of R2.6 million appears to be understated in comparison to Trade and other payables of R94.5 million as per the 2018/19 AFS which suggests that the municipality excluded a number of Trade and other payables categories in the MFMA Section 71 reports for June 2020 for example, year end Accruals and Retentions. The municipality has however claimed that a significant portion of the Retentions balance has been paid and a final lower figure will be reported in the AFS.
>30 days			1 518	58.7	
Total by age analysis			2 586	100.0	

Source: NT Igdatabase

Chapter 5: MFMA Implementation

5.1 2019/20 Mid-Year Budget and Performance Assessment Reports and Adjustments Budgets

5.1.1 Background

Section 72(1)(a) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) states that *the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year*. Section 72(3) of the MFMA further requires that *the accounting officer must, as part of the review, make recommendations as to whether an adjustments budget is necessary*. Section 28(1) of the MFMA states that *a municipality may revise an approved annual budget through an Adjustments Budget*. Section 28(2)(a-g) of the MFMA provides the scenarios for which municipalities would need to follow when adjusting their annual budgets.

To ensure compliance with the requirements of the MFMA as well as the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury issued Circular PT/MF 06 of 2019/20 dated 18 December 2019 (the PT Circular) to all delegated municipalities providing guidance on the following:

- Separation of tabling dates for the Mid-Year Budget and Performance Assessment Report and the Adjustments Budget;
- Format of the 2019/20 Mid-Year Budget and Performance Assessment Report;
- Preparation of the 2019/20 Mid-Year Budget and Performance Assessment Report;
- Assessments of the Mid-Year Budget and Performance Assessment Report and engagements with municipalities;
- The 2019/20 Adjustments Budget Process;
- Importance of preparing a Funded 2019/20 Adjustments Budget;
- Format of the 2019/20 Adjustments Budget;
- Impact of the mSCOA Regulations on the Adjustments Budget Process;
- The 2019/20 Adjusted Allocations;
- Submission of the 2019/20 Mid-Year Budget and Performance Assessment Report and the 2019/20 Adjustments Budget; and
- Publication of the 2019/20 Mid-Year Budget and Performance Assessment Report and the 2019/20 Adjustments Budget.

The Annexure to the Provincial Treasury Circular included amongst others, the guide on how to prepare a budget on the financial system to ensure compliance with mSCOA requirements. There was also a guide on the format and contents of the Adjustments Budget and the related supporting documents expected to be submitted to the National and Provincial Treasuries.

5.1.2 Process for the submission, tabling and assessment of the 2019/20 Mid-Year Budget Assessment Performance Reports

Submission of the 2019/20 Mid-Year Budget and Performance Assessment Reports

As at 25 January 2020, 48 of the 51 delegated municipalities had submitted their 2019/20 Mid-Year Budget and Performance Assessment Reports to Provincial Treasury. The three municipalities, namely; the eDumbe and the Nquthu Local Municipalities as well as the uThukela District Municipality did not submit their reports on due date thereby contravening Section 72(1)(b)(iii) of the MFMA. As a result, the non-

compliance letters we issued to these municipalities. A further two non-compliance letters were issued to the Dannhauser Local Municipality and the Amajuba District Municipality for the non-submission of hard copies of their reports.

Alignment of the 2019/20 Mid-Year Budget and Performance Assessment Reports figures to the figures reflected in the MFMA Section 71 Reports

The Provincial Treasury Circular emphasised amongst others, the importance of ensuring perfect alignment of the figures between the MFMA Section 71 Reports submitted for the first 6 months of the financial year and the figures in the Mid-Year Budget and Performance Assessment Report submitted to the Mayor, National Treasury and Provincial Treasury.

Despite the requirement described above, the MFMA Section 71 Reports for the first 6 months of the financial year submitted by all delegated municipalities were not fully aligned to the Mid-Year Budget and Performance Assessment Reports submitted to the Mayors, National Treasury and Provincial Treasury.

Tabling of the 2019/20 Mid-Year Budget and Performance Assessment Reports

All delegated municipalities had tabled their 2019/20 Mid-Year Budget and Performance Assessments Reports to Council by 31 January 2020 as required by Section 54(1)(f) of the MFMA.

Uploading of the 2019/20 Mid-Year Budget and Performance Assessment Reports to the municipal websites

Non-compliance letters were issued to three municipalities for not uploading their 2019/20 Mid-Year Budget and Performance Assessment Reports on their municipal websites within 5 working days of 25 January 2020, as required by Regulation 34(1) of the MBRR read together with Section 75(2) of the MFMA. These municipalities were the iMpendle and the Mtubatuba Local Municipalities as well as the uMgungundlovu District Municipality.

Engagements on the 2019/20 Mid-Year Budget and Performance Assessment Reports

In line with the monitoring and oversight roles in terms of Section 5 of the MFMA, Provincial Treasury conducted bi-lateral engagements with the delegated municipalities on their 2019/20 Mid-Year Budget and Performance Assessment Reports. The aim of the engagements were amongst others, to assess and review the progress made by the municipalities in the implementation of the 2019/20 Approved Budgets and to influence the 2019/20 Adjustments Budget process.

The following items were among the key focus areas on the agenda of the engagements:

- The actual mid-year results for the 2019/20 financial year;
- The Cash flow position as at mid-year of the 2019/20 financial year;
- Revenue enhancement strategies and impact on the Year-To-Date (YTD) performance and cash flow;
- Performance and spending of all National and Provincial conditional grants and progress made in achieving the grant conditions for the 2019/20 financial year;
- Challenges relating to different set of figures reported in Schedule C and the related mSCOA data string;
- Status of the implementation of mSCOA reforms in line with amongst others, the requirements of the MFMA Circular No. 98;
- The preparation of the 2019/20 Adjustments Budget, timeous submission of all related documents thereof and the uploading of related mSCOA data string (ADJB);
- Progress in the preparation of the 2020/21 Medium Term Revenue and Expenditure Framework (MTREF) Budget;

- Provincial Treasury’s Supply Chain Management (SCM) and Internal Audit Units were part of the bi-lateral engagements and their focus included the following amongst the others:
 - Progress made by municipalities in the implementation of Supply Chain Management (SCM) related activities including the preparation of the revised 2019/20 Procurement Plan and the 2020/21 Procurement Plan; and
 - Progress made in the implementation of Internal Audit related activities (including Internal Audit Committees and Financial Misconduct Regulations) and discussions of any challenges and support required from Provincial Treasury.

Of the total of 51 delegated municipalities, Provincial Treasury engaged 49 municipalities on the 2019/20 Mid-Year Budget and Performance Assessment Reports as reflected in Table 5.1.

Table 5.1: List of the 49 municipalities which were engaged on their 2019/20 Mid-Year Budget and Performance Assessment Reports

No	Name of municipality	Date of Engagement	No	Name of municipality	Date of Engagement	No	Name of municipality	Date of Engagement
1	uMdoni	03-Feb-20	18	uMsinga	10-Feb-20	35	uMkhanyakude DM	21-Feb-20
2	uMzombe	06-Feb-20	19	uMvoti	10-Feb-20	36	uMfolozi	20-Feb-20
3	uMuzwabantu	07-Feb-20	20	uMzinyathi DM	17-Feb-20	37	uMlalazi	18-Feb-20
4	Ray Nkonyeni	11-Feb-20	21	Newcastle	04-Feb-20	38	Mthonjaneni	10-Feb-20
5	Ugu DM	14-Feb-20	22	eMadlangeni	14-Feb-20	39	Nkandla	20-Feb-20
6	uMshwathi	24-Feb-20	23	Dannhauser	21-Feb-20	40	King Cetshwayo DM	11-Feb-20
7	uMngeni	18-Feb-20	24	Amajuba DM	20-Feb-20	41	Mandeni	10-Feb-20
8	Mpofana	21-Feb-20	25	eDumbe	12-Feb-20	42	Ndwedwe	07-Feb-20
9	iMpendle	14-Feb-20	26	uPhongolo	14-Feb-20	43	Maphumulo	10-Feb-20
10	Mkhambathini	19-Feb-20	27	AbaQulusi	12-Feb-20	44	iLembe DM	14-Feb-20
11	Richmond	13-Feb-20	28	Nongoma	18-Feb-20	45	Greater Kokstad	19-Feb-20
12	uMgungundlovu DM	13-Feb-20	29	Ulundi	06-Feb-20	46	uBuhlebezwe	17-Feb-20
13	Okhahlamba	07-Feb-20	30	Zululand DM	06-Feb-20	47	uMzimkhulu	13-Feb-20
14	iNkosi Langelibalele	20-Feb-20	31	uMhlabuyalingana	20-Feb-20	48	Dr. Nkosazana Dlamini Zuma	17-Feb-20
15	Alfred Duma	10-Feb-20	32	Jozini	06-Feb-20	49	Harry Gwala DM	11-Feb-20
16	uThukela DM	18-Feb-20	33	Mtubatuba	12-Feb-20			
17	eNdumeni	11-Feb-20	34	Big Five Hlabisa	11-Feb-20			

Source: KZN Provincial Treasury

The two municipalities which were not engaged by Provincial Treasury on their 2019/20 Mid-Year Budget and Performance Assessment Reports were the Nquthu and the KwaDukuza Local Municipalities. The reason for not engaging the Nquthu Local Municipality was due to the poor quality of 2019/20 Mid-Year Budget and Performance Assessment Report submitted by the municipality while the senior officials at the KwaDukuza Local Municipality were not available for engagements.

The officials from SCM and Internal Audit and Risk Management Services Units within Provincial Treasury also attended some of the bi-lateral engagements with municipalities as shown in Tables 2 and Table 3 respectively. The aim of inclusion of these Business Units at the Mid-Year Budget and Performance Assessment Reports engagements was for Provincial Treasury to provide a comprehensive assessment of the MFMA Section 72 reports and identify related functional areas of the municipalities whereby support could be provided with a view of strengthening the day to day operations of the municipalities.

Table 5.2 shows that the SCM Unit officials attended 19 engagements while Table 5.3 shows that the officials from the Internal Audit and Risk Management Services Unit attended nine engagements.

Table 5.2: List of 19 municipalities wherein SCM officials attended the engagements on the assessments of the MFMA Section 72 Reports

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	Ugu DM	8	Mkhambathini	15	uMngeni
2	Mpořana	9	Richmond	16	iMpendle
3	uMdoni	10	uMgungundlovu DM	17	AbaQulusi
4	uMzumbe	11	Maphumulo	18	uMzimkhulu
5	uMuziwabantu	12	Mandeni	19	uMvoti
6	eNdumeni	13	uMsinga		
7	Ndwedwe	14	Ray Nkonyeni		

Source: KZN Provincial Treasury

Table 5.3: List of nine municipalities wherein the Internal Audit and Risk Management Services officials attended the engagements on the assessments of the MFMA Section 72 Reports

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMdoni	4	Maphumulo	7	Okhahlamba
2	uMngeni	5	uMlalazi	8	Alfred Duma
3	uMvoti	6	uMsinga	9	Ndwedwe

Source: KZN Provincial Treasury

5.1.3 2019/20 Special Adjustments Budget: Unfunded 2019/20 Approved Budgets

Background

National Treasury recognised the unforeseen consequences of municipalities adopting unfunded budgets and therefore afforded municipalities that had unfunded 2019/20 Approved Budgets the opportunity to rectify the situation through the Special Adjustments Budgets. The requirement for the municipalities to table and approve the Special Adjustments Budgets was communicated by National Treasury as per the correspondence to municipalities dated 08 October 2019. Table 5.4 list 16 delegated municipalities in KZN that had tabled and approved unfunded budgets for the 2019/20 financial year.

Table 5.4: Municipalities with unfunded 2019/20 Approved Budgets

No	Name of municipality	No	Name of municipality
1	Ugu DM	9	eDumbe
2	Mpořana	10	uPhongolo
3	iMpendle	11	AbaQulusi
4	uMgungundlovu DM	12	Ulundi
5	iNkosi Langalibalele	13	Zululand DM
6	uThukela DM	14	uMkhanyakude DM
7	Newcastle	15	Mthonjaneni
8	Amajuba DM	16	Harry Gwala DM

Source: KZN Provincial Treasury

Engagements between Provincial Treasury and municipalities with unfunded 2019/20 Approved Budgets

Provincial Treasury was required to engage with municipalities that had unfunded 2019/20 Approved Budgets before the end of October 2019. In this regard, Provincial Treasury engaged all 16 delegated municipalities that had unfunded 2019/20 Approved Budgets over the period 14 October 2019 to 22 October 2019. The process and timeframes for the Special Adjustments Budgets were discussed at the engagements.

Technical support was also provided at the engagements in the form of discussions on:

- The findings on the 2019/20 Approved Budgets that were previously communicated to the municipalities; and

- The year to date performance against the 2019/20 Approved Budgets and the related impact on the 2019/20 Special Adjustments Budgets.

Municipalities were informed to table a plan in Council indicating how and by when the budget will improve from an unfunded to a funded position in instances where a funded budget is not achievable over one financial year as required by MFMA Circular No. 93. Guidance was also provided to municipalities on how to prepare and document the plan.

The following were further agreed upon at the engagements:

- Municipalities to prepare Special Adjustments Budgets and submit to Provincial Treasury for assessment prior to submission to the Executive Committee and tabling in Council;
- Further technical support to be provided by Provincial Treasury at the request of the municipalities;
- Bi-lateral meetings to discuss the Special Adjustments Budgets to be held between 28 October 2019 and 31 October 2019;
- Municipalities to table their Special Adjustments Budgets in Council between 01 November 2019 and 11 November 2019; and
- Municipalities to submit their Special Adjustments Budgets as approved by Council to Provincial Treasury immediately after being tabled in Council to enable Provincial Treasury to finalise and sign off the assessments of the Special Adjustments Budgets and confirm that the municipalities have affected the required changes as per Provincial Treasury's findings on the draft Special Adjustments Budgets submitted to Provincial Treasury prior to tabling to Council.

Technical support provided by Provincial Treasury

In a bid to improve the funding position and the overall presentation of the Special Adjustments Budgets, Provincial Treasury continued to support the delegated municipalities throughout the 2019/20 Special Adjustments Budget process. Support included the review and assessment of the draft Special Adjustments Budgets and providing feedback to municipalities prior to submission to the Executive Committees to enable changes to be affected in the budgets prior to tabling in Council. The support also included engagements with the municipalities during which detailed guidance was provided on the causes of the unfunded budgets and actions that could be taken by the municipalities to improve the funding position of the municipalities' budgets.

Bi-lateral meetings with municipalities to discuss the Special Adjustments Budgets

Municipalities were requested to submit the Special Adjustments Budgets to Provincial Treasury after consideration of the feedback provided during the initial engagements between Provincial Treasury and the municipalities with unfunded 2019/20 Approved Budgets. Thereafter, detail assessments were performed on the Special Adjustments Budgets submitted by the municipalities and the findings thereof were communicated to municipalities during the bi-lateral engagements.

Tabling and approval of the Special Adjustments Budgets

The Special Adjustments Budgets were tabled and approved by Council after the bi-lateral meetings between Provincial Treasury and the municipalities.

Outcomes of the high level assessment of the 2019/20 Special Adjustments Budgets

Provincial Treasury conducted a high level assessment of the 2019/20 Special Adjustments Budgets of all 16 delegated municipalities with a view of establishing whether the comments and recommendations made by Provincial Treasury in the high level assessment of the 2019/20 Approved Budgets, the initial engagements between Provincial Treasury the municipalities with unfunded 2019/20 Approved Budgets, the additional technical support provided by Provincial Treasury to municipalities and the feedback provided

by Provincial Treasury during the bi-lateral engagements were considered in the 2019/20 Special Adjustments Budgets.

Table 5.5 reflects the outcome of the high level assessment of the 2019/20 Special Adjustments Budgets. The table shows that initially, there were 16 municipalities with 2019/20 Approved Budgets which were unfunded however, through further engagement and support to municipalities by Provincial Treasury, the funding position of the Special Adjustments Budgets improved in that the number of municipalities with unfunded budgets was reduced to 12.

Table 5.5: Outcome of the high level assessment of the 2019/20 Special Adjustments Budgets

No	Name of municipality	Original Approved Budget	Approved Special Adjustments Budget
1	Ugu DM	Unfunded	Unfunded
2	Mpofana	Unfunded	Unfunded
3	iMpendle	Unfunded	Funded
4	uMgungundlovu DM	Unfunded	Unfunded
5	iNkosi Langalibalele	Unfunded	Unfunded
6	uThukela DM	Unfunded	Unfunded
7	Newcastle	Unfunded	Unfunded
8	Amajuba DM	Unfunded	Unfunded
9	eDumbe	Unfunded	Funded
10	uPhongolo	Unfunded	Funded
11	AbaQulusi	Unfunded	Unfunded
12	Ulundi	Unfunded	Unfunded
13	Zululand DM	Unfunded	Unfunded
14	uMkhanyakude DM	Unfunded	Unfunded
15	Mthonjaneni	Unfunded	Funded
16	Harry Gwala DM	Unfunded	Unfunded

Source: KZN Provincial Treasury

High level assessment of the budget funding plans

MFMA Circular No. 93 acknowledged that a funded budget may not be achievable in one financial year and as a result, municipalities that could not have funded budgets in one financial year were required to table a budget funding plan in Council indicating how and by when the budget will improve from an unfunded to a funded position. Provincial Treasury assessed the budget funding plans which were tabled in Council in terms of MFMA Circular No. 93 by municipalities with unfunded 2019/20 Special Adjustments Budgets. The outcome of the high level assessment of the budget funding plans is reflected in Table 5.6.

Table 5.6: Outcome of the high level assessment of the budget funding plans for the municipalities with unfunded budgets

No	Name of municipality	Approved Special Adjustments Budget	Tabled budget funding plan	Credible budget funding plan
1	Ugu DM	Unfunded	Yes	Yes
2	Mpofana	Unfunded	Yes	Yes
4	uMgungundlovu DM	Unfunded	Yes	Yes
5	iNkosi Langalibalele	Unfunded	Yes	No
6	uThukela DM	Unfunded	Yes	No
7	Newcastle	Unfunded	Yes	Yes
8	Amajuba DM	Unfunded	Yes	Yes
11	AbaQulusi	Unfunded	Yes	Yes
12	Ulundi	Unfunded	Yes	No
13	Zululand DM	Unfunded	Yes	No
14	uMkhanyakude DM	Unfunded	Yes	No
16	Harry Gwala DM	Unfunded	Yes	Yes

Source: KZN Provincial Treasury

5.1.4 Process for the tabling, submission and assessment of the 2019/20 Adjustments Budgets: Main Adjustments Budget Process

The Mayor is required to table the Adjustments Budget to Council at any time after the Mid-Year Budget and Performance Assessment Report has been tabled in Council but not later than 28 February of the current year in terms of Regulation 23(1) of the MBRR.

Tabling of the 2019/20 Adjustments Budget

As at 28 February 2020, 48 of the 51 delegated municipalities tabled their 2019/20 Adjustments Budgets in Council. The uThukela and uMkhanyakude District Municipalities as well as the Alfred Duma Local Municipality did not table their 2019/20 Adjustments Budgets by 28 February 2020 as required by Regulation 23(1) of the MBRR. All three municipalities had applied for an extension for the tabling of their Adjustments Budgets as per Section 27(1) of the MFMA which were approved by the MEC for Finance in terms of Section 27(2) of the MFMA read together with Regulation 61 of the MBRR.

The Alfred Duma Local Municipality, the uMkhanyakude District Municipality and the uThukela District Municipality tabled their Adjustments Budgets on 05 March 2020, 06 March 2020 and 10 March 2020 respectively.

Submission of the 2019/20 Adjustments Budget

National Treasury's communication dated 24 February 2020 to all municipalities required that the mSCOA data string for the 2019/20 Adjustments Budget be uploaded onto Local Government portal (LG portal) by the 02 March 2020. However, National Treasury Status of submission report as at 03 March 2020 showed that the municipalities listed in Tables 5.7 and 5.8 below did not comply with the submission requirements of National Treasury. Table 5.7 shows that four municipalities did not upload their mSCOA data string for the 2019/20 Adjustments Budget by the deadline of 02 March 2019 while the data strings uploaded by three municipalities listed in Table 5.8 had errors.

Table 5.7: List of 4 municipalities which did not upload their mSCOA data strings for 2019/20 Adjustment Budget by 02 March 2020

No	Name of Municipality	No	Name of Municipality
1	Jozini	3	uMgungundlovu DM
2	uThukela DM	4	uPhongolo

Source: National Treasury

Table 5.8: List of the 3 municipalities which have upload their mSCOA data strings for 2019/20 Adjustment Budget with errors as at 02 March 2020

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Big Five Hlabisa	2	Mkhambathini	3	uMlalazi

Source: National Treasury

Furthermore, the municipalities are also required to upload the data strings on the Project Details Adjusted Budget which entails the information relating to the Integrated Development Plan (IDP). In this regard, Table 5.9 shows that 23 municipalities did not upload their data strings for Project Details Adjusted Budget by 02 March 2020 while the data string uploaded by 11 municipalities shown in Table 5.10 had errors.

Table 5.9: List of the 23 municipalities which did not upload their mSCOA data strings on Project Details Adjusted Budget as at 02 March 2020

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	9	eNdumeni	17	Mthonjaneni
2	uMzumbe	10	uMsinga	18	Nkandla
3	uMshwathi	11	uMzinyathi DM	19	Alfred Duma
4	Mpořana	12	uPhongolo	20	uThukela DM
5	uMzimkhulu	13	uMhlabuyalingana	21	Dannhauser
6	Okhahlamba	14	iMpendle	22	Mandeni
7	iNkosi Langalibalele	15	Mkhambathini	23	Maphumulo
8	uMngeni	16	Jozini		

Source: National Treasury

Table 5.10: List of the 11 municipalities which uploaded the mSCOA data strings with errors on Project Details Adjusted Budget as at 02 March 2020

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	uMuziwabantu	5	uMsinga	9	uMkhanyakude DM
2	Ray Nkonyeni	6	uMvoti	10	uBuhlebezwe
3	Ugu DM	7	Nongoma	11	KwaDukuza
4	Big Five Hlabisa	8	Ndwedwe		

Source: National Treasury

Furthermore, the municipalities were expected to submit both the electronic and printed copies of their Adjustments Budget and other supporting documents as per the Regulation 24 of MBRR. In this regard, all the 51 delegated municipalities submitted their electronic and printed copies of their 2019/20 Adjustments Budget and related supporting documents within the legislated timeframe.

Assessment of the 2019/20 Adjustments Budget

As per the requirement of National Treasury, all the 2019/20 Adjustments Budgets were expected to be assessed based on the mSCOA data strings of 2019/20 Adjustments Budget which were uploaded to the LG portal. It was further required that the Budget Funding Assessment Tool prescribed by National Treasury be used in the assessments process. Provincial Treasury assessed 50 of 51 delegated municipalities as per National Treasury's requirement prescribed above.

The uPhongolo Local Municipality is the only delegated municipality which could not be assessed according to National Treasury's requirements described above as the municipality did not upload their mSCOA data strings for 2019/20 Adjustments Budget. The municipality indicated that there is ongoing litigation against their service provider due to a dispute regarding their financial system.

Provincial Treasury met the deadline of 06 March 2020 set by National Treasury regarding the assessment process of the 2019/20 Adjustments Budget. The consolidated feedback on the process was also submitted as per the deadline indicated above to National Treasury.

Key findings on the funding status of the 2019/20 Adjustments Budget

The funding position for four municipalities could not be determined mainly due to the poor quality of data strings uploaded by these municipalities. National Treasury indicated that the Council approved Adjustments Budgets (Schedule B) be used to establish the funding position using the older version of the Budget Funding Assessment Tool. As a result, the Adjustments Budget of the uPhongolo Local Municipality was also assessed based on the Schedule B submitted by the municipality, as the municipality did not upload their data strings. Table 5.11 shows the five municipalities whose funding position was based on the Schedule B.

Table 5.11: List of the 5 municipalities assessed using the Schedule B as well as the older version of the Budget Funding Assessment Tool

No	Name of municipality	No	Name of municipality	No	Name of municipality
1	Mtubatuba	3	uMlalazi	5	uPhongolo
2	Big Five Hlabisa	4	iLembe DM		

Source: KZN Provincial Treasury

The outcome of the 2019/20 Adjustments Budgets assessments for all 51 delegated municipalities is reflected in Table 5.14. The outcome of the assessments in Table 5.14 shows that the Adjustments Budgets for 33 municipalities (64.7 percent) were Funded while the remaining 18 municipalities (35.3 percent) were Unfunded.

Thirty-two (32) of the 33 municipalities with Funded budget positions had maintained their funding position from the 2019/20 Original Budget and Special Adjustments Budgets whilst there was one improvement as the AbaQulusi Local Municipality improved from an 2019/20 Special Adjustments Budget to a Funded 2019/20 Adjustments Budget.

Seven (7) of the 18 municipalities that had Unfunded budget positions listed in Table 5.12 had regressed from Funded positions as per their 2019/20 Original Budget and Special Adjustments Budgets to Unfunded positions as per their 2019/20 Adjustments Budgets. The remaining 11 municipalities of the 18 municipalities that had Unfunded budget positions listed in Table 5.13 had maintained their Unfunded budget position for the 2019/20 Adjustments Budgets from the 2019/20 Special Adjustments Budgets.

Table 5.12: List of 7 municipalities that regressed from Funded 2019/20 Original Budgets/Special Adjustments to Unfunded 2019/20 Adjustments Budgets

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	eNdumeni	4	uPhongolo	7	Nkandla
2	Dannhauser	5	Nongoma		
3	eDumbe	6	uMfolozi		

Source: KZN Provincial Treasury

Table 5.13: List of 11 municipalities with Unfunded 2019/20 Original Budgets/Special Adjustments and Unfunded 2019/20 Adjustments Budgets

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Ugu DM	5	uThukela DM	9	Zululand DM
2	Mpofana	6	Newcastle	10	uMkhanyakude DM
3	uMgungundlovu DM	7	Amajuba DM	11	Harry Gwala DM
4	iNkosi Langaibalele	8	Ulundi		

Source: KZN Provincial Treasury

Table 5.14: shows the overall funding position of 2019/20 Adjustments Budgets for all 51 delegated municipalities in relation to 2019/20 Original Budgets/Special Adjustments Budget

No	Name of municipality	2019/20 Original Budget/ Special Adjustments Budget	2019/20 Adjustments Budget	Funding position for Unfunded Budgets compared to 2019/20 Original Budget / Special Adjustments Budget	No	Name of municipality	2019/20 Original Budget/ Special Adjustments Budget	2019/20 Adjustments Budget	Funding position for Unfunded Budgets compared to 2019/20 Original Budget / Special Adjustments Budget
		Budget Funding Position	Budget Funding Position	Improved / Regressed / No change			Budget Funding Position	Budget Funding Position	Improved / Regressed / No change
1	uMdoni	Funded	Funded		27	uPhongolo	Funded	Unfunded	Regressed
2	uMzumbane	Funded	Funded		28	AbaQulusi	Unfunded	Funded	Improved
3	uMuziwabantu	Funded	Funded		29	Nongoma	Funded	Unfunded	Regressed
4	Ray Nkonyeni	Funded	Funded		30	Ulundi	Unfunded	Unfunded	No change
5	Ugu DM	Unfunded	Unfunded	No change	31	Zululand DM	Unfunded	Unfunded	No change
6	uMshwathi	Funded	Funded		32	uMhlabyalingana	Funded	Funded	
7	uMngeni	Funded	Funded		33	Jozini	Funded	Funded	
8	Mpofana	Unfunded	Unfunded	No change	34	Mtubatuba	Funded	Funded	
9	iMpindle	Funded	Funded		35	Big Five Hlabisa	Funded	Funded	
10	Mkhambathini	Funded	Funded		36	uMkhanyakude DM	Unfunded	Unfunded	No change
11	Richmond	Funded	Funded		37	uMfobozi	Funded	Unfunded	Regressed
12	uMgungundlovu DM	Unfunded	Unfunded	No change	38	uMalazi	Funded	Funded	
13	Okhahlamba	Funded	Funded		39	Mthonjaneni	Funded	Funded	
14	iNkosi Langalibalele	Unfunded	Unfunded	No change	40	Nkandla	Funded	Unfunded	Regressed
15	Alfred Duma	Funded	Funded		41	King Cetshwayo DM	Funded	Funded	
16	uThukela DM	Unfunded	Unfunded	No change	42	Mandeni	Funded	Funded	
17	eNdameni	Funded	Unfunded	Regressed	43	KwaDukuza	Funded	Funded	
18	Nquthu	Funded	Funded		44	Ndwedwe	Funded	Funded	
19	uMsinga	Funded	Funded		45	Maphumulo	Funded	Funded	
20	uMvoti	Funded	Funded		46	iLembe DM	Funded	Funded	
21	uMzinyathi DM	Funded	Funded		47	Greater Kokstad	Funded	Funded	
22	Newcastle	Unfunded	Unfunded	No change	48	uBuhlebezwe	Funded	Funded	
23	eMadlangeni	Funded	Funded		49	uMzimkhulu	Funded	Funded	
24	Dannhauser	Funded	Unfunded	Regressed	50	Dr. Nkosazana Dlamini Zuma	Funded	Funded	
25	Amajuba DM	Unfunded	Unfunded	No change	51	Harry Gwala DM	Unfunded	Unfunded	No change
26	eDumbe	Funded	Unfunded	Regressed					

Source: KZN Provincial Treasury

Main contributors to Unfunded Budgets

- As indicated above, the total number of unfunded budgets has increased from 12 to 18 unfunded budgets with 7 municipalities having regressed in the 2019/20 Adjustments Budgets. The poor quality of the data strings which was the primary source of information used for the 2019/20 Adjustments Budgets contributed to the regression in the funding position for the province;
- The emphasis for using the data strings as a primary source of information for assessments of 2019/20 Adjustments Budgets was amongst others, to inculcate among the municipalities a culture of approving in Council the budgets which are reconciling with the mSCOA data strings and to ensure that there is a perfect alignment between the budget submitted to Council and National and Provincial Treasuries;
- Municipalities did not upload their data strings for the 2019/20 Adjustments Budgets prior to tabling in Council in order to allow Provincial Treasury to conduct the budget assessments early in terms of the guidance issued by National Treasury in January 2020;
- Most municipalities do not reconcile their valuation rolls to the valuation roll as per their financial systems which may impact on the completeness of their billing and thus revenue collections;

- Municipalities do not appear to have fully implemented containment measures in terms of the Municipal Cost Containment Regulations of 2019;
- Municipalities continue to struggle to collect their Debtors resulting in lower collection rates and a growing debtors balance older than 90 days;
- Some municipalities do not update their Indigents register on an ongoing basis resulting in the municipality billing indigents thereby overstating their revenue and not being able to collect the debtors raised; and
- Most municipalities have still not implemented cost reflective tariffs and are currently providing water, electricity and refuse services at a deficit to the municipality.

5.1.5 2019/20 Special Adjustments Budget: Covid-19 Pandemic

Background

Following the announcement of a national lockdown by State President due to the outbreak of Covid-19 pandemic, the municipalities and municipal entities were faced with the challenge of fully complying with the MFMA legislative requirements. As a result, the Minister of Finance issued a conditional Exemption Notice in terms of Section 177(1)(b) of the MFMA on 30 March 2020 to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the National State of Disaster.

Tabling of the 2019/20 Special Adjustments Budget

National Treasury issued an Annexure to MFMA Circular No. 99 to provide further guidance to municipalities and municipal entities regarding exemption from the MFMA and related Regulations as stated above.

The Annexure to MFMA Circular No. 99 required, amongst others, that the 2019/20 Special Adjustments Budget be tabled to Council by 15 June 2020. In addition, the municipalities were expected to plan the date on which their municipal Councils will pass the Special Adjustments Budget carefully to ensure that all related expenditure are authorised in this one Special Adjustments Budget.

With exception of the eMadlangeni Local Municipality, all delegated municipalities in the province tabled their 2019/20 Special Adjustments Budget as required by Annexure to MFMA Circular No. 99. A non-compliance letter was issued to the eMadlangeni Local municipality for not tabling a Special Adjustments Budget.

Of the 50 delegated municipalities which tabled their Special Adjustments Budget, 41 municipalities met the tabling deadline of 15 June 2020 as per Annexure to MFMA Circular No. 99 while nine municipalities listed in Table 5.15 tabled after the required deadline stated above.

Table 5.15: List municipalities that Tabled the 2019/20 Special Adjustments Budget after 15 June 2020

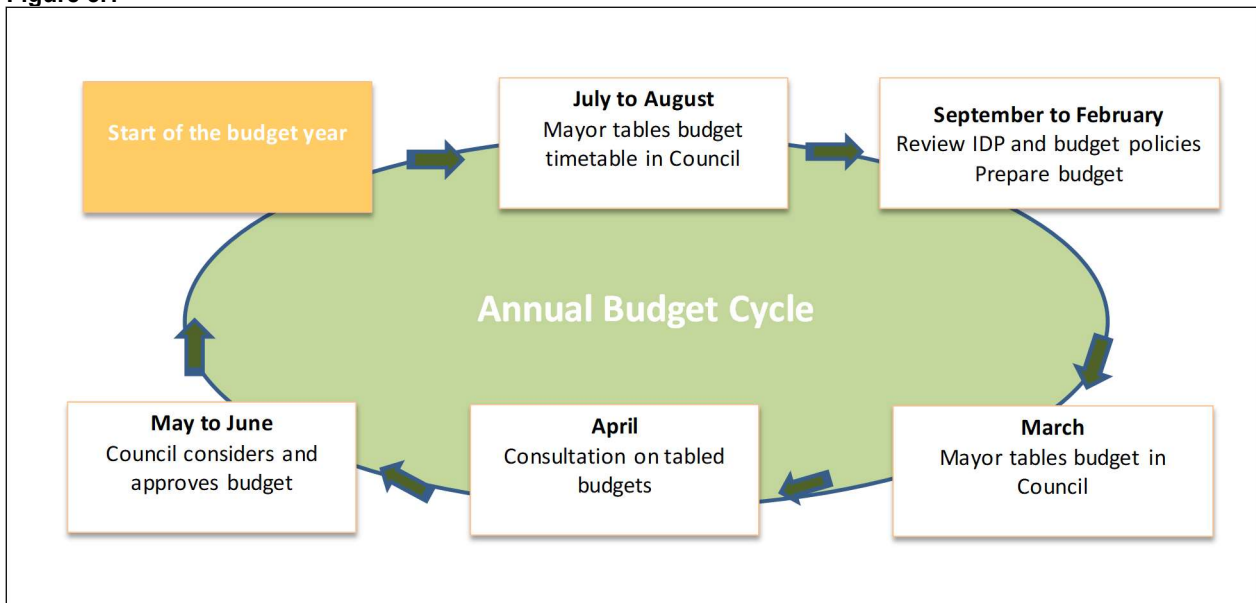
No	Name of municipality	Date of Tabling	No	Name of municipality	Date of Tabling
1	Mpofana	19-Jun-20	6	Mtubatuba	29-Jun-20
2	uMzinyathi DM	17-Jun-20	7	Big Five Hlabisa	29-Jun-20
3	Dannhauser	30-Jun-20	8	uMfolozi	30-Jun-20
4	eDumbe	29-Jun-20	9	Harry Gwala DM	26-Jun-20
5	Jozini	26-Jun-20			

Source: KZN Provincial Treasury

5.2 2020/21 Budget Evaluation Process

The annual budget cycle as illustrated in Figure 5.1 begins in July when municipalities are required to prepare their budget *Time schedules outlining key deadlines* which sets out the key activities and timeframes required to ensure that the annual budget process and the review of the Integrated Development Plan (IDP) are completed before the start of the next budget year. The key milestones in the municipal budget cycle are the tabling of the budget in Council by 31 March, the subsequent public participation process, the consideration of the budget for approval in Council by 31 May and the approval of the budget by Council on or before 30 June.

Figure 5.1



5.2.1 Tabling of the 2020/21 Time schedules outlining key deadlines for the budget process

Section 21(1)(b) of the MFMA requires the Mayor of a municipality to table in Council at least 10 months before the start of the budget year, a *Time schedule outlining key deadlines* for the budget process. The main objectives of this section are to ensure that the budget preparation process commences timeously and complies with all legislative requirements.

In this regard, 46 of the 51 delegated municipalities timeously tabled their *Time schedule outlining key deadlines* by 31 August 2019 as per the requirements of the MFMA. Table 5.16 shows the five municipalities who did not table their *Time schedule outlining key deadlines* by the prescribed deadline of 31 August 2019 and all were issued with non-compliance letters.

All the municipalities shown in Table 5.16 subsequently tabled their *Time schedule outlining key deadlines* in Council.

Table 5.16: Municipalities which tabled their 2020/21 Time schedules outlining key deadlines after 31 August 2019

No	Name of municipality	No	Name of municipality
1	Richmond	4	Newcastle
2	uMgungundlovu DM	5	uPhongolo
3	Dannhauser		

Source: KZN Provincial Treasury

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 29 municipalities as listed in Table 5.17.

The issues identified were communicated to the municipalities in writing, with the common issues being:

- Municipalities did not include the bilateral engagements between Provincial Treasury and municipalities in January – March 2020 and/or in April – May 2020;
- There were no dates reflected with to the Budget Steering Committee meetings, as well as council meeting dates for all the mandatory processes included in the Timeline;
- No indication was received by Provincial Treasury from some municipalities regarding the timelines for the annual review of budget related policies, including rates and tariffs; and
- The consultative process for some municipalities did not include public participation in respect of the budget related policies, the annual budget and the IDP.

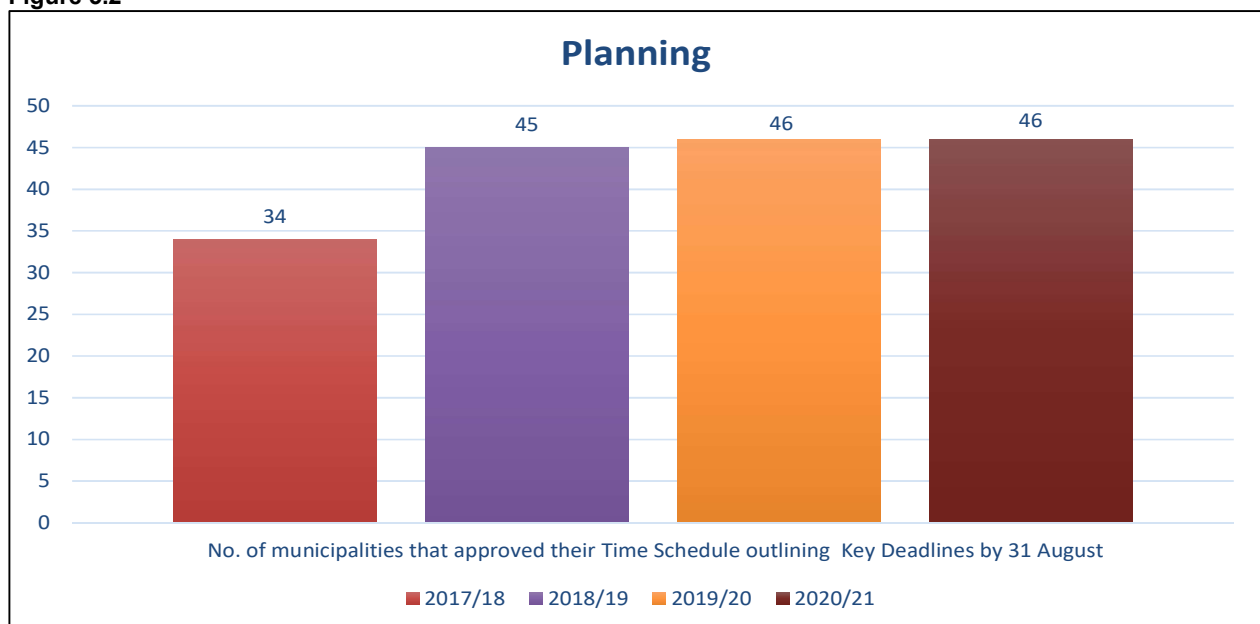
Table 5.17: Municipalities where gaps were identified in their 2020/21 Time schedules outlining key deadlines

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Ugu DM	11	iMpendle	21	Ulundi
2	uMgungundlovu DM	12	Mkhambathini	22	uMfolozi
3	uThukela DM	13	Richmond	23	uMlalazi
4	Amajuba DM	14	Nquthu	24	Nkandla
5	Zululand DM	15	Newcastle	25	Ndwedwe
6	King Cetshwayo DM	16	Dannhauser	26	Greater Kokstad
7	uMdoni	17	eDumbe	27	uBuhlebezwe
8	uMzumbhe	18	uPhongolo	28	uMzimkhulu
9	uMuziwabantu	19	AbaQulusi	29	Dr. Nkosazana Dlamini Zuma
10	Ray Nkonyeni	20	Nongoma		

Source: KZN Provincial Treasury

The number of municipalities that tabled their *Time schedules outlining key deadlines* within the prescribed date of 31 August as per Section 21(1)(b) of the MFMA as illustrated in Figure 5.2 has remained constant at 46 in 2020/21 when compared to 2019/20. Figure 5.2 illustrates the number of municipalities that approved their *Time schedules outlining key deadlines* by 31 August over 2017/18 to 2020/21.

Figure 5.2



Source: KZN Provincial Treasury

5.2.2 Provincial Treasury's support to municipalities on the 2020/21 Municipal Budget preparation process

Section 5(4)(a)(ii) of the MFMA states that *to the extent necessary to comply with subsection (3), a Provincial Treasury must monitor the preparation by municipalities in the province of their budgets.* Furthermore, Section 5(4)(b) of the MFMA states that *a Provincial Treasury may assist municipalities in the province in the preparation of their budgets.*

As part of the budget preparation process, all municipalities which provide Electricity are expected to submit applications for an electricity tariff increase to the National Energy Regulator of South Africa (NERSA) in line with Section 43 of the MFMA. To ensure an improvement in the quality and timeliness of the tariff increase applications to be submitted, NERSA jointly with Provincial Treasury conducted a two-day workshop on 15 and 16 October 2019 in Durban. The purpose of the workshop was mainly to highlight the correct process of completing and submitting the relevant application forms and to remind municipalities of the deadlines for other related processes. The workshop was conducted for all delegated and non-delegated municipalities which are licenced to provide electricity services and was attended by 77 municipal officials from 22 municipalities.

Technical support for the 2020/21 budget preparation process was limited to remote support on request due to the lockdown restrictions on travelling.

To guide all 51 delegated municipalities with the preparation of their 2020/21 budgets and to monitor compliance with the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury issued Circular PT/MF 10 of 2019/20 dated 16 March 2020 (Preparation, submission and publication of the 2020/21 MTREF budget) to municipalities.

The circular covered the following areas relating to the Budget preparation process:

- Preparation of the 2020/21 MTREF Municipal Budgets;
- Format Requirements for the 2020/21 MTREF Municipal Budgets;
- Balance Sheet and Cash Flow Budgeting;
- Funding Position of the 2020/21 MTREF Municipal Budgets;
- Technical Assistance on the 2020/21 MTREF Tabled Budgets;
- Engagement with municipalities on the 2020/21 MTREF Tabled Budgets;
- Submission of the 2020/21 MTREF Municipal Budgets;
- Publication of the 2020/21 MTREF Municipal Budgets;
- 2020/21 MTREF Municipal Budget Verification Process;
- Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- National and Provincial Transfers to municipalities;
- Further matters for consideration in the 2020/21 MTREF Municipal Budget Process; and
- Municipal Budget Submission Process.

The Provincial Treasury Circular included some of the areas of weaknesses and common mistakes identified by both the Provincial and National Treasuries in prior years that should have been considered and addressed (where applicable) by municipalities when preparing their 2020/21 MTREF budgets.

5.2.3 2020/21 Tabled Budget Assessment Process

5.2.3.1 Tabling of the 2020/21 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.*

Following the announcement of a national lockdown by the State President due to the outbreak of the Covid-19 pandemic, the municipalities and municipal entities were faced with the challenge of fully complying with the MFMA legislative requirements. As a result, the Minister of Finance issued a conditional Exemption Notice in terms of Section 177(1)(b) of the MFMA on 30 March 2020 to facilitate and enable the performance of legislative responsibilities by municipalities and municipal entities during the National State of Disaster. Therefore municipalities were exempted from complying with Section 16(2) of the MFMA. In KZN there were 38 municipalities that tabled their 2020/21 Draft Budgets at least 90 days before the start of the budget year. The remaining 13 municipalities tabled their Draft Budgets by 31 May 2020.

5.2.3.2 Submission of the 2020/21 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 the National and Provincial Treasuries in both printed and electronic formats. As per MFMA Budget Circular No. 98, the date for the submission of the PDF and electronic copies was 01 April 2020 if a municipality tabled on 31 March 2020.

Due to the exemption from complying with the requirements of Section 22(b)(i) of the MFMA, municipalities were not issued with non-compliance letters by the MEC for Finance where this requirement was not met, however, the submission thereof was monitored by Provincial Treasury. As at 31 May 2020, the uPhongolo, uMlalazi and AbaQulusi Local Municipalities did not submit one or more of the required Budget and related documents to Provincial Treasury.

Table 5.18 lists the municipalities that did not submit one or more of the required Budget and related documents timeously.

