

# Quarterly report on Budget implementation



Period ending 31 December 2021

*In compliance with sections 52 of the Local  
Government  
Municipal Finance Management Act No.56 of 2003*

**Quarterly report on budget  
implementation for the period ending  
31 December 2021**

To: The Mayor and members of the Council

In accordance with section 52 of the Local Government: Municipal Finance Management Act 2003 (the "MFMA"), this report is required to assess the budget implementation of !Kheis Municipality during the second quarter of the 2021/22 financial year.

Section 52 of the MFMA requires from the Mayor to submit within 30 days after the end of each quarter, a report in a prescribed format to Council on the implementation of the budget and the financial state of affairs of the municipality.



.....  
Mr. C.S van Eck (Acting Municipal Manager)

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## 1. PURPOSE

To inform Council of progress made in the implementation of the budget and the performance outcomes in respect of the third quarter of the 2021/22 financial year, and to ensure that implementation of the budget is in-line with the Service Delivery Budget Implementation Plan (SDBIP).

## 2. LEGAL REQUIREMENTS

In terms of section 52(d), of the MFMA, the quarterly report for the period 01 October 2021 to 31 December 2021 is submitted for your consideration.

In terms of the section 54 (1), (2) and (3) of the MFMA the following applies: -

(1) "On receipt of a statement or report submitted by the accounting officer of the Municipality in terms of section 52 or 72, the mayor must -

(a) consider the statement or report;

(b) check whether the municipality's approved budget is implemented in accordance with the service delivery and budget implementation plan;

(c) issue any appropriate instructions to the accounting offices to ensure -

(i) that the budget is implemented in accordance with the service delivery and budget implementation plan; and

(ii) that spending of funds and revenue collection proceed in accordance with the budget;

(d) identify any financial problems facing the municipality, including any emerging or impending financial problems; and report it to council.

## 3. IMPLEMENTATION OF BUDGET IN TERMS OF SDBIP

The quarterly report has been completed for legislative compliance.

### 3.1 Financial problems or risks facing the municipality

Currently, Ikheis Municipality is experiencing cash flow problems. A turnaround strategy has been implemented with the assistance from council and the community. The turnaround strategy has been implemented partially and will be fully implemented as we anticipate positive results which may contribute to improvement in the cash flow which result to better service delivery to all.

### 3.2 Other information

During November 2021 a new council had been elected. However, the Municipal Manager had been relieved from his duties during December 2021. The figures and information in this report is from 01 April 2022 - 30 June 2022.

## 4. EXECUTIVE SUMMARY

This quarterly report assess the performance of the municipality during the last three months of the current financial year, taking into account -

(i) revenue collected against set targets in the A7 of the original budget;

(ii) the budgeted v/s actual expenditure figures in the monthly C-schedules;

(iii) the budgeted v/s actual capital expenditure figures in the monthly C-schedules;

- (iv) the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
- (v) the budgeted cash flow in the original A schedules of the budget;
- (vi) the performance of every municipal directorate in line with the strategies set out in the SDBIP;
- (vii) Municipal Standard Chart of Accounts (mSCOA)
- (viii) Remedial steps to improve processes hampering services delivery and compliance challenges.

#### **4.1. Revenue collected**

The year-to-date (01 October 2021 – 31 December 2021) reflects an achievement of 16%. This is an decreased in relation to the similar period of the previous financial year. Notwithstanding this decrease contribute to debtors not paying they monthly accounts, !Kheis Municipality experiences challenges in terms of revenue collection:

- (a) Consumers: Low payment rate; and
- (b) State Departments: Very low payment rate.

#### **4.2. Operating expenditure**

The operating year – to- date expenditure is still in line with the budgeted amount in the A-schedules of the original budget. The municipality operating expenditure for the second quarter is R 19,251 million or 36% and the capital expenditure for the second quarter is R 16,040 million or 66% which constitute an overall amount of R 29,968 million of expenses. Expenditure items such as bad debts and depreciation are recorded at the end of the financial year. That's the reason why these expenses show unspent balances at the end of the third quarter.

#### **4.3. Capital Expenditure**

There has been no overspending against the year-to-date budget for the 2021/22 financial year. Capital expenditure budgeted for is R 16 million for the year under review. Expenditure on the Capital budget for the second quarter is R 5.8 million which was predominately spend on all MIG projects.

#### **4.4. Performance indicator**

The performance indicators for the second quarter of the 2021/2022 financial year had been measured against the strategic objectives in the SDBIP.

#### **4.5. Cash flow**

The municipality started the second quarter with a positive cash book balance. Cash and cash equivalents amounted to a positive in the cash flow of the municipality at 31 December 2021. A huge challenge that the municipality is facing, is the collection of outstanding debtors, measures was put in place for the collection of this outstanding amounts owed by the debtors. More emphasis was implemented on the collection of outstanding debt towards the Government Departments.

Conditional grants had been received and invested in line with the conditions of the grants. These funds are only spent in line with the payment schedules for the projects funded by MIG, FMG and EPWP. All of these spending on the grants should be in line with an approved business plan. No operational expenses are covered under the conditions of these grants. However, the municipality failed to meet the requirements of the conditional grants for the prior year, resulting in withholding of Equitable shares.

#### 4.6. Directorates performance

The quarterly reports on the performance targets of all directorates in the municipality had been submitted to the Performance Management Section for scrutiny and testing against targets and KPA's.

#### 4.7. Municipal Standard Chart of Accounts

The municipality implemented the mSCOA system since 01 July 2017. Since the implementation of mSCOA the municipality encounters problems with the extraction of the Section 71 report, and also facing challenges such as balancing and Income statement Budgeting.