Table 5.18: Municipalities that did not submit electronic or PDF copies of their 2020/21 Tabled Budgets timeously

No	Municipalities that did not submit electronic copies timeously	No	Municipalities that did not submit mSCOA data strings (PRTA) timeously	No	Municipalities that did not submit PDF copies timeously	No	Municipalities that did not submit Draft SDBIP timeously	No	Municipalities that did not submit Draft SDBIP timeously
1	uPhongolo		Dannhauser KwaDukuza	1	Nquthu	1	Nquthu	21	uMdoni
				2	Msinga	2	uMvoti	22	uMzumbhe
				3	uMvoti	3	Newcastle	23	uMuziwabantu
				4	eMadlangeni	4	Dannhauser	24	Ray Nkonyeni
				5	Dannhauser	5	Amajuba DM	25	Ugu DM
				6	Amajuba DM	6	eDumbe	26	uMshwathi
				7	uPhongolo	7	uPhongolo	27	uMngeni
				8	uLundi	8	AbaQulusi	28	Mpořana
				9	Zululand DM	9	Nongoma	29	iMpindle
				10	uMhlabayalingana	10	ULundi	30	Mkhambathini
				11	Mtubatuba	11	Zululand DM	31	Richmond
				12	Big Five Hlabisa	12	uMhlabayalingana	32	uMgungundlovu DM
				13	uMkhanyakude DM	13	Big Five Hlabisa	33	iNkosi Langalibalele
				14	Mthonjaneni	14	uMkhanyakude DM	34	Alfred Duma
				15	Nkandla	15	uMfolozi	35	eNdumeni
				16	Mandeni	16	Mthonjaneni	36	uBuhlebezwe
				17	Ndwedwe	17	Nkandla	37	uMzimkhulu
				18	iLembe DM	18	King Cetshwayo DM	38	Dr. Nkosazana Dlamini Zuma
						19	Ndwedwe	39	Harry Gwala DM
						20	Maphumulo		

Source: KZN Provincial Treasury

5.2.3.3 Outcomes of the 2020/21 Tabled Budgets Assessments/Evaluations

Upon the receipt of the tabled 2020/21 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 the MBRR in general and to verify amongst others, whether:

- The Tabled Budgets submitted were in the correct Version 6.4.1 of the Schedule A1;
- The information provided in the main budget Tables (A1 to A10) and supporting Tables (SA1-SA38) reconciled to the budget documents and schedules submitted to the National Treasury portal; and
- The information is sufficient to enable the assessments of the Tabled Budgets.

The uPhongolo, uMlalazi and AbaQulusi Local Municipalities did not submit all their 2020/21 Tabled Budget documents in order to allow the Provincial Treasury to undertake the assessments thereof and provide comments on their Tabled 2020/21 Budgets, despite several reminders by Provincial Treasury to the municipalities to submit the documents. This included non-submission of the related budget data strings to the National Treasury portal timeously.

The Zululand District Municipality submitted their 2020/21 Tabled Budget documents for assessment on 22 May 2020 whilst their 2020/21 Final Budget was being tabled on 28 May 2020 thereby not allowing Provincial Treasury adequate time to undertake an assessment of their 2020/21 Tabled Budget.

Of the 47 delegated municipalities' budgets assessed, Provincial Treasury determined that 29 Tabled Budgets were Funded, 17 were Unfunded, one was Undetermined while the funding position for the remaining four municipalities' Tabled Budgets could not be assessed due to non-submission of the budget documents by the municipalities and are considered Undetermined.

5.2.3.4 Bi-lateral engagements

Bi-laterals engagements are normally held with municipalities within the months April to May annually to discuss Provincial Treasury's findings on the municipalities' annual Tabled Budgets before formal feedback is provided. Due to the lockdown restrictions on travelling, this was not possible in the 2020/21 Tabled Budget process.

Municipalities were however engaged telephonically or via virtual meetings upon requests from the municipalities. Furthermore, comprehensive formal feedback was provided to the 47 delegated municipalities that submitted their budget and related documents timeously to Provincial Treasury.

5.2.3.5 Key findings on the 2020/21 Tabled Budgets Assessments

The following were the key findings emanating from Provincial Treasury's assessment of the 2020/21 Tabled Budgets:

- **Compliance with MBRR and other legislations**

Compliance checks reflected that many municipalities did not provide all the required budget information and did not submit all the required budget supporting documents such as the budget related policies, the draft SDBIP, the draft IDP and the budget assumptions, etc. The budget narrative reports for some of municipalities were of a poor quality, were not comprehensive and in some cases, contradicted information contained in the Schedule A1. Provincial Treasury also found that some municipalities did not submit key calculations supporting significant budget line items.

Table A10: *Basic service delivery measurement* was not completed or poorly completed by most municipalities. Table A10 is critical for reflecting amongst others, information on the number of households within a municipal area, a measurement of the number of households receiving basic services at the minimum service level, the number of households receiving Free basic services, the cost of providing Free basic services and the unit of measurement thereof such as kilolitres for water, kilowatt hour for electricity and how frequently refuse is being removed, etc. Due to the poor quality of information in Table A10, Provincial Treasury was not able to, in many cases, determine the accuracy of budget for the *Cost of Free basic services* and whether municipalities are effectively delivering basic services to their indigent customers.

Other critical supporting tables which were not completed or poorly completed were Table SA7: *Measurable performance objectives*, Table SA9: *Social, economic and demographic statistics and assumptions*, Table SA24: *Summary of personnel numbers*, Table SA34b: *Capital expenditure on the renewal of existing assets by asset class*, Table SA34e: *Capital expenditure on the upgrading of existing assets by asset class*, Table SA37: *Project delayed from previous financial year/s* and Table SA38: *Consolidated detailed operational projects*.

- **Credibility of budget figures**

The budget tables in Schedule A1 for some municipalities were either not fully and/or accurately populated. Discrepancies were noted in the following areas:

- Audited Outcome figures did not reconcile to the audited Annual Financial Statement (AFS) figures;
- The full year forecast figures for 2019/20 were merely replicated as the Adjusted Budget figures and were not in line with the performance trends;
- The 2019/20 Adjusted Budget figures did not reconcile to the approved Schedule B figures; and
- Differences were noted between the figures quoted in the narrative report and Schedule A1.

Challenges were also experienced in some cases where municipalities did not provide the basis for their budget assumptions and/or no budget assumptions were supplied at all for certain line items, thus limiting the analysis by Provincial Treasury.

- **Sustainability of the municipality**

Many municipalities' operating budgets continue to be funded mainly from grants. Provincial Treasury has noted with concern that some municipalities have **budgeted for Operating deficits** for the 2020/21 MTREF. These municipalities were alerted to the fact that continued Operating deficits may result in the erosion of municipal cash reserves leading to possible future unfunded budgets.

Many municipalities still continue to provide water, sanitation and refuse removal services at a deficit, despite the advice contained in the MFMA Circulars that tariffs set by municipalities should be cost reflective. It is also of great concern that some of these municipalities did not indicate any plans aimed at rectifying the challenges that have resulted in providing these services at deficits, thereby exposing the municipality to the risk of not being sustainable.

- **Funding of budgets**

Despite the ongoing advice given to municipalities through the MFMA Circulars that municipalities should prepare funded budgets as per Section 18 of the MFMA, many municipalities still tabled unfunded budgets.

Some municipalities still failed to adequately complete Table A7: *Budgeted cash flows* and Table A8: *Cash backed reserves/accumulated surplus reconciliation* which are critical not only to reflect the cash flow status of the municipality but also to assist in determining the funding position of municipal budgets.

In Table A7, the most common error was the capturing of incorrect figures in the Adjusted Budget and Audited Outcomes columns. Consequently, incorrect opening balances were being carried over the MTREF. Furthermore, the majority of municipalities neither accurately populated the Full Year Forecast column in the budget, nor provided Provincial Treasury with their workings for the 2019/20 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the

2020/21 Opening *Cash and cash equivalents* balance. The budgeted cash inflow in some cases was also based on collection rate assumptions which were not realistic and adequately justified.

Provincial Treasury recalculated an estimate for *Other working capital requirements* in Table A8 based on the *Receivables* and *Payables* in the audited AFS as well as the Adjusted Budget for the current year (2019/20) and the budget assumptions for revenue and expenditure in the budget year (2020/21). This process highlighted that some municipalities significantly understated their cash outflows for *Suppliers and employees* in Table A7 and/or their *Trade and other creditors* balance as at the end of the 2020/21 budget year in Table SA3: *Supporting detail to 'Budgeted Financial Position'*. Similarly, municipalities overstated their cash inflows for the various operating revenue line items in Table A7 and/or their *Other debtors* and *Long term receivables* as per Table A6 and *Consumer debtors* balances as at the end of the 2020/21 budget year in Table SA3.

Table A8 was commonly characterised by incomplete information which did not correlate with information contained in the audited AFS whereby estimates on *Unspent conditional transfers*, *Statutory requirements* and *Other provisions* were not reflected which together with the unrealistic *Other working capital requirements*, resulted in an incorrect status of *Surplus/(shortfall)*.

Some municipalities have reflected negative *Cash/cash equivalents at the year end* and *Shortfall* positions over the entire MTREF period thus, raising concerns over their liquidity and whether or not the municipalities would be able to pay their debts as and when they fall due.

- **Operating revenue**

Regarding the Operating revenue budget, some municipalities did not justify, in their budget narratives, all increases to their tariffs in excess of the projected Consumer Price Index (CPI) inflation forecasted to be within the upper limit of the 3 to 6 percent target band as specified in MFMA Circular No. 98.

Most municipalities did not disclose the rateable properties, market values as well as valuation reductions and any other rating criteria in Tables SA11: *Property rates summary*, SA12b: *Property rates by category* which limited the analysis of the reasonableness of the budgets for *Property rates* revenue by Provincial Treasury. Due to the non-submission of Property rates policies and/or calculations to support the budgets by some municipalities, Provincial Treasury could not determine whether these municipalities complied with the requirements of the Municipal Property Rates Amendment Act (Act No. 29 of 2014).

Some municipalities that provide services such as water and electricity did not budget for the *Cost of free basic services* against the relevant revenue items in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* as a result of incorrectly populating Table SA9: *Social, economic and demographic statistics and assumptions*. Some municipalities also do not appear to have considered the basic services component of the Equitable Share allocation for use in free basic service support for residents within the municipality's jurisdiction and rather budgeted to utilise the majority of the Equitable Share allocation for municipal expenses.

- **Operating expenditure**

With regards to the Operating expenditure budget, most municipalities did not justify all their increases in excess of the projected Consumer Price Index (CPI) inflation target band of 3 to 6 percent as specified in MFMA Circular No. 98.

Tables SA22, SA23 and SA24 relating to councillors and staff benefits, salaries and allowances as well as personnel numbers for the municipality were either poorly populated or not populated thereby limiting the extent to which the reasonableness of the budgeted salary increases could be assessed.

Despite the guidance provided in MFMA Circular No. 71 for the ratio of *Remuneration (Employee related costs and Remuneration of councillors)* to *Total operating expenditure* to be between 25 and 40 percent, the ratio was found to be excessive in some municipalities.

Some municipalities under-budgeted for *Debt impairment* and *Depreciation and asset impairment*. While both these are non-cash expenses, municipalities could still incur unauthorised expenditure at the end of the financial year due to under-budgeting. Significant under-budgeting also results in municipalities projecting unrealistic Operating surpluses.

Other expenditure, in particular, was of concern as the increases were excessive in some cases. Furthermore, undefined projects and non-priority items could be included in *General expenses* resulting in significantly high budget amounts for *Other expenditure*. Some municipalities also did not detail *Other expenditure* sufficiently in Table SA1: *Supporting detail to 'Budgeted Financial Performance'*.

For many municipalities, *General expenses*, as detailed in Table SA1 contributed more than 10 percent towards *Other expenditure* in 2020/21. In terms of the MFMA Budget Format Guide, *General expenses* should not exceed 10 percent of the *Other expenditure* budget. Some municipalities reflected *General expenses* that were 100 percent of *Other expenditure* which made it impossible for Provincial Treasury to assess whether the municipalities concerned applied the guidance provided in MFMA Circulars No. 58, 66 and other subsequent MFMA Circulars which encouraged reducing non-priority expenditure. Municipalities were advised to review their allocation of expenditure to *General expenses* and reallocate the expenditure to the appropriate expenditure items accordingly.

- **Capital expenditure and Asset management**

Some municipalities continue to submit incomplete Budget Tables relating to their Capital Budget, including Table SA36: *Detailed capital budget* and Table SA37: *Project delayed from previous financial year/s*. Most municipalities still have a challenge in budgeting for at least 40 percent of the Capital expenditure budget for the *Renewal of existing assets* as per MFMA Circular No. 55. Furthermore, the budgets for *Repairs and maintenance* were in some cases unrealistic or questionable and the *Asset register summary – PPE (WDV)* values in Table A9: *Asset Management* were also not linked to asset registers thereby distorting the information which forms the basis for the correct calculation of *Repairs and maintenance*.

Some municipalities did not indicate the budget allocations to sub-functions in Table A5 such as *Executive and Council, Internal audit* and *Public safety*, thereby raising concerns over the credibility of their budgets.

Notwithstanding the importance of supplementing the capital programme from *Internally generated funds*, the narrative reports of some municipalities could not adequately demonstrate that they have sufficient cash backed accumulated funds from previous financial years. With the poorly populated Tables A7 and A8, the municipalities' ability to finance capital programmes from internal funding, in some cases, could not be established.

In instances where municipalities intended to finance their capital programme through *Borrowings*, some municipalities did not submit sufficient supporting documents such as the projected workings and as a result, Provincial Treasury could not assess the reasonableness of their budgeted *Finance charges* and *Repayment of borrowings*.

- **Submission of Service Level Standards**

Most municipalities did not submit their Service Level Standards as required by MFMA Circular No. 78, despite the guideline being issued to municipalities on how to formulate Service Level Standards. Provincial Treasury will continue to monitor the municipalities to ensure that they put in place appropriate Service Level Standards.

5.2.3.6 Municipal responses to Provincial Treasury findings on the 2020/21 Tabled Budgets

Section 23(2) of the MFMA states that *after considering all budget submissions, the Council must give the Mayor an opportunity to respond to the submissions; and if necessary, to revise the budget and table amendments for consideration by the Council*. In an attempt to assist municipalities in complying with Section 23(2) of the MFMA, in particular to respond to the submissions made by Provincial Treasury, a section was provided in the Budget assessment feedback report for the respective municipalities to provide responses to Provincial Treasury's comments with the submission of their Approved Budget documents in accordance with Regulation 20 of the MBRR. In this regard, only the 10 municipalities shown in Table 5.19 provided responses to Provincial Treasury.

Table 5.19: Municipalities that provided formal responses to Provincial Treasury's comments

No	Name of municipality	No	Name of municipality
1	uMdoni	6	eNdumeni
2	uMshwathi	7	uMvoti
3	Okhahlamba	8	eMadlangeni
4	Alfred Duma	9	Mandeni
5	uThukela DM	10	uMzimkhulu

Source: KZN Provincial Treasury













5.2.3.7 Summary of the 2020/21 Tabled Budget Assessment Process

A trend analysis of milestones for the Tabled Budget process over the four year period from 2017/18 to 2020/21 is shown in Table 5.12.

Despite regular reminders, seven (7) municipalities still failed to upload their budget documentation to their municipal websites timeously. This is of great concern to Provincial Treasury as this step in the process is integral to the municipalities' transparent communication with its communities. Some municipalities have indicated that the non-compliance was due to non-functioning websites as well as the National Treasury Exemption Notice issued in this regard. Municipalities were thus reminded of the importance of Section 75 of the MFMA and an adequately functioning website in order to fully comply with this legislative requirement.


The number of Tabled Budgets assessed decreased from 51 to 47 due to the non-submission and late submission of the budget and related documents to Provincial Treasury. The quality of the 2020/21 Tabled Budgets deteriorated which resulted in the number of budgets where the funding position could not be determined increased from four (4) in 2019/20 to five (5) in 2020/21. Encouragingly, the number of funded budgets improved from 27 in 2019/20 to 29 in 2020/21 whilst the number of unfunded budgets improved from 20 to 17 over the same period.

Table 5.20: Trend analysis of milestones for the Tabled Budget process

No	Item	2017/18 Process	2018/19 Process	2019/20 Process	2020/21 Process	Year on year movement
Budget Timelines						
1	Time Schedules outlining key deadlines NOT tabled by 31 August	17 (33%)	6 (12%)	5 (10%)	5 (10%)	
2	Time Schedules outlining key deadlines NOT tabled	1 (2%)	0 (0%)	0 (0%)	0 (0%)	
Tabled (Draft) Budget						
3	Technical support provided to munis. by PT on the budget preparation process	2 (4%)	5 (10%)	8 (16%)	0 (0%)	
4	Nos. of munis. that did NOT submit their Tabled Budget to PT by the due date as per MFMA Budget circ.	1 (2%)	4 (8%)	18 (35%)	4 (7.8%)	
5	Nos. of munis. that did NOT place their Budget on the municipal website within 5 working days of tabling	6 (12%)	7 (14%)	7 (14%)	7 (14%)	
6	Nos. of munis. that did NOT provide a consolidated budget (where applicable)	0 (0%)	0 (0%)	1 (2%)	0 (0%)	
7	Nos. of munis. whose Tabled budgets were NOT in the correct format/version applicable	0 (0%)	0 (0%)	1 (2%)	0 (0%)	
8	Nos. of munis. with Funded Tabled budgets	24 (47%)	23 (45%)	27 (53%)	29 (57%)	
9	Nos. of munis. with Unfunded Tabled budgets	13 (25%)	16 (31%)	20 (39%)	17 (33%)	
10	Nos. of munis. where funding positions of the Tabled budget could not be determined	14 (27%)	12 (24%)	4 (8%)	5 (10%)	
11	Nos. of munis. that were engaged by PT on the Tabled budget	45 (88%)	45 (88%)	50 (98%)	0 (0%)	
12	Nos. of Feedback letters* sent (PT findings on Tabled budget)	51 (100%)	51 (100%)	51 (100%)	47 (92%)	




Source: KZN Provincial Treasury

Table 5.20: Trend analysis of milestones for the Tabled Budget process ...cont'd

No	Item	2017/18 Process	2018/19 Process	2019/20 Process	2020/21 Process	Year on year movement
SDBIP						
13	Nos. of Draft SDBIP's NOT submitted to PT	11 (22%)	10 (20%)	6 (12%)	39 (12%)	

* Nos. of delegated munis. in KZN decreased from 58 to 51 after the August 2016 Local Government election

Key

-  Year on year improvement noted or No improvement possible
-  No change noted year on year
-  Year on year regression noted

5.2.4 2020/21 Approved Budget Assessment Process

5.2.4.1 Approval and submission of the 2020/21 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.*

The advent of COVID-19 and the Declaration of the National State of Disaster on 15 March 2020 and the initial 21 Day Lockdown gazetted on 25 March 2020 by the National Minister of the Department of Cooperative Governance and Traditional Affairs, resulted in a government notice being issued by National Treasury which exempted municipalities and municipal entities from certain provisions of the MFMA, including Section 24(1).

Despite the exemption notice, all municipalities in the province approved their 2020/21 Budgets before the beginning of the 2020/21 financial year.

Section 24(3) of the MFMA read together with Regulation 20 of the MBRR requires the Accounting Officer to submit the electronic and printed copies of the Approved Budget to National Treasury and Provincial Treasury within 10 working days after tabling in Council. Three non-compliance letters were issued to the municipalities that did not submit the electronic and/or PDF copies of their budgets within the prescribed time as shown in Table 5.21.

Table 5.21: Municipalities that did not submit electronic or PDF copies of their 2020/21 Approved Budgets timeously

No	Municipalities that did not submit electronic copies timeously	No	Municipalities that did not submit printed-pdf copies timeously	No	Municipalities that did not submit mSCOA data strings (PROR) timeously
1	Ugu DM	1	uMuziwabantu	1	Dannhauser
2	uMshwathi	2	Ray Nkonyeni	2	KwaDukuza
3	Mpofana	3	Ugu DM		
		4	uMshwathi		
		5	uMngeni		
		6	Mpofana		
		7	Richmond		
		8	uMsinga		
		9	uMvoti		
		10	uPhongolo		
		11	AbaQulusi		
		12	Nongoma		
		13	uMlalazi		
		14	iLembe DM		

Source: KZN Provincial Treasury

5.2.4.2 Outcomes of the High Level Assessment of the Approved 2020/21 Budgets

Provincial Treasury conducted a high level assessment of the 2020/21 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 2020/21 Approved Budgets. Municipalities shown in Table 5.22 were requested to table funded 2020/21 Adjustments Budgets by 30 September 2020 by the MEC for Finance, as per the instruction to municipalities by National Treasury in their correspondence dated 24 August 2020. Failure to comply could result in those municipalities having their scheduled 08 December 2020 Equitable Share transfer being withheld by National Treasury.

Table 5.22: Municipalities with unfunded 2020/21 Approved Budgets

No	Name of municipality	No	Name of municipality
1	Ugu DM	10	eDumbe
2	Mpořana	11	AbaQulusi
3	Richmond	12	Ulundi
4	uMgungundlovu DM	13	Zululand DM
5	uThukela DM	14	uMkhanyakude DM
6	eNdumeni	15	uMfolozi
7	uMzinyathi DM	16	uMlalazi
8	Newcastle	17	Nkandla
9	Amajuba DM	18	Harry Gwala DM

Source: KZN Provincial Treasury

The funding position of the iNkosi Langalibalele Local Municipality's 2020/21 Approved Budget could not be determined and therefore has not been included in the table above.

5.2.5 Summary of the 2020/21 Budget Process

Table 5.23 shows a summary of the statistics on the 2020/21 municipal budget assessment process for both the Tabled and Approved Budget:

Table 5.23: Summary of the outcomes on the 2020/21 Budget Assessment Process

	No. of Budgets	Name of municipality
<u>2020/21 Tabled Budgets</u>		
Budgets tabled late (less than 90 days before 1 July 2020)	13	
Budgets received (electronic and printed-pdf copies)	48	
Budgets Assessed	47	
Budgets not Assessed	4	uPhongolo, uMlalazi, AbaQulusi and Zululand DM
Budgets Tabled in correct formats	47	
Funded Budgets	29	
Unfunded Budgets	17	
Undetermined Funding Position	1	uMkhanyakude DM
<u>2020/21 Approved Budgets</u>		
Budgets not considered for Approval by 31 May 2020	22	
Budgets approved in correct formats	49	
Budgets received (electronic and printed-pdf copies)	51	
High level assessments conducted on Approved Budgets	51	
Funded Budgets	32	
Unfunded Budgets	18	
Undetermined Funding Position	1	iNkosi Langalibalele

Source: KZN Provincial Treasury

Table 5.24 shows the funding positions of the 2020/21 Tabled and Approved Budgets of all delegated municipalities. The table shows that initially there were 29 Tabled Budgets which were funded, 17 were unfunded, the funding position for one municipality was undetermined, while four were not assessed. However, the funding position of the Approved Budgets improved. Table 5.24 shows that 32 of the Approved Budgets were funded, 18 were unfunded while one municipality remained with a funding position which could not be determined. The high number of municipalities which tabled their Budgets late (less than 90 days before 01 July 2020) and those whose Budgets were not considered for approval by 31 May 2020, was mainly as a result of the National Treasury MFMA Exemption Notice which exempted municipalities from these sections of the MFMA for the 2020/21 Budget Process, due to COVID-19.

Table 5.24 shows the funding position of each delegated municipality's 2020/21 Tabled Budget and 2020/21 Approved Budget as per Provincial Treasury's assessments.

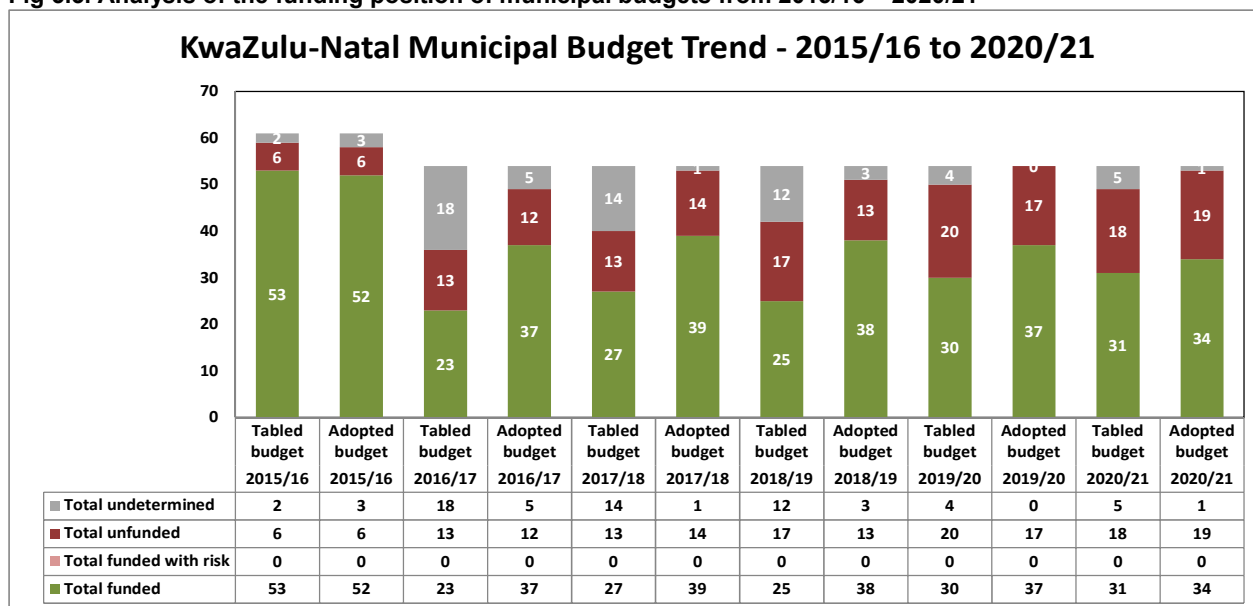
Table 5.24 Funding Position of 2020/21 Tabled and Approved Budgets

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

Fig 5.3 shows the trend analysis of the funding position of all KZN municipalities over the last six budget years (2015/16 – 2020/21).

Fig 5.3. Analysis of the funding position of municipal budgets from 2015/16 – 2020/21



Source: KZN Provincial Treasury

Note: The table and the graph above includes data for the non-delegated municipalities namely; the eThekweni Metro, and the Msunduzi and uMhlatuze Local Municipalities. The budget assessments for the non-delegated municipalities were performed by National Treasury. The number of municipalities in KZN decreased from 61 to 54 after the August 2016 Local Government elections.

Please note that the four municipalities whose 2020/21 Tabled Budgets were not assessed in Table 5.23, namely the uPhongolo, uMlalazi, and AbaQulusi Local Municipalities as well as the Zululand District Municipality’s 2020/21 Tabled Budgets funding status were classified as Undetermined in Table 5.24 and Figure 5.3 above for reporting purposes.

5.3 Non-compliance with the Division of Revenue Act and the Municipal Finance Management Act Reporting requirements

Municipalities are required to comply with the Division of Revenue Act, Act No. 1 of 2019 (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 2019/20 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 2019/20 financial year, Provincial Treasury reported non-compliance with both the MFMA and the DoRA reporting requirements to the KwaZulu-Natal Provincial Legislature on a quarterly basis through the MFMA Section 71(7) Reports, where the MEC for Finance is required to submit a consolidated statement on the state of municipalities’ budgets.

The tables below show some of the important MFMA and DoRA reporting requirements that have not been complied with by municipalities together with a list of those municipalities who did not fully comply with

these reporting requirements as noted in Provincial Treasury Circular PT/MF 02 of 2020/21 issued on 24 August 2020.

5.3.1. 2019/20 Section 71 Monthly Data strings

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.*

Table 5.25 shows the list the municipalities that did not submit their monthly data strings for the respective months in compliance with Section 71(1) of the MFMA, i.e. **by the 10th working day after the end of each of these months**, the municipalities listed in Table 1 would not have successfully uploaded their data strings onto the National Treasury LG portal/database.

Table 5.25: List of municipalities that did not submit the monthly data strings by 10th working day of the respective months

Name of datastring	Period	Non-Compliant Municipalities
In Year Monthly datastrings	July 2019	uPhongolo
	August 2019	Amajuba DM, Nquthu, uPhongolo
	September 2019	Amajuba DM, Nquthu, uPhongolo
	October 2019	uPhongolo
	November 2019	uPhongolo, Mtubatuba
	December 2019	iMpendle, uPhongolo, Mtubatuba
	January 2020	uPhongolo
	February 2020	uPhongolo
	March 2020	uPhongolo
	April 2020	uPhongolo
	May 2020	uPhongolo
	June 2020	Dannhauser, Mpošana, uPhongolo
Debtors Monthly datastrings	July 2019	Amajuba DM, Ray Nkonyeni, Nquthu, Inkosi Langalibalele, uPhongolo
	August 2019	Amajuba DM, Nquthu, Inkosi Langalibalele, uPhongolo
	September 2019	Amajuba DM, Ray Nkonyeni, Nquthu, Inkosi Langalibalele, uPhongolo
	October 2019	Amajuba DM, iMpendle, Inkosi Langalibalele, uPhongolo
	November 2019	Amajuba DM, Dannhauser, Mpošana, uMgungundlovu DM, Inkosi Langalibalele, uMlalazi, uPhongolo
	December 2019	Amajuba DM, Dannhauser, Mpošana, Mtubatuba, Inkosi Langalibalele, uMlalazi, eDumbe, uPhongolo
	January 2020	Amajuba DM, uPhongolo
	February 2020	Dannhauser, uPhongolo
	March 2020	Mkhambathini, uPhongolo
	April 2020	Dannhauser, Richmond, uPhongolo
	May 2020	Amajuba DM, Nquthu, uPhongolo
	June 2020	Amajuba DM, Mpošana, uPhongolo

Source: Local Government Database

Table 5.25: List of municipalities that did not submit the monthly data strings by 10th working day of the respective months..cont'd

Name of datastring	Period	Non-Compliant Municipalities
Creditors Monthly datastrings	July 2019	uPhongolo
	August 2019	Nquthu, uPhongolo
	September 2019	Amajuba DM, Nquthu, uPhongolo
	October 2019	iMpendle, uPhongolo, Richmond
	November 2019	Dannhauser, uPhongolo, Mpošana
	December 2019	Dannhauser, Mpošana, Mtubatuba, eDumbe, uPhongolo
	January 2020	uPhongolo
	February 2020	uPhongolo
	March 2020	iMpendle, uPhongolo
	April 2020	Dannhauser, uPhongolo
	May 2020	uPhongolo
	June 2020	Mpošana, uPhongolo

Source: Local Government Database

5.3.2. 2019/20 Quarterly Data Strings

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 quarterly borrowing and investments information in the form of data strings must be uploaded to the LG portal/database. Table 5.26 shows the list of municipalities that did not submit the required quarterly data strings by the 10th working day after the end of each quarter.

Table 5.26: List of municipalities that did not submit the quarterly data strings for the 2019/20 financial year in the respective quarter

Quarter	Borrowings Monitoring		Investment Monitoring	
Quarter 1	Dannhauser	Nquthu	Ugu DM	uPhongolo
	Ugu DM	uPhongolo	Amajuba DM	
	Amajuba DM		Dannhauser	
Quarter 2	Mpošana	uThukela DM	Mpošana	uPhongolo
	Richmond	Nkandla	Richmond	
	uMshwathi	uPhongolo	uMshwathi	
	Mtubatuba		Mtubatuba	
Quarter 3	Nkandla	uPhongolo	Dannhauser	uMgungundlovu DM
	Richmond		Greater Kokstad	uMsinga
	uMgungundlovu DM		Mpošana	Nkandla
	uMsinga		Richmond	uPhongolo
Quarter 4	Mpošana	uPhongolo	Amajuba DM	Nkandla
	Richmond	eDumbe	Mpošana	eDumbe
	uMshwathi	Amajuba DM	Richmond	uPhongolo
	Nkandla		uMshwathi	

Source: Local Government Database

5.3.3 2019/20 Verification of figures for Quarter 4

Provincial Treasury is concerned about the reliability of the 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 LG database by municipalities. To ensure that the figures published by National Treasury are reliable, it is imperative that municipalities scrutinise, verify and sign-off the verifications schedules sent to them by National Treasury on a quarterly basis.

There are four quarterly verification schedules, namely:

- (a) Statement of Operating and Capital Expenditure (Monthly In Year Monitoring);
- (b) Conditional Grants Actual Transfers and Expenditure Schedule;
- (c) Borrowing Monitoring Schedule; and
- (d) Investment Monitoring Schedule.

Table 5.27 lists the municipalities that did not submit the signed verifications schedule for Quarter 4.

Table 5.27: List of municipalities that did not submit the signed verification schedules for Quarter 4

Monthly In Year Monitoring	Conditional Grants	Borrowings Monitoring	Investment Monitoring
uMsinga	uMsinga	uMzumbe	uMzumbe
Amajuba DM	Amajuba DM	Mpořana	Mpořana
uPhongolo	uPhongolo	Richmond	iMpendle
		uMgungundlovu DM	Mkhambathini
		eMadlangeni	Richmond
		Amajuba DM	uMgungundlovu DM
		eDumbe	Nquthu
		uPhongolo	Amajuba DM
		Nkandla	eDumbe
		Mandeni	uPhongolo
			Nongoma
			uMlalazi
			Nkandla

Source: KZN Provincial Treasury

5.3.4 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 the documents *must be placed on the website not later than five working days after its tabling in Council or on the date on which it must be made public, whichever occurs first.*

As at 03 August 2020, the 13 municipalities shown in Table 5.28 had not placed the majority of the required documents on their websites.

Table 5.28: List of the municipalities that did not place majority of the required documents on their websites

No	Non-Compliant Municipalities	No	Non-Compliant Municipalities
1	Mpofana	8	eDumbe
2	Okhahlamba	9	Zululand DM
3	iNkosi Langalibalele	10	Mtubatuba
4	Nquthu	11	uBuhlebezwe
5	Dannhauser	12	Dr. Nkosazana Dlamini Zuma
6	Richmond	13	Ray Nkonyeni
7	uMuziwabantu		

Source: Municipal Websites

5.3.5. Financial Management Grant (FMG) Conditions/Appointment of Municipal Interns

In terms of the Financial Management Grant (FMG) conditions published in the 2019 DoRA, the grant may be utilised for amongst others, appointing at least five interns in local municipalities and three interns in metropolitan and district municipalities over a multi-year period.

As at 03 August 2020, the 10 municipalities shown in Table 5.29 had not appointed the required number of interns.

Table 5.29: List of municipalities which did not appoint the required number of interns

No	Non-compliant Local Municipality	No	Non-compliant Local Municipality
1	uMzambe	6	Dr. Nkosazana Dlamini Zuma
2	eNdumeni	7	uBuhlebezwe
3	uPhongolo	8	uMsinga
4	uMlalazi	9	AbaQulusi
5	Mthonjaneni	10	Amajuba DM

Source: KZN Provincial Treasury

5.4 Implementation of the Municipal Regulations on Standard Chart of Accounts (mSCOA)

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 2019/20 financial year by means of providing onsite support and engagements with municipalities and municipal entities.

5.4.1 Reporting in terms of Section 71 of the MFMA for the 2019/20 financial year

The Accounting Officer of a municipality is required by no later than 10 working days after the end of each month to 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 (mSCOA data strings).

Stage 1 and Stage 2 of mSCOA LG Database Validation

Stage 1 validation refers to whether the mSCOA data strings file was submitted to the LG database in the correct file format.

Stage 2 validation refers to the process once the submission of stage 1 is successful. Subsequent to the submission of the Tabled Budget, National Treasury validated the data strings against the 16 segment validation rules to ensure that the municipalities applied the segments appropriately.

Table 5.30 shows the submission status for the 2019/20 financial year as at 12 August 2020.

Table 5.30: Submission Status for the 2019/20 monthly data strings

Status	M01	M02	M03	M04	M05	M06	M07	M08	M09	M10	M11	M12
Successfully submitted	48	50	50	52	49	50	52	52	51	52	50	46
Successfully submitted with segment errors	5	1	1	1	1	-	-	-	1	1	3	5
Submitted with errors	-	2	-	-	2	2	1	-	-	-	-	1
Outstanding	1	1	3	1	2	2	1	2	2	1	1	2

Source: National Treasury LG Database

Table 5.31 lists the municipalities whose 2019/20 monthly data strings contained errors or were outstanding and these municipalities were notified accordingly. uPhongolo Local Municipality reverted to a non-mSCOA system and therefore is currently unable to submit any data strings.

Table 5.31: Municipalities whose monthly data strings submissions contained errors or outstanding

No	Name of municipality	Error Type	No	Name of municipality	Error Type
1	Amajuba DM	M02 - Submitted with error M03 - Outstanding	10	Mtubatuba	M05-M06 Submitted with error
2	Dannhauser	M12 - Outstanding	11	Newcastle	M12 - Segment Error
3	eDumbe	M05 - Stage 2 Segment Error	12	Nquthu	M02 - Submitted with Error M03 - Outstanding M12 - Stage 2 Segment Error
4	eThekweni Metro	M05 - Submitted with error	13	Ray Nkonyeni	M11 - Stage 2: Segment Error
5	iMpindle	M06 - Submitted with error M09 - Stage 2 Segment Error	14	Richmond	M01 - Stage 2 Segment Error
6	KwaDukuza	M01 - Stage 2 Segment Error	15	uMdoni	M12 - Segment Error
7	Maphumulo	M11 - M12 - Segment Error	16	uMsinga	M01 - Stage 2 Segment Error
8	Mpoofana	M12 - Submitted with errors	17	uMzinkhulu	M01 - Stage 2 Segment Error
9	Msunduzi	M01-M04, M10-M12 - Stage 2 Segment Error M05-M06, M08-M09 - Outstanding M07 - Submitted with error	18	uPhongolo	M01-M12 - Outstanding

Source: National Treasury LG Database

Stage 3 Validation: Reconciliation of the mSCOA data strings to the Monthly MFMA Section 71 Reports (prescribed Schedule C)

The process of verifying the alignment of the MFMA Section 71 Reports (monthly budget statement) in a prescribed Schedule C format of the Municipal Budget and Reporting Regulations (MBRR) and the monthly mSCOA data strings was undertaken by Provincial Treasury and the feedback was sent to all delegated municipalities on a monthly basis. Municipalities were required to investigate the variance and rectify the errors to ensure accurate reporting in all reporting platforms. Ideally, the figures as per the MFMA Section 71 reports (Schedule C) and the monthly mSCOA data strings should be perfectly aligned. However, there were variances noted for all delegated municipalities from Month 01 to Month 12.

Stage 4: Analysis of the use of segments for the monthly submissions of 2019/20 financial year

The monthly analysis was performed for M01 - M10 for all delegated municipalities. In addition to this, the communication was sent to municipalities to indicate the impact that the incorrect transactional information may during the Adjustment Budget Process and the financial year end. The impact of the incorrect transaction information will result:

- Inaccurate representation of the financial performance of the municipality based on the errors identified further and as published by National Treasury;
- Inaccurate monthly information will hamper the municipalities' management to make effective decisions;
- Amendments as required per Section 28 of the MFMA will be limited as the main Adjustment Budget process (February) has passed; and

- Lastly, the preparation of Annual Financial Statements (AFS) becomes a challenge due to the number of corrections that need to be made.

The analysis revealed the following:

- The region segment was incorrectly transacted on. Further to this, some municipalities had new regions that were not on the initial Adopted Budget (ORGB) and Adjustments Budget (ADJB) and mSCOA data strings;
- The costing segment is default. Costing has not been implemented for services such as electricity, waste, waste water and water services in majority of the municipalities with the exception of KwaDukuza Local Municipality;
- Accounting for transactions in terms of Generally Recognised Accounting Principles is a challenge, the specific issues relate to GRAP 12: Inventory Accounting, GRAP 109: Principle vs. Agent, GRAP 23: Non-exchange Revenue and GRAP 6: Consolidations;
- Double entry principles are not employed during the preparation of monthly accounts;
- Validation rules are being by-passed and segment errors are still appearing;
- The use of segments still continues to be incorrect in most instances and this is negatively impacting the alignment to the Schedule C:
 - The incorrectly funding allocation and hence cash flow does not balance;
 - Incorrectly linking of project capital, project operational and project default. Opening balances have incorrectly been allocated to project capital and this has negatively impacted the Capital expenditure or revenue reported figures as disclosed in Tables A5, A9, B5, B9, C5 and C9 of the regulated Schedules;
 - Opening balances are not correctly aligned by class of asset and/or not rolled over appropriately and hence the balance sheet is NOT in balance;
 - The incorrect classification of item segments based on the project segment description. Assets are in negative balance for cost amounts;
 - There is no depreciation being run;
 - Clearing accounts are not NIL;
 - Incorrect classification of between core and non-core functions. Municipalities have not used the guidelines provided in MFMA Circular No. 74. This however can only be corrected through the Adjustment Budget processes;
 - The project capital asset description and the item asset descriptions do not match;
 - Items such as Catering, Maintenance and Travel and Subsistence are incorrectly linked to Municipal Running costs; and
 - There is no use of the project operational typical work streams: cost of Free Basic Services for water and electricity nor rebates for Property rates used for some municipalities.

Municipalities indicated that they are in the process of engaging their system service providers to assist them in resolving the challenges noted. Furthermore, municipalities have been urged to ensure accuracy, validity, and completeness of information. The impact of incorrect and/or inaccurate information is distorting published information as well as those noted above.

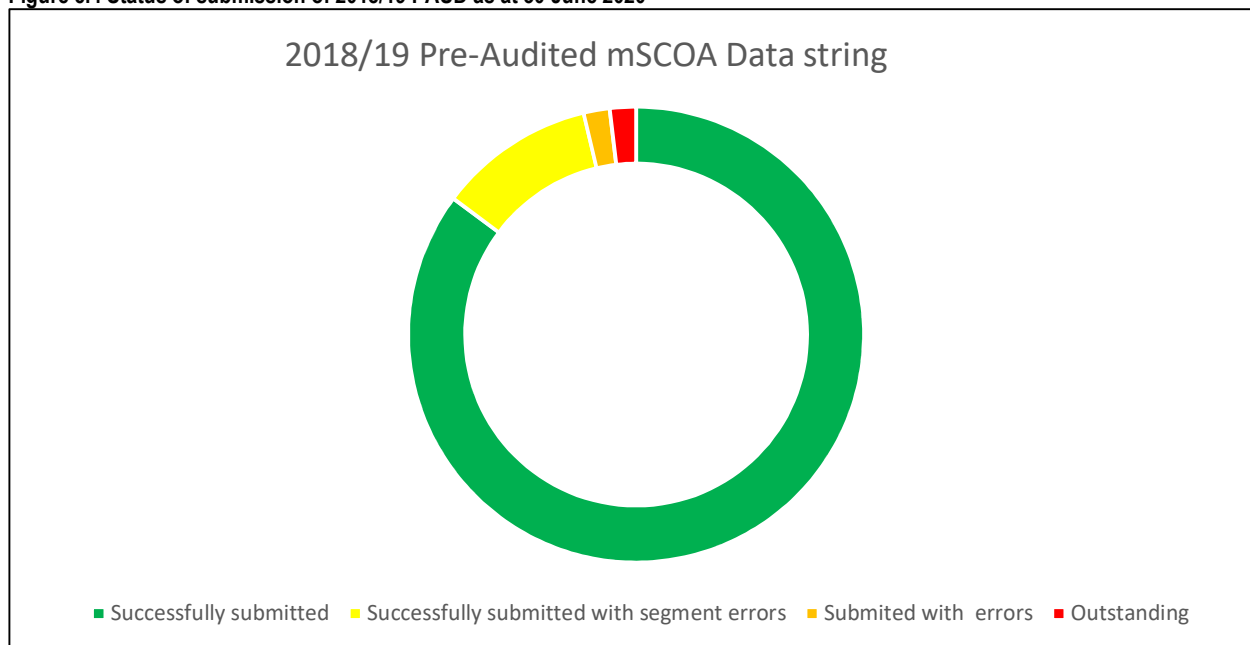
5.4.2 Submission of the Pre-Audited Annual Financial Statements data strings for 2018/2019 financial year

In terms of Section 74(1) of the MFMA, Provincial Treasury may request information from municipalities from time to time, to enable Provincial Treasury to monitor compliance with the Act and provide oversight

and monitoring, to fulfil the mandate in terms of Section 5(4) of the MFMA. Such information can include, returns, documents, explanations and motivations as may be prescribed or as may be required.

In light of the above, municipalities were requested to submit to the LG Database, the Pre-Audited Annual Financial Statement data strings for the 2018/19 financial year. As at 30 June 2020, 52 municipalities uploaded the Pre-Audited data strings (PAUD) which represents only 96 percent of municipalities within the province. Figure 5.4 shows that one municipality is outstanding (denoted in the red) and one municipality that submitted with errors (i.e. the data strings did not pass stage 1 validation and is denoted in orange).

Figure 5.4 Status of submission of 2018/19 PAUD as at 30 June 2020



Source: National Treasury LG Database

The municipalities that submitted the 2018/19 PAUD with errors or whose submissions were outstanding as of 30 June 2020 are listed in Table 5.32.