#### 4.8. Remedial steps

The municipality is still experiencing challenges in maintaining the budgeted expenditure and income, especially on maintenance and other related expenses. The data strings on compilation of the section 71 reports are in line with the requirements from National Treasury, however, the following need further attention:

- The NT codes on the system needs had been corrected to give a better report on the financial and cash flow position of the municipality;
- Service delivery target and performance indicators had been measured against the SDBIP, through the C-schedules for the third quarter of the financial year; and
- Monthly reconciliations for current financial year had been performed and it show that the municipality will not be able to meet its priorities, because of prior year commitments. The following monthly reconciliations had been performed during the third quarter of this financial year till the end of the quarter:
  - ✓ Bank reconciliations;
  - ✓ Debtors reconciliations;
  - ✓ Payroll (salary) reconciliations;
  - ✓ Vat reconciliations; and
  - ✓ Creditors reconciliations
  - ✓ Grant reconciliations
  - ✓ Investment Register

Copies of these reconciliations are filed in line with the requirements of National Treasury, in separate file.

#### OVERVIEW OF FINANCIAL PERFORMANCE

##### 5.1 Bank and cash book balances

The bank balance according to the bank statement reflects the actual bank balance of the Municipality at a specific date, whereas the cash book balance is the difference between the total accumulated cash receipts (income) up to a given date and the total accumulated cash payments (expenses) up to the same date. The Bank balance is, therefore, the true reflection of what the Cash Book balance should been had all transactions been processed by the Municipality's financial system (SAMRAS).

Bank reconciliations are being prepared on a monthly basis. Failure to reconcile may lead to misleading financial reporting which can result into inappropriate Council decisions.

The Municipality's bank account opened the quarter with a negative balance of R -682.20 on 01 October 2021 and closed with a positive balance of R 34,136.99 on 31 December 2021. The balances for the conditional grants do not form part of the operating account for the municipality. These balances are disclosed as a portion of investments for the quarter ended.

The cashbook balance was R 4,201,638.02 on 01 October 2021. The outstanding creditors as on 31 December 2021 amount to R 48,263 million. However, the biggest outstanding creditor's amount can be attributed to the ten top creditor's, with an outstanding amount of R 25,765,656.80 million as at the 31 December 2021.

**TABLE 1: BANK AND CASH BOOK BALANCES**

DATE	BANK BALANCE	CASH BOOK	DIFFERENCE
01/10/2021	- 682.20	4,201,638.02	- 4,202,320.22
31/12/2021	34,136.99	4,229,585.57	- 4,195,448.58

## 5.2 Cash flow

The municipality started the quarter with a negative cash book balance. However, this amount had been influenced by an amount of R 48,263 mil owed towards outstanding creditor's such as the Pension fund, Salga, Boegoeberg Water Association, Department of Safety and Liason, ect. The only challenge that the municipality is facing, is the collection of outstanding debtors. Spending was not in line with the anticipated targets in the A-schedules of the original approved budget, because of the high outstanding debtors.

**TABLE 2: CASH FLOW STATEMENT**

NC084 IKheis - Table C7 Monthly Budget Statement - Cash Flow - M06 December

Description	Ref	2020/21	Budget Year 2021/22						
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %
R thousands	1								
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
<b>Receipts</b>									
Property rates	1	7,447	7,447	7,447	-	4,463	3,723	740	20%
Service charges	2,361	7,332	7,332	7,332	67	431	3,666	(3,236)	-88%
Other revenue	1,258	8,365	8,365	8,365	13	418	4,183	(3,765)	-90%
Government - operating	31,253	35,482	35,482	35,482	1,209	14,507	17,741	(3,234)	-18%
Government - capital	19,535	27,080	27,080	27,080	1,679	6,254	13,540	(7,286)	-54%
Interest	0	1,263	1,263	1,263	0	14	631	(618)	-98%
<b>Payments</b>									
Suppliers and employees	6,086	(47,422)	(47,422)	(47,422)	2,881	10,773	(23,711)	(34,484)	145%
Transfers and Grants	-	(417)	(417)	(417)	-	-	(209)	(209)	100%
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		60,493	39,130	39,130	5,849	36,859	19,565	(17,294)	-88%
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>									
<b>Receipts</b>									
Decrease (increase) other non-current receivables	-	1,865	(1,938)	(1,938)	-	-	(969)	969	-100%
<b>Payments</b>									

Capital assets	(2,604)	(16,640)	(16,640)	–	(782)	(8,320)	(7,538)	91%	(16,640)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(739)</b>	<b>(18,578)</b>	<b>(18,578)</b>	<b>–</b>	<b>(782)</b>	<b>(9,289)</b>	<b>(8,507)</b>	<b>92%</b>	<b>(18,578)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Receipts									
Increase (decrease) in consumer deposits	(114)	98	98	–	–	49	(49)	-100%	98
Payments									
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(114)</b>	<b>98</b>	<b>98</b>	<b>–</b>	<b>–</b>	<b>49</b>	<b>49</b>	<b>100%</b>	<b>98</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>59,641</b>	<b>20,650</b>	<b>20,650</b>	<b>5,849</b>	<b>36,077</b>	<b>10,325</b>			<b>20,650</b>
Cash/cash equivalents at beginning:	1,780	66	66		–	66			–
Cash/cash equivalents at month/year end:	61,421	20,716	20,716		36,077	10,391			20,650

### 5.3 Expenditure

Through the year, all expenditure items show a negative variance, which indicate a saving on that specific expenditure item.