Table 5.32: Municipalities whose 2018/19 PAUD submissions contained errors or outstanding

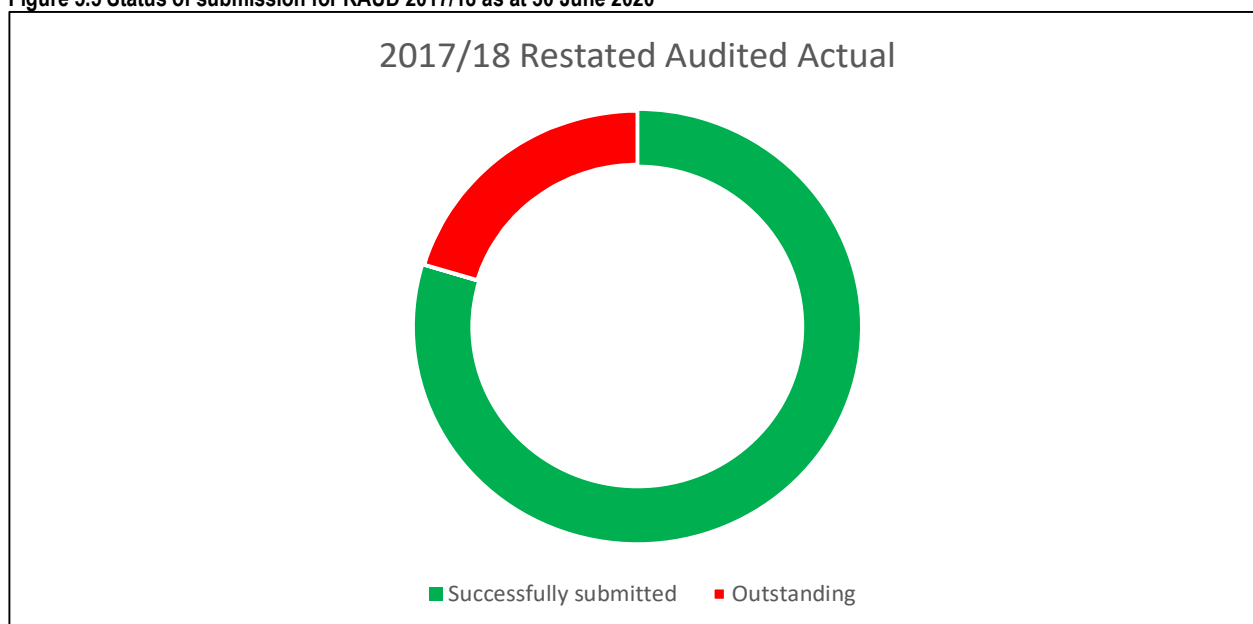
No	Name of municipality	Error Type	No	Name of municipality	Error Type
1	Alfred Duma	Stage 2 Segment Error	5	uMdoni	Stage 2 Segment Error
2	eNdumeni	Stage 2 Segment Error	6	uMhlathuze	Stage 2 Segment Error
3	Msunduzi	Submitted with Errors	7	uMzimbhulu	Stage 2 Segment Error
4	Ray Nkonyeni	Stage 2 Segment Error	8	uPhongolo	Outstanding

Source: National Treasury LG Database

5.4.3 Submission of the Re-stated Actuals for the 2017/18 financial year

In terms of Section 74(1) as indicated above, municipalities were requested to submit the Restated Actuals data strings (RAUD) for the financial year ended 30 June 2018 to the LG Portal. This is in respect of the restated amounts for the 2017/18 (comparative period). As at the 30 June 2020, 43 municipalities uploaded their RAUD, which represents only 79.6 percent of municipalities within the province. The RAUD data strings were required to be submitted to the LG Portal 10 days after submission of the Annual Financial Statements for 2018/19 to the Auditor General of South Africa.

Figure 5.5 Status of submission for RAUD 2017/18 as at 30 June 2020



Source: National Treasury LG Database

Table 5.33 lists municipalities that have not submitted the 2017/18 RAUD.

Table 5.33 List of municipalities with outstanding 2017/18 RAUD

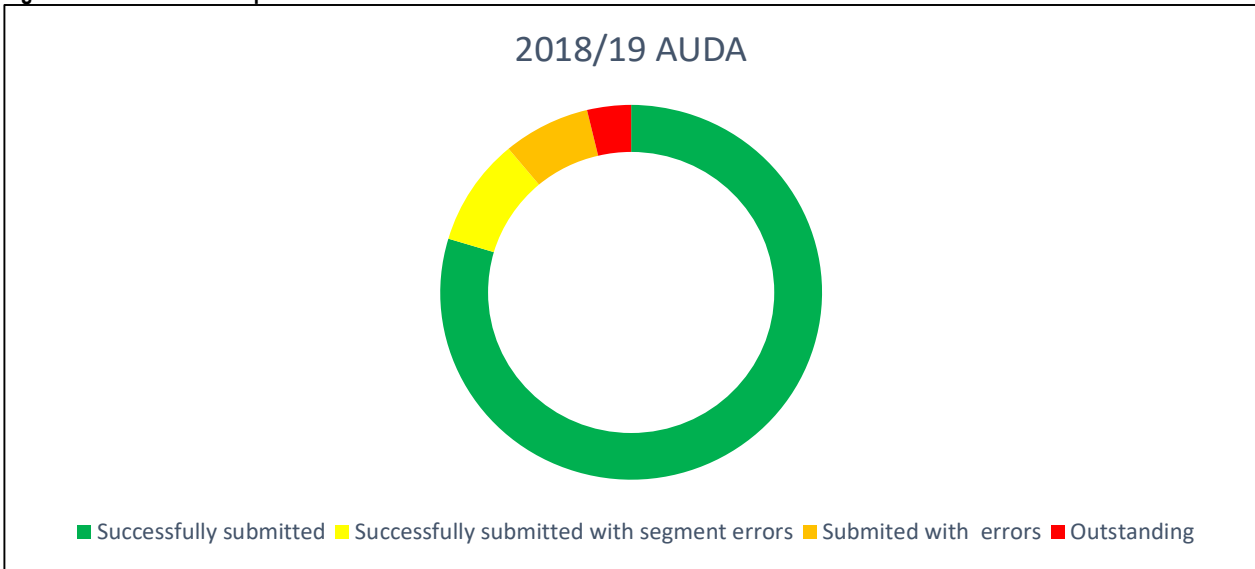
No	Name of municipality	No	Name of municipality
1	eNdumeni	7	Ray Nkonyeni
2	iNkosi Langalibalele	8	uBuhlebezwe
3	Mpořana	9	uMhlatuze
4	Msunduzi	10	uMlalazi
5	Newcastle	11	uPhongolo
6	Nquřhu		

Source: National Treasury LG Database

5.4.4 Submission of the Audited Actuals for the 2018/19 financial year

In light of the above, municipalities were requested to submit the Audited Annual Financial Statement data strings (AUDA) to the LG Portal. As at the 30 June 2020, 48 municipalities uploaded the AUDA for the 2018/19 financial year end, which represents only 89 percent of municipalities within the province. The uPhongolo and Msunduzi Local Municipalities are outstanding (denoted in the red). The Nkandla, Ray Nkonyeni and uMlalazi Local Municipalities as well as Ugu District Municipality submitted with errors (data strings did not pass stage 1 validation and is denoted in orange). The AUDA for the Alfred Duma, iMpendle, Newcastle, uBuhlebezwe and uMzimkhulu Local Municipalities contained a stage 2 validation error.

Figure 5.6 Status of Municipalities that submitted the 2018/18 AUDA



Source: National Treasury LG Database

The municipalities that submitted the 2018/19 AUDA with errors or whose submissions were outstanding as of 30 June 2020 are listed in Table 5.34.

Table 5.34: Municipalities whose 2018/19 AUDA submissions that were outstanding or contained errors

No	Name of municipality	Type of Error	No	Name of municipality	Type of Error
1	Alfred Duma	Stage 2 Segment Error	7	uBuhlebezwe	Stage 2 Segment Error
2	iMpendle	Stage 2 Segment Error	8	Ugu DM	Stage 1 : Submitted with error
3	Msunduzi	Outstanding	9	uMalazi	Stage 1 : Submitted with error
4	Newcastle	Stage 2 Segment Error	10	uMzimkhulu	Stage 2 Segment Error
5	Nkandla	Stage 1 : Submitted with error	11	uPhongolo	Outstanding
6	Ray Nkonyeni	Stage 1 : Submitted with error			

Source: National Treasury LG Database

5.4.5 Special Adjustment Budget for the 2019/20 financial year

On the 15 March 2020, the President declared National Disaster in terms of the Disaster Management Act due to the severity and magnitude of the global pandemic. Communication as issued by National Treasury dated 13 May 2020 indicated the following:

*“...Municipalities must make reference to the Annexure to MFMA Circular No. 99 on the approval of the 2019/20 special adjustments budget. The adjustments budget must be tabled by **15 June 2020**. This is the date that it was envisaged that the national state of disaster will end in terms of the Disaster Management Act (subject to change). Municipalities should therefore plan the date when the municipal council will pass the adjustments budget carefully to ensure that all related expenditure is authorised in this one special adjustments budget. The date as indicated in the Annexure to MFMA Circular No. 99 stands and will not be amended for any municipality. NB: Municipalities must consider adoption of the 2020/21 MTREF by 31 May 2020 and the 2019/20 special adjustments budget by the latest 15 June 2020.”*

In light of the above, the following municipalities submitted their Special Adjustments Budget 2019/20 mSCOA data strings, which successfully passed the stage 1 validation as of 30 June 2020 are listed in Table 5.35.

Table 5.35: Municipalities that submitted their Special Adjustment Budget data strings

No	Name of municipality	Date of Submission	No	Name of municipality	Date of Submission
1	AbaQulusi	26-Jun-20	20	Newcastle	19-Jun-20
2	Alfred Duma	12-Jun-20	21	Nkandla	22-Jun-20
3	Dr Nkosazana Dlamini Zuma	09-Jun-20	22	Nongoma	19-Jun-20
4	eNdumeni	22-Jun-20	23	Nquthu	19-Jun-20
5	Greater Kokstad	08-Jun-20	24	Okhahlamba	01-Jun-20
6	Harry Gwala DM	30-Jun-20	25	uBuhlebezwe	19-Jun-20
7	Big Five Hlabisa	08-Jun-20	26	Ulundi	08-Jun-20
8	iLembe DM	03-Jun-20	27	uMdoni	08-Jun-20
9	iMpendle	17-Jun-20	28	uMhlabyalingana	22-Jun-20
10	iNkosi Langalibalele	19-Jun-20	29	uMhlatuze	30-Jun-20
11	Jozini	30-Jun-20	30	uMkhanyakude DM	30-Jun-20
12	King Cetshwayo DM	17-Jun-20	31	uMlalazi	24-Jun-20
13	KwaDukuza	05-Jun-20	32	uMngeni	10-Jun-20
14	Mandeni	24-Jun-20	33	uMuziwabantu	01-Jun-20
15	Maphumulo	10-Jun-20	34	uMzimkhulu	11-Jun-20
16	uMsinga	27-Jun-20	35	uMzinyathi DM	26-Jun-20
17	Mthonjaneni	22-Jun-20	36	uMzumbe	25-May-20
18	Mtubatuba	25-Jun-20	37	uThukela DM	18-Jun-20
19	Ndwedwe	19-Jun-20			

Source: National Treasury LG Database

The Mkhambathini and uMvoti Local Municipalities attempted to submit their Special Adjustments Budget 2019/20 mSCOA data strings on the 17 June 2020 and 24 June 2020 respectively, however their submissions were not successful. Of the 37 municipalities that successfully submitted 2019/20 Special Adjustments Budget mSCOA data strings. The municipalities listed in Table 5.36 submitted their Special Adjustments Budget 2019/20 mSCOA data strings which contained stage 2 validation errors.

Table 5.36: Municipalities with Stage 2 Segment Validation error on 2019/20 Special Adjustment Budget

No	Name of Municipality	Stage 2 Segment validation error
1	Maphumulo	Y
2	Newcastle	Y
3	Nquthu	Y

Source: National Treasury LG Database

The 2019/20 Special Adjustments Budgets were analysed as part of the In-Year Reporting and feedback were provided as part of MFMA Section 71 reporting for the 2019/20 financial year. Furthermore, the municipalities were required to re-submit the Project Details Adjustments Budget (PRAD) that represents the projects within the Integrated Development Plan (IDP). Table 5.37 lists the municipalities that have submitted their 2019/20 Adjusted Project Details Adjustment Budget (PRAD).

Table 5.37: Municipalities that submitted a 2019/20 Project Details Adjustment Budget (PRAD)

No	Name of Municipality	Date of Submission	No	Name of Municipality	Date of Submission
1	AbaQulusi	26-Jun-20	9	Nkandla	22-Jun-20
2	Harry Gwala DM	30-Jun-20	10	Nongoma	19-Jun-20
3	Big Five Hlabisa	04-Jun-20	11	Okhahlamba	01-Jun-20
4	Jozini	30-Jun-20	12	uMhlabyalingana	22-Jun-20
5	King Cetshwayo DM	17-Jun-20	13	uMlalazi	24-Jun-20
6	uMsinga	27-Jun-20	14	uMuziwabantu	18-Jun-20
7	Mthonjaneni	22-Jun-20	15	uMzinyathi DM	26-Jun-20
8	Newcastle	19-Jun-20	16	uMzumbe	03-Jun-20

Source: National Treasury LG Database

The Mkhambathini Local Municipality submitted a successful 2019/20 PRAD file, however their ADJB mSCOA data strings was not submitted. The municipalities that did not successfully submit the PRAD i.e.

did not pass stage 1 were Nquthu, uMhlathuze Local Municipalities as well as uMkhanyakude District Municipality.

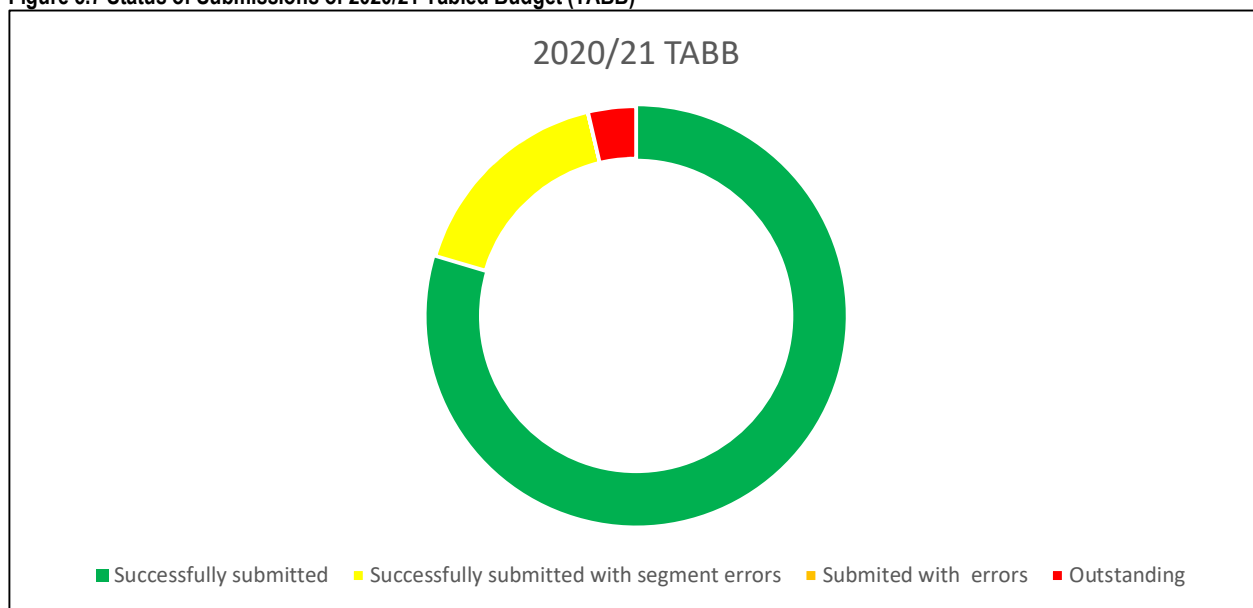
5.4.6 Tabled Budget for the 2020/21 financial year

In terms of the Annexure to the MFMA Circular No. 99, a National Disaster was declared on the 15 March 2020 which included the following statement:

“Municipalities and municipal entities will be exempted from the timeline provisions in the MFMA, until such time that the national state of disaster declaration is lifted by the Minister of Cooperative Governance and Traditional Affairs. The exemption is conditional in that “any action that was required to be taken in terms of the MFMA must be taken within 30 days after the national state of disaster lapsed or is terminated”. This exemption should therefore enable municipalities and municipal entities to undertake their financial management responsibilities including their budget preparation processes in a manner taking cognisance of the challenges experienced as a result of the announcement of the national state of disaster and the nationwide lockdown. It also provides for a special adjustments budget to address any expenditure relating to COVID-19 for the current municipal financial year ending 30 June 2020”

Therefore, it was noted that the 52 municipalities successfully submitted the Tabled Budget with the exception of Msunduzi and uPhongolo Local Municipalities being unable to submit, whilst nine municipalities submitted with segment errors as denoted in Figure 5.7.

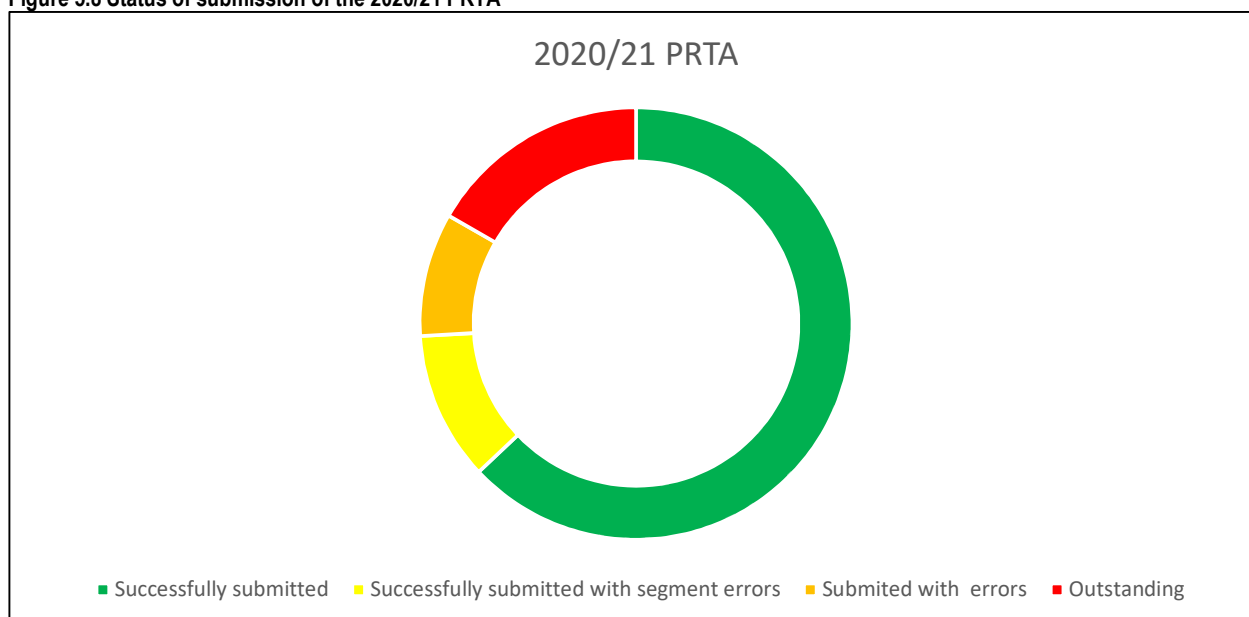
Figure 5.7 Status of Submissions of 2020/21 Tabled Budget (TABB)



Source: National Treasury LG Database

The Project Details for the Tabled Budget (PRTA) which represents the IDP file indicated the following status as denoted in Figure 5.7.

Figure 5.8 Status of submission of the 2020/21 PRTA



Source: National Treasury LG Database

The municipalities whose submissions were outstanding or contained errors are listed in Table 5.38.

Table 5.38: Municipalities whose 2020/21 PRTA submissions that were outstanding or contained errors

No	Name of Municipality	Type of Error	No	Name of Municipality	Type of Error
1	Alfred Duma	Outstanding	11	Nquthu	Outstanding
2	Amajuba DM	Stage 2 Segment Errors	12	Ray Nkonyeni	Outstanding
3	Dannhauser	Outstanding	13	Richmond	Submitted with Errors
4	eNdumeni	Outstanding	14	uBuhlebezwe	Stage 2 Segment Errors
5	eThekwini	Stage 2 Segment Errors	15	uMdoni	Stage 2 Segment Errors
6	iMpendle	Submitted with Errors	16	uMgungundlovu DM	Submitted with Errors
7	Jozini	Stage 2 Segment Errors	17	uMkhanyakude DM	Submitted with Errors
8	KwaDukuza	Outstanding	18	uMngeni	Stage 2 Segment Errors
9	Mpofana	Outstanding	19	uMzimkhulu	Submitted with Errors
10	Msunduzi	Outstanding	20	uPhongolo	Outstanding

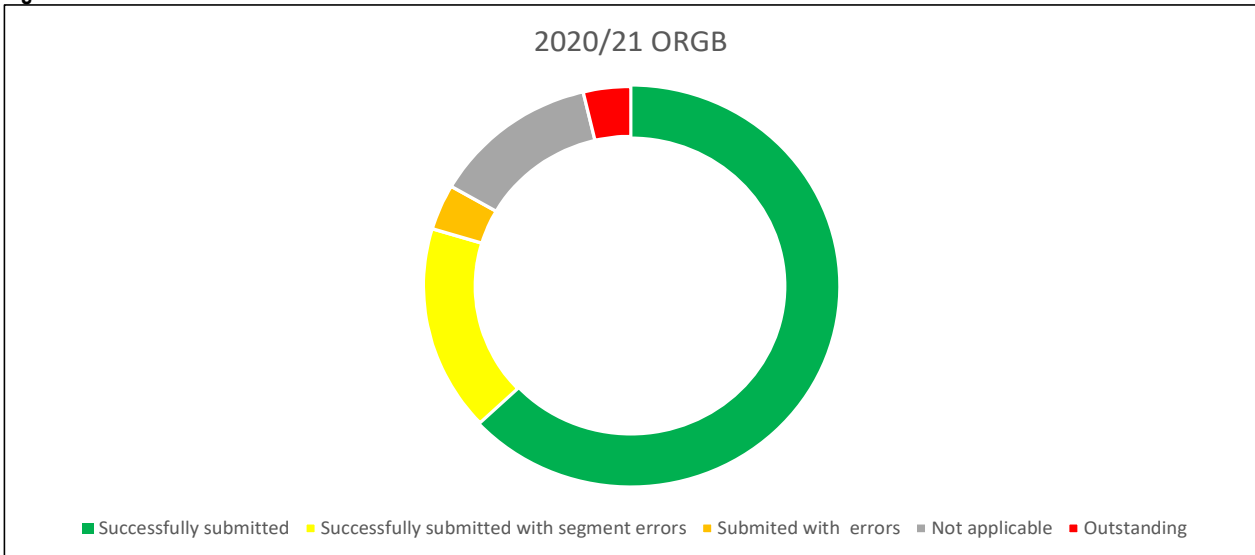
Source: National Treasury LG Database

5.4.7 Adopted Budget for the 2020/21 financial year

In light of the above, municipalities were required to adopt the 2020/21 MTREF before the start of the financial year.

Figure 5.9 reflect the status of municipalities that submitted the 2020/21 Adopted Budget mSCOA data strings (ORGB) as at the 30 June 2020, which represents a submission rate of 79.6 percent and this is a concern as not all data strings were submitted timeously for review.

Figure 5.9 Status of submission for 2020/21 ORGB



Source: National Treasury LG Database

Table 5.39 lists municipalities that have submitted their ORGB with errors or are outstanding as at 30 June 2020.

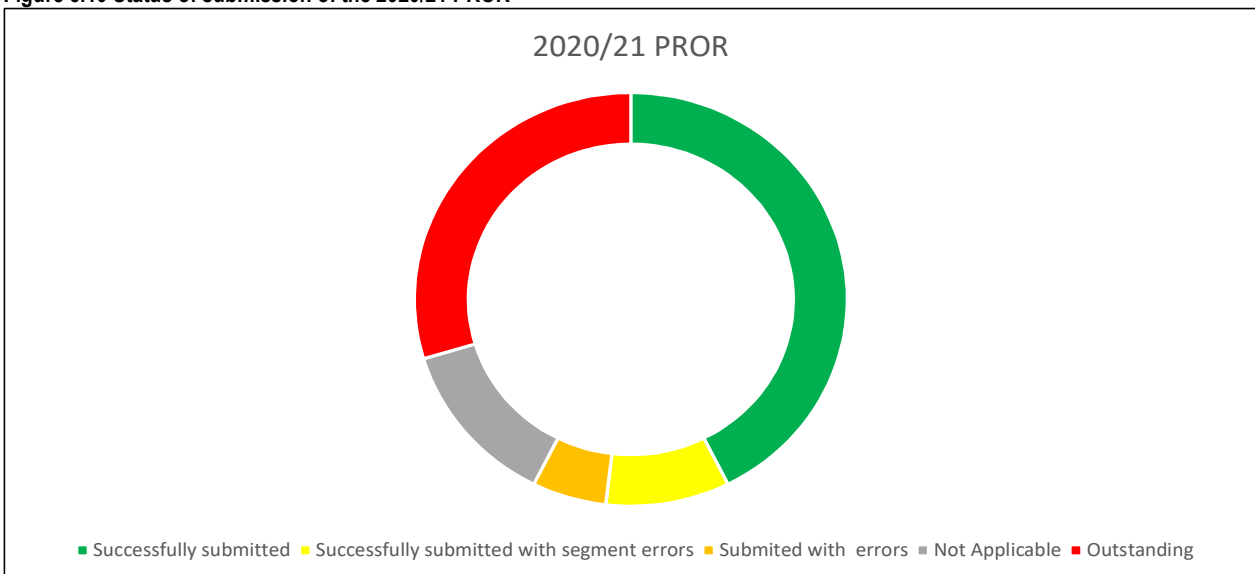
Table 5.39: Municipalities whose 2020/21 ORGB submissions that were outstanding or contained errors

No	Name of Municipality	Type of Error	No	Name of Municipality	Type of Error
1	Amajuba DM	Not applicable	7	Mpofana	Outstanding
2	eMadlangeni	Not applicable	8	Msunduzi	Not applicable
3	eNdumeni	Not applicable	9	Newcastle	Not applicable
4	eThekwini	Not applicable	10	uMgungundlovu DM	Submitted with errors
5	Harry Gwala DM	Outstanding	11	uMvoti	Not applicable
6	King Cetshwayo DM	Submitted with Errors			

Source: National Treasury LG Database

In addition to the submission of the 2020/21 ORGB, municipalities are required to submit the Project details for the adopted budget (PROR) that represents the IDP File. The Figure 5.10 indicates the status of submission of the 2020/21 PROR, which represents a 52 percent submission rate as at 30 June 2020. Stage 4 analysis will be completed and reported on the first quarter of 2020/21 financial year as this is still work in progress.

Figure 5.10 Status of submission of the 2020/21 PROR



Source: National Treasury LG Database

Municipalities that did not submit or submitted with errors in respect of the 2020/21 PROR 2020/21 are listed in Table 5.40.

Table 5.40: Municipalities whose 2020/21 PROR submissions that were outstanding or contained errors

No	Name of Municipality	Type of Error	No	Name of Municipality	Type of Error
1	Alfred Duma	Outstanding	14	Mpofana	Outstanding
2	Amajuba DM	Not applicable	15	Msunduzi	Not Applicable
3	Dannhauser	Outstanding	16	Newcastle	Not Applicable
4	eMadlangeni	Not applicable	17	Nquthu	Outstanding
5	eNdumeni	Not applicable	18	Ugu DM	Outstanding
6	eThekwini	Not applicable	19	uMdoni	Outstanding
7	Harry Gwala DM	Outstanding	20	uMgungundlovu DM	Submitted with errors
8	iLembe DM	Outstanding	21	uMhlathuze	Outstanding
9	iNkosi Langalibalele	Outstanding	22	uMkhanyakude DM	Outstanding
10	King Cetshwayo DM	Submitted with errors	23	uMshwathi	Submitted with errors
11	KwaDukuza	Outstanding	24	uMvoti	Not Applicable
12	Maphumulo	Outstanding	25	uMzimkhulu	Outstanding
13	Mkhambathini	Outstanding	26	uPhongolo	Outstanding

Source: National Treasury LG Database

5.4.8 Provincial Treasury Support to Municipalities and Municipal Entities

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 2019/20 financial year is indicated below:

- CFO Forum 25 September 2019, the CFO forum addressed the following:
 - mSCOA Fundamentals and mSCOA Reporting was provided at the following municipalities:
 - 18-19 July 2019 uMdoni Local Municipality;
 - 15-16 August 2019 Ray Nkonyeni Local Municipality; and
 - 5 September 2019 uMuziwabantu Local Municipality.
- CFO Forum 3 December 2019, the CFO forum addressed the following:
 - Budgeting and Transacting in mSCOA.
- During the conduct of the onsite assessment, findings of the monthly submissions were discussed with the Chief Financial Officer and delegated officials. An in depth analysis per segment with the error identified and corrective measures required was discussed. All errors are to be actioned during the preparation of the Adjustment Budget process.
- Technical support on adhoc basis of the following matters:
 - Use of segments and location on the mSCOA chart including logging Frequent asked questions where no appropriate guid is found; and
 - Technical guidance to municipalities in terms of MFMA Circular No. 80 and addendum to MFMA Circular No. 80 where municipalities wanted to change systems.
- Appointment of the mSCOA Project manager and Advisors started on the 13 May 2020. (Previous contract ended on the 31 March 2020);
- Support has been detailed above in terms of the In-Year Reviews undertaken and readiness for year-end;
- Currently in progress is the assessment of the 2020/21 Adopted Budgets and will be reported in the first quarter of 2020/21 financial year; and

- Ad hoc report prepared for the MEC of Finance on the status of implementation, effect of COVID-19 on collection rate of identified municipalities and modules as required by MFMA Circular No. 80 not in use for the Province.

5.4.9 National Treasury Support

National Treasury has conducted training on mSCOA Circular No. 9 on accounting for COVID -19 through mSCOA data strings with the attendance of all Provincial Treasuries.

5.4.10 Way forward

Provincial Treasury will continue to engage with the municipalities in addressing the outstanding issues via online platforms and/or site visits where possible, and frequent communication via email and telephonically as well as the various platforms such as CFO Forums and district engagements.

The focus areas of the mSCOA implementation team for the **next quarter 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;
- Analyse and review of the municipal data transactions to ensure the quality of the transactional data and provide feedback to municipalities in terms of year end readiness;
- Analyse and review the 2020/21 Adopted Budget (ORGB) mSCOA data strings and provide feedback (via email) to all delegated municipalities;
- Conduct CFO Forum to address the use of segments and alignment of the mSCOA data strings to the A and C schedules;
- Provide guidance to municipalities on system implementation issues and governance matters including onsite engagements and assessments;
- Engagement with National Treasury on the demonstration of the Revenue Management Module;
- Attendance of training to be held by National Treasury; and
- Review and provide guidance on the revised project plans to address the mSCOA implementation feedback provided.

Chapter 6: Municipal Support and Oversight

6.1 Municipal Support Program (MSP)

The Municipal Support Sub-Program (MSP) within the Municipal Finance Management Programme was established to assist and provide specialised support to delegated municipalities. The main objectives of the program are to:

- Support municipalities where their financial sustainability is threatened;
- Identify the root causes of financial challenges; and
- Implement innovative support initiatives that will empower municipalities, develop capacity and build the foundation for effective financial management.

6.1.1 Support Provided to Municipalities

A critical challenge influencing financial management is the high staff turnover and the lack of adequate capacity within the municipal environment. Against this background, the MSP focuses on developing capacity through its innovative initiatives. The aim is to develop a solid foundation on which municipalities can base their internal policies and procedures thereby ensuring sound financial management and sustainability.

Successful implementation of support initiatives hinges on the commitment by the leadership and officials at municipalities in embracing the improvements introduced and implementing the processes effectively.

The Value Added Tax (VAT) Review initiative was implemented at two municipalities in the 2019/20 financial year. The initiative is intended to address the shortcomings relating to the management of VAT. The filing of VAT returns and the processes associated with this function have often been outsourced to service providers which has resulted in a significant cost implication for several municipalities. In addition, there has not been adequate transfer of skills to municipal officials on the relevant tasks and best practices required in implementing the VAT function effectively. The VAT Review initiative aims to empower municipalities to undertake the function independently.

The Pay As You Earn (PAYE) Review was implemented at three municipalities in the 2019/20 financial year. The review assessed a five-year period 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; and
- Capacitating municipal officials.

The MSP provided structured support through the Grant Management training initiative at five municipalities during the 2019/20 financial year. The MSP performed on site assessments of the grant management function at the selected municipalities in order to identify any weaknesses or inefficiencies, which were addressed in the customised training sessions that were conducted. This initiative 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 MSP also provided Municipal Finance technical support to one municipality as part of an intervention team to assist the municipality in addressing the outstanding Eskom debt. Table 6.1 shows a list of municipalities supported by MSP during the 2019/20 financial year.

Table 6.1: Municipalities supported by the MSP during the 2019/20 financial year

No.	Name of Municipality	VAT	PAYE	Grant Management	Municipal Finance Technical Support
1	Mpofana				✓
2	iMpendle	✓	✓		
3	uThukela DM			✓	
4	Newcastle		✓		
5	Mandeni			✓	
6	KwaDukuza			✓	
7	Ndwedwe			✓	
8	iLembe DM	✓	✓		
9	Harry Gwala DM			✓	

Source: KZN Provincial Treasury

6.1.2 Other Support

The MSP also engaged with other sub-programmes within Provincial Treasury to support municipalities with challenges that fall within their respective area of expertise. These included initiatives to support municipalities on mSCOA, supply chain management and infrastructure management.

6.1.3 Conclusion

The MSP will continue to work in partnership with other sub-programmes within Provincial Treasury and municipalities to implement innovative initiatives that will assist them in building the foundation for effective financial management.

6.2 Municipal Supply Chain Management

The Supply Chain Management (SCM) Unit supported municipalities through routine assessments, training, policy review, advice on Regulation 32, contract management and CSD support (upload of employee information). There were shortcomings that were identified during the 2019/20 financial year which included, vacant senior posts, lack of upload of CSD employee information and a lack of knowledge on local content. There was a significant improvement in the submission of procurement plans by municipalities. The Unit monitors all municipalities except the eThekweni Metro in the province. All the remaining 53 municipalities in the province submitted their procurement plans.

The Municipal Bid Appeals Tribunal (MBAT) dealt with 58 appeals in the 2019/20 financial year which is a reduction from 91 appeals in the 2018/19 financial year. This indicates improvement in the governance processes of municipalities.

The SCM Unit assisted municipalities in developing their Contract Management policies in line with the Provincial Contract Management Policy Framework and ongoing monitoring and support was provided to all municipalities. The SCM Unit conducted site visits to assess the implementation of Contract Management within all municipalities in the province. Comprehensive reports were issued to municipalities, setting out areas that required attention and providing comprehensive action plans to address any weaknesses. Training on Contract Management was provided to municipalities on a request basis.

The SCM Unit identified the use of the MFMA SCM Regulation 32 contracts at municipalities as one of the major contributors to irregular expenditure. Regulation 32 was not applied correctly by the municipalities entering into the contracts and as a result irregular expenditure was incurred by the municipalities utilising the said contracts. The Unit continues to ensure good governance and transparency in the procurement process by overseeing the approval and monitoring of the use of Regulation 32

contracts. The Unit has processed and provided advice on 22 applications for the use of Regulation 32 during the 2019/20 financial year.

The Unit provided direct support to all municipalities and municipal entities to facilitate the compliance reporting, data uploads and registration of suppliers onto the Central Supplier Database (CSD). CSD training was facilitated to all municipalities in order to provide SCM practitioners with knowledge on the functionality of the CSD.

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.

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;
- Lack of proper procedures and understanding of policy;
- Vacant posts; and
- Lack of compliance with local content procurement requirement.

6.2.3 Training and Workshops

Training and workshops were conducted during the course of the 2019/20 financial year. The training seeks to address audit findings and reduce irregular expenditure. Training was conducted at the following municipalities as 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	Okhahlamba	14	Harry Gwala DM	26	Maphumulo
2	Greater Kokstad	15	KwaDukuza	27	Ndwedwe
3	Nkandla	16	uMzinyathi DM	28	Mthonjaneni
4	Ugu DM	17	eDumbe	29	Big Five Hlabisa
5	uMzimkhulu	18	Mtubatuba	30	Jozini
6	eNdumeni	19	Dr Nkosazana Dlamini Zuma	31	uMlalazi
7	iLembe DM	20	uPhongolo	32	uMhlatuze
8	uMkhanyakude DM	21	Mandeni	33	uMfolozi
9	uMhlabuyalingana	22	Alfred Duma	34	Richmond
10	King Cetshwayo DM	23	Inkosi Langalibalele	35	Mkhambathini
11	Zululand DM	24	Ulundi	36	uBuhlebezwe
12	uThukela DM	25	AbaQulusi	37	Nongoma
13	Amajuba DM				

Source: KZN Provincial Treasury

6.2.4 Policy development/review

The SCM Unit provided policy reviews to the following municipalities:

- eNdumeni
- Mtubatuba
- uMkhanyakude DM
- Alfred Duma
- uMzumbe
- Dr Nkosazana Dlamini Zuma
- Ndwedwe
- iMpendle
- Greater Kokstad
- uBuhlebezwe

6.2.5 Direct Support Interventions, Ad-Hoc Assessments, Routine and Follow-up Assessments

Different support interventions were undertaken at some municipalities on a request basis. This occurs when municipalities 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 the municipal officials. Operational assistance also ensures compliance with policies. Table 6.3 shows municipalities that were given direct operational assistance.

Table 6.3: Operational assistance provided to the following municipalities

No	Name of Municipality	Support Description
1	eNdumeni	Advice
2	Msunduzi	Advice
3	Ray Nkonyeni	Advice
4	uMshwathi	Investigation
5	uMzinyathi DM	Investigation
6	uMngeni	Investigation
7	Ugu DM	Complaint
8	uMvoï	Complaint
9	uMlalazi	Advice
10	King Cetshwayo DM	Advice
11	Amajuba DM	Complaint
12	Mtubatuba	Investigation
13	Mandeni	Advice
14	Newcastle	Advice

Source: KZN Provincial Treasury

During the course of the 2019/20 financial year, routine assessments were done as part of the SCM Unit's operational plan. In some cases, follow-up assessments were done in order to measure the progress made with respect to the action plan emanating from previous routine assessments. Table 6.4 shows municipalities where routine and follow-up assessments were conducted.

Table 6.4: Routine assessments and Follow-up assessments at the following municipalities

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Mandeni	14	Inkosi Langalibalele	27	Jozini
2	uMfobozi	15	Nongoma	28	uMzinyathi DM
3	Nkandla	16	Greater Kokstad	29	uMsinga
4	iLembe DM	17	AbaQulusi	30	uBuhlebezwe
5	uMlalazi	18	Ulundi	31	Alfred Duma
6	Maphumulo	19	Dannhauser	32	uThukela DM
7	Big Five Hlabisa	20	Ray Nkonyeni	33	eDumbe
8	Mtubatuba	21	uMzombe	34	uPhongolo
9	Okhahlamba	22	eNdumeni	35	uMzinkhulu
10	Dr Nkosazana Dlamini Zuma	23	uMshwathi	36	uMhlabyalingana
11	Zululand DM	24	uMgungundlovu DM	37	King Cetshwayo DM
12	Harry Gwala DM	25	uMvoï	38	uMkhanyakude DM
13	Ndwedwe	26	uMhlatuze	39	Amajuba DM

Source: KZN Provincial Treasury

6.2.6 Implementation of Contract Management System

The SCM Unit has conducted Contract Management reviews, which seeks to reduce irregular expenditure. Table 6.5 shows municipalities where reviews and assessments have been conducted.

Table 6.5: Contract Management implementation at the following municipalities

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	AbaQulusi	18	Mandeni	35	uMfolozi
2	Alfred Duma	19	Maphumulo	36	uMgungundlovu DM
3	Amajuba DM	20	Mkhambathini	37	uMhlabuyalingana
4	Big Five Hlabisa	21	Mpošana	38	uMkhanyakude DM
5	uMhlathuze	22	Mthonjaneni	39	uMlalazi
6	Dannhauser	23	Mtubatuba	40	uMsinga
7	Dr. Nkosazana Dlamini Zuma	24	Newcastle	41	uMshwathi
8	eDumbe	25	Nkandla	42	uMuziwabantu
9	eMadlangeni	26	Nongoma	43	uMvoti
10	Greater Kokstad	27	Nquthu	44	uMzinyathi DM
11	Harry Gwala DM	28	Okhahlamba	45	uMzumbe
12	iLembe DM	29	Ray Nkonyeni	46	uPhongolo
13	iMpendle	30	Richmond	47	uThukela DM
14	iNkosi Langalibalele	31	uBuhlebezwe	48	Zululand DM
15	Jozini	32	Ugu DM	49	uMdoni
16	uMzimkhulu	33	Ndwedwe	50	KwaDukuza
17	King Cetshwayo DM	34	Ulundi	51	eNdumeni

Source: KZN Provincial Treasury

6.2.7 Conclusion

There has been an improvement in the submission of procurement plans by municipalities. All municipalities have submitted their procurement plans; however, they still need to improve on the quarterly reporting, which reflects compliance on spending according to the procurement plan. Furthermore, municipalities were provided refresher training on CSD for the upload of employee information. There has also been significant improvement in the usage of the e-tender system and Provincial Treasury has provided some support and guidance in this regard.

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 the National Treasury MFMA Circular No. 61 on Banking, Overdrafts and Investments, dated April 2012.

Progress / Outcome

Tables 6.6 to 6.9 show the municipalities that have not fully complied with the requirements of submitting their withdrawal reports for Quarters 1 to 4 in the 2019/20 financial year.

Table 6.6: Municipalities that have Outstanding Withdrawal Quarterly Reports for Quarter 1 of 2019/20

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Mpořana	3	AbaQulusi	4	eMadlangeni
2	Jozini				

Source: KZN Provincial Treasury

Table 6.7: Municipalities that have Outstanding Withdrawal Quarterly Reports for Quarter 2 of 2019/20

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Mpořana	4	eMadlangeni	6	AbaQulusi
2	Nquthu	5	Jozini	7	Nkandla
3	Big Five Hlabisa				

Source: KZN Provincial Treasury

Table 6.8: Municipalities that have Outstanding Withdrawal Quarterly Reports for Quarter 3 of 2019/20

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMuziwabantu	10	Jozini	18	eDumbe
2	iNkosi Langalibalele	11	uMngeni	19	uMhlathuze
3	uMhlabuyalingana	12	uMsinga	20	Okhahlamba
4	uMgungundlovu DM	13	uMfolozi	21	eMadlangeni
5	Nquthu	14	uThukela DM	22	Ndwedwe
6	Ulundi	15	Newcastle	23	Msunduzi
7	Harry Gwala DM	16	Mandeni	24	AbaQulusi
8	Ray Nkonyeni	17	Mpořana	25	uMlalazi
9	Amajuba DM				

Source: KZN Provincial Treasury

Table 6.9: Municipalities that have Outstanding Withdrawal Quarterly Reports for Quarter 4 of 2019/20

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMgungundlovu DM	17	Ulundi	32	uMuziwabantu
2	iMpindle	18	uMlalazi	33	Alfred Duma
3	uMzinyathi DM	19	Greater Kokstad	34	Dannhauser
4	Zululand DM	20	uMzambe	35	Big Five Hlabisa
5	Nongoma	21	Okhahlamba	36	Mpořana
6	uMhlathuze	22	eMadlangeni	37	Richmond
7	Harry Gwala DM	23	Jozini	38	uMvoti
8	Ugu DM	24	Ndwedwe	39	AbaQulusi
9	uThukela DM	25	uMngeni	40	uMfolozi
10	Newcastle	26	Mkhambathini	41	Nkandla
11	uMhlabuyalingana	27	uMsinga	42	uMzimkhulu
12	KwaDukuza	28	uPhongolo	43	Ray Nkonyeni
13	uMshwathi	29	King Cetshwayo DM	44	Amajuba DM
14	Msunduzi	30	Mthonjaneni	45	uMkhanyakude DM
15	Nquthu	31	uBuhlebezwe	46	Mandeni
16	eDumbe				

Source: KZN Provincial Treasury

6.3.2 Bank Accounts

Background

In terms of Sections 9 and 86 of the MFMA, the Accounting Officer of a municipality and municipal entity must submit to Provincial Treasury in writing:

- (a) *within 90 days after opening a bank account, the details of such new bank account; and*
- (b) *annually, before the start of the financial year, the name of each bank where the municipality/municipal entity holds an account.*

Progress / Outcome

A request in terms of Sections 9(b), 86(1)(b) and 86(2) of the MFMA was sent to all municipalities during August 2019 requiring the Accounting Officer to submit a schedule of all bank accounts held by the municipality and those held by any municipal entities. Only 5 municipalities complied with the request and submitted their bank account details in respect of the 2018/19 financial year. These municipalities were uMuziwabantu, Msunduzi, Okhahlamba, Big Five Hlabisa and Mthonjaneni Local Municipalities.

6.3.3 Cash Management and Investments

Background

In terms of Section 13(1) of the MFMA, *the Minister, acting with the concurrence of the Cabinet member responsible for local government, may prescribe a framework within which municipalities must:*

- (a) *conduct their cash management and investments; and*
- (b) *invest money not immediately required.*

Section 13(2) of the MFMA further states that *a municipality must establish an appropriate and effective cash management and investment policy in accordance with any framework that may be prescribed in terms of subsection (1).*

Progress / Outcome

All municipalities were provided with:

- The municipal Investment Regulations (Government Gazette No. 27431); and
- A generic investment policy.

The regulation and the generic policy were to be used by municipalities to tailor their own investment policy in order to ensure compliance with the regulations and to make economically beneficial investments.

6.3.4 Status of support offered to municipalities

Background

Provincial Treasury assisted all municipalities with the implementation of the following sections of the MFMA during the 2019/20 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:*

- the amount by which the account or accounts are overdrawn;*
- the reason for the overdrawn account or accounts; and*
- 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-*

- any impending or actual-*
 - under collection of revenue due;*
 - shortfalls in budgeted revenue;*
 - overspending of the entity's budget;*
 - delay in the entity's payments to any creditors; or*
 - overdraft in any bank account of the entity for a period exceeding 21 days; and*
 - any steps taken to rectify such financial problems.*
- (2) The Accounting Officer of the municipality must table a report referred to in subsection (1) in the municipal council at its next meeting.*

National Treasury MFMA Circular No. 61 on Banking, Overdrafts and Investments, dated April 2012 further states that *if the bank account, or if the municipality or municipal entity has more than one bank account, the consolidated balance in those bank accounts shows a net overdrawn position for a period exceeding 3 months, the Accounting Officer of the municipality must notify the National Treasury (Form F) within 14 days after the 3 months period lapses for municipalities and 21 days for municipal entities.*

Progress / Outcome

Municipalities were made aware of the reporting requirements of Sections 70 and 101 of the MFMA via letters dated 23 August 2019 and 5 March 2020 in this regard. No municipality reported any impending overdrafts during the 2019/20 financial year.

6.4 Provincial Internal Audit Services – Risk and Advisory Services

6.4.1 Purpose

The purpose of this report is to provide the status of work performed to support municipalities and municipal entities within KwaZulu-Natal during the 2019/20 financial year, which covered the following areas: Enterprise Risk Management; Internal Audit & Audit Committee Services; Municipal Public Accounts Committee (MPAC), and Financial Misconduct Regulations.

6.4.2 Background

The Provincial Internal Audit Services (PIAS) Unit provided support and assistance covering risk management, internal audit, regulations on financial misconduct and criminal proceedings and MPAC training to delegated municipalities during the 2019/20 financial year in line with the requirements of the MFMA. The services were provided with the aim of improving and strengthening governance processes within the local sphere of government.

6.4.3 Risk Management Support

As efforts informed by the shared national vision embodied in the Constitution of the Republic of South Africa are continuously employed to fulfil the mandate of local government which remains more vulnerable and exposed to the risk of failure, as they are not operating in a risk free environment.

Municipalities and municipal entities operate in environments where factors such as technology, regulations, restructuring, changing service requirements and political influence create uncertainty. Uncertainty emanates from the inability to determine the probability that certain potential events will occur together with the associated outcomes. Risk management processes must therefore be implemented effectively to assist municipalities and municipal entities in identifying risks, managing risks and exploiting risks to identify opportunities and provide reasonable assurance that goals and objectives will be met.

Risk management training

The improvement of the risk management culture is a continuous process that involves the promotion of the risk management systems, tools and techniques, clarifying of roles and responsibilities and overall contributing to the increase of risk knowledge and awareness.

During the 2019/20 financial year, risk management training workshops were facilitated at the following municipalities and municipal entities as shown in Table 6.10.

Table 6.10: List of municipalities and municipal entities provided with risk management training workshops

No	Name of Municipality/Entity	Audience
1	Nquthu	Councillors, management and staff
2	Okhahlamba	Councillors, management and staff
3	uMzinkhulu	Management and staff
4	uBuhlebezwe	Management and staff
5	Richmond	Management and staff
6	uMkhanyakude DM	Management and staff
7	Mtubatuba	Management and staff
8	eMadlangeni	Management and staff
9	uThukela DM	Management and staff
10	KwaDukuza	Risk Champions ¹
11	uMfolozi	Management and staff
12	uMgungundlovu DM	Risk Champions ¹
13	iLembe DM	Risk Champions ¹
14	uMdoni	Management and staff
15	Harry Gwala DM	Management and staff
16	Enterprise iLembe	Management and staff
17	Umhlozinga Development Agency	Management and staff
18	Newcastle Local Agency	Councillors, management and staff
19	uMuziwabantu	Councillors, management and staff
20	Ulundi	Councillors, management and staff

¹ Risk Champions are officials selected by departments as coordinators of risk activities in their respective departments

Source: KZN Provincial Treasury

Risk and control assessment workshops

The risk assessment review is a critical process to ensure continuous identification of threats, critical risks and events that can have a negative impact on the attainment of strategic objectives by municipalities. A risk register (a register containing risks, controls and action plans) is a live document rather than a static one. Any changes in the municipal environment should be regularly documented to ensure the development of proper response plans.

Risk assessments conducted include fraud risk assessments and Information Communication Technology (ICT) assessments. In the period under review, risk and control assessment workshops were conducted at the following municipalities and municipal entities as shown in Table 6.11 and final risk assessment reports were issued.

Table 6.11: List of municipalities and municipal entities assisted with risk and control assessment workshops

No	Name of Municipality/Entity	No	Name of Municipality/Entity	No	Name of Municipality/Entity
1	Nquthu	9	uThukela DM	17	Umhlosinga Development Agency
2	Okhahlamba	10	KwaDukuza	18	uMzinyathi DM
3	uMzimkhulu	11	uMfobozi	19	Mpofana
4	uBuhlebezwe	12	uMhlabayalingana	20	Harry Gwala Development Agency
5	Richmond	13	iLembe DM	21	Ugu DM
6	uMkhanyakude DM	14	uMdoni	22	eNdumeni
7	Mtubatuba	15	iNkosi Langalibalele		
8	eMadlangeni	16	Enterprise iLembe		

Source: KZN Provincial Treasury

Risks facing municipalities in the province

Tables 6.12 to 6.14 highlight the common Strategic, Operational and Fraud risks faced by municipalities in the province. The risk factors identified below are in no particular order.

Table 6.12: Common Strategic Risks

No	Risk Description
1	Instability in leadership and management of municipalities.
2	Inability to attract and retain critical skills.
3	Inability to be self-sustainable, poor collection of revenue, reliance on equitable share.
4	Poor maintenance and ageing infrastructure.
5	Inability to respond timeously in the event of disasters (Flood/Disease/Fire/Major Accidents).
6	Failure to manage an effective and efficient co-ordination of data recovery in the event of disruptions.
7	Non-implementation of consequence management
8	Failure to facilitate local economic growth and development
9	Compromised quality of the Performance Management System.
10	Poor youth growth and development, failure to develop and implement effective youth programs.

Source: KZN Provincial Treasury

Table 6.13: Common Operational Risks

No	Risk Description
1	Inability to compile credible Annual Financial Statements that are compliant to the General Recognised Accounting Practice.
2	Poor financial management practices.
3	Non-compliance with mSCOA regulations.
4	Disregarding of supply chain management policies and regulations.
5	Failure to prevent unauthorized, irregular, fruitless and wasteful expenditure.
6	Poor contract management.
7	Ineffective records management.
8	Poor provision of waste management services.
9	Inadequate land use management and spatial planning.
10	Stray animals on municipal roads.

Source: KZN Provincial Treasury

Table 6.14: Common Fraud Risks

No	Risk Description
1	Excessive losses due to illegal connections of water and electricity.
2	Abuse of Overtime.
3	Abuse of the indigent policy by community, misrepresentation of information to obtain reduced tariffs.
4	Intentional payment to incorrect suppliers or deliberate overpayment of invoices.
5	Payment of salaries to ghost employees.
6	Intentional splitting of orders to circumvent competitive bidding process.
7	Fraudulent issuing of building development permits, health permits and health certificates to businesses.
8	Private usage of municipal vehicles/ fuel.
9	Issuing of learners/drivers licenses to non-deserving drivers and roadworthy certificates to non-compliant vehicles.
10	Acceptance of bribes and extortion of gains from road users not conforming to traffic laws.

Source: KZN Provincial Treasury

Challenges noted

It remains of concern that even though most municipalities and municipal entities know and understand that risk management activities should be implemented and integrated with other processes within the organisation, the following were still noted:

- Non-alignment of risk activities with key municipal activities, i.e. performance management, budget reviews, IDP review, etc.;
- Misplacement of some risk management functions within the organisation's organogram;
- Risk management is still largely done for compliance purposes;
- Most municipalities still view risk management as an isolated process and not integrated into everyday operations;
- Lack of responsibility and accountability for risk management;
- Lack of attendance by key personnel (decision makers) during risk assessment sessions; and
- No clear reporting lines for risk management function.

Risk management and internal audit forum

The Unit held three district risk management and internal audit forums. The objective of the forums is to engage risk management and internal audit professionals at municipalities with the view of identifying common challenges faced and finding solutions as a collective under the direction of the Unit.

The three forums held were as follows:

- Newcastle Local Municipality hosted the first forum with invites extended to the following municipalities:
 - Amajuba, uMzinyathi and uThukela District Municipalities; and
 - Alfred Duma, Dannhauser, eNdumeni, eMadlangeni, iNkosi Langalibalele, Okhahlamba, Nquthu, uMsinga and uMvoti Local Municipalities.
- Ray Nkonyeni Local Municipality hosted the second forum with invites extended to the following municipalities:
 - Harry Gwala and Ugu District Municipalities along with their respective entities, and
 - Greater Kokstad, Dr. Nkosazana Dlamini Zuma, uBuhlebezwe, uMdoni, uMuziwabantu, uMzimkhulu and uMzumbe Local Municipalities.
- Ulundi Local Municipality hosted the third forum for the year with invites extended to the following municipalities:
 - King Cetshwayo, uMkhanyakude and Zululand District Municipalities; and
 - Abaqulusi, Big Five Hlabisa, eDumbe, Jozini, Mthonjaneni, Mtubatuba, Nkandla, Nongoma, uMfolozi, uMhlabuyalingana, uMlalazi and uPhongolo Local Municipalities.

All invited municipalities attended the first and second forums. The attendance at the third forum was unsatisfactory as no municipalities from the King Cetshwayo District attended the forum.

6.4.4 Internal audit support

Internal audit plays a vital role by assisting organisations through identifying and evaluating significant exposures to risk and contributing to the improvements of the risk management, control systems and governance. Internal audit also provides an independent and reasonable assurance that controls put in place are working. In the period under review, the Unit conducted an ICT audit at the uPhongolo Local Municipality.

Challenges noted

Due to capacity constraints and lack of resources, the Unit was unable to fulfil its role in terms of ensuring that internal audit functions/activities at municipalities are functioning effectively. This is of serious concern as noted from the 2018/19 audit outcomes announced by the Auditor General.

6.4.5 Audit committee support

Audit committees are established to provide advisory and oversight responsibilities on an organisation's financial management, accounting policies, performance management, compliance management, risk management, governance, internal control and audit processes or any other issue referred to it by the organisation.

In the period under review, the Unit attended audit committee meetings at the following municipalities as shown in Table 6.15 to observe the proceedings.

Table 6.15: Attendance at Audit Committee meetings

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Harry Gwala DM	6	uThukela DM	11	AbaQulusi
2	uMfolozi	7	Newcastle	12	uMkhanyakude DM
3	eMadlangeni	8	Dannhauser	13	uMhlabuyalingana
4	uMzinyathi DM	9	eDumbe	14	Mtubatuba
5	Mpofana	10	uMsinga	15	uMdoni

Source: KZN Provincial Treasury

Challenges noted

Below are some of the challenges noted during the proceedings of the audit committee meetings:

- Lack of skilled audit committee members in IT, accounting, legal, risk management, and with local government knowledge. This could be attributed to the introduction of Circular 65 of the MFMA that bars officials in the employ of the state to be remunerated when they participate in municipalities' audit committees;
- Some of audit committee members overstretch themselves by participating in too many audit committees and therefore create a challenge in terms of high absenteeism;
- Lack of reporting and poor content reported to Council by the audit committee; and
- Appointment of inexperienced members to the committee making the committee ineffective.

6.4.6 Regulations on Financial Misconduct and Criminal Proceedings

The objectives of the MFMA Financial Misconduct and Criminal Proceedings Regulations are to expedite and set out processes and procedures that municipalities must follow when dealing with allegations of financial misconduct with the view of reducing irregular expenditure in municipalities and ensuring the implementation of consequence management to hold culprits accountable.

In the period under review, MFMA Financial Misconduct and Criminal Proceedings Regulations workshops were facilitated at various municipalities with the objective of ensuring that municipalities establish Disciplinary Boards in line with the regulations. Table 6.16 provides a list of municipalities that have established Disciplinary Boards as at 30 June 2020.

Table 6.16: List of the municipalities who established Disciplinary Boards as at 30 June 2020

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Greater Kokstad	7	Ulundi	13	Mandeni
2	uMgungundlovu DM	8	uMshwathi	14	KwaDukuza
3	Mandeni	9	Ray Nkonyeni	15	Dannhauser
4	Amajuba DM	10	Okhahlamba	16	Ugu DM
5	Newcastle	11	uMlalazi	17	eDumbe
6	Jozini	12	Alfred Duma	18	Harry Gwala DM

Source: KZN Provincial Treasury

Challenges noted

The increase in irregular expenditure reported by the Auditor General in the 2018/19 audit outcomes confirms the slow pace and reluctance by municipalities to implement consequence management.

Below are some of the reasons provided by municipalities for not establishing Disciplinary Boards as required by the regulations:

- Some municipalities view the Disciplinary Boards as a duplication of already existing structures

within the municipality;

- Lack of buy-in from Council to establish the Disciplinary Boards;
- Unstable leadership at management and political level; and
- Lack of consequences for non-compliance.

6.4.7 Municipal Public Accounts Committee

Training workshops were facilitated and conducted jointly with the provincial Department of Co-operative Government and Traditional Affairs (CoGTA). Workshops were conducted with the aim of capacitating councillors to enable them to provide better oversight over the municipal administration. Table 6.17 shows a listing of municipalities that were provided with training for MPAC members.

Table 6.17: List of the municipalities that were provided with training for MPAC members

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	Alfred Duma	4	Nquthu	7	Okhahlamba
2	Ugu DM	5	Newcastle	8	AbaQulusi
3	Nongoma	6	uBuhlebezwe	9	uMlalazi

Source: KZN Provincial Treasury

Challenges noted

Engagements with councillors during the various training workshops reveal that there is still a need for more training workshops to ensure that there is an understanding of roles and responsibilities of councillors in the municipality. Below are some of the issues highlighted as challenges for MPAC:

- A five-year term poses a challenge for new councillors as some of them take longer to understand the processes of the municipality;
- Lack of support from the administration (municipal officials);
- Political differences; and
- Lack of coordinated support provided by PT, CoGTA, SALGA etc., which sometimes results in duplication of efforts (Municipal support fatigue).

Covid-19 Pandemic

The Unit has developed generic Covid-19 risk registers for municipalities to customise for their specific environments. The aim of the Covid-19 risk register is to help municipalities to better deal and respond to the challenges posed by Covid-19 as well as to reduce its negative impact on service delivery while protecting municipal employees and the public.

Action steps taken to address identified challenges

The Unit has identified a number of proposed actions to address the challenges identified for various support initiatives offered by PIAS. Below are the initiatives the Unit will focus on with the view of addressing the challenges:

- Approval and adoption of the revised Provincial Risk Management Framework for Local Government. This will allow the Unit to tailor make support to be specific in addressing municipal needs for identified municipalities;
- Development and approval of the Provincial Internal Audit Framework for Local Government. The framework will enable the Unit to better monitor the functioning of the internal audit activities and audit committees and pro-actively identify challenges;

- Lobby for resources to allow the Unit to assist struggling municipalities with capacity challenges and to provide specialist audits;
- Write letters to municipalities to urge them to establish Disciplinary Boards in line with the regulations. Escalate issues to relevant levels in cases where municipalities continue with non-compliance;
- Host and facilitate the risk management and internal audit forums to promote best practices and a common understanding of issues and interests amongst the risk management, internal audit and other officials;
- Foster closer working relations with provincial COGTA to avoid municipal support fatigue. This will allow both departments to reach and support municipalities that desperately require support; and
- Identify 10 municipalities and conduct Covid-19 compliance reviews to assess how the municipalities are implementing control measures meant to minimise the impact on municipal operations.

6.5 Norms and Standards

6.5.1 Specified Policies and Priorities

To facilitate optimised performance-orientated financial management in municipalities and entities as envisaged in the MFMA and other applicable legislation.

6.5.2 The Strategic Objective

The strategic objective of the Norms and Standards Unit is to develop, facilitate implementation and monitor compliance with financial norms and standards in municipalities and municipal entities to enhance financial management.

6.5.3 Background, nature and scope of support

The Unit provides support with the review of approved policies where they are in existence and customises such to suit the operational circumstances of the municipality or municipal entity. Policy development is conducted where policies are non-existent. The municipality or municipal entity is assisted in developing and customising such policies. The operational staff and senior management of municipalities and municipal entities are extensively engaged when the exercise is undertaken.

The Unit endeavors to focus on what it deems to be critical financial management policies; it has, however, extended its support beyond such policies based on the needs of each municipality or municipal entity where circumstances warrant such deviation.

The review of the delegations framework is aimed at ensuring that municipalities and municipal entities delegate powers and functions to lower levels of staff in order to facilitate decision making and flexible administrative processes that allows senior management to focus on strategic matters.

6.5.4 Support undertaken during the 2019/20 Financial Year

The Norms and Standards Unit was engaged in numerous assignments that emanated from ad-hoc requests received from municipalities and municipal entities. Such assignments involved policy support and review of financial delegations at municipalities and the review or development of financial delegations in municipal entities.

Policy development or review

Specific focus was dedicated to ensure the proper alignment between new and/or revised processes and policies within municipalities. The Unit has been providing this support for a number of years. During the 2019/20 financial year, municipalities shown in Table 6.18 were supported in response to requests received from the respective municipalities.

Table 6.18: Draft policies that resulted from the support provided during the 2019/20 financial year

No	Name of Municipality	Quarter	Critical Policies Reviewed
1	uMzimbhulu	Quarter 1	Budget policy Virement policy Cash, Banking and Investment Policy Tariffs Policy Indigent policy
2	Dr Nkosazana Dlamini Zuma	Quarter 2	Budget Policy Cash, Banking and Investment Policy Indigent Policy Tariffs Policy Virement Policy Stores Management Policy Petty Cash Policy Credit Control and Debt Collection Policy
3	Ulundi	Quarter 3	Budget Policy Virement Policy Cash, Banking and Investment Policy Credit Control and Debt Collection

Source: KZN Provincial Treasury

6.5.5. Conclusion

The Unit will continue to facilitate performance orientated financial management in municipalities and municipal entities as envisaged in the MFMA.

6.6 Municipal Accounting and Reporting

6.6.1 Implementation: Municipal Accounting and Reporting Sub-programme

Introduction and Background

In terms of Provincial Treasury's mandate to support municipalities in strengthening their financial management capacity, Provincial Treasury continued to provide financial management support to identified municipalities within the province during the 2019/20 financial year. The fundamental objective of the financial support initiative is to improve weaknesses within the financial management, accounting and reporting processes at the delegated municipalities and assist them in addressing their audit findings.

This includes amongst others the following:

- An assessment of the status of financial management practice at identified municipalities and the development of a project plan;

- Review or perform monthly general ledger reconciliations and monitoring of the quality of financial management reconciliations and accounting processes, as required;
- Address prior year audit matters as raised by the Auditor-General South Africa (AGSA) to ensure that such matters are resolved adequately;
- Provide guidance and oversight in the asset register preparation process and asset management processes or assist in the preparation of the asset register as required;
- Monitor and assist in the preparation of the Interim Financial Statements and Annual Financial Statements (AFS);
- Preparation of AFS and supporting reconciliations and schedules, as required;
- Assist in the preparation and review of the audit working paper file including all financial reconciliations and disclosure requirements;
- Training and development, including continuous on-the-job training of municipal officials in terms of financial management throughout the project;
- Monitor and implement compliance with the MFMA and other relevant local government legislation;
- Provide support with the alignment and the compliance of Municipal Standard Chart of Accounts (mSCOA) requirements for financial management transactions;
- Attendance at audit steering committee meetings. Provide guidance and support during the audit process to the Chief Financial Officer in addressing all financial management audit queries until the issue of the final audit report; and
- Attendance at management meetings that relate to financial management within the municipality.

Municipalities supported during the 2019/20 financial year for the 2018/19 AGSA Audit

The implementation of the financial management support initiative to the selected municipalities is shown in Table 6.19 below.

Table 6.19: List of the municipalities supported in the 2019/20 Financial Year for the 2018/19 AGSA Audit

No	Name of Municipality	AFS Reviews	Financial Management Support
1	Ray Nkonyeni		✓
2	uMuziwabantu		✓
3	Ugu DM		✓
4	uThukela DM		✓
5	uPhongolo	✓	✓
6	Ulundi	✓	
7	uMhlabuyalingana	✓	
8	Mandeni		✓
9	KwaDukuza	✓	
10	uBuhlebezwe	✓	✓
11	uMzimkhulu	✓	
12	Dr. Nkosazana Dlamini Zuma	✓	
13	Harry Gwala DM	✓	

Source: KZN Provincial Treasury

The financial management support initiative provided full time onsite support that included; updating monthly reconciliations, addressing prior period errors and audit queries, assistance with the preparation of the AFS and related audit files as well as the provision of technical support in resolving audit queries raised during the 2018/19 audit.

During the month of August 2019, Provincial Treasury conducted the review of the AFS for the 2018/19 financial year at the identified municipalities in the province. The objective of the review was to ensure that the municipalities' financial statements complied with the Generally Recognised Accounting Practice (GRAP) framework as well as to improve the quality of submissions to the AGSA.

The support included the transfer of skills and training to the municipalities' internal audit and finance officials on the process for the review of the AFS.

Municipalities identified for support in the 2020/21 financial year

A review of the 2018/19 audit report findings indicated that material losses and impairments and restatement of corresponding figures received the most comment in the main audit report. Compliance matters reported centered on procurement and contract management, expenditure management, asset management, annual financial statements and irregular, fruitless and wasteful expenditure.

Provincial Treasury performed an assessment of key financial matters as reflected in the audit report and management report of certain negatively affected municipalities in order to identify possible areas of intervention and support within the available capacity and scope.

The 2018/19 outcomes from the AGSA indicated that municipalities in the KZN Province received the following audit opinions:

- Eighteen (18) qualifications;
- Two (2) disclaimers;
- One (1) adverse;
- Thirty-two (32) unqualified; and
- One (1) clean audit opinion.

Table 6.20 reflects the municipalities identified by Provincial Treasury for inclusion in the financial management support initiative in the 2020/21 financial year.

Table 6.20: List of the municipalities identified for support during the 2020/21 municipal financial year

No	Name of Municipality	2018/19 Audit Opinion	Extent of support	
1	uMuziwabantu	Unqualified	Pre-audit Assessment	AFS Review
2	uMshwathi	Qualified		AFS Review
3	iMpindle	Qualified		AFS Review
4	uMgungundlovu DM	Qualified	Pre-audit Assessment	AFS Review
5	Okhahlamba	Clean	Pre-audit Assessment	
6	Alfred Duma	Unqualified	Pre-audit Assessment	
7	uThukela DM	Qualified		AFS Review
8	eNdumeni	Unqualified	Pre-audit Assessment	
9	uMsinga	Unqualified		AFS Review
10	uMvoti	Unqualified	Pre-audit Assessment	
11	eMadlangeni	Unqualified	Pre-audit Assessment	
12	Dannhauser	Qualified		AFS Review
13	uPhongolo	Unqualified	Pre-audit Assessment	AFS Review
14	Nongoma	Unqualified		AFS Review
15	uMhlabuyalingana	Unqualified	Pre-audit Assessment	
16	Big Five Hlabisa	Qualified	Pre-audit Assessment	
17	uMfolozi	Unqualified	Pre-audit Assessment	
18	Nkandla	Unqualified		AFS Review
19	KwaDukuza	Unqualified	Pre-audit Assessment	
20	Ndwedwe	Unqualified	Pre-audit Assessment	
21	Greater Kokstad	Unqualified		AFS Review
22	uBuhlebezwe	Qualified	Pre-audit Assessment	AFS Review
23	uMzimkhulu	Qualified		AFS Review
24	Dr. Nkosazana Dlamini Zuma	Unqualified	Pre-audit Assessment	AFS Review
25	Harry Gwala DM	Unqualified	Pre-audit Assessment	AFS Review

Source: KZN Provincial Treasury

Challenges identified during the implementation of the Support Programme

The challenges faced by municipalities are similar each year and show little improvement over the financial years. The challenges identified during the financial management support and review of AFS initiatives include, among others, the following:

- A lack of resources due to the high levels of vacancies/ inadequate skills at the municipalities which negatively impacts effective skills transfer, particularly in the preparation of the AFS and resolving audit queries;
- The resignation of key officials, such as the Chief Financial Officer, during key periods resulting in other municipal officials acting in the respective positions for long periods without the vacancies being filled;
- Significant reliance is placed on Provincial Treasury support, consultants or interns to perform the work of municipal officials without adequate commitment from the respective officials to ensure sufficient transfer of skills;
- The implementation of mSCOA has reduced the capacity available at the municipalities to undertake financial management responsibilities;
- Poor record keeping and maintenance of adequate supporting documentation negatively impacts the correction of prior period errors identified from the prior year audit;

- Inadequate skills on credit control and debt management, including basic financial accounting and document management systems;
- Lack of systems to address audit queries and recommendations for both internal and external auditing;
- Inadequate asset management processes within the municipality which impacts the maintenance of the asset register as well as the accuracy and timelines of related reporting;
- Poor controls over routine accounting processes, i.e. failing to prepare and review monthly reconciliations between the sub ledger and control accounts in the general ledger as well as between the general ledger and external source information and related registers, failure to clear control/suspense accounts and failure to maintain supporting schedules such as accruals listings;
- Lack of effective controls and processes to prevent non-compliance with relevant legislation and supply chain management processes as well as to prevent the incurrence of unavoidable expenditure which results in irregular, fruitless and wasteful expenditure;
- Little or no action taken in investigating or condoning the unauthorised, irregular, fruitless and wasteful expenditure;
- Lack of evidence based reporting and failure to prepare comprehensive audit working paper files supporting the AFS; and
- Unavailability of municipal financial management officials to address challenges identified during the support provided.

The significant challenges identified during the 2018/19 AFS review performed by Provincial Treasury were as follows:

- The review was significantly delayed as the AFS were still being prepared at the agreed date of submission, with the bulk of the reviews taking place in the last week of August 2019;
- The AFS submitted for review were incomplete with special reference to asset disclosure and was also not supported by relevant documentation and/or working papers;
- Audit working paper files were still in the process of being compiled at the time of submission of the AFS to Provincial Treasury for review; and
- In many instances, internal audit officials were not appointed or not available, therefore the Provincial Treasury team could not adequately transfer skills regarding the review process for the AFS.

Action steps to address identified challenges

To address the challenges identified above, the financial management support initiative has focused on the achievement of the following objectives:

- Implementation of basic accounting practices and routine monthly reconciliation processes and controls including onsite oversight support and quality assurance;
- Review and monitoring of the AFS preparation plan;
- Assistance in resolving prior period audit issues;
- Identify financial management and audit risk areas and implement appropriate mitigating strategies;
- Robust consultative forums through effective collaboration with all relevant stakeholders internal to Provincial Treasury (Municipal Accounting and Reporting, Asset Management, Supply Chain Management, Norms and Standards, Internal Audit) and the AGSA for a uniform, integrated and consistent support approach; and

- Strengthen financial management by training and capacitating municipal officials on the effective accounting processes, controls, reconciliations and reporting including the preparation of the AFS and supporting working paper files.

6.6.2 Asset Management Improvement Program

Provincial Treasury continued to provide asset management support in response to the continuing challenges faced by municipalities and the resulting impact on audit outcomes. National Treasury also provided a resource from the Municipal Finance Improvement Programme (MFIP III) – Asset Management whose aim was to address weaknesses identified, ensure the establishment of an asset management steering committee and the capacitation of the asset management unit as well as provide assistance with the development of policies and procedures.

The support provided included reviews of the draft asset register and asset components prior to the submission of the AFS on 31 August 2019 as well as reviews of the final asset registers provided for audit. Onsite guidance was also provided by the MFIP III Asset Management Advisor, including assistance with prior period errors, technical advice on audit queries, and guidance on the finalisation of the 2018/19 asset registers. Additional support included the review of policies and strategies at identified municipalities as well as monitoring the status of the MFIP action plans and focus areas. Table 6.21 shows the municipalities that have been supported on the Asset Management Improvement Programme.

Table 6.21: List of the municipalities that were supported on MFIP III Asset Management for the 2018/19 AGSA Audit

No	Name of the municipality	No	Name of the municipality
1	Ugu DM	6	uMgungundlovu DM
2	AbaQulusi	7	uMzinyathi DM
3	iMpendle	8	uPhongolo
4	Nongoma	9	uThukela DM
5	uBuhlebezwe		

Source: KZN Provincial Treasury

The significant challenges experienced during the implementation of the asset management support include the following:

- Asset management activities related to the physical verification, conditional assessments, impairments, depreciation calculations, additions, disposals and assets under construction transfers all occur at year end and are not executed throughout the year resulting in errors at year end impacting on the finalisation of the AFS;
- The consultants required to assist with the preparation of the asset register are appointed close to year end, sometimes resulting in delays in, or impacting the AFS and audit preparation;
- Lack of capacity or skills of officials responsible for asset management. The municipalities visited have an Assets Management Unit capacity disparity, as well as an oversight weakness.

Action steps to provide continued assistance

National Treasury will continue to provide assistance and support through the implementation of the MFIP IIIx – Asset Management and the assigned resource.

The resource analysed all audit reports and management reports for the 2018/19 financial year to identify municipalities with significant asset management issues. This analysis was considered in conjunction with the insights gained from the prior year’s support resulting in a selection of 12 municipalities for the asset management programme.

Notably, six municipalities will continue to receive support from 2019/20 and six new municipalities will receive support in 2020/21 as shown in Table 6.22.

Table 6.22: List of the municipalities to be supported through MFIP Illx Asset Management in 2020/21

No	Name of the municipality	Continued MFIP support from 2019/20	New MFIP support for 2020/21
1	AbaQulusi	✓	
2	Ugu DM	✓	
3	uBuhlebezwe	✓	
4	iMpendle	✓	
5	uMzinyathi DM	✓	
6	uThukela DM	✓	
7	uMkhanyakude DM		✓
8	uMshwathi		✓
9	uMngeni		✓
10	Dannhauser		✓
11	Amajuba DM		✓
12	Mtubatuba		✓

Source: KZN Provincial Treasury

6.6.3 Municipal Debt Recovery Project

Introduction

In keeping with Provincial Treasury's mandate to assist and support municipalities and provincial departments in strengthening and building their financial management capacity, Provincial Treasury has undertaken an initiative/project to address the outstanding inter-governmental debt issue and to bring inter-governmental debt to an acceptable level.

The purpose of this initiative is to reconcile all debt owing by provincial departments to municipalities, resolve disputes expeditiously, facilitate the settlement of the debt in the short and medium term and undertake a data cleansing exercise in pursuit of a sustainable, long-term solution to intergovernmental debt in the province as a key oversight function of Provincial Treasury.

Objectives of the project

The primary goal of the Inter-Governmental Debt Recovery Project is to facilitate a reduction in government debt due to municipalities. The following objectives have been identified to achieve this goal:

- To gather debtors' age analysis data and assess the current debt owed to municipalities in the province through a process of disaggregating inter-governmental debt as follows:
 - Disaggregation of debt by department;
 - Property Rates Debt; and
 - Utility Services Debt.
- To gather documentation and information in support of the inter-departmental debt;
- To facilitate the settlement of debt by departments to municipalities where no disputes/discrepancies exist; and
- To facilitate a data cleansing process as a long-term exercise to provide sustainable solutions to the inter-governmental debt challenge.

Project status to date: data gathering, analysis and disaggregation of debt

Table 6.23: Accounts Data Management for the period 01 July 2019 to 30 June 2020

No	Name of Municipality	Accounts Data Base Management		
		Total No. of Accounts As per Age Analysis	No. of Accounts Matched	No. of Accounts escalated to Department/Municipality for further investigation
1	Amajuba DM	132	45	87
2	Dannhauser	309	178	131
3	eMadlangeni	274	27	247
4	Newcastle	503	139	364
5	uMkhanyakude DM	243	37	206
6	Big Five Hlabisa	191	65	126
7	Jozini	365	77	288
8	Mtubatuba	210	100	110
9	uMhlabuyalingana	200	139	61
10	eNdumeni	434	195	239
11	Alfred Duma	3 890	81	3 809
12	eDumbe	474	56	418
Total No. of Accounts		7 225	1 139	6 086
Percentage of Accounts Verified		100%	16%	84%

Source: KZN Provincial Treasury

Table 6.24: Debt Recovery Status of the 12 Municipalities shown above

Debt Breakdown	Amount R'000	Recovery Rate
Recovery to date	98 472	37%
*Debt Escalated to Departments for recovery and Municipalities for investigation (Refer to table below)	166 363	63%
Total Debt	264 835	100%
*Value of Debt escalated to Departments for Resolution (In respect of an amount of R166 363 077)		
Breakdown	Amount R'000	Department/Municipality
Section 21 schools	4 283	KZN Department Of Education
Debt escalated to Department for verification and payment	97 105	National Public Works Provincial Public Works Human Settlements
Debt escalated to Municipalities for investigation	64 975	Rural Development and Land Reform Municipalities
Total	166 363	

Source: KZN Provincial Treasury

Table 6.25 shows the Municipal Accounts Verification and Debt Recovery status from 01 July 2019 to 30 June 2020.

Table 6.25: Dashboard view of debt position for 12 municipalities in the province: 01 July 2019 to 30 June 2020

	DATA CLEANSING AND VERIFICATION				DEBT RECOVERY STATUS			
	Number of accounts per the age analysis	Number of accounts verified	Number of accounts matched	Number of accounts escalated to Department/Municipality for further investigation	Total Debt as per Age Analysis R'000	Recovery to Date/ Resolution Reached/ Write-off R'000	Debt Escalated for recovery to departments/ Investigation by the municipality R'000	Irrecoverable R'000 Debt
Amajuba DM								
National Public Works	21	21	19	2	21	19	2	-
Correctional Services	4	4	4	-	1 330	1 330	-	-
Provincial Public Works	48	48	-	48	598	-	598	-
Agriculture	1	1	-	1	61	-	61	-
Education	35	35	9	26	1 774	33	1 741	-
Health	18	18	11	7	245	183	62	-
Arts and Culture	1	1	-	1	0	-	-	-
Social Development	3	3	-	3	83	0	83	-
Transport	1	1	1	-	5	5	-	-
Total	132	132	45	87	4 118	1 570	2 548	-
Newcastle								
National Public Works	188	188	77	111	20 360	12 931	7 429	-
Water Affairs	9	9	-	9	1 060	-	1 060	-
Provincial Public Works	119	119	27	92	9 206	2 717	6 489	-
Rural Development and Land Reform	14	14	-	14	37	-	37	-
Human Settlements	4	4	-	4	13 644	13 209	435	-
Health	34	34	22	12	1 877	1 694	183	-
Education	112	112	3	109	2 251	-	2 251	-
Agriculture	3	3	2	1	248	172	76	-
Economic Development	2	2	1	1	15	10	5	-
Cogta	1	1	1	-	47	47	-	-
Social Development	10	10	1	9	707	3	704	-
Sports and Recreation	2	2	2	-	18	18	-	-
Transport	5	5	3	2	1 094	1 094	-	-
Total	503	503	139	364	50 563	31 895	18 668	-
Alfred Duma								
National Public Works	642	642	25	617	28 411	4 183	24 228	-
Water Affairs	15	15	-	15	675	-	675	-
Provincial Public Works	429	429	47	382	23 099	3 522	19 578	-
Rural Development and Land Reform	1555	1555	-	1555	7 089	-	7 089	-
Human Settlements	597	597	-	597	8 512	-	8 512	-
Health	2	2	1	1	1 088	1 079	9	-
Education	13	13	6	7	251	232	19	-
Social Development	1	1	1	-	20	20	-	-
Transport	2	2	1	1	481	155	327	-
Other: Alfred Duma Municipality	12	12	-	12	3 118	-	3 118	-
Other: Inactive Accounts	156	156	-	156	5 312	-	5 312	-
Other: Handed Over Accounts	120	120	-	120	3 602	-	3 602	-
Other: Payment Line item Accounts	105	105	-	105	(9 168)	-	(9 168)	-
Other: Unallocated Credits	83	83	-	83	(182)	-	(182)	-
Other: Category Queries	29	29	-	29	708	-	708	-
Other: Privately Registered	129	129	-	129	1 837	-	1 837	-
Total	3890	3890	81	3809	74 856	9 190	65 666	-
eNdameni								
National Public Works	85	85	59	26	149	16	133	-
Water Affairs	2	2	2	-	0	0	-	-
Provincial Public Works	237	237	84	153	1 278	24	1 254	-
Rural Development and Land Reform	41	41	-	41	1 242	-	1 242	-
Human Settlements	20	20	4	16	820	8	812	-
Health	12	12	12	-	457	457	-	-
Education	26	26	23	3	422	368	54	-
Agriculture	1	1	1	-	8	8	-	-
Arts & Culture	1	1	1	-	12	12	-	-
Cogta	1	1	1	-	6	6	-	-
Social Development	3	3	3	-	58	58	-	-
Transport	5	5	5	-	170	170	-	-
Total	434	434	195	239	4 622	1 127	3 495	-
eMaadlangeni								
National Public Works	26	26	6	20	1 362	774	587	-
Provincial Public Works	177	177	13	164	5 678	1 518	4 160	-
Rural Development and Land Reform	49	49	0	49	369	209	160	-
Health	6	6	1	5	75	69	6	-
Education	12	12	4	8	469	7	462	-
Agriculture	1	1	1	-	29	29	-	-
Social Development	3	3	2	1	9	9	0	-
Total	274	274	27	247	7 990	2 615	5 375	-
Dannhauser								
National Public Works	21	21	6	15	39	-	39	-
Water Affairs	16	16	0	16	40	-	40	-
Provincial Public Works	235	235	171	64	7 308	1 434	5 873	-
Rural Development and Land Reform	32	32	-	32	199	-	199	-
Health	1	1	1	-	0	0	-	-
Education	4	4	-	4	27	-	27	-
Total	309	309	178	131	7 613	1 435	6 179	-
Jozini								
National Public Works	27	27	-	27	5 060	-	5 060	-
Provincial Public Works	78	78	10	68	8 562	518	8 045	-
Rural Development and Land Reform	48	48	25	23	30 234	15 194	15 039	-
Human Settlements	212	212	42	170	7 018	774	6 244	-
Total	365	365	77	288	50 874	16 487	34 388	-
eDumbe								
National Public Works	32	32	-	32	1 358	-	1 358	-
Provincial Public Works	93	93	51	42	11 443	7 485	3 958	-
Rural Development and Land Reform	348	348	5	343	3 360	-	3 360	-
Agriculture	1	1	-	1	12	-	12	-
Total	474	474	56	418	16 173	7 485	8 688	-
uMkhanyakude DM								
National Public Works	45	45	12	33	4 020	3 811	209	-
Water Affairs	2	2	-	2	275	-	275	-
Provincial Public Works	9	9	1	8	174	-	174	-
Economic Development	1	1	-	1	100	100	-	-
Health	22	22	17	5	1 046	773	273	-
Education	85	85	-	85	1 630	-	1 630	-
Agriculture	5	5	-	5	252	-	252	-
Human Settlement	1	1	-	1	21	21	-	-
Transport	14	14	-	14	289	12	277	-
Royal House Hold	1	1	-	1	161	-	161	-
Social Development	58	58	5	53	1 022	138	884	-
Total	243	243	37	206	8 988	4 855	4 133	-
Mtubatuba								
National Public Works	53	53	19	34	3 242	556	2 686	-
Provincial Public Works	143	143	81	62	5 729	2 854	2 875	-
Rural Development and Land Reform	12	12	-	12	692	-	692	-
Ingonyama Trust	2	2	-	2	108	-	108	-
Total	210	210	100	110	9 771	3 410	6 361	-
uMhlabuyalingana								
National Public Works	5	5	-	5	2 491	-	2 491	-
Provincial Public Works	195	195	139	56	18 907	16 414	2 493	-
Total	200	200	139	61	21 397	16 414	4 983	-
Big Five Hlabisa								
National Public Works	10	10	7	3	329	-	329	-
Provincial Public Works	158	158	58	100	4 736	1 989	2 746	-
Education	7	7	-	7	186	-	186	-
Social Development	2	2	-	2	145	-	145	-
Rural Development and Land Reform	6	6	-	6	926	-	926	-
Ingonyama Trust	5	5	-	5	1 489	-	1 489	-
Agriculture	3	3	-	3	58	-	58	-
Total	191	191	65	126	7 869	1 989	5 880	-

Source: KZN Provincial Treasury

Table 6.26 relates to a special project for the Msunduzi Local Municipality which is still in progress and is excluded from Tables 6.23, 6.24 and 6.25. The accounts database and debt recovery status is as at 30 June 2020.

Table 6.26: Accounts database and debt recovery status as at 30 June 2020 – Msunduzi Local Municipality

	DATA CLEANSING AND VERIFICATION					DEBT RECOVERY STATUS			
	Number of accounts per the age analysis	Number of accounts verified	Number of accounts matched	Number of accounts escalated to Department/Municipality for further investigation	Number of accounts to be verified	Total Debt as per Age Analysis R'000	Recovery to Date R'000	Debt still under investigation R'000	Irrecoverable R'000 Debt
MSUNDUZI									
National Public Works	327	327	130	197	-	38 348	19 207	19 141	-
Rural Development	166	166	4	162	-	7 179	-	7 179	-
Provincial Public Works	355	355	159	196	-	63 559	2 989	60 570	-
Human Settlements	3094	1128	307	821	1966	36 351	8 461	27 891	-
Education	151	151	98	53	-	27 398	-	27 398	-
Health	32	32	31	1	-	9 813	-	9 813	-
KZN Legislature	10	10	10	-	-	213	213	0	-
Arts and Culture	4	4	4	-	-	178	-	178	-
Social Development	8	8	7	1	-	159	-	159	-
Treasury	1	1	1	-	-	75	-	75	-
COGTA	3	3	3	-	-	223	-	223	-
OTP	2	2	2	-	-	374	-	374	-
Transport	16	16	12	4	-	1 815	1 233	582	-
Sport	1	1	1	-	-	38	-	38	-
Agriculture	9	9	9	-	-	237	-	237	-
Ingonyama Trust	2	2	2	-	-	75	-	75	-
Transnet	262	-	-	-	262	14 730	-	14 730	-
Eskom	3	-	-	-	3	20	-	20	-
Telkom	37	-	-	-	37	541	-	541	-
SANRAL	92	-	-	-	92	52	-	52	-
TVT College	19	-	-	-	19	3 437	-	3 437	-
uMgungundlovu DM	5	-	-	-	5	345	-	345	-
Total	4599	2215	780	1435	2384	205 160	32 103	173 057	-

Source: KZN Provincial Treasury

Project risks, challenges and dependencies

The recurring challenges that frustrate the effective and efficient implementation of support initiatives are:

- Lack of discipline and specific skills to implement recommended support initiatives;
- Undue reliance placed on Provincial Treasury officials to effect changes/improvements without the requisite support of officials from client agencies/service providers;
- Ownership of land held under the Ingonyama Trust is still under dispute. A court ruling should determine issues relating to ownership and payment of all outstanding rates;
- The vesting process with respect to properties registered in the name of “RSA” is incomplete. These properties could either be National Public Works, Provincial Public Works, Land Reform or Human Settlement properties. Amounts for Property rates are still being levied by various municipalities in respect of these properties. These amounts will only be paid once the vesting process is completed. It should be noted that these outstanding amounts are currently attracting interest;
- Certain municipalities are sending invoices to the wrong departments. (for example, provincial invoices are being sent to national and vice versa);
- The payment for services with respect to Section 21 schools remains a concern. It would appear that funding received by certain Section 21 schools is inadequate to cover the costs of municipal services levied; and

- A review of certain municipal billing systems revealed that certain accounts have a combination of rates and service charges. These accounts must be separated by rates and service and then be sent to the correct department/s.

6.6.4 Conclusion

In order to sustain the improved financial management status of the municipalities under review, the need for municipal-wide and cross cutting support by key stakeholders becomes increasingly significant. To this end, ensuring the appropriate and proportionate balance between effective municipality stewardship and the dependency on outside support becomes critical, if not significant. It is hoped that the support provided by Provincial Treasury during the 2019/20 financial year has provided municipalities with the necessary skills and expertise to continue their quest for sound financial management and an improvement in the future audit outcomes.

6.7 Municipal Public Private Partnerships

Provincial Treasury provides effective and efficient transversal Public Private Partnerships (PPP) project advisory services to a number of municipalities in the province. Provincial Treasury established the PPP Unit with the main objective of facilitating, managing and overseeing PPPs at a provincial level in accordance with legislative mandates (Municipal Finance Management Act (MFMA), Municipal Systems Act (MSA) and Municipal PPP Regulations, April 2005).

The Public Private Partnership Unit assisted the municipalities with the advisory services shown in Tables 6.27 to Table 6.32.