Salaries paid to employees (excluding councilors) represent 71% of the actual expenditure amount for the second quarters. The following table summarizes the overall financial position on the operating budget in relation to the Municipality's approved budget for the 2021/22 financial year. The budget can be regarded as the operational detailed plan approved by the Council for the execution of KPA's in terms of SDBIP. The following challenges had been addressed in the budget for 2021/22:

- (i) low revenue collected for service charges;
- (ii) tariff increases not in line with market related inflation rates, but in line with National Poverty Relief Policy;
- (iii) inability of the municipality to raise loans for capital projects; and
- (iv) Compromising of repairs and maintenance.

**TABLE 3: STATEMENT OF INCOME AND EXPENDITURE**

NC084 IKheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

NC084 IKhels - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - MUG December

Description	Ref	2020/21	Budget Year 2021/22							Full Year Forecast
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	
R thousands									%	
Revenue By Source										
Property rates		3,392	10,638	10,638	93	5,219	5,319	(101)	-2%	10,638
Service charges - water revenue		4,294	7,564	7,564	396	2,307	3,782	(1,475)	-39%	7,564
Service charges - sanitation revenue		2,516	2,999	2,999	664	2,165	1,500	665	44%	2,999
Service charges - refuse revenue		3,266	3,493	3,493	1	2,017	1,746	270	15%	3,493
Rental of facilities and equipment		260	1,605	1,605	16	116	803	(687)	-86%	1,605
Interest earned - external investments		168	631	631	2	62	316	(253)	-80%	631
Interest earned - outstanding debtors		5,034	3,817	3,817	493	2,835	1,908	927	49%	3,817
Licences and permits		-	5	5	-	1	3	(2)	-69%	5
Agency services		775	1,227	1,227	7	109	614	(505)	-82%	1,227
Transfers and subsidies		35,103	32,482	32,482	1,209	14,522	16,241	(1,719)	-11%	32,482
Other revenue		329	1,366	1,366	3	54	683	(629)	-92%	1,366
Gains		276	4,599	4,599	1	169	2,300	(2,131)	-93%	4,599

<b>Total Revenue (excluding capital transfers and contributions)</b>		55,413	70,427	70,427	2,886	29,574	35,213	(5,639)	-16%	70,427
<b>Expenditure By Type</b>										
Employee related costs		31,103	31,523	31,523	2,501	15,132	15,761	(629)	-4%	31,523
Remuneration of councillors		2,988	3,057	3,057	381	1,537	1,529	8	1%	3,057
Debt impairment		5,951	6,875	6,875	-	-	3,437	(3,437)	-100%	6,875
Depreciation & asset impairment		9,656	5,295	5,295	-	-	2,647	(2,647)	-100%	5,295
Finance charges		3,915	-	-	-	-	-	-	-	-
Bulk purchases - electricity		2,660	-	-	-	-	-	-	-	-
Inventory consumed		267	1,557	1,557	-	146	778	(632)	-81%	1,557
Contracted services		3,311	4,971	4,971	1	684	2,485	(1,801)	-72%	4,971
Transfers and subsidies		221	417	417	33	202	209	(7)	-3%	417
Other expenditure		9,499	6,315	6,315	60	1,551	3,157	(1,606)	-51%	6,315
Losses		-	-	-	-	-	-	-	-	-
<b>Total Expenditure</b>		69,572	60,010	60,010	2,976	19,251	30,004	(10,753)	-36%	60,010
<b>Surplus/(Deficit)</b>		(14,158)	10,417	10,417	(91)	10,323	5,210	5,114	0	10,417
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		13,810	16,040	16,040	1,679	10,717	8,020	2,697	0	16,040
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (in-kind - all)		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		(349)	26,457	26,457	1,588	21,040	13,230	-	-	26,457
Taxation		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after taxation</b>		(349)	26,457	26,457	1,588	21,040	13,230	-	-	26,457
Attributable to minorities		-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) attributable to municipality</b>		(349)	26,457	26,457	1,588	21,040	13,230	-	-	26,457
Share of surplus/ (deficit) of associate		-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>		(349)	26,457	26,457	1,588	21,040	13,230	-	-	26,457

The above figures are explained in more detail throughout the report.

#### 5.4 Operating Income

The annual budget is approved for "Total Revenue by Source" The year-to-date reflects an achievement of 16% against the planned revenue.

The actual operating income for each department is below the anticipated budgeted income for the period of reporting, except for sewerage and sanitation. The income reflected in this schedules is accrued of levied income against line with the A-schedule for the quarter under review. Total income on the planned A-schedules for the period under review was in line for the quarter, which include grants, rate payers income and service levies.

The following revenue sources did not show any positive growth in line with the projections in the SDBIP for the third quarter:

Transaksies in RAND (ZAR) : 62026193441

FNB Verified Statement 04/09/2021

Reference Number: SMTPP54BC982

To verify this statement, please keep the above reference number and the client's ID number/business account number on hand. Visit [www.fnb.co.za](http://www.fnb.co.za), click on the 'Verify Statement' link, followed by the Verify Statement and follow the on-screen instructions. The reference number is valid for a minimum of 3 months.

Datum	Beskrywing	Bedrag	Foel	Inten. Gebruik
02 Aug	Bankkoste - Kontant Deposito Foel			
	#Kontant Deposito Foel	468.18		237 dda237
04 Aug	Bankkoste - Elektroniese Bank Toegang			
	#FNB OB Foel	4,111.21		238 1bb560
	Bankkoste - Diens Heffing			
28 Aug	#Diensfoel	40.00		239 mac560
31 Aug	#Diensfoel	95.00		240 dda237
31 Aug	#Toegevoegdewaard Foel	27.00		241 dda237
	Rente			
06 Aug	Strafrente	4.65		242 dda237
06 Aug	62026193441	3.77		243 dda237
31 Aug	62026193441	9.26 Kt		244 dda237
	Diverse			
03 Aug	Gereeld Bet Na Web Ateljee	399.00		245 znp791
04 Aug	Rtc Krediet			
05 Aug	Betaling Kt Vodss2Ypp4Mh	84,795.82 Kt		246 rtc560
06 Aug	Betaling Kt Vodsck5G7Mh	1,343.00 Kt		247 ce1988
11 Aug	Betaling Kt Vodsxg381Jnh	851.00 Kt		248 ce1988
12 Aug	Betaling Kt Vodsqc8Kgmnh	6,985.50 Kt		249 ce1988
14 Aug	Betaling Kt Vodsxnwjsnh	818.90 Kt		250 ce1988
17 Aug	Hyphen Betaaling Vanaf 2600085303Deskrom Ho	500.00 Kt		251 ce1988
17 Aug	Betaling Kt Vodspdv31Ynh	1,047.31 Kt		252 hfd560
20 Aug	Betaling Kt Vodsg59686Nh	572.00 Kt		253 ce1988
21 Aug	Betaling Kt Vods13Shd9Nh	584.46 Kt		254 ce1988
25 Aug	Betaling Kt Vodswc5Yrkph	900.00 Kt		255 ce1988
26 Aug	Betaling Kt Vods6Bf3Grph	123.50 Kt		256 ce1988
26 Aug	Betaling Kt Vodskq26Dpph	768.96 Kt		257 ce1988
27 Aug	Betaling Kt Vodsm8C21Vph	2,685.50 Kt		258 ce1988
27 Aug	Betaling Kt Vodsnd9Ytsph	FNB Proc 1015		259 ce1988
27 Aug	Gereelde Bet Van	Speedpoint00557971FNB		260 ce1988
27 Aug	Gereelde Bet Van	1811-H.Maritz		261 znp791
28 Aug	Betaling Kt Vodspz2Fxp	1812-H.Maritz		262 znp791
30 Aug	Gereelde Bet Van	Speedpoint00557971FNB		263 ce1988
		1255		264 znp791
		500.00 Kt		

Afsluitingsaldo

107,313.56Kt

62026193441 Sluitingssaldo soos op einde van

31 Julie 2021	124,943.61 Kt
2 Augustus 2021	117,560.23 Kt
3 Augustus 2021	1,883.79 Kt
4 Augustus 2021	104,201.32 Kt
5 Augustus 2021	696.60 Kt
6 Augustus 2021	10,083.36 Kt
10 Augustus 2021	6,711.88 Kt
11 Augustus 2021	31,594.13 Kt
12 Augustus 2021	43,673.03 Kt
13 Augustus 2021	24,056.30 Kt
14 Augustus 2021	24,556.30 Kt
16 Augustus 2021	18,355.86 Kt
17 Augustus 2021	19,206.67 Kt
18 Augustus 2021	24,543.37 Kt
19 Augustus 2021	43,920.96 Kt
20 Augustus 2021	1,906.95 Kt
21 Augustus 2021	2,806.95 Kt
23 Augustus 2021	57,251.85 Kt
24 Augustus 2021	57,686.75 Kt
25 Augustus 2021	3,238.15 Kt
26 Augustus 2021	95,387.80 Kt
27 Augustus 2021	89,453.55 Kt

Bladsy 6 van 7

Leweringswyse C1 R11  
PO/31/WV/DDA D1  
237

Tak Nommer	Rekeningnommer	Datum	DDA D1/IC/AV/QG/IE/CA/PC/12/SW/N	FN
237	62026193441	2021/08/31	PUBLIEKE SEKTOR TJEK REKENING	

Description	Percentage
Service charges: Water	-39%
Service charges: Sanitation	-44%
Service charges: Refuse	15%
Property Rates	- 2%
Grants	-11%

As can be seen from the above table, the year to date income was R 29,574 million for levies and grants.

The income on property rates are levied at the beginning of the period as well as on a monthly basis. No changes in the registered properties had been taken into account, because of the delay in the completion of the valuation roll for 2022,

- MIG allocation to an amount of R 8.2 million was received for the second quarter of the financial year 2021/2022. For the second quarter an amount of R 5.8 million was spend to date.

Item	Budgeted	Received	% Received
Equitable Share	27,602,000.00	10,371,000.00	37%
EPWP	980,000.00	661,000.00	67%
FMG	3,000,000.00	3,000,000.00	100%

**TABLE 4: REVENUE BY SOURCE**

NC084 IKheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

NC084 IKheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
Revenue By Source										
Property rates		3,392	10,638	10,638	93	5,219	5,319	(101)	-2%	10,638
Service charges - water revenue		4,294	7,564	7,564	396	2,307	3,782	(1,475)	-39%	7,564
Service charges - sanitation revenue		2,516	2,999	2,999	664	2,165	1,500	665	44%	2,999
Service charges - refuse revenue		3,266	3,493	3,493	1	2,017	1,746	270	15%	3,493
Rental of facilities and equipment		260	1,605	1,605	16	116	803	(687)	-86%	1,605
Interest earned - external investments		168	631	631	2	62	316	(253)	-80%	631
Interest earned - outstanding debtors		5,034	3,817	3,817	493	2,835	1,908	927	49%	3,817
Licences and permits		—	5	5	—	1	3	(2)	-69%	5
Agency services		775	1,227	1,227	7	109	614	(505)	-82%	1,227
Transfers and subsidies		35,103	32,482	32,482	1,209	14,522	16,241	(1,719)	-11%	32,482
Other revenue		329	1,366	1,366	3	54	683	(629)	-92%	1,366
Gains		276	4,599	4,599	1	169	2,300	(2,131)	-93%	4,599
Total Revenue (excluding capital transfers and contributions)		55,413	70,427	70,427	2,886	29,574	35,213	(5,639)	-16%	70,427

## 5.5 Capital Expenditure

The actual capital expenditure is 52% for the second quarters and is less than expected for the financial year.