Table 6.27: KwaDukuza Local Municipality - Solid Waste Removal

Service	Gaps Identified	Recommendations	Progress
Contract extension	The current contract for waste removal services expired in 2012 and has been renewed on a month to month basis since 2012.	The PPP Unit recommended that the municipality must investigate whether it is legal to renew the waste removal contract on a month to month basis in terms of municipal SCM regulations.	The recommendations were communicated with the municipality and the municipality was requested to take the recommendations into consideration regarding the legality of renewing the contract on a month to month basis.
Appointment of a Private Party	The municipality seeks to enter into Public Private Partnership contract with the private party for the provision of waste removal services for the KwaDukuza area.	National Treasury and Provincial Treasury advised the municipality to undertake Section 78 assessment in terms of the Municipal Systems Act to investigate a solution to provide solid waste removal services through a PPP.	The municipality appointed the Transaction Advisor to assist in undertaking Section 78 assessment. The feasibility was completed and submitted to National Treasury and Provincial Treasury for views and recommendations. The views and recommendations were granted and Council took a resolution to procure the waste removal services through a PPP Model.
		Municipality to draft procurement documents and solicit Treasury views and recommendations: IIA from National Treasury and Provincial Treasury before the documents can be issued to the market	The procurement documents were drafted and submitted to National Treasury for Treasury views and recommendations: IIA. The views and recommendations: IIA were granted by National Treasury and recommended that the municipality must also solicit views and recommendations of Provincial Treasury in terms of Section 120(6) of the Municipal Finance Management Act and Municipal PPP Regulation 4 and the municipality continued with the procurement processes without soliciting the views and recommendations of Provincial Treasury as required by the Municipal PPP Regulations.
		Municipality to draft the value for money report and solicit views and recommendations: IIB from National Treasury and Provincial Treasury before initiating the negotiation processes with the preferred bidder.	The municipality received 10 proposals from the market, subsequently the bids were evaluated and only one bid was found to be compliant with the requirements there were stated in the request for proposal.
		Municipality to negotiate with the preferred bidder and solicit views and recommendations: III from National Treasury and Provincial Treasury before signing the PPP agreement with the preferred bidder.	The value for money report was drafted and submitted to National Treasury for Treasury views and recommendations: IIB. The views and recommendations: IIB were granted by National Treasury and recommended that the municipality must also solicit views and recommendations of Provincial Treasury in terms of Municipal PPP Regulation and the municipality continued with the negotiation processes without soliciting the views and recommendations of Provincial Treasury.
			The municipality negotiated with the preferred bidder and applied for Treasury views and recommendations: III to National Treasury and Provincial Treasury in terms of Section 33 of the Municipal Finance Management Act.

Source: KZN Provincial Treasury

Table 6.28: iLembe District Municipality - Information and Communication Technology (“ICT”) infrastructure/Broadband project

Service	Gaps Identified	Recommendations	Progress
Off-takers	The municipality seeks to source off-takers for this project which will be a combination of public and private institutions that will make the project commercially viable.	The municipality needs to: 1) draft terms of reference (ToR) for the procurement of a Transaction Advisor (TA); 2) the TA will in turn undertake a feasibility study process that will, inter alia; evaluate various options available to the municipality and the different funding mechanisms; determine the projects affordability and whether or not it will provide value for money; and 3) sign off-take agreements with potential off-takers.	The terms of reference have been drafted and the municipality has to facilitate the process of the appointment of the transaction advisor and funding has been secured for the feasibility study process.
Funding	There were issues regarding the funding of the project. The municipality has approached the Infrastructure Investment Programme for South Africa (IIPSA) from the Development Bank of South Africa (DBSA) to fund the feasibility study and an agreement has been signed by both institutions, with the municipality facilitating the process.	The municipality is urged to continuously liaise with the DBSA on its funding application and process.	Funding for the feasibility study has been approved with contributions to be brought forward by both parties.

Source: KZN Provincial Treasury

Table 6.29: uMvoti Local Municipality – Forestry PPP

Service	Gaps Identified	Recommendations	Progress
Project Registration	The municipality is awaiting finalisation of the registration of the project from National Treasury and hence are unable to continue with its own internal SCM processes until given the go ahead from National Treasury.	The municipality should liaise with National Treasury to determine how far the process is with regards to the registration of the project.	No feedback has been received from National Treasury on the registration of the project.

Source: KZN Provincial Treasury

Table 6.30: uMhlatuze Local Municipality - Waste Water and Associated By-Product Reuse

Service	Gaps Identified	Recommendations	Progress
Water demand	The preparatory work undertaken identified that the water demand in year 2025 is expected to increase by 75 percent from the current levels and is expected to exceed the current lawful water use by the municipality within the next few years. Whilst the long-term water supply solution for uMhlatuze Local Municipality will be multifaceted and multi-phased, the imminence of the supply shortfall requires a solution which will yield results in the near term.	National Treasury advised the municipality to undertake the comprehensive feasibility study in accordance with Section 120 of the MFMA, the Municipal PPP Regulations (1 April 2005) and the Municipal PPP Guidelines (2007) to determine the viability of reusing treated waste water in order to augment its other sources of water supply and specifically assess the desirability and viability of procuring a PPP as the delivery mechanism for the preferred technical solution.	The feasibility study report was submitted by the uMhlatuze Local Municipality to National and Provincial Treasury for Treasury views and recommendations: 1 (TVR: 1). Subsequently, the views and recommendations were granted by National and Provincial Treasury which reflected that the project is affordable with value for money and risk transfer if the project is procured as a PPP. The feasibility study, together with the views and recommendations was submitted to the municipal executive council and the municipal council and was approved by both bodies.
		National Treasury and Provincial Treasury advised the municipality to draft the procurement documents and solicit Treasury views and recommendation :IIA before the documents can be issued to the market.	The Transaction Advisor assisted the municipality in drafting the Request for Qualification (RFQ) that will be issued to the market for the construction and operation of waste water treatment plants. The municipality solicited the comments from Provincial Treasury, National Treasury, Development Bank of Southern Africa and Department of Water and Sanitation with regards to RFQ. The municipality is finalising the internal processes before the RFQ can be issued to the market. The Transaction Advisor assisted the municipality in drafting the Request for Proposal (RFP) that will be issued to the prequalified bidders for the construction and operation of waste water treatment plants. The municipality solicited the comments from Provincial Treasury, National Treasury, Development Bank of Southern Africa and Department of Water and Sanitation.
Transaction Advisor's Contract	The transaction advisor were appointed for the period of 3 years and the contract came to an end after the drafting of the RFQ document.	The Project Steering Committee advise the municipality to find avenues to reappoint the same transaction advisor.	The municipality reappointed the same Transaction Advisor to assist in the procurement processes until the appointment of the private party for the construction and operation of waste water treatment plants.
Use of Portable Water Bylaws	The industries around Richards Bay (off-takers) have contracts with the water board (uMhlatuze Water) to purchase the portable water at a lower tariff than what the municipality would charge for treated water which is due to expire at the end of year 2021 and they are in a process to renew the contract when the current contract comes to an end.	National Treasury and Provincial Treasury recommended that the municipality appoint consultants that will assist the municipality in drafting a bylaws that will restrict other water services institutions to sell portable water to off-takers for industrial use.	The consultants were appointed to assist with amendment of bylaws. The consultants drafted the bylaw and forwarded it to the municipality bylaws committee for comments and finalisation. The municipality's bylaws committee approved the proposed bylaws. The bylaws are yet to be gazetted owing to the fact that the municipality has not settled it account for advertising.

Source: KZN Provincial Treasury

Table 6.31: uMhlatuze Local Municipality- Airport Relocation

Service	Gaps Identified	Recommendations	Progress
Appointment of Transaction Advisor	The municipality has identified the need to investigate the feasibility and affordability of the different procurement options which will provide the best technical, financial and legal solution in delivering the project, however, the municipality does not have the technical capacity or expertise to undertake the feasibility study.	National Treasury and Provincial Treasury recommended that the municipality must appoint the Transaction Advisor that will assist the municipality in undertaking the comprehensive feasibility study for airport relocation. Both Treasuries also advised the municipality to utilise the same consultants that produced the prefeasibility study as the technical advisor and only issue the advert to appoint the legal and finance streams if it is not in contravention with the municipality's Supply Chain Management policy.	National Treasury and Provincial Treasury assisted the municipality in drafting the Terms of reference to appoint a Transaction advisor. The municipality issued the Terms of reference to the market and received 7 proposals from the potential Transaction advisors. The municipality appointed the senior officials from National Treasury and Provincial Treasury to the technical evaluation team to advise the Bid evaluation committee on how to evaluate the PPP proposals. The Bid evaluation committee evaluated all the proposals received as per the requirements that were set out in the Terms of reference and only one bidder passed. The bidder was invited to the clarification meeting to do a presentation about the proposal and Bid evaluation committee was satisfied with the presentation. The Bid evaluation committee is yet to write an evaluation report to be presented to the Bid adjudication committee. The municipality resolved not to use the consultants that produced the prefeasibility study as the Technical advisor

Source: KZN Provincial Treasury

Table 6.32: iLembe District Municipality - Siza Water Concession

Service	Gaps Identified	Recommendations	Progress
The Five Year Plan	Clause 58 provides for the development of a five year plan for the next five period which must be approved by council at least four months before the end of the current five year period and it is a mechanism to identify capital works to be undertaken within the concession area over the preceding five year period.	The deadline for the finalisation of the current five year plan has lapsed and the municipality needs to finalise the five year plan as a matter of urgency,	The five year plan has still not been finalised and approved by the municipality.
Elete - Phase 4 Housing Project	This project has stalled over the past years due to a lack of financial commitment by the concessionaire and the municipality on the implementation of bulk infrastructure and the subsequent maintenance. Initially, the concessionaire had requested that the quality of the bulk infrastructure to be installed, meet the specifications that have been outlined.	According to the concession agreement, the concessionaire is responsible for the maintenance of all water and waste water services within the concession area.	The concessionaire has agreed to co-fund the installation of meters required for the first phase of the project but on condition that smart meters are installed and are the correct specifications.
Skills Development, B-BBEE and SMME	Clause 53.9 mandates the concessionaire, through direct contracting and through its sub-contractors, promote 15 percent of the investment in works to BEE and SMME components, within the concession area.	The municipality is urged to consider the review of the amount spent towards SME's to be aligned to prevailing Broad Based Black Economic Empowerment legislation, which advocates for 30 percent procurement contract spend on black owned SME.	The concessionaire has thus far earmarked 17.2 percent of its capital budget to local black Emerging Micro Enterprises (EME's).
Performance Monitoring	Performance monitoring has been a constant hindrance for the majority of the concession and has meant that there has not been any constant independent verification of the work done by the concessionaire.	The municipality must establish and implement a contract monitoring structure, which must have sufficient capacity to conduct monitoring of technical, operational, financial, legal and socio-economic obligations of the concessionaire. The structure must be headed by a contract monitoring officer, with powers and authority delegated by the Accounting Officer.	The absence of a monitoring framework upon which the concessionaire's performance can be objectively measured without necessarily placing re-active reliance on the information in the reports periodically provided by the concessionaire, is a concern and needs to be addressed by the municipality.
Profit sharing	The municipality has engaged with the concessionaire to negotiate possible sharing of the concessionaire's profit at an earlier date, before reaching the Internal Rate of Return (IRR) of 15 percent as stipulated in the second supplementary agreement of the concession agreement. The concession contract states that the municipality will be able to share in the concessionaire's profits if the historical returns achieved by the concessionaire are in excess of 15 percent as determined in the financial model. A review undertaken in 2017 projected that the IRR will be reached in the year 2024.	An analysis of the concessionaire's financial model and performance will need to be undertaken to ascertain as to when the targeted IRR will be reached and a recommendation will be made subsequently as to how to deal with the sharing of profits.	Following the review of the concessionaire's financial model, discussions between the two parties will have to commence.
Concession Fee	Clause 5.5.2 provides that the quantum of the annual fee payable in should be equal to the costs to be incurred by the municipality in undertaking and fulfilling its regulatory duties pursuant to the contract and applicable regulatory provisions.	The municipality should utilise the concession fee in monitoring the concession i.e. in fulfilling its regulatory and contractual obligations.	The concession fee is recorded in the concessionaire's financials, however it is not evident as to how the municipality utilises these funds.
Performance and Service Levels	The concessionaire agreement is not explicit on the targets of service levels that should be achieved in certain areas within the concession area.	The municipality should utilise its policy requirements and strategic service delivery targets to inform performance indicators and National water quality testing norms and standards should be incorporated into the Agreement and regular monitoring criteria as a performance target and service level.	The current service levels are very ambiguous. The municipality is to determine what are the service levels for settlements and the responsibility of the concessionaire in meeting those levels and also to provide a review of the performance targets for service levels as they are outdated
Water Services Area	Clause 5.2 of the concession agreement, read in conjunction with Sections 77 and 78 of the Municipal Systems Act (MSA), provides that a municipality is required to review and decide on the appropriate mechanism to provide a municipal service, the determination of which must be done by way of an assessment in terms of the criterion for deciding on mechanisms to provide municipal services, hence the incorporation of a new area to which the municipality has an obligation to service should be treated separately within the framework of Section 78 of the MSA.	The municipality should determine what legal considerations it should undertake prior to engaging the concessionaire on expanding the Water Service Area?	The municipality needs to consider whether it is an inherent right that all new water service areas outside the concession area should be serviced by the concessionaire.

Source: KZN Provincial Treasury

6.8 Infrastructure Management

6.8.1 The Infrastructure Support Team

The provision of infrastructure is integral in the realisation of government's goal to provide basic services to all South Africans. However, under-performance on Capital Expenditure (within the full value chain of delivery) by municipalities delays the delivery of basic infrastructure services and exacerbates the current infrastructure backlogs.

The purpose of the Infrastructure Support Team is to assist provincial departments, entities as well as municipalities in the identification and unblocking of bottlenecks in the assessment, planning, implementation and delivery of essential infrastructure services to communities. Table 6.33 shows the scope of support provided to municipalities.

Table 6.33: Municipalities supported by the Infrastructure Support Team

No	Name of Municipality	Scope of support provided
1	Dannhauser	Support and advice given to Dannhauser Local Municipality regarding the funding of a cemetery and solid waste site. Revised the Terms Of Reference that was drafted. Project cancelled due to budget reallocation to COVID-19.
2	Mpošana	Support was requested to assist CoGTA and Mpošana Local Municipality. Eskom had stated that the electrical supply would be disconnected to Mpošana Local Municipality as the municipality owed Eskom a significant debt for electricity supplied. Support was provided from the Professional Service Provider (PSP) Panel to employ electrical engineers to conduct an in depth electrical analysis of both the technical and financial systems of the Mpošana Local Municipality. A PSP was appointed, conducted the required analysis and reported accordingly. The Fourth Report was received and approved by CoGTA. The project has been closed and the final invoice was paid in the third quarter. Final documentation has been handed to CoGTA.
3	uMngeni	Support to uMngeni Local Municipality regarding a conditional assessment of two blocks of flats owned by the municipality that require major maintenance. Support provided from the Professional Service Provider (PSP) Panel to employ electrical, civil engineers and quantity surveyors to conduct a conditional assessment of the buildings and related infrastructure. MCJ Consulting were appointed the project has been closed out and the final invoice paid in the third quarter. Due to the COVID-19 lockdown the final documentation and hand over meeting with the municipality is still pending.

Source: KZN Provincial Treasury

The deployment of the Infrastructure Support 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 seek to improve internal capacity at municipalities by augmenting the required skills, thereby improving spending on capital projects/infrastructure.

6.9 Intergovernmental Relations (IGR)

Over the 2019/20 financial year, the IGR Unit continued to assist in the co-ordination of the Municipal Finance Management Internship Programme (MFMIIP) Learnership on behalf of National Treasury. The IGR Unit facilitated the Certificate Programme in Management Development (CPMD) where interns completed the course through the Moses Kotana Institute. The Unit assisted in the verification of qualifications of all financial managers placed in municipalities in the province to ensure compliance with minimum standards. Assistance was provided through the renewal of contracts for interns where it was found that their contracts had expired. These extensions were initiated on request of the respective Chief Financial Officers (CFOs) in municipalities.

Chapter 7: Conclusion

As per Section 5(4)(a)(i) of the Municipal Finance Management Act, No. 56 of 2003 (MFMA), Provincial Treasury is mandated to monitor the compliance by municipalities with the MFMA. Section 5(4)(a)(iii) of the MFMA further requires the Provincial Treasury to monitor the monthly outcomes of the municipalities' budgets. The aim of this report was therefore to provide a holistic view of the level of compliance with the MFMA as well as on the state of financial affairs of the 51 delegated municipalities in the province. It is against this background, and in terms of Section 71(7) of the MFMA, that the consolidated Municipal Finance Management 4th Quarter Review Close-out Report as at 30 June 2020 was prepared and submitted to the Provincial Legislature. The report also includes the initiatives and support provided by various business units within Provincial Treasury in a bid to improve the level of compliance with the MFMA and its related Regulations.

Chapter 2 highlighted the current socio-economic status of the KwaZulu-Natal (KZN) Province at a district level with a focus on the demographics, economic performance, the labour markets, international trade, development, social grants, education, household infrastructure and crime in the province. Through the economic analysis, the performance gaps and the opportunities for improvement which exist in the provincial economy were also highlighted.

Chapter 3 provided a provincial overview of the financial performance of municipalities within KZN for the 2019/20 financial year at a district level. The detail analysis of the performance against the Adjusted Budget was provided in Chapter 4 for all delegated municipalities within the province (excluding the uPhongolo Local Municipality). The provincial overview and the detail analysis in Chapters 3 and 4, respectively are based on the MFMA Section 71 reports submitted by the municipalities to the National Treasury (NT) Local Government Database (lgdatabase). The credibility of the information submitted by the municipalities remains of significant concern to Provincial Treasury. A number of municipalities still do not report on accruals and provisions on a monthly basis which affects the overall performance against the budget for the province. It is also concerning to note that the Accounting Officers and Chief Financial Officers continue to sign and submit their MFMA Section 71 reports to National Treasury via the NT lgdatabase that are incomplete and/or inaccurate. This may suggest that reporting to National Treasury continues to be for compliance purposes only and little or no effort is being made to ensure that the reports are accurate.

Legislation exists to guide and steer municipalities towards good governance, transparency and proper financial management controls, however, it appears that some municipalities are circumventing these controls by adhering to legislation for compliance purposes only. A well-managed municipality accounts for accruals, performs month-end reconciliations, accounts for provisions and assesses the performance against the budget on a monthly basis. The purpose of MFMA Section 71 is to instil financial management principles at municipalities and serves no purpose if municipalities continue to leave these crucial processes for after the end of the financial year when the draft Annual Financial Statements (AFS) are prepared for submission to the Auditor-General in terms of Section 126(1) of the MFMA. Municipalities are accountable to National Treasury, Provincial Treasury and the people that they are required to serve therefore every effort must be made to ensure that the in-year financial records are always complete and reflect a true reflection of the actual performance of the municipality.

Council must be aware that in terms of Section 171(1)(d)(i) of the MFMA, the Accounting Officer of a municipality commits an act of financial misconduct if that Accounting Officer deliberately or negligently provides incorrect or misleading information in any document which in terms of the requirements of the MFMA must be submitted to the Mayor, the Council, the Auditor-General, the National Treasury or other Organ of State. The municipal Council is also required to investigate instances of financial misconduct in terms of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings (Government Gazette No. 37699). These prescripts amongst others provide the mechanism for the Council to implement consequence management.

Chapter 5 provided an overview of the key municipal processes during the 2019/20 municipal financial year which includes the 2019/20 Mid-Year budget and performance assessments, the 2019/20 Adjustments Budget and the 2020/21 Budget assessments. The chapter further covered the non-compliance with the Division of Revenue Act (DoRA), MFMA and the implementation of Municipal Regulations on Standard Chart of Accounts (mSCOA).

Chapter 6 details the support that was provided by Provincial Treasury to municipalities during the 2019/20 financial year.

While some municipalities are performing reasonably well, this report concludes that a significant number of the remaining municipalities continue to perform poorly and this remain a cause of concern for Provincial Treasury. At an aggregate level:

- **Municipalities continue to under-spend on Operating budgets:** Operating expenditure of R57.4 billion or 81.5 percent was incurred against the Adjusted Budget of R70.4 billion resulting in under-expenditure of R13 billion or 18.5 percent. This is however not a true reflection of the expenditure incurred in the province as 23 municipalities did not report on *Debt impairment* and 16 municipalities did not report on *Depreciation and asset impairment*. Of the 53 reporting municipalities in KZN (excluding uPhongolo), 37 municipalities incurred expenditure of less than 90 percent against their Adjusted budget. Six municipalities overspent their operating budgets in the 2019/20 financial year. Over-expenditure against the Operating budget will result in municipalities incurring unauthorised expenditure.
- **Slight year-on-year improvement in the generation on Operating Revenue:** In the 2019/20 financial year, municipalities generated total Operating revenue of R60.7 billion or 87.5 percent against the Adjusted Budget of R69.4 billion which represents a decline as compared to the 2018/19 financial year where 98.7 percent against the Adjusted Budget was generated. In total, 26 municipalities generated revenue in excess of 95 percent against their respective Adjusted Budgets while 15 municipalities generated revenue between 85 and 95 percent. The remaining 12 municipalities generated revenue less than 85 percent, which may require these municipalities to decrease expenditure, shift priorities and decrease discretionary infrastructure spending. Continued poor revenue generation may result in municipalities being unable to fulfil their mandate.
- **Under-budgeting and under-spending on Repairs and maintenance is still a challenge for most municipalities within the province.** This impacts negatively on the financial sustainability of municipalities, on the reliability and quality of municipal services as well as the municipalities' contributions to support economic growth. In the 2019/20 financial year, municipalities spent R4 billion on Repairs and maintenance against an Adjusted Budget of R5.1 billion. Seven (7) municipalities spent less than 50 percent against their Adjusted Budgets for Repairs and maintenance.
- **Under-spending on Capital budgets continues to be a challenge:** Capital expenditure of R12.3 billion or 91.9 percent was spent against the Adjusted Budget of R13.4 billion resulting in under-expenditure of R1.1 billion. Forty-one (41) municipalities spent less than 95 percent of their adjusted Capital budgets with the lowest Capital expenditure being 1.2 percent against their respective Adjusted budget. The under-performance is noted with concern as Capital expenditure directly impacts service delivery and under-spending on Capital expenditure negatively impacts on service delivery.
- **Reliance on National and Provincial Government grants:**

Operating performance: While some of municipalities in KZN reflect Own sources of revenue as the most significant contributor to operating revenue generated, the majority remain grant reliant to fund their operations. In the 2019/20 financial year, 38 municipalities or 72 percent (76 percent excluding non-delegated municipalities) reflect *Transfers and subsidies* as being the most significant contributor (50 percent and above) to total Operating revenue generated and represents a regression from 36

municipalities reflected in the 2018/19 financial year. High reliance on National and Provincial Government grants in order to fund operational budgets raises concerns over the future sustainability of municipalities.

Capital performance: An overview of the Capital source of funding indicates that municipalities in the province are reliant on grants to fund their Capital expenditure as *Transfers and subsidies* contributed 56.4 percent or R14.3 billion to the total Capital source of funding of R25.3 billion generated as at the end of the 2019/20 financial year. In 2019/20, 47 municipalities or 89 percent (90 percent excluding non-delegated municipalities) reflected *Transfers and subsidies* as being the most significant contributor (50 percent and above) towards total Capital revenue generated. High reliance on National and Provincial Government transfers in order to fund Capital expenditure raises concerns over the municipalities' ability to contribute to the decrease in infrastructure backlogs.

- **Year-on-year growth in Debtors:** Total debt owed to municipalities at the end of the fourth quarter of the 2019/20 financial year was R22.7 billion which represents a decrease of R947.5 million or 4 percent from the R23.6 billion reported by municipalities in the 2018/19 financial year. Despite the decline in debt, the value of debt owed to municipalities is still a concern when considering that eight municipalities did not report their outstanding Debtors balance as compared to six municipalities in the 2018/19 financial year. Of the total Debt, the Customer group with the most substantial balance was *Households* (R15.3 billion or 67.7 percent). It was noted that the Organs of State customer group decreased by R100 million from R1.9 billion in the 2018/19 financial year to R1.8 billion in the 2019/20 financial year, contributing 8 percent of the total debt outstanding in the 2019/20 financial year. The year-on-year increase in outstanding debt is an indication that municipalities have a challenge in collecting outstanding debtors.

It should be noted that a large number of municipalities in the province are not effectively implementing their Debt collection and Credit Control Policy and are not writing off their irrecoverable debtors which could imply that the outstanding debt reported by municipalities for the 2019/20 financial year may be overstated by a significant amount. It is therefore imperative that the political and administrative leadership take ownership of the debt management processes and enforce the municipality's Debt Collection and Credit Control Policies. Rendering services will not be sustainable if municipalities are unable to collect the revenue generated from the services that they provide to the communities they serve. Local government may not be able to succeed in its mandate to deliver basic services to communities if the culture of non-payment continues.

- **Increasing trend in total Creditors:** Although the total debt owed by municipalities as at the end of the 2019/20 financial year of R5.8 billion represented a decrease of R546.1 million or 8.5 percent from the previous financial year, the total reported Creditors balance is understated as six municipalities did not report on Creditors in their MFMA Section 71 reports, two municipalities reported negative Creditors balances and most municipalities did not account for year-end accruals. This is an improvement from the nine municipalities that did not report on Creditors in the 2018/19 financial year.

An increasing trend in the amounts reported in respect of Creditors was noted. A total of 40 municipalities reported on their creditors for both 2018/19 and 2019/20 financial years. Of the 40 municipalities, 9 or 23 percent of municipalities reported increases of more than 50 percent of their creditors balance as compared to the 2018/19 financial year. It is of further concern that debt owed by municipalities for a period of greater than 30 days has increased from R2.2 billion in 2018/19 to R2.3 billion in the 2019/20 financial year which is in contravention of Section 65(2)(e) of the MFMA which states that the Accounting Officer *must take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement*. Furthermore, it is noted that a large number of municipalities reflect their total Creditors as Trade Creditors as opposed to reflecting these against more appropriate classifications.

- **Increase in amounts owing in respect of MFMA Section 41 Debt (Bulk purchases):** In line with the increasing trend noted in total Creditors, an increasing trend was also noted in respect of debt owed to Eskom and the Umgeni Water Board. Debt owed by municipalities to the Umgeni Water Board for Bulk water increased by 44.5 percent from R599.9 million in 2018/19 to R866.7 million in 2019/20. Similarly, debt owed by municipalities to Eskom increased by 21.7 percent from R2.3 billion in 2018/19 to R2.8 billion in 2019/20.

It is of further concern that amounts outstanding for a period of greater than 30 days have also increased. Debt outstanding for a period of greater than 30 days for Bulk water from the Umgeni Water Board have increased by 101.5 percent from R205.9 million in the 2018/19 financial year to R414.8 million in the 2019/20 financial while debt outstanding for a period of greater than 30 days for Eskom have increased by 21.1 percent from R493.9 million in 2018/19 financial year to R599.4 million in the 2019/20 financial year.

Failure by municipalities to pay amounts related to Bulk purchase timeously may impact on the municipalities' ability to provide services which may result in fruitless and wasteful expenditure due to interest being charged on overdue amounts.

- **Under-spending against 2019 DoRA allocations (specific grants):** Municipalities reported spending of R14.6 billion or 217.1 percent against the total amount transferred to the municipalities of R6.7 billion as per the 2019 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. There has been a slight decrease of unspent grants (both National and Provincial) from R588.8 million in the 2017/18 financial year to R563.8 million in the 2018/19 financial year.

It is noted that spending against the most significant national grants listed below during the 2019/20 financial year reflected a decreasing trend against allocations as compared to the 2018/19 financial year.

- Municipal Infrastructure Grant (MIG): Expenditure reported against the total allocation increased from 95.8 percent in 2018/19 to 356.1 percent in 2019/20;
- Water Services Infrastructure Grant (WSIG): Expenditure reported against the total allocation increased from 84.7 percent in 2018/19 to 156.6 percent in 2019/20;
- Integrated National Electrification Programme (INEP): Expenditure reported against the total allocation decreased from 90.7 percent in 2018/19 to 80.3 percent in 2019/20;
- Regional Bulk Infrastructure Grant (RBIG): Expenditure reported against the total allocation increased from 80.5 percent in 2018/19 to 82.9 percent in 2019/20; and
- Expanded Public Works Programme (EPWP): Expenditure reported against the total allocation decreased from 99.7 percent in 2018/19 to 98 percent in 2019/20.

Provincial Treasury has taken the lead and developed a guide for grant management in line with the principles set out in applicable legislation and standards. The guide has been rolled out to municipalities with the aim of presenting a holistic approach to effective grant management. The grant management program was rolled out and completed at three municipalities in the 2017/18 financial year, five municipalities in the 2018/19 financial year, and five municipalities during the 2019/20 financial year.

- **Improvement in Net cash position from the 2017/18 financial year to the 2018/19 financial year (Audited figures):** It is noted that the number of municipalities that ended the financial year with a negative net cash position decreased from 7 in the 2017/18 financial year to 4 at the end of the 2018/19 financial year. It is further noted that the number of municipalities which have a positive cash coverage ratio improved from 47 municipalities in the 2017/18 financial year to 50 municipalities at the end of the 2018/19 financial year. This implies that there has been an improvement in the number of municipalities that have ensured that all unspent grants are fully cash backed over the last year.
- **Persistent non-compliance with relevant legislation:** Provincial Treasury noted with concern that some municipalities were still not fully complying with numerous reporting prescripts of the DoRA and MFMA during the 2019/20 financial year. This is despite the respective legislation being applicable for a number of years and Provincial Treasury providing ongoing technical support on the related reporting requirements to municipalities. Instances of non-compliance were communicated via a bi-annual non-compliance circular issued by the Office of the MEC for Finance to all municipalities in August 2019 and February 2020.

The onus of addressing non-compliance by the municipalities rests strictly with the Mayors, Accounting Officers (Municipal Managers), municipal Councillors and senior managers who must demonstrate political and administrative determination to ensure that there is full compliance with the prescripts of the DoRA and MFMA. Part of the solution is to ensure that all critical vacancies within municipalities and the municipalities Budget and Treasury Offices (BTOs) are filled with officials equipped with requisite qualifications, skills and experience.

- **Inconsistency in-year reporting (MFMA Section 71 vs. MFMA Section 72):** The common challenge faced with regards to the Mid-Year Budget and performance assessments reports is a lack of correlation between the MFMA Section 71 reports and the MFMA Section 72 reports. Ideally, these two reports should reconcile as the related processes are expected to be seamless. Due to the discrepancies in the MFMA Sections 71 and 72 reports, changes to budgets effected during the Adjustments Budget process are often inaccurate which results in Adjustments Budgets that are misstated.
- **Slight improvement in the status of funded budgets while cash flow budgeting remains a challenge:** An assessment of the 2020/21 Tabled Budgets of the delegated municipalities' budgets was conducted during April and May 2020. It was noted that the Tabled Budgets of 29 municipalities for 2020/21 were funded which represents an improvement from the 2019/20 financial year where only 27 municipal budgets were found to be funded. Of the remaining Tabled Budgets assessed for 2020/21, 17 municipal budgets were unfunded, and the funding positions of five municipalities were Undetermined.

The majority of the municipalities still experience challenges 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.

With regards to the Approved Budget, it was noted that 32 of the 51 delegated municipalities approved funded budgets, while 18 municipalities approved budgets that were assessed to be unfunded and one undetermined. This is a slight improvement from the initial assessments of the Tabled Budgets.

In a bid to improve the funding position and the overall presentation of the municipal budgets, Provincial Treasury continued to support the delegated municipalities through the 2020/21 Budget process. The support included bilateral engagements with the municipalities during which detailed guidance was provided on the causes of the unfunded budgets and what actions could be taken to improve the funding position of the municipalities. Provincial Treasury also conducted high level assessments of the 2020/21 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 2020/21 Approved Budgets.

- **Continued challenges with the implementation of mSCOA:** Being the third financial year of municipalities and municipal entities transacting in compliance with the mSCOA Regulations, it is noted with concern that municipalities in the province are still facing significant challenges in the implementation of the mSCOA which include, amongst others, incorrect processing of accounting entries, lack of support and poor contract management of system vendors.

Provincial Treasury provided extensive support to municipalities within the province by reviewing the mSCOA audit files, opening balances and general ledgers, where information was submitted to Provincial Treasury by municipalities, amongst others. Provincial Treasury will continue to support municipalities within the province to assist with the challenges experienced.

In response to the challenges and municipal failures highlighted above, Provincial Treasury will continue to provide support to municipalities in the province. Provincial Treasury will also continue to monitor municipalities through the In-Year-Monitoring (IYM) process to ensure that municipalities continually improve on their reporting.

Provincial Treasury in its oversight role has allocated substantial resources in terms of human capital across the various business units of the department during the 2019/20 financial year to assist municipalities in achieving full compliance with the MFMA as well as improving the credibility of figures for budgeting and reporting purposes. It is hoped that the 2019/20 municipal audit outcomes reflect the hard work and dedication of the Provincial Treasury staff that assisted municipalities in order to improve on their audit outcomes.

Whilst Provincial Treasury will continue to support municipalities, the primary responsibility to avoid, identify and resolve financial problems in a municipality rests with the municipality itself in terms of Section 135(1) of the MFMA. It is therefore incumbent upon the political and administrative leadership at municipalities to be vigilant with regard to the early identification of financial problems that would threaten their liquidity and the achievement of their service delivery obligations.

The ability of municipalities to rise to these challenges will ultimately be determined by the quality of their governance and administrative practices. Stronger and more participatory governance practices will, however, only have a meaningful impact if municipalities provide stable and attractive work environments. Ultimately, municipal Councils must ensure that they appoint the right people with the right qualifications and experience to lead their municipalities.

Appendix 1 : Operating Revenue - 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated	Property rates	Service charges - electricity revenue	Service charges - water revenue	Service charges - sanitation revenue	Service charges - refuse revenue	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	39 248 508	39 630 767	34 194 036	86,3	8 144 440	12 453 241	4 486 586	772 237	688 164	638 946	407 790	439 902	-	(84 881)	94 703	10 460	2 948 680	3 185 436	8 331
B KZN212 uMdoni	327 526	355 567	300 201	84,4	98 977	581	-	-	10 008	6 509	76	240	-	3 785	5 641	-	170 463	3 921	-
B KZN213 uMzombe	156 636	182 783	214 231	117,2	7 736	-	-	-	61	40	14 450	-	-	-	9	-	191 143	771	21
B KZN214 uMuziwabantu	184 606	196 190	170 435	86,9	23 269	31 455	-	-	2 563	219	10 505	2 014	-	914	1 080	421	97 241	755	-
B KZN216 Ray Nkonyeni	1 049 711	1 065 149	826 469	77,6	391 066	122 972	-	-	49 211	4 374	3 798	21 171	-	1 486	6 091	3 101	212 263	8 332	2 605
C DC21 Ugu DM	1 234 398	1 172 691	1 570 675	133,9	-	-	451 461	130 813	-	3 097	11 368	812	-	-	6	-	960 457	12 660	-
Total: Ugu Municipalities	2 952 877	2 972 380	3 082 012	103,7	521 048	155 008	451 461	130 813	61 842	14 239	40 198	24 237	-	6 184	12 826	3 522	1 631 568	26 438	2 626
B KZN221 uMshwathi	111 003	140 098	471 844	336,8	118 490	-	-	-	7 010	1 412	5 772	22 432	-	42	4 891	2	311 053	415	324
B KZN222 uMngeni	419 526	424 739	380 741	89,6	204 971	78 424	-	-	7 598	1 116	2 363	9 809	-	473	2 796	-	70 904	2 285	-
B KZN223 Mpofana	174 139	159 137	109 608	68,9	23 775	46 132	-	-	3 439	50	-	-	114	486	1 312	-	36 173	(1 873)	-
B KZN224 iMpendle	51 253	51 054	57 390	112,4	10 241	-	-	-	82	19	1 142	1 050	-	-	76	7	44 770	4	-
B KZN225 Msunduzi	5 604 622	5 604 622	2 586 855	46,2	564 312	1 190 866	323 970	76 498	52 500	22 041	6 838	144 565	-	6 203	459	751	152 129	43 398	2 326
B KZN226 Mkhambathini	104 478	100 430	126 253	125,7	20 395	-	-	-	529	497	4 182	947	-	31	5 403	-	93 799	471	-
B KZN227 Richmond	109 577	108 077	78 614	72,7	6 898	-	-	-	527	648	1 634	136	-	3 285	505	-	74 815	535	(10 370)
C DC22 uMgungundlovu DM	936 636	912 447	1 208 510	132,4	-	-	427 202	45 631	-	28	(124)	74 439	-	946	-	-	655 751	4 638	-
Total: uMgungundlovu Municipalities	7 511 235	7 500 604	5 019 815	66,9	949 081	1 315 423	751 171	122 129	71 684	25 811	21 808	253 379	114	11 468	15 442	759	1 439 395	49 872	(7 720)
B KZN235 Okhahlamba	180 506	180 375	179 207	99,4	30 470	-	-	-	2 824	223	2 192	6 864	-	543	2 180	879	132 284	728	20
B KZN237 iNkosi Langalibalele	614 022	625 654	525 810	84,0	97 315	231 606	-	-	8 971	386	613	35 639	-	13 522	2 103	385	126 983	8 287	-
B KZN238 Alfred Duma	924 811	909 105	918 563	101,0	207 204	355 015	-	-	28 577	2 787	17 590	7 952	-	28 577	1 852	2 271	248 431	10 789	-
C DC23 uThukela DM	768 913	834 890	765 508	91,7	-	-	191 596	60 736	-	-	6 724	61 510	-	22	-	-	442 305	2 615	-
Total: uThukela Municipalities	2 488 252	2 550 025	2 389 087	93,7	334 989	586 621	191 596	60 736	40 372	3 396	27 119	111 965	-	50 181	6 135	3 535	950 002	22 419	20
B KZN241 eNdumeni	340 154	338 929	307 137	90,6	101 357	115 955	-	-	19 416	1 341	2 763	-	-	12 076	2 928	-	67 443	(16 141)	-
B KZN242 Nguthu	217 478	222 739	164 195	73,7	35 642	12 970	-	-	1 486	334	15 203	1 890	-	395	412	-	95 410	452	-
B KZN244 uMsinga	219 662	218 846	227 436	103,9	16 814	-	-	-	387	531	5 370	-	-	-	-	-	190 063	14 270	-
B KZN245 uMvoti	298 329	299 745	274 751	91,7	43 147	75 529	-	-	8 898	756	2 667	2 872	-	90	2 562	-	131 484	6 746	-
C DC24 uMzinyathi DM	460 654	456 937	330 527	72,3	-	-	68 998	17 071	-	163	3 865	26 647	-	-	-	-	212 771	57	954
Total: uMzinyathi Municipalities	1 536 275	1 537 195	1 304 046	84,8	196 960	204 454	68 998	17 071	30 187	3 126	29 867	31 410	-	12 561	5 901	-	697 171	5 384	954
B KZN252 Newcastle	1 978 515	1 913 466	1 866 770	97,6	395 739	583 728	152 685	121 625	95 681	7 813	2 544	5 754	-	8 976	27	-	479 507	6 119	6 572
B KZN253 eMadlangeni	90 200	92 654	173 073	186,8	38 908	31 786	-	-	3 212	2 014	1 905	5 787	-	191	1 720	-	86 090	1 460	-
B KZN254 Dannhauser	113 967	143 187	125 482	87,6	24 363	-	-	-	1 041	43	1 402	-	-	32	238	1 200	95 571	1 153	440
C DC25 Amajuba DM	208 147	207 411	232 711	112,2	-	-	40 217	5 660	-	(1)	2 678	7 989	-	-	-	-	176 124	43	-
Total: Amajuba Municipalities	2 390 828	2 356 717	2 398 036	101,8	459 011	615 513	192 903	127 285	99 934	9 869	8 529	19 530	-	9 199	1 985	1 200	837 293	8 775	7 011
B KZN261 eDumbe	141 417	204 617	232 347	113,6	26 747	26 859	-	-	3 835	3 236	1 676	12 585	-	2 753	1 133	-	153 251	281	(11)
B KZN262 uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN263 Abaqulusi	519 456	541 919	567 677	104,8	94 550	190 201	34 542	29 095	16 193	1 141	1 885	11 478	-	5 801	3 646	-	178 186	960	(1)
B KZN265 Nongoma	197 930	196 166	196 783	100,3	24 849	-	-	-	1 769	212	1 349	4 693	-	273	612	-	162 789	236	-
B KZN266 Ulundi	359 398	375 344	319 170	85,0	100 640	64 372	-	-	8 672	1 017	609	1 064	-	301	62	1 693	140 431	307	0
C DC26 Zululand DM	554 188	563 134	537 843	95,5	-	-	31 796	10 456	-	170	4 743	27	-	5	-	-	489 600	1 045	-
Total: Zululand Municipalities	1 772 389	1 881 180	1 853 819	98,5	246 787	281 433	66 338	39 551	30 470	5 775	10 263	29 847	-	9 134	5 454	1 693	1 124 258	2 829	(12)
B KZN271 uMhlabuyalingana	212 166	220 088	199 329	90,6	21 649	-	-	-	624	376	4 223	502	-	43	60	-	173 397	992	(2 537)
B KZN272 Jozini	246 032	247 912	234 805	94,7	26 386	-	-	-	3 506	773	4 745	12 647	-	970	1 042	-	183 866	872	-
B KZN275 Mtubatuba	273 045	225 808	249 929	110,7	40 655	-	-	-	7 037	446	1 301	6 823	-	-	824	-	192 500	343	-
B KZN276 Big Five Hlabisa	146 140	148 845	125 077	84,0	17 841	-	-	4	1 886	233	-	-	1 418	-	1 754	-	100 633	1 308	-
C DC27 uMkhanyakude DM	499 293	507 292	501 800	98,9	-	4 136	33 829	478	-	165	4 782	2 781	-	20	-	-	428 534	27 076	-
Total: uMkhanyakude Municipalities	1 376 676	1 349 946	1 310 941	97,1	106 531	4 136	33 829	482	13 053	1 993	15 051	22 753	1 418	1 033	3 679	-	1 078 929	30 592	(2 537)
B KZN281 uMfolozi	182 077	182 118	194 057	106,6	23 833	-	-	-	581	180	1 323	813	-	76	137	-	166 891	223	-
B KZN282 uMhlatuze	3 195 594	3 196 132	3 079 587	96,4	508 159	1 417 313	480 782	101 607	94 066	7 175	40 369	153	-	13 697	2 635	5 660	373 544	33 809	618
B KZN284 uMlalazi	441 844	462 155	431 265	93,3	54 754	69 561	-	-	13 937	1 353	9 687	-	-	19 102	17	2 591	256 910	2 996	358
B KZN285 Mthonjaneni	144 977	153 872	173 957	113,1	18 578	25 486	-	-	1 966	86	2 534	735	-	565	1 395	-	119 186	3 426	-
B KZN286 Nkandla	156 773	166 844	154 699	92,7	34 065	13 542	-	-	959	1 185	1 239	1 345	-	41	72 887	-	26 911	2 525	-
C DC28 King Cetshwayo DM	687 096	717 560	661 738	92,2	-	-	53 051	7 972	26 091	82	40 072	2 040	-	21	55	-	530 436	1 931	(13)
Total: King Cetshwayo Municipalities	4 808 361	4 878 681	4 695 303	96,2	639 388	1 525 903	533 833	109 579	137 600	10 060	95 224	5 086	-	33 502	77 126	8 251	1 473 878	44 910	963
B KZN291 Mandeni	301 496	293 242	281 071	95,8	48 073	27 273	-	-	8 508	274	6 632	13 595	-	110	805	-	174 505	1 295	-
B KZN292 KwaDukuza	1 7																		

Appendix 2 : Operating Expenditure - 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Employee related costs	Remuneration of councillors	Debt impairment	Depreciation and asset impairment	Finance charges	Bulk purchases	Other Materials	Contracted services	Transfers and grants	Other expenditure	Loss on disposal of PPE		
A	KZN2000	eThekweni	38 728 894	39 353 270	32 025 622	81,4	9 557 991	116 337	381 652	2 130 585	811 481	11 626 105	944 019	4 228 288	511 425	1 732 563	(14 826)
B	KZN212	uMdoni	312 498	352 422	293 090	83,2	107 520	13 873	-	48 582	27	-	6 086	79 403	3 845	33 749	6
B	KZN213	uMzombe	210 672	220 578	166 180	75,3	59 557	18 487	-	20 859	0	-	1 896	34 304	5 681	25 396	-
B	KZN214	uMuziwabantu	190 052	208 380	152 400	73,1	66 559	8 984	3 230	-	0	29 898	919	22 075	4 219	16 516	-
B	KZN216	Ray Nkonyeni	1 019 178	1 081 029	842 636	77,9	388 577	29 909	2 521	37	1 603	100 128	5 551	172 463	8 372	133 475	-
C	DC21	Ugu DM	1 199 188	1 277 266	1 489 718	116,6	508 192	11 529	9 572	168 531	21 375	175 856	13 881	207 766	41 281	324 734	6 999
Total: Ugu Municipalities			2 931 589	3 139 675	2 944 023	93,8	1 130 405	82 782	15 323	238 009	23 005	305 882	28 333	516 012	63 398	533 870	7 005
B	KZN221	uMshwathi	151 307	174 026	372 297	213,9	184 241	26 666	-	13 681	168	3 135	2 863	83 572	-	57 970	-
B	KZN222	uMngeni	419 455	424 549	329 831	77,7	112 440	9 324	(6 737)	-	2 067	91 803	863	79 608	3 603	36 863	-
B	KZN223	Mpofana	167 510	198 885	129 647	65,2	59 724	1 400	-	7	-	52 615	1 719	4 871	(94)	9 404	-
B	KZN224	iMpendle	58 708	60 175	49 193	81,7	30 586	2 574	-	-	33	-	63	6 097	134	9 697	8
B	KZN225	Msunduzi	5 328 507	5 328 507	2 771 278	52,0	627 975	22 268	41 621	227 367	18 100	1 469 984	28 755	225 029	23 821	86 673	(315)
B	KZN226	Mkhambathini	101 895	112 721	89 793	79,7	39 146	6 043	-	0	278	-	3 430	27 568	-	13 329	-
B	KZN227	Richmond	120 126	122 588	108 209	88,3	51 411	6 037	-	10 593	40	-	4 592	23 838	615	11 082	-
C	DC22	uMgungundlovu DM	928 106	824 979	1 106 282	134,1	378 270	17 297	-	61 676	21 121	275 122	327	286 660	641	65 168	-
Total: uMgungundlovu Municipalities			7 275 614	7 246 430	4 956 530	68,4	1 483 793	91 608	34 883	313 325	41 807	1 892 659	42 611	737 243	28 720	290 186	(307)
B	KZN235	Okhahlamba	187 822	185 671	151 415	81,6	83 597	10 952	2 228	-	594	-	2 105	20 042	82	31 816	-
B	KZN237	iNkosi Langalibalele	602 683	516 943	384 365	74,4	100 638	10 076	29	(227)	2 737	180 770	9 014	52 469	-	28 860	-
B	KZN238	Alfred Duma	1 071 420	1 070 490	718 763	67,1	323 337	26 425	-	-	427	221 222	8 961	63 556	9 461	65 374	-
C	DC23	uThukela DM	678 247	865 313	537 608	62,1	307 069	6 365	-	58 918	0	389	11 624	58 260	-	94 844	140
Total: uThukela Municipalities			2 540 171	2 638 417	1 792 152	67,9	814 640	53 818	2 256	58 691	3 758	402 381	31 704	194 327	9 543	220 893	140
B	KZN241	eNdumeni	333 635	332 907	272 375	81,8	116 474	4 676	83	-	-	89 410	1 980	35 533	3 750	20 469	-
B	KZN242	Nquthu	223 366	230 486	80 154	34,8	5 665	934	-	-	0	20 465	7 836	22 557	6 451	16 248	-
B	KZN244	uMsinga	218 084	222 052	192 764	86,8	70 639	12 855	5 365	-	-	-	12 144	57 460	-	34 301	-
B	KZN245	uMvoti	903 733	342 372	292 444	85,4	112 098	10 126	-	30 573	174	58 683	7 132	41 628	918	31 114	-
C	DC24	uMzinyathi DM	455 567	559 265	389 325	69,6	151 354	5 435	(954)	(11 724)	-	8 740	38 157	124 885	64	73 368	-
Total: uMzinyathi Municipalities			2 134 384	1 687 082	1 227 061	72,7	456 229	34 025	4 494	18 849	174	177 298	67 248	282 061	11 183	175 499	-
B	KZN252	Newcastle	2 432 636	2 428 921	2 133 206	87,8	553 566	23 116	138 185	338 886	7 574	413 130	125 471	306 514	404	226 360	1
B	KZN253	eMadlangeni	86 775	89 812	153 525	170,9	63 657	6 784	-	10 196	54	26 058	7 409	26 080	-	13 288	-
B	KZN254	Dannhauser	104 094	123 810	82 313	66,5	23 135	8 068	-	2 173	-	231	30 485	-	18 221	-	
C	DC25	Amajuba DM	253 501	258 210	71 750	27,8	100	519	-	-	1 089	24 731	5 137	15 476	-	24 698	-
Total: Amajuba Municipalities			2 877 007	2 900 753	2 440 794	84,1	640 458	38 486	138 185	349 081	10 890	463 918	138 248	378 556	404	282 567	1
B	KZN261	eDumbe	135 246	154 222	180 939	117,3	100 216	8 064	-	(1)	134	35 125	4 167	17 160	899	15 176	-
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN263	AbaQulusi	552 436	577 216	513 825	89,0	151 480	15 036	-	-	1 043	211 965	13 619	66 025	12 063	42 594	-
B	KZN265	Nongoma	190 087	194 123	210 578	108,5	97 908	14 251	972	17 234	40	-	2 546	41 038	383	36 206	-
B	KZN266	Ulundi	395 346	389 161	368 690	94,7	137 437	17 100	23	30 306	10 952	79 006	3 857	54 601	8 232	27 177	-
C	DC26	Zululand DM	607 725	561 079	583 163	103,9	202 904	8 372	-	62 101	-	13 288	10 921	187 397	6 401	91 779	-
Total: Zululand Municipalities			1 880 839	1 875 801	1 857 194	99,0	689 944	62 822	995	109 640	12 168	339 384	35 108	366 221	27 980	212 932	-
B	KZN271	uMhlabyalingana	203 706	210 254	188 663	89,7	70 892	13 026	3 047	20 986	333	-	2 148	32 489	4 912	40 763	67
B	KZN272	Jozini	235 059	245 895	236 763	96,3	93 711	14 324	12 706	14 969	80	-	527	23 324	22 025	55 098	-
B	KZN275	Mtubatuba	248 321	239 689	162 843	67,9	57 121	13 326	564	22 672	2 006	-	4 203	36 398	-	26 610	(58)
B	KZN276	Big Five Hlabisa	145 246	166 906	139 503	83,6	71 483	7 455	4 062	18 292	607	-	-	16 876	876	19 852	-
C	DC27	uMkhanyakude DM	499 293	506 696	422 525	83,4	175 107	9 309	2 858	-	2 007	117 874	10 400	69 255	-	35 714	-
Total: uMkhanyakude Municipalities			1 331 626	1 369 441	1 150 296	84,0	468 315	57 441	23 238	76 919	5 034	117 874	17 277	178 342	27 812	178 037	8
B	KZN281	uMfolozi	176 660	176 921	181 591	102,6	60 853	11 166	-	-	247	-	2 900	69 586	674	36 165	-
B	KZN282	uMhlathuze	3 234 247	3 326 627	3 032 641	91,2	817 023	31 481	38 477	443 955	61 338	1 032 141	71 755	297 562	13 276	225 154	479
B	KZN284	uMlalazi	494 810	508 456	459 094	90,3	140 009	22 506	46 202	46 195	310	52 472	8 350	105 629	3 338	33 991	92
B	KZN285	Mthonjaneni	141 702	147 633	153 407	103,9	57 116	9 711	-	17 493	449	19 091	705	27 913	-	20 929	-
B	KZN286	Nkandla	160 411	182 223	117 610	64,5	48 452	8 872	-	16 116	-	4 331	2 447	17 693	(647)	20 346	-
C	DC28	King Cetshwayo DM	826 215	884 425	872 411	98,6	234 833	12 963	6 260	72 292	4 581	74 707	16 153	351 855	2 000	96 766	-
Total: King Cetshwayo Municipalities			5 034 045	5 226 284	4 816 753	92,2	1 358 286	96 699	90 938	596 051	66 926	1 182 743	102 310	870 236	18 641	433 352	571
B	KZN291	Mandeni	297 943	323 280	230 888	71,4	95 015	13 249	3 199	25 706	273	26 098	3 881	30 877	278	32 311	1
B	KZN292	KwaDukuza	1 745 715	1 732 515	1 341 234	77,4	367 956	20 727	4 639	66 578	21 504	581 005	11 023	154 364	5 714	107 713	14
B	KZN293	Ndwedwe	184 438	184 879	165 007	89,3	53 913	14 444	2 963	19 368	3	-	-	34 871	10 013	29 432	-
B	KZN294	Maphumulo	118 216	131 274	109 136	83,1	37 312	7 231	1 691	7 139	26	-	932	33 561	192	20 730	320
C	DC29	iLembe DM	887 364	981 532	931 450	94,9	228 135	8 877	13 721	96 659	6 573	188 717	18 855	209 171	32 523	126 850	1 368
Total: iLembe Municipalities			3 233 677	3 353 480	2 777 715	82,8	782 331	64 527	26 212	215 450	28 379	795 820	34 692	462 844	48 719	317 037	1 703
B	KZN433	Greater Kokstad	431 413														

Appendix 3 : Repairs and Maintenance - 2019/20

R'000		Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Quarter One	Quarter Two	Quarter Three	Quarter Four
A	KZN2000 eThekweni	3 383 328	3 406 166	2 629 828	77,2	711 643	653 445	805 692	459 049
B	KZN212 uMdoni	19 525	25 057	19 550	78,0	1 654	6 694	6 473	4 729
B	KZN213 uMzombe	9 320	8 264	7 267	87,9	3 284	1 470	1 388	1 124
B	KZN214 uMuziwabantu	-	8 360	7 087	84,8	-	-	3 707	3 380
B	KZN216 Ray Nkonyeni	40 269	52 314	45 762	87,5	9 220	11 526	6 166	18 849
C	DC21 Ugu DM	189 443	108 422	122 057	112,6	45 956	10 760	20 693	44 649
	Total: Ugu Municipalities	258 557	202 416	201 723	99,7	60 114	30 451	38 427	72 731
B	KZN221 uMshwathi	13 336	12 918	23 235	179,9	1 238	4 467	8 360	9 170
B	KZN222 uMngeni	236	236	118	50,2	38	80	-	-
B	KZN223 Mpofana	-	-	12	-	-	7	4	1
B	KZN224 iMpendle	573	573	314	54,7	-	-	270	44
B	KZN225 Msunduzi	266 019	266 019	115 707	43,5	36 739	18 748	-	60 220
B	KZN226 Mkhambathini	9 234	10 734	8 893	82,8	1 145	619	5 406	1 722
B	KZN227 Richmond	9 708	6 311	4 883	77,4	957	1 213	1 260	1 453
C	DC22 uMgungundlovu DM	53 063	7 174	40 996	571,5	8 566	21 184	6 361	4 886
	Total: uMgungundlovu Municipalities	352 168	303 964	194 158	63,9	48 682	46 318	21 660	77 497
B	KZN235 Okhahlamba	5 045	4 100	4 393	107,1	1 029	1 124	1 221	1 019
B	KZN237 iNkosi Langalibalele	7 587	10 908	11 960	109,6	1 269	2 086	4 498	4 107
B	KZN238 Alfred Duma	90 704	89 909	76 853	85,5	14 438	21 435	19 803	21 176
C	DC23 uThukela DM	17 129	17 955	15 315	85,3	1 672	2 674	1 449	9 519
	Total: uThukela Municipalities	120 465	122 872	108 520	88,3	18 408	27 318	26 972	35 821
B	KZN241 eNdumeni	990	4 888	2 923	59,8	245	1 831	95	753
B	KZN242 Nquthu	7 023	7 837	4 382	55,9	66	479	3 491	346
B	KZN244 uMsinga	6 575	7 254	6 340	87,4	1 422	2 213	453	2 252
B	KZN245 uMvoti	6 182	4 890	4 813	98,4	762	1 011	1 417	1 623
C	DC24 uMzinyathi DM	149 891	219 757	181 444	82,6	19 721	49 562	40 308	71 853
	Total: uMzinyathi Municipalities	170 662	244 626	199 902	81,7	22 217	55 095	45 764	76 826
B	KZN252 Newcastle	7 060	8 935	12 051	134,9	1 186	4 180	1 567	5 118
B	KZN253 eMadlangeni	2 198	1 979	1 820	91,9	488	154	1 088	90
B	KZN254 Dannhauser	10 463	12 328	6 802	55,2	1 310	779	2 724	1 989
C	DC25 Amajuba DM	8 371	6 500	2 351	36,2	-	917	1 267	167
	Total: Amajuba Municipalities	28 092	29 741	23 023	77,4	2 984	6 030	6 645	7 364
B	KZN261 eDumbe	1 860	4 260	3 768	88,5	737	729	1 333	969
B	KZN262 uPhongolo	-	-	-	-	-	-	-	-
B	KZN263 Abaqulusi	11 975	12 025	14 488	120,5	1 246	5 550	3 608	4 084
B	KZN265 Nongoma	5 200	8 935	13 198	147,7	1 459	4 566	3 838	3 335
B	KZN266 Ulundi	13 672	15 200	24 622	162,0	7 970	5 127	7 191	4 334
C	DC26 Zululand DM	64 416	74 722	70 435	94,3	17 692	23 941	11 504	17 298
	Total: Zululand Municipalities	97 123	115 142	126 511	109,9	29 103	39 913	27 475	30 020
B	KZN271 uMhlabuyalingana	1 881	2 581	1 694	65,6	162	681	403	448
B	KZN272 Jozini	9 153	3 267	4 166	127,5	223	1 224	1 518	1 201
B	KZN275 Mtubatuba	6 800	7 500	1 768	23,6	696	19	377	676
B	KZN276 Big Five Hlabisa	-	5 500	1 818	33,1	753	509	607	(51)
C	DC27 uMkhanyakude DM	19 647	55 320	7 792	14,1	43	841	1 570	5 339
	Total: uMkhanyakude Municipalities	37 481	74 168	17 238	23,2	1 876	3 274	4 475	7 613
B	KZN281 uMfolozi	8 317	7 761	6 974	89,9	2 941	2 544	7 347	(5 858)
B	KZN282 uMhlathuze	188 324	185 588	94 528	50,9	5 113	16 606	47 449	25 360
B	KZN284 uMlalazi	11 511	32 784	28 419	86,7	6 853	7 986	6 662	6 919
B	KZN285 Mthonjaneni	3 530	5 479	5 551	101,3	2 089	906	1 262	1 293
B	KZN286 Nkandla	8 115	9 703	2 386	24,6	214	419	807	947
C	DC28 King Cetshwayo DM	140 932	192 379	184 311	95,8	65 604	36 219	30 569	51 919
	Total: King Cetshwayo Municipalities	360 729	433 693	322 170	74,3	82 815	64 680	94 096	80 579
B	KZN291 Mandeni	14 492	15 607	9 002	57,7	2 498	1 873	1 677	2 954
B	KZN292 KwaDukuza	56 428	58 794	41 015	69,8	7 916	15 160	10 669	7 270
B	KZN293 Ndwedwe	7 467	6 922	7 111	102,7	918	1 513	1 890	2 791
B	KZN294 Maphumulo	6 976	7 512	4 014	53,4	958	1 173	942	941
C	DC29 iLembe DM	62 938	46 183	36 230	78,4	4 625	11 277	6 793	13 535
	Total: iLembe Municipalities	148 301	135 018	97 372	72,1	16 914	30 995	21 972	27 490
B	KZN433 Greater Kokstad	27 180	22 223	21 731	97,8	2 629	3 236	8 744	7 122
B	KZN434 uBuhlebezwe	1 339	1 339	664	49,6	158	346	128	32
B	KZN435 uMzimkhulu	17 990	14 472	9 405	65,0	1 018	2 877	1 981	3 530
B	KZN436 Dr. Nkosazana Dlamini Zuma	9 404	9 344	8 565	91,7	209	919	946	6 490
C	DC43 Harry Gwala DM	22 346	21 041	18 286	86,9	2 337	8 046	1 944	5 959
	Total: Harry Gwala Municipalities	78 259	68 418	58 652	85,7	6 351	15 426	13 743	23 132
Total		5 035 166	5 136 225	3 979 098	77,5	1 001 108	972 946	1 106 920	898 123

Source: NT Igdatabase

Appendix 4 : Capital Revenue (Source of finance) - 2019/20

R'000	Original Budget	Adjusted Budget	Unaudited Actual	% Generated/ Received	Transfers recognised - capital			Other sources of finance					
					National Government	Provincial Government	District Municipality	Other transfers and grants	Borrowing	Internally generated funds	Public contr. and donations		
A	KZN2000	eThekweni	5 149 304	2 914 769	1 393 757	47,8	1 192 713	32 436	-	727	167 862	19	-
B	KZN212	uMdoni	44 178	28 411	23 944	84,3	16 245	-	-	-	-	7 699	-
B	KZN213	uMzumbe	37 051	129 642	66 485	51,3	65 286	-	-	-	-	1 199	-
B	KZN214	uMuziwabantu	98 562	74 385	63 831	85,8	18 373	-	-	-	-	45 457	-
B	KZN216	Ray Nkonyeni	134 794	94 827	78 688	83,0	72 156	439	-	-	-	6 093	-
C	DC21	Ugu DM	282 901	261 362	9 840 291	3 765,0	1 041 630	12 174	-	-	-	8 786 488	-
Total: Ugu Municipalities			597 486	588 626	10 073 239	1 711,3	1 213 690	12 613	-	-	-	8 846 935	-
B	KZN221	uMshwathi	24 536	26 541	1 011 500	3 811,1	995 363	-	-	-	-	16 136	-
B	KZN222	uMngeni	40 172	42 231	24 550	58,1	20 074	-	-	-	-	4 476	-
B	KZN223	Mpofana	17 035	17 035	9 531	56,0	9 531	-	-	-	-	-	-
B	KZN224	iMpendle	156 721	13 086	41 415	316,5	35 226	826	-	-	-	5 363	-
B	KZN225	Msunduzi	434 982	434 982	660 365	151,8	532 588	-	-	-	127 777	-	-
B	KZN226	Mkhambathini	20 976	22 957	217 172	946,0	131 250	-	-	-	-	85 922	-
B	KZN227	Richmond	26 155	37 404	17 639	47,2	10 778	2 835	-	-	-	4 026	-
C	DC22	uMgungundlovu DM	171 944	233 049	6 142 008	2 635,5	5 977 241	-	-	-	4 106	160 662	-
Total: uMgungundlovu Municipalities			892 521	827 285	8 124 180	982,0	7 712 051	3 661	-	-	131 882	276 585	-
B	KZN235	Okhahlamba	33 374	40 254	29 128	72,4	27 426	1 014	-	-	-	688	-
B	KZN237	iNkosi Langalibalele	37 661	48 055	45 461	94,6	40 492	2 541	-	-	-	2 428	-
B	KZN238	Alfred Duma	89 083	105 003	66 477	63,3	44 903	13 866	-	-	-	7 303	-
C	DC23	uThukela DM	152 920	114 035	108 175	94,9	108 175	-	-	-	-	-	-
Total: uThukela Municipalities			313 038	307 347	249 241	81,1	220 997	17 421	-	404	-	10 419	-
B	KZN241	eNdumeni	15 610	15 610	8 933	57,2	8 933	-	-	-	-	-	-
B	KZN242	Nquthu	89 678	94 581	59 935	63,4	27 101	-	-	-	-	32 834	-
B	KZN244	uMsinga	60 770	59 662	47 061	78,9	43 563	-	-	-	-	3 498	-
B	KZN245	uMvoti	56 362	20 913	24 226	115,8	19 195	442	-	-	-	4 589	-
C	DC24	uMzinyathi DM	296 462	301 880	221 871	73,5	193 746	2 435	-	-	-	25 690	-
Total: uMzinyathi Municipalities			518 882	492 645	362 026	73,5	292 538	2 877	-	-	-	66 611	-
B	KZN252	Newcastle	10 543	151 272	93 811	62,0	76 576	-	-	-	-	17 235	-
B	KZN253	eMadlangeni	18 595	17 935	966 063	5 386,5	563 650	3 494	-	-	-	398 918	-
B	KZN254	Dannhauser	67 086	90 430	40 580	44,9	9 815	-	-	-	20 818	9 947	-
C	DC25	Amajuba DM	87 457	98 020	66 066	67,4	66 049	-	-	-	-	17	-
Total: Amajuba Municipalities			183 681	357 657	1 166 520	326,2	716 091	3 494	-	-	20 818	426 117	-
B	KZN261	eDumbe	20 900	138 971	576 271	414,7	246 825	10 659	-	-	-	318 787	-
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-
B	KZN263	AbaQulusi	35 279	41 666	32 021	76,9	32 021	-	-	-	-	-	-
B	KZN265	Nongoma	38 266	46 266	34 622	74,8	31 917	-	-	-	-	2 704	-
B	KZN266	Ulundi	29 391	27 185	16 490	60,7	14 799	-	-	-	-	1 690	-
C	DC26	Zululand DM	438 315	493 907	398 183	80,6	389 081	8 360	-	-	-	742	-
Total: Zululand Municipalities			562 151	747 996	1 057 586	141,4	714 644	19 019	-	-	-	323 923	-
B	KZN271	uMhlabayalingana	52 918	44 873	21 180	47,2	22 000	(1 009)	-	-	-	189	-
B	KZN272	Jozini	30 327	32 929	27 180	82,5	26 556	26	-	-	-	598	-
B	KZN275	Mtubatuba	88 138	27 722	505 235	1 822,5	324 059	-	-	-	-	181 176	-
B	KZN276	Big Five Hlabisa	348 897	24 607	11 885	48,3	10 472	-	-	-	-	1 412	-
C	DC27	uMkhanyakude DM	2 109 666	274 340	202 098	73,7	200 434	(59)	-	-	-	1 723	-
Total: uMkhanyakude Municipalities			2 629 945	404 471	767 577	189,8	583 521	(1 042)	-	-	-	185 098	-
B	KZN281	uMfolozi	30 330	32 455	26 161	80,6	19 859	-	-	3 591	-	2 712	-
B	KZN282	uMhlathuze	597 533	618 085	299 880	48,5	90 118	2 281	-	-	26 812	180 669	-
B	KZN284	uMlalazi	11 023	77 495	28 034	36,2	28 034	-	-	-	-	-	-
B	KZN285	Mthonjaneni	36 274	39 690	485 747	1 223,9	420 398	-	-	-	-	65 349	-
B	KZN286	Nkandla	45 759	44 859	(3 323)	(7,4)	(3 504)	-	-	-	-	181	-
C	DC28	King Cetshwayo DM	370 535	443 510	252 779	57,0	241 530	-	-	-	-	11 249	-
Total: King Cetshwayo Municipalities			1 091 454	1 256 094	1 089 279	86,7	796 435	2 281	-	3 591	26 812	260 160	-
B	KZN291	Mandeni	35 980	32 262	16 062	49,8	13 516	-	-	-	-	2 546	-
B	KZN292	KwaDukuza	316 285	256 908	144 880	56,4	50 443	6 031	-	328	-	88 078	-
B	KZN293	Ndwedwe	67 834	65 696	46 625	71,0	29 077	-	-	-	-	17 548	-
B	KZN294	Maphumulo	47 287	52 528	39 960	76,1	26 432	7 488	-	-	-	6 041	-
C	DC29	iLembe DM	346 370	342 949	188 390	54,9	181 258	1 103	-	-	-	6 029	-
Total: iLembe Municipalities			813 756	750 344	435 918	58,1	300 726	14 622	-	328	-	120 242	-
B	KZN433	Greater Kokstad	125 492	108 377	73 347	67,7	17 346	23 152	-	-	-	32 849	-
B	KZN434	uBuhlebezwe	78 296	76 447	147 155	192,5	76 271	12 164	-	-	-	58 719	-
B	KZN435	uMzimkhulu	108 166	109 423	52 998	48,4	33 781	2 338	-	-	-	16 879	-
B	KZN436	Dr. Nkosazana Dlamini Zuma	68 644	88 800	70 366	79,2	24 073	1 576	-	-	-	44 717	-
C	DC43	Harry Gwala DM	282 484	267 670	229 157	85,6	220 474	6 000	-	-	-	2 683	-
Total: Harry Gwala Municipalities			663 082	650 717	573 023	88,1	371 945	45 231	-	-	-	155 847	-
Total			13 415 299	9 297 950	25 292 346	272,0	14 115 351	152 613	-	5 051	347 374	10 671 956	-

Source: NT Igdatabase

Appendix 5 : Capital Expenditure - 2019/20

R'000		Original Budget	Adjusted Budget	Unaudited Actual	% Spent	Governance and Admin.			Community and Public Safety				Economic and Environmental Services			Trading Services				Other	
						Executive & Council	Budget & Treasury Office	Corporate Services	Community & Social Services	Sport And Recreation	Public Safety	Housing	Health	Planning and Dev.	Road Transport	Environ. Protection	Electricity	Water	Waste Water Mgt.		Waste Mgt.
A	KZN2000 eThekweni	7 854 605	5 551 521	3 290 908	59,3	3 909	279 198	701	101 300	104 157	63 692	315 513	5 577	213 041	1 167 534	5 542	328 193	285 233	365 100	25 613	26 607
B	KZN212 uMdoni	44 178	28 411	23 944	84,3	76	427	-	993	801	-	-	-	1 887	19 759	-	-	-	-	-	-
B	KZN213 uMzombe	95 274	129 642	396 006	305,5	-	291 117	-	42 016	4 734	-	-	-	-	58 139	-	-	-	-	-	-
B	KZN214 uMuziwabantu	98 562	74 385	63 831	85,8	642	1 116	-	2 751	205	-	-	-	20 565	23 206	-	886	-	-	14 459	-
B	KZN216 Ray Nkonyeni	134 794	95 292	79 155	83,1	40	692	-	17 287	47	-	-	-	11 193	35 915	165	13 033	-	-	784	-
C	DC21 Ugu DM	529 602	261 362	205 306	78,6	-	5 184	-	-	-	-	-	-	-	-	-	-	167 631	32 457	-	34
Total: Ugu Municipalities		902 410	589 092	768 242	130,4	759	298 535	-	63 047	5 787	-	-	-	33 645	137 020	165	13 918	167 631	32 457	15 243	34
B	KZN221 uMshwathi	24 536	30 341	1 042 120	3 434,7	-	71 044	-	447 897	-	-	-	-	3 085	520 075	-	20	-	-	-	-
B	KZN222 uMngeni	40 172	42 231	24 550	58,1	15	294	-	14 428	4 221	-	1 728	-	1 771	1 558	-	528	-	-	7	-
B	KZN223 Mpofana	19 535	19 535	10 767	55,1	-	50	-	196	-	-	-	-	-	7 653	-	2 868	-	-	-	-
B	KZN224 iMpindle	156 721	13 086	46 455	355,0	-	21 091	-	2 144	5 963	-	-	-	13 314	3 942	-	-	-	-	-	-
B	KZN225 Msunduzi	555 371	555 371	1 060 639	191,0	5 034	56 137	220	40 591	39 229	13 279	34 741	-	55 088	281 039	2 028	199 471	231 057	70 024	27 557	5 143
B	KZN226 Mkhambathini	20 976	26 757	217 172	811,6	-	33 039	-	18 520	-	-	-	-	90 799	74 814	-	-	-	-	-	-
B	KZN227 Richmond	27 855	39 665	17 772	44,8	-	861	38	1 526	2 473	465	-	-	19	12 389	-	-	-	-	-	-
C	DC22 uMgungundlovu DM	171 944	239 185	61 966	25,9	-	-	-	-	-	-	-	-	-	-	-	-	58 903	3 063	-	-
Total: uMgungundlovu Municipalities		1 017 110	966 171	2 481 441	256,8	5 049	182 515	258	525 302	51 886	13 744	36 469	-	164 076	901 470	2 028	202 888	289 960	73 087	27 564	5 143
B	KZN235 Okhahlamba	33 374	40 740	30 222	74,2	83	1 108	-	23	-	567	-	-	28 440	-	-	-	-	-	-	-
B	KZN237 iNkosi Langalibalele	37 661	48 055	46 304	96,4	684	1 168	-	2 073	2 332	-	1 879	-	590	32 394	-	5 182	-	-	-	-
B	KZN238 Alfred Duma	89 083	105 003	66 475	63,3	41	3 600	-	219	1 073	5 818	-	-	48 764	-	-	5 691	-	1 011	241	17
C	DC23 uThukela DM	291 960	243 775	230 650	94,6	-	65	-	-	-	-	-	82	-	-	-	-	230 503	-	-	-
Total: uThukela Municipalities		452 078	437 574	373 651	85,4	809	5 941	-	2 316	3 405	6 385	1 879	82	77 794	32 394	-	10 874	230 503	1 011	241	17
B	KZN241 eNdumeni	23 556	23 059	12 894	55,9	714	3 175	-	2 448	2 648	-	-	-	171	1 219	-	1 110	-	-	1 408	-
B	KZN242 Nquthu	89 678	94 581	59 935	63,4	-	250	-	12 673	-	1 302	-	-	4 284	26 181	-	15 245	-	-	-	-
B	KZN244 uMsinga	60 770	59 662	47 480	79,6	61	9 778	-	1 304	11 133	69	-	-	1 143	22 959	-	506	-	-	505	22
B	KZN245 uMvoti	57 362	20 913	24 226	115,8	876	266	-	3 559	4 606	1 133	-	-	944	1 447	-	10 583	-	-	812	-
C	DC24 uMzinyathi DM	296 462	301 880	221 871	73,5	30	8 374	-	129	-	-	-	-	17	-	-	-	213 102	220	-	-
Total: uMzinyathi Municipalities		527 827	500 094	366 406	73,3	1 681	21 842	-	20 113	18 387	2 505	-	-	6 559	51 806	-	27 443	213 102	220	2 726	22
B	KZN252 Newcastle	200 619	1 099 751	24 322	2,2	-	(5 884)	-	(218)	-	23	-	-	51 992	(23 894)	-	-	4 214	(2 336)	425	-
B	KZN253 eMadlangeni	30 447	18 011	966 305	5 364,9	5 630	716 600	-	1 209	-	-	-	-	374	178 517	-	63 758	-	-	-	217
B	KZN254 Dannhauser	90 561	90 430	55 177	61,0	-	192	-	-	-	-	-	-	53 569	-	-	-	-	-	1 416	-
C	DC25 Amajuba DM	87 457	98 202	66 066	67,4	-	17	-	-	-	-	-	-	-	-	-	-	66 049	-	-	-
Total: Amajuba Municipalities		409 084	1 306 212	1 111 870	85,1	5 630	710 925	-	991	-	23	-	-	105 935	154 623	-	63 758	70 263	(2 336)	1 841	217
B	KZN261 eDumbe	35 345	153 416	611 970	398,9	-	338 258	-	12 013	13 925	-	-	-	130 793	10 657	-	106 325	-	-	-	-
B	KZN262 uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN263 Abaqulusi	35 279	41 666	32 700	78,5	-	-	-	9 641	-	2 500	-	-	-	13 062	-	571	12	6 819	95	-
B	KZN265 Nongoma	52 066	46 266	34 641	74,9	26	876	-	705	-	189	-	-	928	31 917	-	-	-	-	-	-
B	KZN266 Ulundi	40 112	37 907	22 893	60,4	180	1 510	-	-	-	-	-	-	-	20 220	-	983	-	-	-	-
C	DC26 Zululand DM	438 315	493 907	398 183	80,6	-	742	-	-	-	-	-	-	1 722	-	-	-	395 718	-	-	-
Total: Zululand Municipalities		601 117	773 162	1 100 387	142,3	206	341 386	-	22 358	13 925	2 689	-	-	133 443	75 856	-	107 879	395 730	6 819	95	-
B	KZN271 uMhlabyalingana	67 378	45 373	21 405	47,2	-	3 445	-	1 013	(4 075)	-	-	-	401	20 987	-	(1 410)	-	-	1 045	-
B	KZN272 Jozini	48 900	44 200	28 999	65,6	177	1 316	-	2 665	6 153	-	-	-	8 354	10 204	-	-	-	-	130	-
B	KZN275 Mtubatuba	200 728	59 379	588 298	990,8	-	129 070	-	54 375	57 381	23 462	-	-	30 355	195 647	-	(4 044)	-	87 113	14 861	76
B	KZN276 Big Five Hlabisa	348 897	25 587	11 293	44,1	-	232	-	6 813	(72)	-	-	-	2 184	2 031	-	-	-	-	104	-
C	DC27 uMkhanyakude DM	2 109 666	274 340	202 098	73,7	-	1 723	-	-	-	-	-	-	-	-	-	-	81 994	118 382	-	-
Total: uMkhanyakude Municipalities		2 775 569	448 879	852 093	189,8	177	135 786	-	64 866	59 387	23 462	-	-	41 294	228 868	-	(5 455)	81 994	205 495	16 141	76
B	KZN281 uMfolozi	30 330	36 323	30 030	82,7	-	4 418	-	2 710	2 796	210	-	-	1 169	18 726	-	-	-	-	-	-
B	KZN282 uMhlathuze	597 533	618 147	300 188	48,6	-	25 116	-	19 915	4 996	11	-	-	2 066	65 912	-	48 710	88 063	43 579	1 822	-
B	KZN284 uMlalazi	59 635	224 249	50 535	22,5	2	3 734	-	10 339	(98)	3 291	-	-	64	28 608	-	2 649	-	1 226	720	-
B	KZN285 Mthonjaneni	36 289	39 710	485 795	1 223,4	90	78 385	-	100 800	-	1 116	-	-	-	140 110	-	135 506	1 985	8 993	18 810	-
B	KZN286 Nkandla	51 135	47 735	553	1,2	-	2 879	-	(11)	2 603	-	-	-	3 162	4 763	-	(13 009)	-	-	166	-
C	DC28 King Cetshwayo DM	370 535	443 510	252 779	57,0	231	1 834	-	25	-	-	-	-	24	-	-	-	201 891	48 773	-	-
Total: King Cetshwayo Municipalities		1 145 456	1 409 674	1 119 881	79,4	323	116 365	-	133 778	10 298	4 628	-	-	6 485	258 119	-	173 857	291 939	102 571	21 517	-
B	KZN291 Mandeni	50 642	48 102	23 201	48,2	-	1 183	-	10 634	-	2	-	-	(2 406)	12 631	-	623	-	-	535	-
B	KZN292 KwaDukuza	316 285	256 908	144 880	56,4	-	3 247	-	3 716	8 764	1 733	223	-	142	96 828	-	23 433	-	-	6 794	-
B	KZN293 Ndwedwe	67 834	65 696	46 625</																	

Appendix 6 : Debtors Age Analysis (Total) - 2019/20

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 ito Council Policy			
	Total	%	Total	%	Total	%	Total	%		Amount	%	Amount	%		
A	KZN2000	eThekweni	2 070 477	15,3	767 377	5,7	562 990	4,2	10 144 170	74,9	13 545 015	199	0,0	42 449 066	313,4
B	KZN212	uMdoni	4 686	4,7	2 890	2,9	2 024	2,0	89 366	90,3	98 966	-	-	-	-
B	KZN213	uMzumbane	-	-	-	-	-	-	25 584	100,0	25 584	-	-	-	-
B	KZN214	uMuziwabantu	3 363	10,8	2 619	8,4	1 952	6,3	23 209	74,5	31 142	-	-	-	-
B	KZN216	Ray Nkonyeni	15 389	4,4	7 193	2,1	19 791	5,7	303 895	87,8	346 268	-	-	-	-
C	DC21	Ugu DM	171 612	8,6	76 833	3,9	26 763	1,3	1 709 504	86,1	1 984 711	-	-	-	-
	Total: Ugu Municipalities		195 050	7,8	89 535	3,6	50 529	2,0	2 151 558	86,5	2 486 672	-	-	-	-
B	KZN221	uMshwathi	5 834	4,0	91	0,1	1 702	1,2	136 675	94,7	144 303	-	-	-	-
B	KZN222	uMngeni	11 883	7,2	5 633	3,4	4 766	2,9	141 914	86,4	164 196	-	-	-	-
B	KZN223	Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN224	iMpendle	483	5,3	8	0,1	148	1,6	8 418	92,9	9 057	-	-	-	-
B	KZN225	Msunduzi	-	-	-	-	-	-	-	-	-	261 925	-	5 641 005	-
B	KZN226	Mkhambathini	2 081	8,3	(20)	-0,1	762	3,1	22 128	88,7	24 951	-	-	-	-
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	57 011	6,6	(1 315)	-0,2	20 599	2,4	793 954	91,2	870 249	-	-	-	-
	Total: uMgungundlovu Municipalities		77 293	6,4	4 396	0,4	27 978	2,3	1 103 088	91,0	1 212 756	261 925	21,6	5 641 005	465,1
B	KZN235	Okhahlamba	3 038	4,6	2 084	3,2	1 859	2,8	58 866	89,4	65 847	-	-	-	-
B	KZN237	iNkosi Langalibalele	5 993	5,4	48	0,0	5 267	4,7	100 460	89,9	111 768	-	-	-	-
B	KZN238	Alfred Duma	28 504	5,2	21 434	3,9	15 139	2,8	478 024	88,0	543 100	-	-	-	-
C	DC23	uThukela DM	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total: uThukela Municipalities		37 536	5,2	23 566	3,3	22 264	3,1	637 349	88,4	720 715	-	-	-	-
B	KZN241	eNdumeni	12 998	9,8	6 545	4,9	4 297	3,2	108 705	82,0	132 545	-	-	-	-
B	KZN242	Nquthu	1 029	9,6	335	3,1	406	3,8	8 977	83,5	10 747	-	-	-	-
B	KZN244	uMsinga	942	2,2	977	2,3	956	2,2	40 028	93,3	42 902	-	-	-	-
B	KZN245	uMvoti	12 254	14,7	1 476	1,8	3 359	4,0	66 019	79,4	83 108	-	-	-	-
C	DC24	uMzinyathi DM	19 989	6,7	(199)	-0,1	9 782	3,3	268 168	90,1	297 739	-	-	-	-
	Total: uMzinyathi Municipalities		47 211	8,3	9 134	1,6	18 800	3,3	491 896	86,7	567 041	-	-	-	-
B	KZN252	Newcastle	(84 496)	-5,6	94 108	6,2	40 884	2,7	1 468 867	96,7	1 519 363	12 087	0,8	-	-
B	KZN253	eMadlangeni	3 782	8,5	(21)	-0,0	1 449	3,2	39 520	88,4	44 730	-	-	-	-
B	KZN254	Dannhauser	1 528	3,3	1 384	3,0	1 306	2,8	42 407	91,0	46 626	-	-	-	-
C	DC25	Amajuba DM	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total: Amajuba Municipalities		(79 186)	-4,9	95 472	5,9	43 639	2,7	1 550 794	96,3	1 610 719	12 087	0,8	-	-
B	KZN261	eDumbe	7 189	4,5	(16)	-0,0	3 392	2,1	149 459	93,4	160 024	-	-	-	-
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN263	AbaQulusi	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN265	Nongoma	2 293	3,6	(7)	-0,0	989	1,6	59 903	94,8	63 177	-	-	-	-
B	KZN266	Ulundi	10 009	9,7	340	0,3	2 358	2,3	91 012	87,7	103 719	-	-	-	-
C	DC26	Zululand DM	4 118	3,2	4 061	3,1	2 102	1,6	120 032	92,1	130 313	-	-	-	-
	Total: Zululand Municipalities		23 610	5,2	4 378	1,0	8 841	1,9	420 406	91,9	457 234	-	-	-	-
B	KZN271	uMhlabuyalingana	1 497	3,1	-	-	656	1,3	46 891	95,6	49 044	-	-	-	-
B	KZN272	Jozini	6 391	3,7	(4)	-0,0	2 843	1,7	162 400	94,6	171 630	-	-	-	-
B	KZN275	Mtubatuba	3 666	2,6	(602)	-0,4	1 219	0,9	137 904	97,0	142 186	-	-	-	-
B	KZN276	Big Five Hlabisa	1 534	3,9	(18)	-0,0	146	0,4	37 930	95,8	39 592	-	-	-	-
C	DC27	uMkhanyakude DM	3 876	3,0	(80)	-0,1	395	0,3	126 960	96,8	131 151	-	-	-	-
	Total: uMkhanyakude Municipalities		16 964	3,2	(705)	-0,1	5 259	1,0	512 085	96,0	533 603	-	-	-	-
B	KZN281	uMfolozi	13 919	72,4	(262)	-1,4	714	3,7	4 855	25,3	19 226	-	-	-	-
B	KZN282	uMhlatuze	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN284	uMlalazi	3 862	6,4	4 247	7,0	2 752	4,5	49 897	82,1	60 759	-	-	-	-
B	KZN285	Mthonjaneni	4 118	14,3	(447)	-1,6	1 068	3,7	23 973	83,5	28 712	-	-	-	-
B	KZN286	Nkandla	6 103	14,9	(654)	-1,6	2 265	5,5	33 268	81,2	40 982	-	-	-	-
C	DC28	King Cetshwayo DM	9 140	10,6	5 677	6,6	2 585	3,0	69 192	79,9	86 594	5 509	6,4	483 786	558,7
	Total: King Cetshwayo Municipalities		37 141	15,7	8 562	3,6	9 385	4,0	181 185	76,7	236 273	5 509	2,3	483 786	204,8
B	KZN291	Mandeni	10 348	4,4	(75)	-0,0	3 824	1,6	220 960	94,0	235 058	-	-	-	-
B	KZN292	KwaDukuza	53 226	17,2	28 832	9,3	18 336	5,9	208 929	67,5	309 323	-	-	-	-
B	KZN293	Ndwedwe	776	3,5	(2)	-0,0	357	1,6	21 235	94,9	22 367	-	-	-	-
B	KZN294	Maphumulo	4 283	18,5	(70)	-0,3	578	2,5	18 390	79,3	23 181	-	-	-	-
C	DC29	iLembe DM	41 738	9,6	17 565	4,0	11 887	2,7	365 115	83,7	436 305	(55 327)	-12,7	-	-
	Total: iLembe Municipalities		110 371	10,8	46 250	4,5	34 983	3,4	834 629	81,3	1 026 234	(55 327)	-5,4	-	-
B	KZN433	Greater Kokstad	14 348	20,4	6 349	9,0	2 793	4,0	46 945	66,7	70 435	-	-	-	-
B	KZN434	uBuhlebezwe	2 118	4,2	1 633	3,2	1 589	3,1	45 634	89,5	50 973	-	-	-	-
B	KZN435	uMzimkhulu	702	6,7	434	4,1	340	3,2	9 076	86,0	10 553	(5 768)	-54,7	-	-
B	KZN436	Dr. Nkosazana Dlamini Zuma	(840)	-1,4	2 012	3,3	1 870	3,0	58 681	95,1	61 723	-	-	-	-
C	DC43	Harry Gwala DM	180	0,3	13 655	19,5	7 302	10,4	48 990	69,9	70 127	-	-	-	-
	Total: Harry Gwala Municipalities		16 509	6,3	24 083	9,1	13 894	5,3	209 326	79,3	263 811	(5 768)	-2,2	-	-
	Total		2 552 977	11,3	1 072 047	4,7	798 561	3,5	18 236 488	80,5	22 660 074	218 626	1,0	48 573 856	214,4