**TABLE 5: CAPITAL EXPENDITURE AND SOURCE OF FINANCE**

NC084 (Kheis - Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, functional classification and funding) - M06 December

Vote Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands	1								%	
<b>Multi-Year expenditure appropriation</b>	2									
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-		-
Vote 2 - CORPORATE SERVICE		-	-	-	-	-	-	-		-
Vote 3 - FINANCIAL MANAGEMENT SERVICES		-	-	-	-	-	-	-		-
Vote 4 - COMMUNITY SERVICES		-	-	-	-	-	-	-		-
Vote 5 - TECHNICAL SERVICES		3,733	15,078	15,078	-	782	7,539	(6,757)	-90%	15,078
Vote 6 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-		-
Vote 7 - STRATEGIC PLANNING		-	-	-	-	-	-	-		-
<b>Total Capital Multi-year expenditure</b>	4,7	3,733	15,078	15,078	-	782	7,539	(6,757)	-90%	15,078
<b>Single Year expenditure appropriation</b>	2									
Vote 1 - MUNICIPAL MANAGER		-	-	-	-	-	-	-		-
Vote 2 - CORPORATE SERVICE		-	-	-	-	-	-	-		-
Vote 3 - FINANCIAL MANAGEMENT SERVICES		(394)	-	-	-	-	-	-		-
Vote 4 - COMMUNITY SERVICES		-	-	-	-	-	-	-		-
Vote 5 - TECHNICAL SERVICES		10,011	1,562	1,562	-	781	781	0	0%	1,562
Vote 6 - EXECUTIVE AND COUNCIL		-	-	-	-	-	-	-		-
Vote 7 - STRATEGIC PLANNING		-	-	-	-	-	-	-		-
<b>Total Capital single-year expenditure</b>	4	9,617	1,562	1,562	-	781	781	0	0%	1,562
<b>Total Capital Expenditure</b>	3	13,351	16,640	16,640	-	1,563	8,320	(6,757)	-81%	16,640
<b>Capital Expenditure - Functional Classification</b>										
<i>Governance and administration</i>		(394)	-	-	-	-	-	-		-
Executive and council		-	-	-	-	-	-	-		-
Finance and administration		(394)	-	-	-	-	-	-		-
<i>Community and public safety</i>		-	-	-	-	-	-	-		-
<i>Economic and environmental services</i>		774	600	600	-	1	300	(299)	-100%	600
Road transport		774	600	600	-	1	300	(299)	-100%	600
<i>Trading services</i>		12,970	16,040	16,040	-	1,563	8,020	(6,457)	-81%	16,040
Water management		-	5,000	5,000	-	-	2,500	(2,500)	-100%	5,000
Waste management		12,970	11,040	11,040	-	1,563	5,520	(3,957)	-72%	11,040
<b>Total Capital Expenditure - Functional Classification</b>	3	13,351	16,640	16,640	-	1,563	8,320	(6,757)	-81%	16,640
<b>Funded by:</b>										
National Government		12,970	16,040	16,040	-	1,563	8,020	(6,457)	-81%	16,040
Provincial Government		774	-	-	-	-	-	-		-
<b>Transfers recognised - capital</b>		13,744	16,040	16,040	-	1,563	8,020	(6,457)	-81%	16,040
<b>Total Capital Funding</b>		13,744	16,040	16,040	-	1,563	8,020	(6,457)	-81%	16,040

## 5.6 Operating Expenditure

The following table shows the actual operating expenditure for each source code against that planned SDBIP for the year to date of 2021/22 financial year.

**TABLE 6: OPERATING EXPENDITURE BY SOURCE**

NC084 IKheis - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - M06 December

NC084 IKhels - Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure) - 31st December										
Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance	Full Year Forecast
R thousands									%	
<b>Revenue By Source</b>										
Property rates		3,392	10,638	10,638	93	5,219	5,319	(101)	-2%	10,638
Service charges - water revenue		4,294	7,564	7,564	396	2,307	3,782	(1,475)	-39%	7,564
Service charges - sanitation revenue		2,516	2,999	2,999	664	2,165	1,500	665	44%	2,999
Service charges - refuse revenue		3,266	3,493	3,493	1	2,017	1,746	270	15%	3,493
Rental of facilities and equipment		260	1,605	1,605	16	116	803	(687)	-86%	1,605
Interest earned - external investments		168	631	631	2	62	316	(253)	-80%	631
Interest earned - outstanding debtors		5,034	3,817	3,817	493	2,835	1,908	927	49%	3,817
Licences and permits		-	5	5	-	1	3	(2)	-69%	5
Agency services		775	1,227	1,227	7	109	614	(505)	-82%	1,227
Transfers and subsidies		35,103	32,482	32,482	1,209	14,522	16,241	(1,719)	-11%	32,482
Other revenue		329	1,366	1,366	3	54	683	(629)	-92%	1,366
Gains		276	4,599	4,599	1	169	2,300	(2,131)	-93%	4,599
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>55,413</b>	<b>70,427</b>	<b>70,427</b>	<b>2,886</b>	<b>29,574</b>	<b>35,213</b>	<b>(5,639)</b>	<b>-16%</b>	<b>70,427</b>
<b>Expenditure By Type</b>										
Employee related costs		31,103	31,523	31,523	2,501	15,132	15,761	(629)	-4%	31,523
Remuneration of councillors		2,988	3,057	3,057	381	1,537	1,529	8	1%	3,057
Debt impairment		5,951	6,875	6,875	-	-	3,437	(3,437)	-100%	6,875
Depreciation & asset impairment		9,656	5,295	5,295	-	-	2,647	(2,647)	-100%	5,295
Finance charges		3,915	-	-	-	-	-	-	-	-
Bulk purchases - electricity		2,660	-	-	-	-	-	-	-	-
Inventory consumed		267	1,557	1,557	-	146	778	(632)	-81%	1,557
Contracted services		3,311	4,971	4,971	1	684	2,485	(1,801)	-72%	4,971
Transfers and subsidies		221	417	417	33	202	209	(7)	-3%	417
Other expenditure		9,499	6,315	6,315	60	1,551	3,157	(1,606)	-51%	6,315
<b>Total Expenditure</b>		<b>69,572</b>	<b>60,010</b>	<b>60,010</b>	<b>2,976</b>	<b>19,251</b>	<b>30,004</b>	<b>(10,753)</b>	<b>-36%</b>	<b>60,010</b>
<b>Surplus/(Deficit)</b>										
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		13,810	16,040	16,040	1,679	10,717	8,020	2,697	0	16,040
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>		<b>(349)</b>	<b>26,457</b>	<b>26,457</b>	<b>1,588</b>	<b>21,040</b>	<b>13,230</b>			<b>26,457</b>
<b>Surplus/(Deficit) after taxation</b>		<b>(349)</b>	<b>26,457</b>	<b>26,457</b>	<b>1,588</b>	<b>21,040</b>	<b>13,230</b>			<b>26,457</b>
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(349)</b>	<b>26,457</b>	<b>26,457</b>	<b>1,588</b>	<b>21,040</b>	<b>13,230</b>			<b>26,457</b>
<b>Surplus/ (Deficit) for the year</b>		<b>(349)</b>	<b>26,457</b>	<b>26,457</b>	<b>1,588</b>	<b>21,040</b>	<b>13,230</b>			<b>26,457</b>

Expenditure by type is way out of line in terms of SA 30 of the adopted A-Schedules budget for 2021/22. The contributing factor is the slow collection rate and cash flow challenges that the municipality had been facing over the past three financial years. The municipality did not spend any money on depreciation and assets impairment, because the system is running an update at the end of the financial year. In terms of transfers and grants, the municipality has a low expenditure rate because of low indigent registration. Finance department is currently busy with the registration of indigents in the respective wards.

## 5.7 Personnel Expenses

In terms of Section 66 of the MFMA, all expenditure that the Municipality incurred on staff salaries, wages, allowances and benefits must be reported to the Council.

The following table indicates the personnel expenses per Department

**TABLE 7: PERSONNEL EXPENDITURE PER DEPARTMENT**

NC084 IKheis - Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote) - M06 December

Vote Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
<b>R thousands</b>										
<b>Expenditure by Vote</b>	<b>1</b>									
Vote 1 - MUNICIPAL MANAGER		2,079	2,796	2,796	179	1,130	1,398	(268)	-19.2%	2,796
Vote 2 - CORPORATE SERVICE		8,343	6,676	6,676	393	2,261	3,338	(1,077)	-32.3%	6,676
Vote 3 - FINANCIAL MANAGEMENT SERVICES		18,162	19,755	19,755	679	4,669	9,878	(5,208)	-52.7%	19,755
Vote 4 - COMMUNITY SERVICES		7,550	5,345	5,345	536	3,305	2,672	632	23.7%	5,345
Vote 5 - TECHNICAL SERVICES		27,343	19,830	19,830	742	5,828	9,915	(4,087)	-41.2%	19,830
Vote 6 - EXECUTIVE AND COUNCIL		5,128	4,962	4,962	383	1,722	2,481	(759)	-30.6%	4,962
Vote 7 - STRATEGIC PLANNING		967	646	646	65	337	323	14	4.3%	646
<b>Total Expenditure by Vote</b>	<b>2</b>	<b>69,572</b>	<b>60,010</b>	<b>60,010</b>	<b>2,976</b>	<b>19,251</b>	<b>30,004</b>	<b>(10,753)</b>	<b>-35.8%</b>	<b>60,010</b>
<b>Surplus/ (Deficit) for the year</b>	<b>2</b>	<b>(349)</b>	<b>26,457</b>	<b>26,457</b>	<b>1,588</b>	<b>21,040</b>	<b>13,230</b>	<b>7,811</b>	<b>59.0%</b>	<b>26,457</b>

In order to measure the actual expenditure against the annual budget it must be in line with the projected expenditure for the quarter in review. This second quarter forecast is based on projected expenditure in accordance with the SA 26 of the A-schedules for the full financial year.

## 5.8 Debtors age analysis

The debtors by income source outstanding on 31 December 2021 were R 103 million. The challenge on the collection of outstanding debtors remains one of the main concerns for the municipality. The valuation roll had been reconciled with the age analysis to determine the existence of services rendered to property owners. A property rates register was compiled for better verification of registered properties with the deeds office in the beginning of the financial year. An updated reconciliation between the valuation roll and the SAMRAS system had been performed to determine the correctness and completeness of the valuation roll. All income policy's has been reviewed.