Appendix 7 : Debtors by Customer Group (Total) - 2019/20

R'000	Organs of State						Commercial						Household						Other						Total		
	Age category (Days)					Total	%	Age category (Days)					Total	%	Age category (Days)					Total	%						
	30 - 60	60 - 90	Over 90					30 - 60	60 - 90	Over 90					30 - 60	60 - 90	Over 90					30 - 60	60 - 90	Over 90			
A	KZN2000	eThekweni	146 390	53 953	33 540	550 164	784 048	5,8	804 127	327 207	237 548	2 305 672	3 674 553	27,1	1 110 141	383 808	289 562	7 257 100	9 040 612	66,7	9 819	2 409	2 340	31 235	45 803	0,3	13 545 015
B	KZN212	uMdoni	(16)	93	92	34 376	34 545	34,9	1 109	602	450	11 890	14 051	14,2	3 604	2 178	1 467	40 899	48 147	48,7	(12)	18	15	2 201	2 223	2,2	98 966
B	KZN213	uMzumbane	-	-	-	16 697	16 697	65,3	-	-	-	5 089	5 089	19,9	-	-	-	-	-	-	-	-	-	3 799	3 799	14,8	25 584
B	KZN214	uMuziwabantu	436	402	323	7 398	8 558	27,5	1 956	1 446	1 025	6 829	11 256	36,1	971	771	604	8 981	11 328	36,4	-	-	-	-	-	-	31 142
B	KZN216	Ray Nkonyeni	1 706	355	1 067	22 420	25 548	7,4	7 396	3 215	5 941	50 915	67 467	19,5	6 287	3 623	12 783	230 560	253 252	73,1	-	-	-	-	-	-	346 268
C	DC21	Ugu DM	27 276	6 662	3 636	73 367	110 942	5,6	36 632	16 126	17 901	260 707	331 366	16,7	64 661	54 040	48 225	1 373 577	1 540 502	77,6	43 044	5	(42 999)	1 852	1 901	0,1	1 984 711
Total: Ugu Municipalities			29 402	7 512	5 118	154 259	196 290	7,9	47 093	21 389	25 317	335 431	429 229	17,3	75 523	60 611	63 078	1 654 017	1 853 230	74,5	43 032	23	(42 984)	7 852	7 923	0,3	2 486 672
B	KZN221	uMshwathi	1 249	(2)	389	53 216	54 851	38,0	2 631	22	753	29 801	33 208	23,0	1 918	71	526	49 002	51 518	35,7	37	-	34	4 655	4 726	3,3	144 303
B	KZN222	uMngeni	32	47	47	7 390	7 516	4,6	1 196	107	99	2 044	3 447	2,1	9 624	4 832	4 050	109 795	128 301	78,1	1 031	647	570	22 685	24 933	15,2	164 196
B	KZN223	Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN224	iMpendle	89	9	15	5 281	5 394	59,6	45	1	19	817	883	9,7	61	1	26	605	693	7,7	287	(4)	88	1 715	2 087	23,0	9 057
B	KZN225	Msunduzi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN226	Mkhambathini	123	(0)	45	509	677	2,7	1 355	(11)	473	9 522	11 339	45,4	445	(9)	166	2 832	3 434	13,8	159	-	78	9 265	9 502	38,1	24 951
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	7 138	(10)	1 218	25 942	34 288	3,9	7 684	(500)	1 115	12 993	21 292	2,4	38 708	(617)	16 125	665 881	720 097	82,7	3 482	(189)	2 142	89 138	94 572	10,9	870 249
Total: uMgungundlovu Municipalities			8 630	43	1 713	92 338	102 725	8,5	12 911	(380)	2 460	55 177	70 168	5,8	50 756	4 278	20 893	828 115	904 043	74,5	4 995	454	2 912	127 459	135 820	11,2	1 212 756
B	KZN235	Okhahlamba	460	447	447	21 234	22 588	34,3	802	455	372	6 489	8 117	12,3	807	607	566	15 122	17 101	26,0	970	575	474	16 021	18 040	27,4	65 847
B	KZN237	iNkosi Langalibalele	1 045	-	727	29 722	31 494	28,2	4 224	-	3 608	66 764	74 596	66,7	724	48	932	3 974	5 678	5,1	-	-	-	-	-	-	111 768
B	KZN238	Alfred Duma	5 681	7 066	4 452	115 889	133 088	24,5	18 918	5 951	4 113	97 526	126 507	23,3	3 905	8 417	6 574	264 608	283 505	52,2	-	-	-	-	-	-	543 100
C	DC23	uThukela DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: uThukela Municipalities			7 186	7 513	5 626	166 845	187 170	26,0	23 943	6 405	8 092	170 780	209 220	29,0	5 436	9 072	8 071	283 704	306 284	42,5	970	575	474	16 021	18 040	2,5	720 715
B	KZN241	eNdameni	985	559	276	5 265	7 086	5,3	5 635	1 635	1 479	12 407	21 157	16,0	6 377	4 350	2 542	91 033	104 303	78,7	-	-	-	-	-	-	132 545
B	KZN242	Nquthu	405	204	308	5 742	6 661	62,0	548	58	41	275	922	8,6	74	73	57	2 890	3 093	28,8	1	1	1	69	71	0,7	10 747
B	KZN244	uMsinga	622	603	595	27 624	29 444	68,6	311	364	351	11 043	12 069	28,1	10	10	10	1 361	1 389	3,2	-	-	-	-	-	-	42 902
B	KZN245	uMvoti	1 461	12	322	5 391	7 186	8,6	4 999	126	1 354	12 377	18 856	22,7	5 289	1 360	1 476	39 372	47 497	57,2	505	(22)	207	8 879	9 570	11,5	83 108
C	DC24	uMzinyathi DM	4 162	(9)	1 944	29 385	35 483	11,9	2 856	(52)	1 449	31 316	35 569	11,9	12 728	(139)	6 325	207 152	226 066	75,9	242	0	64	316	622	0,2	297 739
Total: uMzinyathi Municipalities			7 636	1 369	3 445	73 408	85 859	15,1	14 349	2 131	4 674	67 417	88 572	15,6	24 477	5 654	10 410	341 807	382 348	67,4	749	(21)	272	9 264	10 263	1,8	567 041
B	KZN252	Newcastle	(5 896)	2 950	1 555	21 350	19 960	1,3	(11 401)	34 460	8 076	83 942	115 077	7,6	(10 458)	49 870	28 609	1 277 073	1 345 095	88,5	(56 742)	6 828	2 644	86 502	39 231	2,6	1 519 363
B	KZN253	eMadlangeni	1 208	-	496	8 892	10 596	23,7	424	-	95	2 426	2 945	6,6	664	(11)	185	5 362	6 199	13,9	1 487	(10)	672	22 840	24 990	55,9	44 730
B	KZN254	Dannhauser	550	509	485	14 508	16 052	34,4	476	400	341	7 050	8 267	17,7	502	475	480	20 850	22 307	47,8	-	-	-	-	-	-	46 626
C	DC25	Amajuba DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Amajuba Municipalities			(4 138)	3 459	2 537	44 750	46 608	2,9	(10 501)	34 860	8 512	93 418	126 289	7,8	(9 292)	50 334	29 274	1 303 285	1 373 601	85,3	(55 255)	6 818	3 316	109 342	64 221	4,0	1 610 719
B	KZN261	eDumbe	2 441	-	635	13 046	16 121	10,1	2 281	(5)	989	21 044	24 309	15,2	1 946	(9)	1 462	108 103	111 503	69,7	521	(2)	306	7 266	8 091	5,1	160 024
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN263	AbaQulusi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	KZN265	Nongoma	813	-	504	31 528	32 844	52,0	1 176	(8)	318	15 489	16 976	26,9	150	0	76	4 987	5 213	8,3	154	-	91	7 899	8 145	12,9	63 177
B	KZN266	Ulundi	4 623	395	658	28 445	34 120	32,9	3 089	(1)	481	9 595	13 164	12,7	1 837	(53)	943	19 235	21 961	21,2	460	(0)	277	33 738	34 475	33,2	103 719
C	DC26	Zululand DM	1 109	647	338	8 930	11 024	8,5	741	584	478	8 104	9 907	7,6	2 268	2 830	1 285	102 998	109 382	83,9	-	-	-	-	-	-	130 313
Total: Zululand Municipalities			8 985	1 042	2 134	81 948	94 109	20,6	7 287	570	2 267	54 232	64 356	14,1	6 201	2 768	3 766	235 323	248 059	54,3	1 136	(3)	673	48 903	50 710	11,1	457 234
B	KZN271	uMhlabuyalingana	425	-	191	25 455	26 071	53,2	1 066	-	462	21 168	22 696	46,3	7	-	3	262	272	0,6	-	-	-	5	5	0,0	49 044
B	KZN272	Jozini	2 491	(3)	1 174	74 667	78 329	45,6	2 404	-	937	36 349	39 690	23,1	1 106	(1)	543	49 817	51 465	30,0	391	-	188	1 568	2 146	1,3	171 630
B	KZN275	Mtubatuba	(1 449)	(3)	227	15 350	14 125	9,9	2 392	(70)	990	20 079	23 391	16,5	4 099	(122)	1 766										

Appendix 8 : Creditors Age Analysis (Total) - 2019/20

R'000	0 - 30 Days		30 - 60 Days		60 - 90 Days		Over 90 Days		Total		
	Total	%	Total	%	Total	%	Total	%			
A	KZN2000	eThekweni	2 396 632	70,3	6 976	0,2	100 119	2,9	903 945	26,5	3 407 673
B	KZN212	uMdoni	1 833	99,9	-	-	1	0,1	-	-	1 834
B	KZN213	uMzombe	83	146,7	(26)	-46,0	(44)	-78,1	44	77,4	56
B	KZN214	uMuzwabantu	463	97,2	-	-	-	-	14	2,8	476
B	KZN216	Ray Nkonyeni	5 561	100,0	-	-	-	-	-	-	5 561
C	DC21	Ugu DM	403 901	59,3	50 802	7,5	10 953	1,6	215 981	31,7	681 637
Total: Ugu Municipalities			411 841	59,7	50 776	7,4	10 910	1,6	216 038	31,3	689 565
B	KZN221	uMshwathi	(108)	-83 894,6	-	-	(32)	-24 990,7	141	108 985,3	0
B	KZN222	uMngeni	6 100	62,4	-	-	-	-	3 683	37,6	9 783
B	KZN223	Mpofana	-	-	-	-	-	-	-	-	-
B	KZN224	iMpendle	17	-15,7	1	-0,6	-	-	(125)	116,3	(108)
B	KZN225	Msunduzi	-	-	-	-	-	-	-	-	-
B	KZN226	Mkhambathini	673	100,0	-	-	-	-	-	-	673
B	KZN227	Richmond	3 692	59,5	-	-	34	0,6	2 483	40,0	6 209
C	DC22	uMgungundlovu DM	65 389	59,6	30 800	28,1	(305)	-0,3	13 823	12,6	109 706
Total: uMgungundlovu Municipalities			75 762	60,0	30 800	24,4	(303)	-0,2	20 004	15,8	126 263
B	KZN235	Okhahlamba	7 139	100,0	-	-	-	-	-	-	7 139
B	KZN237	iNkosi Langalibalele	47 450	51,1	2 911	3,1	(2 600)	-2,8	45 110	48,6	92 871
B	KZN238	Alfred Duma	9 479	99,9	-	-	4	0,0	6	0,1	9 488
C	DC23	uThukela DM	3 437	56,3	-	-	75	1,2	2 596	42,5	6 108
Total: uThukela Municipalities			67 505	58,4	2 911	2,5	(2 521)	-2,2	47 712	41,3	115 607
B	KZN241	eNdumeni	-	-	-	-	-	-	-	-	-
B	KZN242	Nquthu	8 997	87,0	402	3,9	1	0,0	944	9,1	10 345
B	KZN244	uMsinga	1 604	100,0	-	-	-	-	-	-	1 604
B	KZN245	uMvoti	13 679	55,5	24	0,1	158	0,6	10 802	43,8	24 662
C	DC24	uMzinyathi DM	34 628	43,1	16 697	20,8	8 073	10,0	20 956	26,1	80 355
Total: uMzinyathi Municipalities			58 908	50,4	17 123	14,6	8 232	7,0	32 702	28,0	116 965
B	KZN252	Newcastle	165 060	31,0	14 123	2,7	44	0,0	353 451	66,4	532 678
B	KZN253	eMadlangeni	699	72,0	257	26,5	(966)	-99,4	981	101,0	972
B	KZN254	Dannhauser	29	12,6	-	-	198	87,4	-	-	226
C	DC25	Amajuba DM	17 355	15,8	3 898	3,5	1 015	0,9	87 921	79,8	110 189
Total: Amajuba Municipalities			183 143	28,4	18 278	2,8	290	0,0	442 354	68,7	644 065
B	KZN261	eDumbe	24 960	91,2	-	-	-	-	2 400	8,8	27 360
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-
B	KZN263	AbaQulusi	59 645	48,7	5 246	4,3	1 353	1,1	56 308	45,9	122 553
B	KZN265	Nongoma	19 201	82,1	(3 919)	-16,8	(825)	-3,5	8 942	38,2	23 399
B	KZN266	Ulundi	11 496	9,1	141	0,1	2 673	2,1	112 321	88,7	126 631
C	DC26	Zululand DM	3 256	82,5	601	15,2	87	2,2	-	-	3 945
Total: Zululand Municipalities			118 558	39,0	2 069	0,7	3 289	1,1	179 972	59,2	303 888
B	KZN271	uMhlabyalingana	46	2,3	587	29,8	28	1,4	1 311	66,5	1 972
B	KZN272	Jozini	2	1,0	-	-	-	-	145	99,0	147
B	KZN275	Mtubatuba	5 203	46,3	786	7,0	(1 440)	-12,8	6 687	59,5	11 235
B	KZN276	Big Five Hlabisa	1 126	25,6	383	8,7	67	1,5	2 824	64,2	4 400
C	DC27	uMkhanyakude DM	31 555	59,3	5 299	10,0	(2 822)	-5,3	19 216	36,1	53 248
Total: uMkhanyakude Municipalities			37 932	53,4	7 054	9,9	(4 167)	-5,9	30 183	42,5	71 001
B	KZN281	uMfolozi	796	30,6	(3 956)	-152,2	(4 957)	-190,7	10 716	412,3	2 599
B	KZN282	uMhlatuze	-	-	-	-	-	-	-	-	-
B	KZN284	uMlalazi	60	52,1	25	21,5	9	7,8	21	18,6	115
B	KZN285	Mthonjaneni	11 634	73,8	425	2,7	523	3,3	3 184	20,2	15 765
B	KZN286	Nkandla	8 245	94,2	1 456	16,6	(1 399)	-16,0	453	5,2	8 754
C	DC28	King Cetshwayo DM	50 749	22,4	30 022	13,2	26 315	11,6	119 949	52,8	227 035
Total: King Cetshwayo Municipalities			71 484	28,1	27 971	11,0	20 491	8,1	134 323	52,8	254 269
B	KZN291	Mandeni	2 620	99,9	-	-	-	-	2	0,1	2 623
B	KZN292	KwaDukuza	459	91,7	7	1,3	3	0,5	32	6,5	500
B	KZN293	Ndwedwe	1 464	-55,1	(1 126)	42,4	(534)	20,1	(2 460)	92,6	(2 657)
B	KZN294	Maphumulo	3 777	105,2	-	-	-	-	(186)	-5,2	3 591
C	DC29	iLembe DM	63 100	86,9	1 039	1,4	2 331	3,2	6 102	8,4	72 572
Total: iLembe Municipalities			71 420	93,2	(81)	-0,1	1 799	2,3	3 490	4,6	76 628
B	KZN433	Greater Kokstad	333	49,9	-	-	-	-	334	50,1	667
B	KZN434	uBuhlebezwe	844	6,2	969	7,1	142	1,0	11 624	85,6	13 580
B	KZN435	uMzimkhulu	-	-	-	-	-	-	-	-	-
B	KZN436	Dr. Nkosazana Dlamini Zuma	22 679	99,8	-	-	-	-	47	0,2	22 726
C	DC43	Harry Gwala DM	1 068	41,3	-	-	-	-	1 518	58,7	2 586
Total: Harry Gwala Municipalities			24 924	63,0	969	2,5	142	0,4	13 523	34,2	39 558
Total			3 518 108	60,2	164 846	2,8	138 283	2,4	2 024 246	34,6	5 845 482

Source: NT Igdatabase

Appendix 9 : Creditors per Category - 2019/20

R'000	Bulk Electricity		Bulk Water		PAYE Deductions		VAT (output less input)		Pensions / Retirement		Loan repayments		Trade Creditors		Auditor-General		Other		Total			
	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%	Total	%				
A	KZN2000	eThekwini	1 303 846	38,3	336 914	9,9	133 912	3,9	914	0,0	141 763	4,2	805 087	23,6	646 572	19,0	-	-	38 665	1,1	3 407 673	
B	KZN212	uMdoni	-	-	-	-	-	-	(6)	-0,3	-	-	-	-	1 840	100,3	-	-	-	-	1 834	
B	KZN213	uMzumbane	-	-	-	-	-	-	-	-	-	-	-	(71)	-126,4	-	-	128	226,4	-	56	
B	KZN214	uMuziwabantu	-	-	-	-	-	-	-	-	-	-	-	476	100,0	-	-	-	-	-	476	
B	KZN216	Ray Nkonyeni	-	-	156	2,8	-	-	-	-	-	-	-	5 405	97,2	-	-	-	-	-	5 561	
C	DC21	Ugu DM	-	-	263 298	38,6	-	-	-	-	-	-	-	414 014	60,7	4 325	0,6	-	-	-	681 637	
Total: Ugu Municipalities			-	-	263 454	38,2	-	-	(6)	-0,0	-	-	-	-	421 664	61,1	4 325	0,6	128	0,0	689 565	
B	KZN221	uMshwathi	-	-	-	-	-	-	-	-	-	-	-	91	-	-	-	(91)	-	-	-	
B	KZN222	uMngeni	8 227	84,1	-	-	-	-	(3 865)	-39,5	-	-	3 683	37,6	1 738	17,8	-	-	-	-	9 783	
B	KZN223	Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN224	iMpendle	-	-	-	-	-	-	-	-	-	-	-	(108)	100,0	-	-	-	-	-	(108)	
B	KZN225	Msunduzi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN226	Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	477	70,9	-	-	196	29,1	-	673	
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-	-	-	6 084	98,0	125	2,0	-	-	-	6 209	
C	DC22	uMgungundlovu DM	-	-	21 430	19,5	-	-	-	-	-	-	-	73 101	66,6	9	0,0	15 166	13,8	-	109 706	
Total: uMgungundlovu Municipalities			8 227	6,5	21 430	17,0	-	-	(3 865)	-3,1	-	-	3 683	2,9	81 384	64,5	134	0,1	15 271	12,1	126 263	
B	KZN235	Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	5 388	75,5	-	-	1 752	24,5	-	7 139	
B	KZN237	iNkosi Langalibalele	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92 871	100,0	-	92 871	
B	KZN238	Alfred Duma	-	-	-	-	-	-	-	-	-	-	-	9 488	100,0	-	-	-	-	-	9 488	
C	DC23	uThukela DM	-	-	-	-	-	-	-	-	-	-	-	6 108	100,0	-	-	-	-	-	6 108	
Total: uThukela Municipalities			-	-	-	-	-	-	-	-	-	-	-	20 984	18,2	-	-	94 623	81,8	-	115 607	
B	KZN241	eNdumeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN242	Nquthu	-	-	-	-	-	-	-	-	-	-	-	10 189	98,5	-	-	156	1,5	-	10 345	
B	KZN244	uMsinga	-	-	-	-	-	-	-	-	-	-	-	1 604	100,0	-	-	-	-	-	1 604	
B	KZN245	uMvoti	-	-	-	-	-	-	-	-	-	-	-	14 299	58,0	-	-	10 363	42,0	-	24 662	
C	DC24	uMzinyathi DM	40	0,0	-	-	-	-	-	-	-	-	-	7 150	8,9	-	-	73 165	91,1	-	80 355	
Total: uMzinyathi Municipalities			40	0,0	-	-	-	-	-	-	-	-	-	33 242	28,4	-	-	83 684	71,5	-	116 965	
B	KZN252	Newcastle	-	-	-	-	-	-	-	-	-	-	-	514 995	96,7	-	-	17 683	3,3	-	532 678	
B	KZN253	eMadlangeni	(0)	-0,0	-	-	-	-	-	-	-	-	-	(32)	-3,3	-	-	1 003	103,3	-	972	
B	KZN254	Dannhauser	-	-	-	-	-	-	-	-	-	-	-	226	100,0	-	-	-	-	-	226	
C	DC25	Amajuba DM	-	-	-	-	-	-	-	-	-	-	-	108 486	98,5	1 610	1,5	92	0,1	-	110 189	
Total: Amajuba Municipalities			(0)	-0,0	-	-	-	-	-	-	-	-	-	623 676	96,8	1 610	0,2	18 779	2,9	-	644 065	
B	KZN261	eDumbe	-	-	10	0,0	-	-	-	-	-	-	-	2 400	8,8	-	-	24 950	91,2	-	27 360	
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN263	AbaQulusi	-	-	-	-	-	-	-	-	-	-	-	122 583	100,0	-	-	(31)	-0,0	-	122 553	
B	KZN265	Nongoma	-	-	-	-	-	-	-	-	-	-	-	3 838	16,4	-	-	19 561	83,6	-	23 399	
B	KZN266	Ulundi	121 755	96,1	-	-	-	-	-	-	-	-	-	835	0,7	-	-	4 041	3,2	-	126 631	
C	DC26	Zululand DM	-	-	-	-	-	-	-	-	-	-	-	3 945	100,0	-	-	-	-	-	3 945	
Total: Zululand Municipalities			121 755	40,1	10	0,0	-	-	-	-	-	-	-	133 602	44,0	-	-	48 521	16,0	-	303 888	
B	KZN271	uMhlabuyalingana	-	-	-	-	-	-	-	-	-	-	-	1 586	80,4	-	-	386	19,6	-	1 972	
B	KZN272	Jozini	-	-	-	-	-	-	-	-	-	-	-	189	128,6	-	-	(42)	-28,6	-	147	
B	KZN275	Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	8 138	72,4	1	0,0	3 096	27,6	-	11 235	
B	KZN276	Big Five Hlabisa	-	-	-	-	-	-	-	-	-	-	-	3 873	88,0	0	0,0	526	12,0	-	4 400	
C	DC27	uMkhanyakude DM	-	-	(12 000)	-22,5	-	-	-	-	-	-	-	55 226	103,7	7	0,0	10 016	18,8	-	53 248	
Total: uMkhanyakude Municipalities			-	-	(12 000)	-16,9	-	-	-	-	-	-	-	-	69 012	97,2	8	0,0	13 981	19,7	-	71 001
B	KZN281	uMfolozi	-	-	-	-	-	-	-	-	-	-	-	1 157	44,5	-	-	1 442	55,5	-	2 599	
B	KZN282	uMhlathuze	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN284	uMlalazi	-	-	-	-	-	-	-	-	-	-	-	107	93,1	-	-	8	6,9	-	115	
B	KZN285	Mthonjaneni	6 739	42,7	-	-	-	-	-	-	-	-	-	1 991	12,6	(10)	-0,1	7 044	44,7	-	15 765	
B	KZN286	Nkandla	-	-	-	-	-	-	-	-	-	-	-	1 814	20,7	0	0,0	6 940	79,3	-	8 754	
C	DC28	King Cetshwayo DM	-	-	62 106	27,4	-	-	-	-	-	-	-	143 465	63,2	-	-	21 464	9,5	-	227 035	
Total: King Cetshwayo Municipalities			6 739	2,7	62 106	24,4	-	-	-	-	-	-	-	148 535	58,4	(10)	-0,0	36 898	14,5	-	254 269	
B	KZN291	Mandeni	-	-	-	-	-	-	-	-	-	-	-	2 582	98,5	-	-	40	1,5	-	2 623	
B	KZN292	KwaDukuza	-	-	-	-	-	-	-	6	1,2	-	-	494	98,8	-	-	-	-	-	500	
B	KZN293	Ndwedwe	-	-	-	-	-	-	-	-	-	-	-	(2 219)	83,5	(649)	24,4	211	-7,9	-	(2 657)	
B	KZN294	Maphumulo	-	-	-	-	-	-	-	-	-	-	-	3 229	89,9	36	1,0	326	9,1	-	3 591	
C	DC29	iLembe DM	-	-	-	-	-	-	-	-	-	-	-	73 668	101,5	-	-	(1 096)	-1,5	-	72 572	
Total: iLembe Municipalities			-	-	-	-	-	-	-	6	0,0	-	-	77 755	101,5	(613)	-0,8	(520)	-0,7	-	76 628	
B	KZN433	Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	667	100,0	-	-	-	-	-	667	
B	KZN434	uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	10 890	80,2	78	0,6	2 612	19,2	-	13 580	
B	KZN435	uMzimkhulu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN436	Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	-	22 679	99,8	-	-	-	-	-	-	-	47	0,2	-	22 726	
C	DC43	Harry Gwala DM	-	-	-	-	-	-	-	-	-	-	-	2 586	100,0	-	-	-	-	-	2 586	
Total: Harry Gwala Municipalities			-	-	-	-	-	-	22 679	57,3	-	-	-	-	14 142	35,7	78	0,2	2 659	6,7	39 558	
Total			1 440 607	24,6	671 914	11,5	133 912	2,3	19 722	0,3	141 769	2,4	808 770	13,8	2 270 567	38,8	5 532	<				

Appendix 10 : National Conditional Grants - 2019/20

R'000	Financial Management Grant								Municipal Infrastructure Grant						Integrated National Electrification Programme (municipal) Grant								
	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual		DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual		DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual			
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent		
A	KZN2000	eThekweni	1 000	1 000	1 000	1 000	100,0	1 000	100,0	-	-	-	-	-	-	-	-	-	-	-	-		
B	KZN212	uMdoni	3 000	3 000	3 000	3 000	100,0	2 641	88,0	30 678	30 678	15 678	14 235	46,4	16 300	53,1	15 000	15 000	15 000	15 000	100,0	21 425	142,8
B	KZN213	uMzuzumbe	1 900	1 900	1 900	1 439	75,7	683	36,0	34 077	34 077	34 077	20 963	61,5	67 856	199,1	15 000	15 000	15 000	8 596	57,3	-	-
B	KZN214	uMuziwabantu	1 900	1 900	1 900	1 760	92,6	492	25,9	23 340	23 340	23 340	14 042	60,2	21 290	91,2	-	-	-	-	-	-	-
B	KZN216	Ray Nkonyeni	2 500	2 500	2 500	1 338	53,5	2 034	81,4	-	-	-	-	-	-	-	9 000	9 000	9 000	3 549	39,4	4 569	50,8
C	DC21	Ugu DM	1 865	1 865	1 865	1 622	87,0	1 239	66,4	241 038	241 038	241 038	167 682	69,6	955 006	396,2	-	-	-	-	-	-	-
Total: Ugu Municipalities	11 165	11 165	11 165	9 159	82,0	7 088	63,5	329 133	329 133	314 133	216 922	65,9	1 060 452	322,2	39 000	39 000	39 000	27 145	69,6	25 994	66,7		
B	KZN221	uMshwathi	1 970	1 970	1 970	1 207	61,3	548	27,8	27 591	27 591	27 591	26 176	94,9	995 892	3 609,5	5 000	5 000	5 000	5 000	100,0	-	-
B	KZN222	uMngeni	1 770	1 770	1 770	1 770	100,0	1 103	62,3	34 039	34 039	34 039	20 141	59,2	20 074	59,0	6 000	6 000	6 000	4 555	75,9	3 454	57,6
B	KZN223	Mpofana	2 435	2 435	2 435	701	28,8	515	21,2	12 031	12 031	16 031	11 465	95,3	7 741	64,3	5 000	5 000	5 000	5 000	100,0	2 868	57,4
B	KZN224	iMpendle	2 365	2 365	2 365	1 652	69,9	867	36,7	11 719	11 719	11 719	9 766	83,3	35 226	300,6	-	-	-	-	-	-	-
B	KZN225	Msunduzi	1 700	1 700	1 700	1 560	91,8	639	37,6	197 516	197 516	197 516	98 069	49,7	459 401	232,6	-	-	-	-	-	-	-
B	KZN226	Mkhambathini	2 435	2 435	2 435	2 435	100,0	4 158	170,8	16 076	16 076	16 076	13 203	82,1	259 415	1 613,7	5 467	5 467	5 467	5 467	100,0	15 360	281,0
B	KZN227	Richmond	1 900	1 900	1 900	1 469	77,3	-	-	18 442	18 442	15 042	7 286	39,5	12 047	65,3	-	-	-	-	-	-	-
C	DC22	uMgungundlovu DM	1 000	1 000	1 000	629	62,9	-	-	101 944	101 944	101 944	53 841	52,8	5 259 970	5 159,7	-	-	-	-	-	-	-
Total: uMgungundlovu Municipalities	15 575	15 575	15 575	11 423	73,3	7 831	50,3	419 358	419 358	419 958	239 947	57,2	7 049 766	1 681,1	21 467	21 467	21 467	20 022	93,3	21 682	101,0		
B	KZN235	Okhahlamba	1 900	1 900	1 900	621	32,7	629	33,1	28 304	28 304	28 304	21 390	75,6	27 426	96,9	10 000	10 000	10 000	9 488	94,9	-	-
B	KZN237	iNkosi Langalibalele	2 500	2 500	2 500	2 206	88,2	2 361	94,4	37 661	37 661	22 661	22 661	60,2	39 335	104,4	7 000	7 000	7 000	-	-	5 636	80,5
B	KZN238	Alfred Duma	2 500	2 500	2 500	1 309	52,4	1 411	56,4	61 683	61 683	61 683	37 936	61,5	50 846	82,4	11 000	11 000	11 000	-	-	25	0,2
C	DC23	uThukela DM	2 010	2 010	2 010	1 773	88,2	1 612	80,2	183 937	183 937	107 937	107 937	58,7	145 927	79,3	-	-	-	-	-	-	-
Total: uThukela Municipalities	8 910	8 910	8 910	5 909	66,3	6 013	67,5	311 585	311 585	220 585	189 924	61,0	263 534	84,6	28 000	28 000	28 000	9 488	33,9	5 661	20,2		
B	KZN241	eNdumeni	2 235	2 235	2 235	2 066	92,4	2 023	90,5	15 210	15 210	15 210	10 016	65,9	16 770	110,3	7 000	7 000	7 000	2 402	34,3	-	-
B	KZN242	Nquthu	1 900	1 900	1 900	351	18,5	535	28,2	31 198	31 198	31 198	19 224	61,6	11 856	38,0	19 000	19 000	19 000	-	-	15 245	80,2
B	KZN244	uMsinga	1 900	1 900	1 900	1 555	81,8	1 951	102,7	49 422	49 422	49 422	35 591	72,0	50 025	101,2	20 000	20 000	20 000	11 648	58,2	22 758	113,8
B	KZN245	uMvoti	2 335	2 335	2 335	1 584	67,8	1 728	74,0	29 802	29 802	29 802	19 538	65,6	18 753	62,9	19 000	19 000	19 000	19 000	100,0	-	-
C	DC24	uMzinyathi DM	1 785	1 785	1 785	732	41,0	1 313	73,6	188 488	188 488	188 488	146 006	77,5	143 587	76,2	-	-	-	-	-	-	-
Total: uMzinyathi Municipalities	10 155	10 155	10 155	6 288	61,9	7 550	74,4	314 120	314 120	314 120	230 375	73,3	240 991	76,7	65 000	65 000	65 000	33 050	50,8	38 003	58,5		
B	KZN252	Newcastle	1 700	1 700	1 700	1 466	86,2	718	42,3	112 580	112 580	67 580	67 580	60,0	110 277	98,0	14 000	14 000	14 000	5 296	37,8	5 515	39,4
B	KZN253	eMadlangeni	2 435	2 435	2 435	2 433	99,9	3 190	131,0	9 342	9 342	9 342	5 355	57,3	546 879	5 854,0	-	-	-	-	-	-	-
B	KZN254	Dannhauser	1 900	1 900	1 900	1 223	64,4	1 646	86,6	21 766	21 766	21 766	9 298	42,7	9 815	45,1	-	-	-	-	-	-	-
C	DC25	Amajuba DM	2 035	2 035	2 035	782	38,4	409	20,1	41 039	41 039	41 039	29 359	71,5	57 847	141,0	-	-	-	-	-	-	-
Total: Amajuba Municipalities	8 070	8 070	8 070	5 904	73,2	5 963	73,9	184 727	184 727	139 727	111 592	60,4	724 819	392,4	14 000	14 000	14 000	5 296	37,8	5 515	39,4		
B	KZN261	eDumbe	2 435	2 435	2 435	2 345	96,3	5 197	213,4	18 047	18 047	18 047	12 217	67,7	118 692	657,7	15 000	15 000	15 000	-	-	128 133	854,2
B	KZN262	uPhongolo	2 435	2 435	2 435	2 243	92,1	-	-	28 302	28 302	28 302	16 874	59,6	-	-	8 500	8 500	8 500	4 296	50,5	-	-
B	KZN263	AbaQulusi	2 235	2 235	2 235	114	5,1	2 012	90,0	37 135	37 135	37 135	32 302	87,0	37 209	100,2	19 000	19 000	19 000	17 345	91,3	15 196	80,0
B	KZN265	Nongoma	1 970	1 970	1 970	822	41,7	1 180	59,9	31 873	31 873	31 873	25 741	80,8	33 243	104,3	8 000	8 000	8 000	7 742	96,8	-	-
B	KZN266	Ulundi	1 870	1 870	1 870	1 870	100,0	1 953	104,4	30 900	30 900	30 900	29 587	95,8	29 650	96,0	18 000	18 000	18 000	14 904	82,8	12 184	67,7
C	DC26	Zululand DM	1 465	1 465	1 465	1 465	100,0	2 081	142,0	225 574	225 574	225 574	129 150	57,3	185 662	82,3	-	-	-	-	-	-	-
Total: Zululand Municipalities	12 410	12 410	12 410	8 859	71,4	12 422	100,1	371 831	371 831	371 831	245 871	66,1	404 456	108,8	68 500	68 500	68 500	44 287	64,7	155 512	227,0		
B	KZN271	uMhlabuyalingana	1 900	1 900	1 900	938	49,4	821	43,2	34 918	34 918	34 918	11 908	34,1	22 602	64,7	19 000	19 000	19 000	-	-	5 677	29,9
B	KZN272	Jozini	2 435	2 435	2 435	2 349	96,5	2 064	84,8	37 394	37 394	37 394	19 301	51,6	33 617	89,9	5 000	5 000	5 000	-	-	-	-
B	KZN275	Mtubatuba	1 970	1 970	1 970	1 196	60,7	6	0,3	31 750	31 750	16 750	12 593	39,7	328 240	1 033,8	17 000	17 000	17 000	11 708	68,9	(4 151)	(24,4)
B	KZN276	Big Five Hlabisa	3 000	3 000	3 000	2 459	82,0	749	25,0	21 357	21 357	21 357	17 491	81,9	9 672	45,3	16 000	16 000	16 000	-	-	-	-
C	DC27	uMkhanyakude DM	1 465	1 465	1 465	548	37,4	-	-	214 959	214 959	214 959	107 996	50,2	127 830	59,5	-	-	-	-	-	-	-
Total: uMkhanyakude Municipalities	10 770	10 770	10 770	7 490	69,5	3 639	33,8	340 378	340 378	325 378	169 289	49,7	521 961	153,3	57 000	57 000	57 000	11 708	20,5				

Appendix 10 : National Conditional Grants - 2019/20 cont...

R'000	Expanded Public Works Programme Intergrated Grant (municipality)								Water Services Infrastructure Grant (Schedule 5B)							
	DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual		DoRA Total Avail. (Inc.Adjust.)	Approved Payment Schedule	Transferred to Munis. (Year to date)	Unaudited Actual		Unaudited Actual			
				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent				Expenditure Nat. Dept.	% Spent	Expenditure Munis.	% Spent		
A	KZN2000	eThekweni	78 757	78 757	78 757	78 756	100,0	66 407	84,3	-	-	-	-	-	-	
B	KZN212	uMdoni	1 228	1 228	1 228	1 228	100,0	1 341	109,2	-	-	-	-	-	-	
B	KZN213	uMzombe	1 564	1 564	1 564	1 288	82,4	1 817	116,2	-	-	-	-	-	-	
B	KZN214	uMuziwabantu	1 219	1 219	1 219	1 219	100,0	87	7,1	-	-	-	-	-	-	
B	KZN216	Ray Nkonyeni	4 405	4 405	4 405	4 038	91,7	5 509	125,1	-	-	-	-	-	-	
C	DC21	Ugu DM	4 523	4 523	4 523	4 352	96,2	5 485	121,3	50 000	50 000	50 000	43 513	87,0	111 271	
Total: Ugu Municipalities			12 939	12 939	12 939	12 125	93,7	14 240	110,1	50 000	50 000	50 000	43 513	87,0	111 271	
B	KZN221	uMshwathi	1 322	1 322	1 322	1 182	89,4	476	36,0	-	-	-	-	-	-	
B	KZN222	uMngeni	1 000	1 000	1 000	860	86,0	1 002	100,2	-	-	-	-	-	-	
B	KZN223	Mpofana	1 148	1 148	1 148	1 046	91,1	1 180	102,8	-	-	-	-	-	-	
B	KZN224	iMpendle	1 257	1 257	1 257	1 257	100,0	6 625	527,0	-	-	-	-	-	-	
B	KZN225	Msunduzi	4 200	4 200	4 200	3 698	88,0	947	22,6	53 000	53 000	53 000	41 509	78,3	9 281	
B	KZN226	Mkhambathini	1 440	1 440	1 440	1 440	100,0	779	54,1	-	-	-	-	-	-	
B	KZN227	Richmond	1 716	1 716	1 716	1 716	100,0	4 026	234,6	-	-	-	-	-	-	
C	DC22	uMgungundlovu DM	3 368	3 368	3 368	2 982	88,5	4 047	120,2	80 000	80 000	80 000	79 999	100,0	717 271	
Total: uMgungundlovu Municipalities			15 451	15 451	15 451	14 181	91,8	19 082	123,5	133 000	133 000	133 000	121 508	91,4	726 552	
B	KZN235	Okhahlamba	2 539	2 539	2 539	2 513	99,0	2 709	106,7	-	-	-	-	-	-	
B	KZN237	iNkosi Langalibalele	2 149	2 149	2 149	1 506	70,1	4 925	229,2	-	-	-	-	-	-	
B	KZN238	Alfred Duma	3 930	3 930	3 930	4 544	115,6	4 953	126,0	-	-	-	-	-	-	
C	DC23	uThukela DM	7 054	7 054	7 054	6 183	87,7	9 506	134,8	108 000	108 000	108 000	53 472	49,5	78 718	
Total: uThukela Municipalities			15 672	15 672	15 672	14 746	94,1	22 093	141,0	108 000	108 000	108 000	53 472	49,5	78 718	
B	KZN241	eNdumeni	1 410	1 410	1 410	1 314	93,2	2 090	148,2	-	-	-	-	-	-	
B	KZN242	Nquthu	1 112	1 112	1 112	1 111	99,9	563	50,7	-	-	-	-	-	-	
B	KZN244	uMsinga	3 905	3 905	3 905	3 904	100,0	6 187	158,4	-	-	-	-	-	-	
B	KZN245	uMvoti	1 674	1 674	1 674	1 493	89,2	3 872	231,3	-	-	-	-	-	-	
C	DC24	uMzinyathi DM	4 624	4 624	4 624	4 110	88,9	3 571	77,2	68 374	68 374	68 374	68 374	100,0	35 459	
Total: uMzinyathi Municipalities			12 725	12 725	12 725	11 932	93,8	16 283	128,0	68 374	68 374	68 374	68 374	100,0	35 459	
B	KZN252	Newcastle	3 098	3 098	3 098	2 907	93,8	211	6,8	40 000	40 000	40 000	19 042	47,6	19 727	
B	KZN253	eMadlangeni	1 037	1 037	1 037	651	62,8	372	35,9	-	-	-	-	-	-	
B	KZN254	Dannhauser	1 021	1 021	1 021	791	77,5	1 060	103,8	-	-	-	-	-	-	
C	DC25	Amajuba DM	1 387	1 387	1 387	1 151	83,0	172	12,4	46 000	46 000	46 000	13 004	28,3	8 202	
Total: Amajuba Municipalities			6 543	6 543	6 543	5 500	84,1	1 815	27,7	86 000	86 000	86 000	32 046	37,3	27 929	
B	KZN261	eDumbe	1 267	1 267	1 267	1 227	96,8	1 854	146,3	-	-	-	-	-	-	
B	KZN262	uPhongolo	2 513	2 513	2 513	2 433	96,8	-	-	-	-	-	-	-	-	
B	KZN263	AbaQulusi	1 654	1 654	1 654	1 654	100,0	3 478	210,3	-	-	-	-	-	-	
B	KZN265	Nongoma	2 016	2 016	2 016	1 324	65,7	1 842	91,4	-	-	-	-	-	-	
B	KZN266	Ulundi	4 040	4 040	4 040	3 611	89,4	11	0,3	-	-	-	-	-	-	
C	DC26	Zululand DM	8 818	8 818	8 818	8 818	100,0	8 668	98,3	100 000	100 000	100 000	74 995	75,0	78 383	
Total: Zululand Municipalities			20 308	20 308	20 308	19 067	93,9	15 853	78,1	100 000	100 000	100 000	74 995	75,0	78 383	
B	KZN271	uMhlabuyalingana	3 525	3 525	3 525	1 917	54,4	5 247	148,8	-	-	-	-	-	-	
B	KZN272	Jozini	3 217	3 217	3 217	3 217	100,0	9 282	288,5	-	-	-	-	-	-	
B	KZN275	Mtubatuba	2 148	2 148	2 148	1 986	92,5	1 976	92,0	-	-	-	-	-	-	
B	KZN276	Big Five Hlabisa	2 506	2 506	2 506	2 283	91,1	2 911	116,2	-	-	-	-	-	-	
C	DC27	uMkhanyakude DM	4 674	4 674	4 674	3 489	74,6	1 028	22,0	80 000	80 000	80 000	48 441	60,6	72 605	
Total: uMkhanyakude Municipalities			16 070	16 070	16 070	12 892	80,2	20 444	127,2	80 000	80 000	80 000	48 441	60,6	72 605	
B	KZN281	uMfolozi	2 171	2 171	2 171	1 825	84,1	-	-	-	-	-	-	-	-	
B	KZN282	uMhlatuze	4 492	4 492	4 492	3 942	87,8	4 492	100,0	25 000	25 000	25 000	-	-	16 483	
B	KZN284	uMlalazi	3 068	3 068	3 068	2 812	91,7	-	-	-	-	-	-	-	-	
B	KZN285	Mthonjaneni	2 026	2 026	2 026	2 026	100,0	1 395	68,9	-	-	-	-	-	-	
B	KZN286	Nkandla	2 409	2 409	2 409	2 409	100,0	3 845	159,6	-	-	-	-	-	-	
C	DC28	King Cetshwayo DM	6 763	6 763	6 763	4 486	66,3	6 763	100,0	100 000	100 000	100 000	4 151	4,2	83 430	
Total: King Cetshwayo Municipalities			20 929	20 929	20 929	17 500	83,6	16 495	78,8	125 000	125 000	125 000	4 151	3,3	99 913	
B	KZN291	Mandeni	2 234	2 234	2 234	2 234	100,0	2 392	107,1	-	-	-	-	-	-	
B	KZN292	KwaDukuza	1 729	1 729	1 729	1 526	88,3	1 920	111,0	-	-	-	-	-	-	
B	KZN293	Ndwedwe	1 348	1 348	1 348	1 348	100,0	1 335	99,1	-	-	-	-	-	-	
B	KZN294	Maphumulo	1 325	1 325	1 325	1 325	100,0	1 330	100,4	-	-	-	-	-	-	
C	DC29	iLembe DM	2 019	2 019	2 019	2 019	100,0	2 019	100,0	62 000	62 000	62 000	12 228	19,7	82 530	
Total: iLembe Municipalities			8 655	8 655	8 655	8 452	97,7	8 997	103,9	62 000	62 000	62 000	12 228	19,7	82 530	
B	KZN433	Greater Kokstad	3 700	3 700	3 700	3 272	88,4	4 397	118,9	-	-	-	-	-	-	
B	KZN434	uBuhlebezwe	1 793	1 793	1 793	1 636	91,2	1 979	110,4	-	-	-	-	-	-	
B	KZN435	uMzimkhulu	2 352	2 352	2 352	2 352	100,0	3 359	142,8	-	-	-	-	-	-	
B	KZN436	Dr. Nkosazana Dlamini Zuma	2 381	2 381	2 381	1 914	80,4	2 381	100,0	-	-	-	-	-	-	
C	DC43	Harry Gwala DM	5 316	5 316	5 316	4 923	92,6	5 218	98,2	60 000	60 000	60 000	60 000	100,0	52 592	
Total: Harry Gwala Municipalities			15 542	15 542	15 542	14 097	90,7	17 335	111,5	60 000	60 000	60 000	60 000	100,0	52 592	
Total			223 591	223 591	223 591	209 248	93,6	219 044	98,0	872 374	872 374	872 374	518 728	59,5	1 365 952	

Source: NT Igdatabase

Appendix 11 : Approved Rollovers - 2018/19

R'000	Municipal Infrastructure Grant (MIG)		Public Transport Network Grant (PTNG)		Water Services Infrastructure Grant (WSIG)		Municipal System Infrastructure Grant (MSIG)		Neighbourhood Development Partnership Grant (NDPG)		Municipal Disaster Recovery Grant (MDRG)		Integrated National Electrification Programme (INEP)		Rural Roads Asset Management Grant (RRAMS)		Energy Efficiency Demand Side Management Grant (EEDSM)		Regional Bulk Infrastructure Grant (RBIG)		Infrastructure Skills Development Grant (ISDG)		Total Amount	
	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved	Requested	Approved
	A ETH eThekweni	-	-	309 587	-	-	-	-	-	1 877	-	-	-	-	-	-	-	2 662	2 662	-	-	5 776	-	319 902
B KZN212 uMdoni	2 448	-	-	-	-	-	-	-	-	-	-	-	7 787	7 787	-	-	-	-	-	-	-	-	10 235	7 787
B KZN213 uMzombe	6 100	6 100	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6 100	6 100
B KZN214 uMuziwabantu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN216 Ray Nkonyeni	-	-	-	-	-	-	311	311	-	-	-	-	-	-	-	-	-	-	-	-	-	-	311	311
C DC21 Ugu DM	-	-	-	-	-	-	-	-	-	-	20 237	20 237	-	-	-	-	-	-	-	-	-	-	20 237	20 237
Total: Ugu Municipalities	8 548	6 100	-	-	-	-	311	311	-	-	20 237	20 237	7 787	7 787	-	-	-	-	-	-	-	-	36 883	34 435
B KZN221 uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN222 uMngeni	2 859	2 859	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 859	2 859
B KZN223 Mporofana	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN224 iMpendle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN225 Msunduzi	15 480	-	-	-	-	-	-	-	13 828	-	-	-	-	-	-	-	-	-	-	-	-	-	29 308	-
B KZN226 Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN227 Richmond	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C DC22 uMgungundlovu DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: uMgungundlovu Municipalities	18 339	2 859	-	-	-	-	-	-	13 828	-	-	-	-	-	-	-	-	-	-	-	-	-	32 167	2 859
B KZN235 Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN237 iNkosi Langalibalele	-	-	-	-	-	-	1 055	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 055	-
B KZN238 Alfred Duma	10 016	7 300	-	-	-	-	576	576	-	-	-	-	6 494	6 494	-	-	-	-	-	-	-	-	17 086	14 370
C DC23 uThukela DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2 852	-	-	-	-	2 852	-
Total: Uthukela Municipalities	10 016	7 300	-	-	-	-	1 631	576	-	-	-	-	6 494	6 494	-	-	-	2 852	-	-	-	-	20 993	14 370
B KZN241 eNdameni	1 554	-	-	-	-	-	-	-	-	-	-	-	3 338	-	-	-	-	-	-	-	-	-	4 892	-
B KZN242 Nquthu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN244 uMsinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN245 uMvoti	-	-	-	-	-	-	-	-	-	-	-	-	98	-	-	-	-	-	-	-	-	-	98	-
C DC24 uMzinyathi DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Umzinyathi Municipalities	1 554	-	-	-	-	-	-	-	-	-	-	-	3 436	-	-	-	-	-	-	-	-	-	4 990	-
B KZN252 Newcastle	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN253 eMadiyangeni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN254 Dannhauser	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C DC25 Amajuba DM	-	-	-	-	24 658	-	-	-	-	-	1 771	-	-	-	1 237	-	-	-	-	-	-	-	27 666	-
Total: Amajuba Municipalities	-	-	-	-	24 658	-	-	-	-	-	1 771	-	-	-	1 237	-	-	-	-	-	-	-	27 666	-
B KZN261 eDumbe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN262 uPhongolo	8 052	5 953	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8 052	5 953
B KZN263 Abaqulusi	9 310	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 310	-
B KZN265 Nongoma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN266 Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C DC26 Zululand DM	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Zululand Municipalities	17 362	5 953	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17 362	5 953
B KZN271 uMhlabuyalingana	29	29	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29	29
B KZN272 Jozini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN275 Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN276 Big Five Hlabisa	235	235	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	235	235
C DC27 uMkhanyakude DM	-	-	-	-	14 081	14 081	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14 081	14 081
Total: Umkhanyakude Municipalities	264	264	-	-	14 081	14 081	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14 345	14 345
B KZN281 uMfolozi	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN282 uMhlathuze	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN284 uMlalazi	1 352	1 352	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 352	1 352
B KZN285 Mthorjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN286 Nkandla	3 494	3 494	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 494	3 494
C DC28 King Cetshwayo DM	-	-	-	-	23 412	23 412	-	-	-	-	-	-	-	-	-	-	-	67 320	67 320	-	-	-	90 732	90 732
Total: King Cetshwayo Municipalities	4 846	4 846	-	-	23 412	23 412	-	-	-	-	-	-	-	-	-	-	-	67 320	67 320	-	-	-	95 578	95 578
B KZN291 Mandeni	-	-	-	-	-	-	-	-	5 796	5 796	-	-	616	616	-	-	-	-	-	-	-	-	6 412	6 412
B KZN292 KwaDukuza	1 392	1 392	-	-	-	-	359	-	-	-	-	-	613	-	-	-	-	-	-	-	-	-	2 364	1 392
B KZN293 Ndwedwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN294 Maphumulo	5 577	5 577	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5 577	5 577
C DC29 iLembe DM	-	-	-	-	48 349	48 349	-	-	-	-	-	-	-	-	-	-	-	23 482	23 482	-	-	-	71 831	71 831
Total: Ilembe Municipalities	6 969	6 969	-	-	48 349	48 349	359	-	5 796	5 796	-	-	1 229	616	-	-	-	23 482	23 482	-	-	-	86 184	85 212
B KZN433 Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	-	3 458	3 458	-	-	-	-	-	-	-	-	3 458	3 458
B KZN434 uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B KZN435 uMzimkhulu	9 438	9 438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9 438	9 438
B KZN436 Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C DC43 Harry Gwala DM	23 238	-	-	-	20 000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43 238	-
Total: Harry Gwala Municipalities	32 676	9 438	-	-	20 000	-	-	-	-	-	-	-	3 458	3 458	-	-	-	-	-	-	-	-	56 134	12 896
Total	100 574																							

Appendix 12 : Unspent National Conditional Grants - 2017/18

R'000	Municipal Infrastructure Grant (MIG)	Infrastructure Skills Development Grant (ISDG)	Financial Management Grant (FMG)	Neighbourhood Development Partnership Grant (NDPG)	Integrated National Electrification Programme (INEP)	Public Transport Network Grant (PTNG)	Municipal Demarcation Transition Grant (MDTG)	Regional Bulk Infrastructure Grant (RBIG)	Rural Roads Asset Management Grant (RRAMS)	Energy Efficiency Demand Side Management (EEDSM)	Water Services Infrastructure Grant (WSIG)	Expanded Public Works Programme (EPWP)	Total Amount Unspent 2017-18		
A	ETH	eThekweni	-	5 635	-	28 850	-	306 583	-	293	-	-	341 361		
B	KZN212	uMdoni	1 292	-	-	-	-	-	-	-	-	-	1 292		
B	KZN213	uMzambe	-	-	-	-	-	-	-	-	-	-	-		
B	KZN214	uMuziwabantu	-	-	-	1 781	-	-	-	-	-	-	1 781		
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-	-	-	-	-	-		
C	DC21	Ugu DM	-	-	-	-	-	-	-	-	-	-	-		
Total: Ugu Municipalities			1 292	-	-	1 781	-	-	-	-	-	-	3 073		
B	KZN221	uMshwathi	-	-	-	-	-	-	-	-	-	-	-		
B	KZN222	uMngeni	-	-	-	-	-	-	-	-	-	-	-		
B	KZN223	Mpofana	-	-	-	475	-	-	-	-	-	-	475		
B	KZN224	iMpindle	-	-	-	-	-	-	-	-	-	-	-		
B	KZN225	Msunduzi	6 866	-	-	604	-	26 145	-	-	-	-	33 615		
B	KZN226	Mkhambathini	-	-	-	-	-	-	-	-	-	-	-		
B	KZN227	Richmond	-	-	-	-	-	-	-	-	-	-	-		
C	DC22	uMgungundlovu DM	-	-	-	-	-	-	-	-	11 243	-	11 243		
Total: uMgungundlovu Municipalities			6 866	-	-	604	475	26 145	-	-	11 243	-	45 333		
B	KZN235	Okhahlamba	-	-	-	-	-	-	-	-	-	-	-		
B	KZN237	iNkosi Langalibalele	-	-	823	-	6 983	-	5 426	-	-	-	13 232		
B	KZN238	Alfred Duma	-	-	-	-	-	-	-	-	-	-	-		
C	DC23	uThukela DM	-	-	-	-	-	46 380	-	-	-	-	46 380		
Total: Uthukela Municipalities			-	-	823	-	6 983	46 380	5 426	-	-	-	59 612		
B	KZN241	eNdumeni	-	-	-	98	-	-	-	-	-	-	98		
B	KZN242	Nquthu	2 869	-	-	-	-	-	-	-	-	-	2 869		
B	KZN244	uMsinga	-	-	-	-	-	-	-	-	-	-	-		
B	KZN245	uMvoti	14	-	-	-	-	-	-	-	-	-	14		
C	DC24	uMzinyathi DM	-	-	-	-	-	750	-	-	36 548	-	37 298		
Total: Umzinyathi Municipalities			2 883	-	-	98	-	750	-	-	36 548	-	40 279		
B	KZN252	Newcastle	-	-	-	-	-	-	-	-	-	-	-		
B	KZN253	eMadlangeni	-	-	-	-	-	-	-	-	-	-	-		
B	KZN254	Dannhauser	-	-	-	-	-	-	-	-	-	-	-		
C	DC25	Amajuba DM	-	-	-	-	-	-	-	-	-	-	-		
Total: Amajuba Municipalities			-	-	-	-	-	-	-	-	-	-	-		
B	KZN261	eDumbe	465	-	-	-	-	-	-	-	-	63	527		
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-		
B	KZN263	AbaQulusi	-	-	-	18 200	-	-	-	-	-	-	18 200		
B	KZN265	Nongoma	-	-	173	-	-	-	-	-	-	169	342		
B	KZN266	Ulundi	-	-	-	-	-	-	-	-	-	-	-		
C	DC26	Zululand DM	-	-	-	-	-	-	-	-	-	-	-		
Total: Zululand Municipalities			465	-	173	18 200	-	-	-	-	-	232	19 069		
B	KZN271	uMhlabyalingana	-	-	-	-	-	-	-	-	-	-	-		
B	KZN272	Jozini	-	-	-	-	-	-	-	-	-	-	-		
B	KZN275	Mtubatuba	-	-	-	-	-	-	-	-	-	294	294		
B	KZN276	Big Five Hlabisa	-	-	-	-	-	-	-	-	-	-	-		
C	DC27	uMkhanyakude DM	1 100	-	-	-	-	-	89	-	-	-	1 189		
Total: Umkhanyakude Municipalities			1 100	-	-	-	-	-	89	-	-	294	1 483		
B	KZN281	uMfolozi	59	-	-	-	-	-	-	-	-	-	59		
B	KZN282	uMhlathuze	-	-	-	-	-	-	-	4 920	-	-	4 920		
B	KZN284	uMlalazi	-	-	-	-	-	-	-	-	-	-	-		
B	KZN285	Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-		
B	KZN286	Nkandla	-	-	-	-	-	-	-	-	-	-	-		
C	DC28	King Cetshwayo DM	-	-	-	-	-	-	-	-	-	-	-		
Total: King Cetshwayo Municipalities			59	-	-	-	-	-	-	4 920	-	-	4 979		
B	KZN291	Mandeni	4	-	-	6 280	2 564	-	-	-	-	-	8 848		
B	KZN292	KwaDukuza	-	-	-	-	10 000	-	-	-	-	-	10 000		
B	KZN293	Ndwedwe	-	-	-	-	4 386	-	-	-	-	-	4 386		
B	KZN294	Maphumulo	-	-	-	-	-	-	-	-	-	-	-		
C	DC29	iLembe DM	-	-	-	-	-	-	-	-	-	-	-		
Total: Ilembe Municipalities			4	-	-	6 280	16 951	-	-	-	-	-	23 234		
B	KZN433	Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-		
B	KZN434	uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-		
B	KZN435	uMzimkhulu	-	-	-	-	-	-	-	-	-	-	-		
B	KZN436	Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	1 140	-	-	-	-	1 140		
C	DC43	Harry Gwala DM	239	-	-	-	-	10	4	-	49 012	-	49 266		
Total: Harry Gwala Municipalities			239	-	-	-	-	1 140	10	4	49 012	-	50 406		
Total			12 907	5 635	996	35 734	44 487	332 728	6 567	46 390	844	5 213	96 804	526	588 830

Source: National Treasury

Appendix 13 : Unspent National Conditional Grants - 2018/19

R'000		Municipal Infrastructure Grant (MIG)	Infrastructure Skills Development Grant (ISDG)	Financial Management Grant (FMG)	Neighbourhood Development Partnership Grant (NDPG)	Intergrated National Electrification Programme (INEP)	Public Transport Network Grant (PTNG)	Municipal Disaster Recovery Grant (MDRG)	Regional Bulk Infrastructure Grant (RBIG)	Rural Roads Asset Management Grant (RRAMS)	Energy Efficiency Demand Side Management (EEDSM)	Water Services Infrastructure Grant (WSIG)	Expanded Public Works Programme (EPWP)	Municipal Systems Improvement Grant (MSIG)	Total Amount Unspent 2017-18	
A	ETH	eThekweni	5 800	-	1 900	-	309 500	79 800	-	-	-	-	-	-	397 000	
B	KZN212	uMdoni	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN213	uMzambe	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN214	uMuziwabantu	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC21	Ugu DM	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Total: Ugu Municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN221	uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN222	uMngeni	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN223	Mpofana	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN224	iMpindle	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN225	Msunduzi	15 500	-	13 800	-	-	-	-	-	-	-	-	-	29 300	
B	KZN226	Mkhambathini	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN227	Richmond	-	-	-	2 800	-	-	-	-	-	-	-	-	2 800	
C	DC22	uMgungundlovu DM	-	-	-	-	-	-	-	-	980	1 900	-	-	2 880	
		Total: uMgungundlovu Municipalities	15 500	-	13 800	2 800	-	-	-	-	980	1 900	-	-	34 980	
B	KZN235	Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN237	iNkosi Langalibalele	-	-	48	170	-	-	-	-	-	1 400	1 100	-	2 718	
B	KZN238	Alfred Duma	2 700	-	-	-	-	-	-	-	-	-	-	-	2 700	
C	DC23	uThukela DM	-	-	-	-	-	3 600	997	-	-	-	-	-	4 597	
		Total: Uthukela Municipalities	2 700	-	48	170	-	3 600	997	-	-	1 400	1 100	-	10 015	
B	KZN241	eNdumeni	1 600	-	-	3 200	-	-	-	-	-	-	-	-	4 800	
B	KZN242	Nquthu	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN244	uMsinga	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN245	uMvoti	-	-	-	74	-	-	-	-	-	-	-	-	74	
C	DC24	uMzinyathi DM	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Total: Umzinyathi Municipalities	1 600	-	-	3 274	-	-	-	-	-	-	-	-	4 874	
B	KZN252	Newcastle	-	-	-	5 000	-	-	-	-	3 300	-	-	-	8 300	
B	KZN253	eMadlangeni	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN254	Dannhauser	-	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC25	Amajuba DM	-	-	-	-	-	1 200	-	24 700	38	-	-	-	25 938	
		Total: Amajuba Municipalities	-	-	-	5 000	-	1 200	-	28 000	38	-	-	-	34 238	
B	KZN261	eDumbe	-	-	29	-	-	-	-	-	-	-	-	-	29	
B	KZN262	uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN263	AbaQulusi	6 400	-	-	7 800	-	-	-	-	-	341	-	-	14 541	
B	KZN265	Nongoma	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN266	Ulundi	-	-	-	4 900	-	-	-	-	-	-	-	-	4 900	
C	DC26	Zululand DM	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Total: Zululand Municipalities	6 400	-	29	12 700	-	-	-	-	-	341	-	-	19 470	
B	KZN271	uMhlabyalingana	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN272	Jozini	-	-	-	-	-	-	-	10 800	-	-	-	-	10 800	
B	KZN275	Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN276	Big Five Hlabisa	-	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC27	uMkhanyakude DM	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Total: Umkhanyakude Municipalities	-	-	-	-	-	-	-	10 800	-	-	-	-	10 800	
B	KZN281	uMfolozi	-	-	-	-	-	-	-	-	-	-	-	1 000	1 000	
B	KZN282	uMhlathuze	-	-	-	-	-	-	-	-	-	-	-	800	800	
B	KZN284	uMlalazi	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN285	Mthonjaneni	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN286	Nkandla	-	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC28	King Cetshwayo DM	-	-	-	-	-	-	-	-	-	-	-	-	-	
		Total: King Cetshwayo Municipalities	-	-	-	-	-	-	-	-	-	-	-	1 800	1 800	
B	KZN291	Mandeni	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN292	KwaDukuza	-	-	-	613	-	-	-	-	359	-	-	-	972	
B	KZN293	Ndwedwe	3 206	-	268	-	-	-	-	-	-	-	-	-	3 474	
B	KZN294	Maphumulo	-	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC29	iLembe DM	-	-	-	-	-	-	-	-	3 000	-	-	-	3 000	
		Total: Ilembe Municipalities	3 206	-	268	613	-	-	-	359	3 000	-	-	-	7 446	
B	KZN433	Greater Kokstad	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN434	uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN435	uMzimkhulu	-	-	-	-	-	-	-	-	-	-	-	-	-	
B	KZN436	Dr. Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-	-	-	-	-	
C	DC43	Harry Gwala DM	23 200	-	-	-	-	-	-	-	20 000	-	-	-	43 200	
		Total: Harry Gwala Municipalities	23 200	-	-	-	-	-	-	-	20 000	-	-	-	43 200	
		Total	52 606	5 800	345	15 700	24 557	309 500	79 800	3 600	2 197	11 159	51 980	3 679	2 900	563 823

Source: National Treasury

Appendix 14 : Stopping of funds in terms of Section 19 of the 2019 DoRA

R'000		Municipal Infrastructure Grant (MIG)	Water Services Infrastructure Grant (WSIG)	Public Transport Network Grant (PTNG)	Total
A	ETH eThekwini	-	-	75 200	75 200
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	-	-	-	-
B	KZN224 iMpendle	-	-	-	-
B	KZN225 Msunduzi	-	-	-	-
B	KZN226 Mkhambathini	-	-	-	-
B	KZN227 Richmond	3 400	-	-	3 400
C	DC22 uMgungundlovu DM	-	-	-	-
Total: uMgungundlovu Municipalities					
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	-	-	-	-
C	DC24 uMzinyathi DM	-	-	-	-
Total: Umzinyathi Municipalities					
B	KZN252 Newcastle	-	-	-	-
B	KZN253 eMadlangeni	-	-	-	-
B	KZN254 Dannhauser	-	-	-	-
C	DC25 Amajuba DM	-	-	-	-
Total: Amajuba Municipalities					
B	KZN261 eDumbe	-	-	-	-
B	KZN262 uPhongolo	-	-	-	-
B	KZN263 AbaQulusi	-	-	-	-
B	KZN265 Nongoma	-	-	-	-
B	KZN266 Ulundi	-	-	-	-
C	DC26 Zululand DM	-	-	-	-
Total: Zululand Municipalities					
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	-	15 000	-	15 000
B	KZN284 uMlalazi	-	-	-	-
B	KZN285 Mthonjaneni	-	-	-	-
B	KZN286 Nkandla	-	-	-	-
C	DC28 King Cetshwayo DM	-	-	-	-
Total: King Cetshwayo Municipalities					
B	KZN291 Mandeni	9 100	-	-	9 100
B	KZN292 KwaDukuza	-	-	-	-
B	KZN293 Ndwedwe	-	-	-	-
B	KZN294 Maphumulo	-	-	-	-
C	DC29 iLembe DM	-	28 000	-	28 000
Total: Ilembe Municipalities					
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		12 500	43 000	75 200	130 700

Source: National Treasury. Government Gazette No. 43180

Appendix 15 : Unspent National Conditional Grants - 2014/15 to 2018/19

R'000			Unspent Conditional Grants for 2014/15	Unspent Conditional Grants for 2015/16	Unspent Conditional Grants for 2016/17	Unspent Conditional Grants for 2017/18	Unspent Conditional Grants for 2018/19	Total
A	ETH	eThekweni	537 406	5 547	33 500	341 361	397 000	1 314 814
B	KZN212	uMdoni	-	-	475	1 292	-	1 767
B	KZN213	uMzumbane	-	-	3 900	-	-	3 900
B	KZN214	uMuziwabantu	6 490	-	-	1 781	-	8 271
B	KZN216	Ray Nkonyeni	-	-	-	-	-	-
C	DC21	Ugu DM	8 931	8 398	-	-	-	17 329
Total: Ugu Municipalities			15 421	8 398	4 375	3 073	-	31 267
B	KZN221	uMshwathi	-	-	-	-	-	-
B	KZN222	uMngeni	-	9 682	-	-	-	9 682
B	KZN223	Mpofana	-	-	-	475	-	475
B	KZN224	iMpendle	-	-	-	-	-	-
B	KZN225	Msunduzi	39 904	196 603	27 000	33 615	29 300	326 422
B	KZN226	Mkhambathini	1 758	1 433	46	-	-	3 237
B	KZN227	Richmond	-	-	-	-	2 800	2 800
C	DC22	uMgungundlovu DM	5 894	-	36 900	11 243	2 880	56 917
Total: uMgungundlovu Municipalities			47 556	207 718	63 946	45 333	34 980	399 533
B	KZN235	Okhahlamba	-	-	-	-	-	-
B	KZN237	iNkosi Langalibalele	-	-	6 900	13 232	2 718	22 850
B	KZN238	Alfred Duma	-	-	238	-	2 700	2 938
C	DC23	Uthukela DM	742	-	67 100	46 380	4 597	118 819
Total: Uthukela Municipalities			742	-	74 238	59 612	10 015	144 607
B	KZN241	eNdumeni	-	7 497	-	98	4 800	12 395
B	KZN242	Nquthu	1 361	-	132	2 869	-	4 362
B	KZN244	uMsinga	3 876	19 396	3 500	-	-	26 772
B	KZN245	uMvoti	4 941	120	-	14	74	5 149
C	DC24	uMzinyathi DM	-	3 672	36 647	37 298	-	77 617
Total: Umzinyathi Municipalities			10 178	30 685	40 279	40 279	4 874	126 295
B	KZN252	Newcastle	-	21 066	678	709	-	22 453
B	KZN253	eMadlangeni	696	-	-	5 300	-	5 996
B	KZN254	Dannhauser	146	-	469	-	-	615
C	DC25	Amajuba DM	7 231	401	8 650	-	-	16 282
Total: Amajuba Municipalities			8 073	21 467	9 797	6 009	-	45 346
B	KZN261	eDumbe	4 600	506	692	1 356	527	7 681
B	KZN262	uPhongolo	-	-	2 471	493	-	2 964
B	KZN263	AbaQulusi	-	447	994	-	18 200	19 641
B	KZN265	Nongoma	7 973	4 341	-	-	342	12 656
B	KZN266	Ulundi	1 267	-	-	-	-	1 267
C	DC26	Zululand DM	-	-	-	-	-	-
Total: Zululand Municipalities			13 840	5 294	4 157	1 849	19 069	44 209
B	KZN271	Umhlabuyalingana	-	1 337	-	-	-	1 337
B	KZN272	Jozini	559	-	9 400	-	10 800	20 759
B	KZN275	Mtubatuba	2 115	5 732	15 400	1 189	-	24 436
B	KZN276	Big 5 Hlabisa	-	-	-	178	-	178
C	DC27	uMkhanyakude DM	1 600	2 115	5 732	15 400	1 189	26 036
Total: Umkhanyakude Municipalities			4 274	9 184	30 532	16 767	11 989	72 747
B	KZN281	uMfolozi	-	-	-	59	1 000	1 059
B	KZN282	uMhlathuze	7 731	18 610	2 600	4 920	800	34 661
B	KZN284	uMlalazi	3 625	6 004	-	-	-	9 629
B	KZN285	Mthonjaneni	-	-	-	-	-	-
B	KZN286	Nkandla	204	-	-	-	-	204
C	DC28	King Cetshwayo DM	32 433	-	-	-	-	32 433
Total: uThungulu Municipalities			43 993	24 614	2 600	4 979	1 800	77 986
B	KZN291	Mandeni	6 546	-	4 800	8 848	-	20 194
B	KZN292	KwaDukuza	3 585	-	5 900	10 000	972	20 457
B	KZN293	Ndwedwe	30 980	886	-	4 386	3 474	39 726
B	KZN294	Maphumulo	4 270	-	25	-	-	4 295
C	DC29	iLembe DM	3 266	105	-	-	3 000	6 371
Total: iLembe Municipalities			48 647	991	10 725	23 234	7 446	91 043
B	KZN433	Greater Kokstad	-	1 324	2 831	-	-	4 155
B	KZN434	Ubuhlebezwe	-	-	-	-	-	-
B	KZN435	Umzimkhulu	-	612	-	-	-	612
B	KZN436	Dr Nkosazana Dlamini Zuma	-	-	-	2 200	1 140	3 340
C	DC43	Harry Gwala DM	-	2 634	-	42 200	49 266	94 100
Total: Harry Gwala Municipalities			-	4 570	2 831	44 400	50 406	102 207
Total			730 130	318 468	276 980	586 896	537 580	2 450 054

Source: National Treasury

Appendix 16: Grants re prioritised as a result of the Covid-19 pandemic

R000		Municipal Infrastructure Grant (MIG)		Integrated Urban Development Grant	Approved Projects
No	Code	Municipality	Requested	Approved	Approved
1	KZN212	uMhloni	5 700	-	- The request was not approved because the municipality provided projects that should be implemented through the normal MIG processes in line with the grant framework.
2	KZN216	Ray Nkonyeni	-	-	15 200 - Decontamination of public facilities including coastline, beaches, taxi ranks and shelters for the homeless - R12.5 million; and - Supply Water tanks (Jojo/Roto) for hand washing in twelve point A's and informal settlements, sanitization of municipal offices, collection of refuse and advocacy campaign as well as provision of PPEs - R2.7 million.
3	DC21	Ugu DM	23 600	23 600	- Mabaleni boreholes with 1 steel tank reservoir - R5 million; - Esparanza pump station upgrade and steelworks - R2.6 million; - 20 Boreholes in the whole district - R2 million; - 50 New spring protection in the district - R1 million; and - Replacement of 2km pipeline Weza WTW to Kwezi reservoir - R13 million.
4	KZN222	uMngeni	19 000	19 000	- Waste management - skips, hand scrapers, shovels, brooms, scraper blades, spares and repairs - R 4.8 million; - Stands for jijo tanks - R450 000; - Clearing of illegal dumpsite - R1.2 million; - Installation of storm water pipes - R7.5 million; and - 20 km Graveling of access roads in Mpophomeni area - R5 million.
5	KZN225	Msunduzi	18 500	18 500	- Drilling of 19 new Boreholes in Wards - 1; 9; 11; 18; 30; 31; 35; and 39.
6	DC22	uMgungundlovu DM	33 500	33 500	- Kwamathunga - craigebum installation of 50 KL/day pump station - R12.7 million; - Engugu phase 5 pipeline - impendie completion of construction of 150mm Klambon steel rising main - R7.4 million; - Maqonggo bulk associated pipeworks on the 2 ML & 0.5 ML reservoirs - R4.1 million; and - Manyavu cws installation of the 5.2km of 200mm steel pipeline with associated cathodic protection - R9.3 million.
7	DC23	uThukela DM	28 800	28 800	- Refurbishment of WWTW in Ladysmith, Ekuvukeni, Ezakeni, Colenso, Winterton and Bergville (chlorination, humus pumps, aerators) - R17.3 million; - Refurbishment of bulk water storage tanks, elevated steel structures - Weenen and Colenso - R1.8 million; - Pressure management, installation of pvn's bulk meters and pressure zones - Ezakeni - R1.2 million; - Refurbishment - distribution network - water reticulation - collapsed sewer and damaged pipes - R527 000; - Refurbishment of boreholes, pumps cables and diesel generators - all areas - R2.4 million; - Refurbishment of pump stations, water and sewer pumps - Estcourt, Ladysmith Ezakeni and Colenso - R4.4 million; and - Borehole pumps, top driveshaft's, cleaning, concrete, moro head and element - all areas - R1.2 million.
8	DC24	uMzinyathi DM	12 300	12 300	- Repair and refurbish hand pumps in the Msinga and Nquthu Local Municipalities.
9	DC25	Amajuba DM	41 000	41 000	- Pressure management along Buffalo Flats bulk pipelines, install 6 pump stations and six 5kl elevated tanks for Wards - 4 Cibini, Enkrijaneni, 6 Rutland, 9 Fairbreeze, 10 Sdakeni, 12 Shepstone lake, 13Skombaren - R23.9 million; - Refurbishment and sealing of Brackfontain 10ML reservoir and related works R13.3 million; and - 110 Elevated static tanks - 64 in Danthauser and 46 in Emandangeni areas - R3.6 million.
10	KZN262	uPhongolo	13 000	5 800	- The reason for the reduced approval was because the municipality included the water tankering projects which are accommodated under the water programme. - Projects that will be undertaken by the municipality: - Drilling of 17 Boreholes - Simlangetsha East for Wards 1; 7; 8; 9; 10; 13; and 15.
11	KZN263	AbaQulusi	11 900	11 900	- Vryheid WWTW - R450 000; - The rehabilitation of the Vryheid municipal dump site - R1.6 million; - Vryheid Waste Water Treatment Works - R650 000; - Bloemveld Water Treatment Works Refurbishment - R200 000; - Louwsburg Water Treatment Works Refurbishment - R200 000; - Coronation WWTW to full functionality - R2 million; and - Provision of water through drilling and equipping of 5 boreholes and installation of 11 container sanitation facilities to informal settlements - R6.9 million.
12	KZN265	Nongoma	660	660	- Drilling of 2 boreholes and equipment in Ward 10 - Nkolweni and Ward 19 - taxi rank.
13	KZN271	uMhlabuyalingana	1 000	1 000	- Mshudu plant borehole, Phelendaba repair and refurbishment, Mseleni Scheme refurbishment, Mbazwana borehole drilling.
14	KZN272	Jozini	10 100	4 100	- The reason for the reduced approval was because the municipality included the water tankering projects which are accommodated under the water programme. - Projects that will be undertaken by the municipality: - 20 Boreholes, pumps, electricals, solar panel systems and fencing.
15	DC27	uMkhanyakude DM	53 200	53 200	- Refurbishment of existing schemes, boreholes and plant.
16	KZN286	Nkandla	1 500	1 500	- 12 flushable mobile toilets - R1 million; and - 5 boreholes - Wards 1 - Ezibhembeni; Gada; NoMahaye; and Golozeleni - Ward 2 - Mabuquni; Ngakwa Buthelezi (Sthomo); Kwaskhile estolo; Simukumuku; Bhacane; and Masoka - Ward 3 -Vimbimbo; Theleni; Nongamiana; Malunga; Wozawoza; Mbilathunzi; Lushaba; and Dloyiyana - R500 000.
17	KZN282	uMhlathuze	-	-	5 000 - Refuse removal; - Sanitization of public facilities; - Procurement of PPE; - Water tanks for taxi ranks; - Decontamination of municipal buildings; - Reconfiguration of Disaster building for screening, matching; and - Communication/ Awareness.
18	DC28	King Cetshwayo DM	31 600	31 600	- Replacement of 2 water treatment works refurbishment - replacing slow sand filter and high lift pump - R8.5 million; - Refurbishment of bulk aging infrastructure - reticulation of water and sewer pipe mains - R7 million; - Package plant refurbishment - 14 package plants, entails upgrading of up lifting pumps, reconstruction of clarifiers and filters, upsizing of storage tanks rehab of abstraction pints, rehab of sumps, upsizing of storage main pipelines, refurb of 1 existing pump house demolition and reconstruction of concrete weir - R8 million; - Replace existing 80kl concrete reservoir to 100kl steel tank - R400 000; - 24-hand pump replacement - R2.5 million; and - 13 Borehole replacements - rehab of pvc borehole casing, upsizing of borehole pumps, storage tanks, installation of stand pipes and solar panels - R5.2 million.
19	DC29	iLembe DM	50 200	50 200	- Refurbishment and upgrade of existing water pumps and sewer pumps - R20.8 million; - Protection of 69 local springs and minor reticulations - R19 million; - 4 in Mandeni - R1.2 million; - 7 in Maphumulo - R2.3 million; - 51 in Ndwedwe - R13.9 million; and - 7 in KDM - R1.4 million. - 6 Boreholes drilling and equipping in Mandeni, KwaDukuza, Ndwedwe, Maphumulo - R2.3 million; and - Refurbishment and upgrade of Mvoti WTW - R8.1 million.
20	DC43	Harry Gwala DM	3 000	3 000	- 8 Drilling of boreholes, 8 drilling & equipping borehole with solar pumps, erection of a 2000l storage tank and a standpipe per borehole in the following villages: Bhetani, Ebhayi, Thathane and Napha villages (uBuhlebezwe Local Municipality).
Total			358 560	339 660	20 200

Source: National Treasury

Appendix 17 : Total Covid-19 expenditure per expenditure category and per district – 03 July 2020

			General	Community & Social Services	Public Safety	Housing	Health	Total
R'000								
A	KZN2000	eThekweni	95 929	90 863	88 190	71 030	75 489	421 502
B	KZN212	uMdoni	5 180	864	-	-	-	6 044
B	KZN213	uMzumbane	1 468	-	-	-	-	1 468
B	KZN214	uMuziwabantu	1 005	53	-	-	48	1 106
B	KZN216	Ray Nkonyeni	-	73	17	-	1 052	1 142
C	DC21	Ugu DM	9 295	8 972	-	-	-	18 267
Total: Ugu Municipalities			16 948	9 961	17	-	1 101	28 027
B	KZN221	uMshwathi	45	45	2	-	444	536
B	KZN222	uMngeni	3 008	-	34	-	-	3 042
B	KZN223	Mpofana	284	-	-	-	505	789
B	KZN224	iMpindle	21	2	8	-	311	342
B	KZN225	Msunduzi	13 337	4 724	-	3 242	-	21 303
B	KZN226	Mkhambathini	685	-	-	-	-	685
B	KZN227	Richmond	773	206	57	-	279	1 315
C	DC22	uMgungundlovu DM	823	97	-	-	-	920
Total: uMgungundlovu Municipalities			18 976	5 074	100	3 242	1 539	28 932
B	KZN235	Okhahlamba	866	618	-	-	-	1 484
B	KZN237	iNkosi Langalibalele	387	730	-	-	121	1 238
B	KZN238	Alfred Duma	918	306	-	-	-	1 224
C	DC23	uThukela DM	5 302	68	-	-	323	5 693
Total: uThukela Municipalities			7 474	1 722	-	-	443	9 639
B	KZN241	eNdumeni	205	118	-	-	167	491
B	KZN242	Nquthu	880	798	-	-	-	1 679
B	KZN244	uMsinga	1 482	745	-	-	-	2 227
B	KZN245	uMvoti	1 098	1 243	-	380	-	2 721
C	DC24	uMzinyathi DM	4 178	2 243	-	-	1 299	7 720
Total: uMzinyathi Municipalities			7 844	5 147	-	380	1 466	14 837
B	KZN252	Newcastle	401	810	-	-	1 460	2 670
B	KZN253	eMadlangeni	404	284	-	-	-	688
B	KZN254	Dannhauser	751	393	-	-	-	1 144
C	DC25	Amajuba DM	1 013	-	-	-	-	1 013
Total: Amajuba Municipalities			2 569	1 487	-	-	1 460	5 515
B	KZN261	eDumbe	314	3 638	10	26	616	4 603
B	KZN262	uPhongolo	860	190	-	-	995	2 045
B	KZN263	AbaQulusi	48	-	48	-	975	1 071
B	KZN265	Nongoma	923	1 141	-	-	421	2 486
B	KZN266	Ulundi	-	152	-	-	1 064	1 215
C	DC26	Zululand DM	8 726	-	-	-	4 199	12 925
Total: Zululand Municipalities			10 872	5 120	58	26	8 269	24 345
B	KZN271	uMhlabyalingana	1 462	190	-	-	681	2 333
B	KZN272	Jozini	3 066	6 414	-	-	11	9 491
B	KZN275	Mtubatuba	459	-	-	-	-	459
B	KZN276	Big Five Hlabisa	274	574	86	89	578	1 602
C	DC27	uMkhanyakude DM	980	29 239	-	-	-	30 219
Total: uMkhanyakude Municipalities			6 241	36 418	86	89	1 271	44 104
B	KZN281	uMfolozi	1 701	1 115	-	-	-	2 816
B	KZN282	uMhlathuze	16 945	19 184	20 262	7 151	975	64 517
B	KZN284	uMlalazi	1 861	150	-	-	-	2 011
B	KZN285	Mthonjaneni	233	1 240	-	-	2 884	4 356
B	KZN286	Nkandla	-	2 476	-	-	-	2 476
C	DC28	King Cetshwayo DM	341	856	-	-	102	1 299
Total: King Cetshwayo Municipalities			21 081	25 021	20 262	7 151	3 961	77 475
B	KZN291	Mandeni	559	-	-	-	-	559
B	KZN292	KwaDukuza	4 741	-	-	-	-	4 741
B	KZN293	Ndwedwe	703	75	-	-	-	778
B	KZN294	Maphumulo	-	782	-	-	522	1 304
C	DC29	iLembe DM	1 825	4 917	-	-	1 623	8 365
Total: iLembe Municipalities			7 828	5 774	-	-	2 145	15 746
B	KZN433	Greater Kokstad	1 201	107	144	-	28	1 480
B	KZN434	uBuhlebezwe	155	-	150	-	-	305
B	KZN435	uMzimkhulu	290	-	-	-	-	290
B	KZN436	Dr. Nkosazana Dlamini Zuma	66	508	-	-	400	974
C	DC43	Harry Gwala DM	1 756	673	-	-	-	2 429
Total: Harry Gwala Municipalities			3 468	1 288	294	-	428	5 477
TOTAL			299 061	283 598	129 530	92 805	119 227	924 221

Source: KZN Provincial Treasury - Covid-19 Weekly reports

Appendix 18 : Total Covid-19 expenditure per funding sources and per district – 03 July 2020

			Own Revenue	Borrowing	Donation	Sponsor	Grant Funding	Unfunded	Total
R'000									
A	KZN2000	eThekweni	88 190	-	-	-	333 312	-	421 502
B	KZN212	uMdoni	6 044	-	-	-	-	-	6 044
B	KZN213	uMzumbane	957	-	-	-	511	-	1 468
B	KZN214	uMuziwabantu	-	-	-	-	1 106	-	1 106
B	KZN216	Ray Nkonyeni	1 069	-	-	-	73	-	1 142
C	DC21	Ugu DM	-	-	-	-	-	18 267	18 267
Total: Ugu Municipalities			8 070	-	-	-	1 690	18 267	28 027
B	KZN221	uMshwathi	2	-	-	-	534	-	536
B	KZN222	uMngeni	1 582	-	-	-	1 460	-	3 042
B	KZN223	Mpofana	-	-	-	-	789	-	789
B	KZN224	iMpendle	52	-	-	-	290	-	342
B	KZN225	Msunduzi	21 303	-	-	-	-	-	21 303
B	KZN226	Mkhambathini	685	-	-	-	-	-	685
B	KZN227	Richmond	830	-	-	-	485	-	1 315
C	DC22	uMgungundlovu DM	920	-	-	-	-	-	920
Total: uMgungundlovu Municipalities			25 373	-	-	-	3 558	-	28 932
B	KZN235	Okhahlamba	950	-	-	-	534	-	1 484
B	KZN237	iNkosi Langalibalele	-	-	-	-	1 238	-	1 238
B	KZN238	Alfred Duma	1 224	-	-	-	-	-	1 224
C	DC23	uThukela DM	-	-	-	-	-	5 693	5 693
Total: uThukela Municipalities			2 175	-	-	-	1 771	5 693	9 639
B	KZN241	eNdumeni	221	-	-	-	270	-	491
B	KZN242	Nquthu	1 679	-	-	-	-	-	1 679
B	KZN244	uMsinga	1 266	-	-	-	961	-	2 227
B	KZN245	uMvoti	-	-	-	-	1 095	1 626	2 721
C	DC24	uMzinyathi DM	7 493	-	-	-	227	-	7 720
Total: uMzinyathi Municipalities			10 659	-	-	-	2 552	1 626	14 837
B	KZN252	Newcastle	1 415	-	-	-	1 256	-	2 670
B	KZN253	eMadlangeni	-	-	-	-	688	-	688
B	KZN254	Dannhauser	1 094	-	-	-	50	-	1 144
C	DC25	Amajuba DM	33	-	-	-	980	-	1 013
Total: Amajuba Municipalities			2 542	-	-	-	2 973	-	5 515
B	KZN261	eDumbe	608	-	-	-	3 995	-	4 603
B	KZN262	uPhongolo	2 045	-	-	-	-	-	2 045
B	KZN263	AbaQulusi	96	-	-	-	975	-	1 071
B	KZN265	Nongoma	-	-	-	-	1 864	621	2 486
B	KZN266	Ulundi	-	-	-	-	1 215	-	1 215
C	DC26	Zululand DM	-	-	-	-	5 897	7 028	12 925
Total: Zululand Municipalities			2 749	-	-	-	13 947	7 649	24 345
B	KZN271	uMhlabuyalingana	1 469	-	-	-	864	-	2 333
B	KZN272	Jozini	3 713	-	-	-	5 778	-	9 491
B	KZN275	Mtubatuba	459	-	-	-	-	-	459
B	KZN276	Big Five Hlabisa	798	-	-	-	804	-	1 602
C	DC27	uMkhanyakude DM	653	-	-	-	29 566	-	30 219
Total: uMkhanyakude Municipalities			7 092	-	-	-	37 012	-	44 104
B	KZN281	uMfolozi	1 783	-	-	-	1 033	-	2 816
B	KZN282	uMhlathuze	17 658	-	-	-	-	46 859	64 517
B	KZN284	uMlalazi	2 011	-	-	-	-	-	2 011
B	KZN285	Mthonjaneni	2 888	-	-	-	1 468	-	4 356
B	KZN286	Nkandla	1 262	-	-	-	1 215	-	2 476
C	DC28	King Cetshwayo DM	1 249	-	-	-	50	-	1 299
Total: King Cetshwayo Municipalities			26 850	-	-	-	3 766	46 859	77 475
B	KZN291	Mandeni	277	-	-	-	282	-	559
B	KZN292	KwaDukuza	2 224	-	-	-	2 518	-	4 741
B	KZN293	Ndwedwe	778	-	-	-	-	-	778
B	KZN294	Maphumulo	290	-	-	-	-	1 014	1 304
C	DC29	iLembe DM	1 816	-	-	-	-	6 548	8 365
Total: iLembe Municipalities			5 385	-	-	-	2 799	7 563	15 746
B	KZN433	Greater Kokstad	1 480	-	-	-	-	-	1 480
B	KZN434	uBuhlebezwe	155	-	-	-	150	-	305
B	KZN435	uMzimkhulu	262	-	-	-	28	-	290
B	KZN436	Dr. Nkosazana Dlamini Zuma	229	-	-	-	745	-	974
C	DC43	Harry Gwala DM	-	-	-	-	-	2 429	2 429
Total: Harry Gwala Municipalities			2 126	-	-	-	922	2 429	5 477
TOTAL			272 106	-	-	-	474 371	177 744	924 221

Source: KZN Provincial Treasury - Covid-19 Weekly reports

References

- African Growth and Opportunity Act (2000). International Trade Administration. Available online: <https://www.trade.gov/agoa/>, accessed on 07/08/ 2020
- Anisujjaman M (2015): *Urbanization and Human Development*, a Study of West Bengal, available online: [http://www.ijhssi.org/papers/v4\(7\)/Version-2/A04720108.pdf](http://www.ijhssi.org/papers/v4(7)/Version-2/A04720108.pdf), accessed on 05/07/2020
- Barker F.S., (1998) Productivity in South Africa. *Labor Economics*. South Africans Labor Market and Practice 6th Ed.
- Betts, J. R. & Shkolnik, J. L. (1999). *The behavioural effects of variations in class size: The case of math's teachers*. Educational Evaluation and Policy Analysis, 21(2), 193–213
- Cortes, M. Moussa L. & Winstein, B. (2012). Managing the behavioural rights of teachers and learners
- Georgieff M.K. (2007). *Nutrition and Brain Development in Early Life*. Available from: <https://www.researchgate.net/publication/261254252>, accessed on 09/08/2020
- Glass, M. & Smith L. (1999). *Meta-Analysis of Research on the relationship of class-size and achievement*. Laboratory of Educational Research. University of Colorado.
- Heckman J., Pinto R. & Savelyev P. (2013). “*Understanding the Mechanisms Through Which an Influential Early Childhood Program Boosted Adult Outcomes.*” American Economic Review 103 (6): 2052–2086
- IMF (2020). *World Economic Outlook Update*, A Crisis Like No Other, An Uncertain Recovery, 24 July 2020. Available online: <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>, accessed on 24/07/2020
- Leibbrandt, M; Woolard I and Woolard C. (2008). *Poverty and inequality dynamics in South Africa: Post-apartheid development in the light of the long-run legacy*. Draft book chapter. Mimeo. Saldru: Cape Town.
- Luis, E.V (2000). *The Non-Monetary Benefits of Education*. *European Journal of Education*, Vol. 35, No. 1 (Mar., 2000), pp. 21-32
- 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
- National Treasury (2017). *Estimates of National Expenditure*. Social Development. Available online: <http://www.treasury.gov.za/documents/National%20Budget/2018/enebooklets/Vote%2017%20Social%20Development.pdf>, accessed on 03/08/2020
- OECD (2020). *Economic Surveys South Africa, July 2020*, available online: https://www.oecd-ilibrary.org/economics/oecd-economic-surveys-south-africa-2019_530e7ce0-en, Accessed on 01 August 2020)
- OECD (2014). *Promoting Skills for Innovation in Higher Education*. Available online: <https://www.oecd.org/education/cei/Promoting-Skills-for-Innovation-in-Higher-Education.pdf>, accessed on 18/02/2020
- Onyekwena, C. (2014). *South Africa in BRICS: A Bilateral Trade Analysis*. Occasional Paper No 181.Economic Diplomacy Programme
- Population Reference Bureau (2019). *World Population Data Sheet, 2019*. Available from: https://population.un.org/wpp/Publications/Files/WPP2019_DataBooklet.pdf. accessed 06/08/2020

Sen, Amartya K. (1987). *Rethinking Poverty. Report on the World Social Situation 2010*. Economic and Social Affairs, available online: <https://www.un.org/esa/socdev/rwss/docs/2010/fullreport.pdf>, accessed on 05/08/2020

Stats SA (2018). *National Poverty Lines*, Statistical Release P0310.1. Available online: <http://www.statssa.gov.za/publications/P03101/P031012018.pdf>, accessed on 5/07/2020

Stats SA (2020). Mid-year population estimates 2020, Statistical Release P0302. Available online: <http://www.statssa.gov.za>, accessed on 07/08/2020

Stats SA (2020). *Gross domestic product, First quarter 2020*, Statistical Release P0441, 30 June 2020. Available online: <http://www.statssa.gov.za>, accessed on 05 July 2020

Stats SA (2020). *Tourism and Migration*, February 2020, Statistical Release PO351, available online: <http://www.statssa.gov.za/publications/P0351/P0351February2020.pdf>, accessed on 07/08/2020

Stats SA (2020). *Tourism and Migration*, May 2020, Statistical Release PO351, available online: <http://www.statssa.gov.za/publications/P0351/P0351February2020.pdf>, accessed on 07/08/2020

Stats SA (2020). *Quarterly Labour Force Survey, First Quarter 2020*, Statistical Release P0211, available online: <http://www.statssa.gov.za/publications/P0211/P02111stQuarter2020.pdf>, accessed on 07/08/2020.

Todaro, M. P and Smith, S.C. (2011). *Economic Development. South Africa's Gini Coefficient*. Tenth edition. Addison-Wesley.

UNECA (2020) Covid-19 and Export Restrictions: The Limits of International Trade Law and Lessons for the AfCFTA Available online: <https://www.un.org/africarenewal/news/coronavirus/covid-19-and-export-restrictions-limits-international-trade-law-and-lessons-afcfta>, accessed on 08/08/2020

United Nations Development Programme (2016). *Human Development Report (2016)*, Human Development for Everyone Available online:

http://hdr.undp.org/sites/default/files/2016_human_development_report.pdf, accessed on 04/08/2020

Walker S.P. et al. (2007). *Child development: risk factors for adverse outcomes in developing countries*. Available online: www.thelancet.com Vol 369, accessed on 25/01/2019

World Bank (2020). *Global Economic Prospects*, June 20. Available online: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/502991591631723294/global-economic-prospects-june-2020>, 2020 [Accessed on 21 July 2020]

World Economic Forum (2019). *The Global Competitiveness Report 2019*, available online: <https://www.weforum.org/reports/global-competitiveness-report-2019>, accessed on 05 August 2020 (also see 2017 report)

World Inequality Report (2018). Available online: <https://wir2018.wid.world/files/download/wir2018-summary-english.pdf>, accessed on 02/08/2020