The following issues will be addressed that will contribute towards the increase in the revenue collection for property rates:

- Valuation certificates: will be issued once every property had been add onto the valuation roll;
- The issue of clearance certificates contribute greatly towards the income, because transfer of property depends on the issue of a property clearance certificate; and
- Incorrect client data on the SAMRAS system had been corrected with the financial system.
- Revenue enhancement strategy and all revenue related policy's must be reviewed and communicated with council and public.
- Provincial Treasury assisted the municipality relating to market related tariffs.

Variance and exception reports on all debtors' control accounts are monthly reviewed and followed up by the assistant accountant income. Journals are regularly processed to individual's debtor's accounts to correct any error that might result from the exception report.

**TABLE 8: DEBTORS AGE ANALYSIS BY DAYS**

Mun	Item	Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total -
NC084	1100	Debtors Age Analysis By Income Source									
	1200	Trade and Other Receivables from Exchange Transactions - Water	958,902	445,809	5,169	787,130	2,086	431,353	2,362,204	18,447,672	23,440,324
	1400	Receivables from Non-exchange Transactions - Property Rates	-1,942,706	60,250	385,407	3,973,322	0	12,585	396,574	12,796,388	15,681,820
	1500	Receivables from Exchange Transactions - Waste Water Management	615,816	312,773	4,047	629,279	2,024	317,534	1,360,853	10,318,512	13,561,838
	1600	Receivables from Exchange Transactions - Waste Management	876,994	446,756	3,595	891,154	1,797	446,679	1,858,663	15,345,440	19,871,078
	1810	Interest on Arrear Debtor Accounts	9,145	17,811	323	59,424	216	44,218	374,311	19,153,732	19,659,179
	1900	Other	-952,627	31,531	0	62,576	0	20,140	59,330	12,138,390	11,359,340

2000	Total By Income Source	-434,476	1,314,930	398,541	6,402,885	6,123	1,273,509	6,411,934	88,200,133	103,573,580
2200	Organs of State	677	0	0	71,948	0	0	0	435,478	508,103
2300	Commercial	-7,756	115,635	397,272	1,223,199	5,506	71,518	557,853	4,570,218	6,933,444
2400	Households	1,094,372	547,109	0	1,553,926	0	570,298	2,200,392	24,878,102	30,844,199
2500	Other	-1,521,769	652,186	1,270	3,553,812	617	631,693	3,653,689	58,316,336	65,287,834
2600	Total By Customer Group	-434,476	1,314,930	398,541	6,402,885	6,123	1,273,509	6,411,934	88,200,133	103,573,580

**TABLE 9: DEBTORS RECONCILIATION ON 30 June 2022**

IKHEIS MUNICIPALITY  
DEBTORS RECONCILIATION FOR  
DECEMBER 2021

	OPENING BALANCE - JULY 2021	MOVEMENT	CLOSING BALANCE - DECEMBER R 2021	AGE ANALYSIS	DIFFEREN CE
BELASTING/RATES	R 11,444,476.90	R 2,766,770.34	R 14,211,247.24	R 15,742,627.08	R - 1,531,379.84
GRONDVERKOPE/VOORSKOTTE/HUUR	R 0.00	R 0.00	R 0.00	R 9,249.11	R -9,249.11
WATER	R 24,500,487.68	R 3,128,573.04	R 27,629,060.72	R 26,459,987.25	R 1,169,073.47
DIVERSE/SUNDRY SERVICES	R 1,865,453.62	R 0.00	R 1,865,453.62	R 884,361.60	R 981,092.02
VULLIS/REFUSE	R 21,043,930.82	R 3,023,309.69	R 24,067,240.51	R 22,373,680.28	R 1,693,560.23
RIOOL/SEWER	R 14,130,752.62	R 2,134,785.62	R 16,265,538.24	R 15,270,788.73	R 994,749.51
ONGEALLOKEER/UNALLOCATED	R 393,493.31	R 62,944.95	R 456,438.26	R - 1,034,928.27	R 1,491,366.53
OU SKULD/OLD DEBT	R 511,772.00	R 0.00	R 511,772.00	R 12,922,096.68	R - 12,410,324.68
ADMIN	R 3,464,579.23	R 159,513.04	R 3,624,092.27	R 3,282,155.39	R 341,936.88
DEERNIS/MASAKANE/ARMLASTIG	R -2,236.78	R 43,870.68	R 41,633.90	R 48,697.08	R -7,063.18

BTW/VAT

R 13,848,884.50	R 865,483.50	R 14,714,368.00	R 7,578,842.28	R 7,135,525.72
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R 91,201,593.90	R 12,185,250.86	R 103,386,844.76	R 103,537,557.21	R -150,712.45
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TRUE	R 103,386,844.76	R 0.00	BS-Q345K
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	R 15,742,627.08
BELASTING/RATES	
GRONDVERKOPE/VOORSKOTTE/H	R 9,249.11
UUR	R 26,459,987.25
WATER	
DIVERSE/SUNDRY SERVICES	R 884,361.60
	R 22,373,680.28
VULLIS/REFUSE	
	R 15,270,788.73
RIOOL/SEWER	
ONGEALLOKEER/UNALLOCATED	R -1,034,928.27
	R 12,922,096.68
OU SKULD/OLD DEBT	
ADMIN	R 3,282,155.39
DEERNIS/MASAKANE/ARMLASTIG	R 48,697.08
BTW/VAT	R 7,578,842.28

R 103,537,557.21
------------------

Age Analysis	R 103,537,557.21
GL	R 103,386,844.76
Diff	R -150,712.45
Journals after Year end	
Nett difference	R -150,712.45

#### Explanation of Differences in reconciliations:

- Unallocated: The unallocated amount represents credit balances for payments made by debtors. The SAMRAS system is supposed to credit the debtors' accounts when the monthly levies are processed, but these balances had been growing since 1 July 2015. All reconciliation balances are cleared at the end of the financial year.
- Masakhane: The subsidy for indigents on the income and expenditure vote had been processed to the various indigent accounts on a monthly basis. The second leg of the transaction is being processed to the control account which results in the clearing of the suspense account.
- VAT: The result of the two control accounts that do not square contribute to the balance of the VAT account that does not reconcile with the age analysis.

#### 5.9 Conditional Grants and Subsidies

The Municipality did not received all payments from the State in terms of the annual Division of Revenue Act.

Description of Grant	Budget	Receipts	Difference
Operating Grants: Equitable Shares	27 602 000	10,371,000	17,231,000.00
Capital Grants	16 040 000	8,217,000.00	7,823,000.00

Only R 15,359,617.22 of the budgeted R 48,522,000.00 had been received at the end of the second quarter. However, this amount is less than the budgeted figure. The amounts can be attributed to an amount of R 5.4 million that had been deducted from the equitable shares.

The municipality is striving to ensure that all investment accounts are properly managed. The income accountant will ensure that all grants received be immediately transfer to the various investment accounts. When payment is being made, the accountant expenditure should make sure that the correct amount is being transferred to make payments on projects.

**TABLE 10: CONDITIONAL GRANTS AND SUBSIDIES**

NC084 IKheis - Supporting Table SC6 Monthly Budget Statement - transfers and grant receipts - M06 December

Description	Ref	2020/21	Budget Year 2021/22							
		Audited Outcome	Original Budget	Adjusted Budget	Monthly actual	YearTD actual	YearTD budget	YTD variance	YTD variance %	Full Year Forecast
R thousands										
<b>RECEIPTS:</b>	1,2									
<b>Operating Transfers and Grants</b>										
National Government:		-	4,880	4,880	-	-	2,440	(2,440)	-100.0%	4,880
Expanded Public Works Programme Integrated Grant for Municipalities (Schedule 5B)		-	1,880	1,880	-	-	940	(940)	-100.0%	1,880
Local Government Financial Management Grant (Schedule 5B)		-	3,000	3,000	-	-	1,500	(1,500)	-100.0%	3,000
Provincial Government:		-	-	-	-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
<b>Total Operating Transfers and Grants</b>	5	-	4,880	4,880	-	-	2,440	(2,440)	-100.0%	4,880
<b>Capital Transfers and Grants</b>										
National Government:		-	11,040	11,040	-	-	5,520	(5,520)	-100.0%	11,040
Municipal Infrastructure Grant (Schedule 5B)		-	11,040	11,040	-	-	5,520	(5,520)	-100.0%	11,040
Provincial Government:		-	-	-	-	-	-	-		-
District Municipality:		-	-	-	-	-	-	-		-
Other grant providers:		-	-	-	-	-	-	-		-
<b>Total Capital Transfers and Grants</b>	5	-	11,040	11,040	-	-	5,520	(5,520)	-100.0%	11,040
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	5	-	15,920	15,920	-	-	7,960	(7,960)	-100.0%	15,920

### 5.10 Age Creditors

The outstanding creditors as on 31 December 2021 amounts up to R 25,768,113.00. However, the biggest single outstanding creditors' amount can be attributed to our top ten creditors which is R 24,014,466.00. The municipality is striving to pay all creditors within 30 days, as being required by the MFMA, but because of the slow debtors collection, the municipality has to rely 75% on grants for commitments. The outstanding amount of the Auditor General and the practical implementation of the Audit Act remains the biggest challenge for the municipality.

TABLE 6: CREDITORS AGE ANALYSIS PER  
FUNCTION

CREDITORS AGE ANALYSIS FOR DEC 2021									
Detail	0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total
Bulk Electricity	-	-	-	-	-	-	-	-	-
Bulk Water	172,848	170,723	168,624	166,550	164,502	3,655,396	-	-	4,498,643
PAYE deductions	-	-	-	-	-	-	-	-	-
Loan repayments	-	-	-	-	-	-	-	-	-
Trade Creditors	922,923	4,014,498	362,739	744,987	525,967	446,083	392,002	8,271,911	15,681,111
Auditor General	607,076	49,688	118,066	49,926	28,203	26,437	4,708,964	-	5,588,360
Other	-	-	-	-	-	-	0	-	-
Total	1,702,848	4,234,909	649,428	961,463	718,672	4,127,915	5,100,966	8,271,911	25,768,113

### **5.11 Borrowings**

The municipality does not have any borrowings.

### **6. CONCLUSION**

Even though the actual expenditure against estimates based on the third quarter is tail far from the targets set during the budget process, actual figures show that the municipality is in a serious financial battle. The actual recovery on billings against estimates is a serious concern. Provincial Treasury conducted various trainings on the MMC and FMCMM programmes through various University and National Treasury. Treasury is also offering continuous guidance on the crucial data strings, section 71 and C-schedule reports.

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## MAYOR'S QUALITY CERTIFICATION

I, Rolf V Christie, Mayor of !Kheis Municipality, hereby certify that:

	quarterly report on the implementation of the budget and financial state of affairs of the municipality
	monthly budget statement
	mid-year budget and performance assessment

For the third quarter ended 30 June 2022 of the 2021/2022 has been prepared in accordance with the Local Government: Municipal Finance Management Act and regulations made under the Act.

Cllr RV Christie

Mayor of !Kheis Municipality [NC084]

31 December 2021